

CITY OF GREAT FALLS  
TAX INCREMENT SURPLUS

**A Sources**

1	Cash Balance	01-Jun-2008		\$	3,132,277
	Add: Estimated Tax Collections thru	15-Aug-2008			1,200,000
	Add: Estimated Interest thru	15-Aug-2008			33,000
	<b>Total Estimated Sources @</b>	15-Aug-2008			<b>4,365,277</b>

**B Uses**

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1	Debt Service Payment @	15-Aug-2008	15-Feb-2009	15-Aug-2009	Total
a	Principal	1,065,000	0	0	1,065,000
b	Interest	37,755	0	0	37,755
c	Fees	750	0	0	750
	<b>Debt Payment Subtotal</b>				<b>1,103,505</b>

2	Reserve Requirements @	15-Aug-2008			
a	Reserve Account - L-T Debt Service Reserve				771,000
	Bond Account - Current Debt Service Reserve (Resets to \$ 0 at August 15th)				
b	Principal	0 X 50%			0
c	Interest (see payment above)				0
d.	Development Account -- "Release Reserve"				561,277
e.	Restricted for Broadwater Landscaping (52,000), Misc Development (458,919-20,000 -218,000), Parking Ramp Debt Obligations pd in 2 fiscal yrs (800,000+800,000)				852,000
	<b>Reserves Required Subtotal</b>				<b>2,184,277</b>

Debt Payment and Reserve Requirements 15-Aug-2008 3,287,782

**C Potential Surplus**

\$ 1,077,495

**D Amount of Surplus to be Released**

\$ 1,000,000

**E Distribution**

	Total	City of Great Falls	Great Falls Library	Cascade County	Great Falls School District	State of Montana	Transit District
2007 Mill Levy	608.44	146.01	12.20	122.02	184.34	143.87	Note 1
Percentage Share	100.00%	24.00%	2.01%	20.06%	30.30%	23.65%	na
<b>Surplus Distribution</b>	<b>1,000,000</b>	<b>239,970</b>	<b>20,050</b>	<b>200,550</b>	<b>302,970</b>	<b>236,460</b>	na

Note 1 Contrary to statute, tax increments related to the Great Falls Transit District were not remitted to the tax increment fund prior to FY 99. T. I. surplus totalling \$152,221 was distributed to the Transit District from FY 92 through FY 97 before the increment error was discovered. Starting in FY 98 Transit District increments will be received and fully retained to recover the increment deficiencies of prior years.

**CITY OF GREAT FALLS  
TAX INCREMENT SURPLUS  
HISTORY OF DISTRIBUTIONS BY THE CITY**

Fiscal Year	Levy Year	\$ AMOUNT DISTRIBUTED TO TAXING ENTITIES						
		Totals Distributed	City of Great Falls	Great Falls Library	Cascade County	Great Falls School Distr.	State of Montana	G.F. Transit District
							Exclude Univ. Mills	
FY 1990 / 91	1990	180,786.00	59,659.38	5,423.58	43,388.64	72,314.40	0.00	0.00
FY 1991 / 92	1991	113,012.00	21,942.27	1,807.86	16,397.30	31,281.17	38,670.16	2,913.24
FY 1992 / 93	1992	628,220.01	115,537.21	9,519.31	87,523.25	194,289.10	206,011.45	15,339.69
FY 1993 / 94	1993	675,000.00	121,500.00	13,500.00	108,000.00	195,750.00	216,000.00	20,250.00
FY 1994 / 95	1994	1,111,000.00	209,000.00	22,000.00	176,000.00	308,000.00	363,000.00	33,000.00
FY 1995 / 96	1995	1,970,197.00	376,664.00	32,308.00	322,292.00	527,369.00	659,556.00	52,008.00
FY 1996 / 97	1996	1,100,000.00	198,770.00	17,050.00	189,090.00	323,400.00	342,980.00	28,710.00
FY 1997 / 98	1997	706,588.00	143,976.00	4,952.00	134,863.00	257,016.00	165,781.00	0.00
FY 1998 / 99	1998	549,945.00	94,655.00	8,085.00	81,015.00	196,790.00	169,400.00	0.00
FY 1999/00	1999	1,000,000.00	180,600.00	15,500.00	157,000.00	357,500.00	289,400.00	0.00
FY 2000/01	2000	850,000.00	163,795.00	15,895.00	145,350.00	273,870.00	251,090.00	0.00
FY 2001/02	2001	1,051,000.00	199,690.00	21,020.00	189,180.00	357,340.00	283,770.00	0.00
FY 2002/03	2002	1,640,000.00	314,880.00	36,080.00	298,480.00	574,000.00	416,560.00	0.00
FY 2003/04	2003	1,500,000.00	288,000.00	31,500.00	286,500.00	535,500.00	358,500.00	0.00
FY 2004/05	2004	960,000.00	193,601.00	19,775.00	174,572.00	339,597.00	232,455.00	0.00
FY 2005/06	2005	1,000,000.00	214,500.00	20,760.00	183,690.00	339,390.00	241,660.00	0.00
FY 2006/07	2006	1,000,000.00	217,140.00	20,580.00	205,010.00	317,470.00	239,800.00	0.00
FY 2007/08	2007	1,000,000.00	239,970.00	20,050.00	200,550.00	302,970.00	236,460.00	0.00
		<b>\$ 17,035,748.01</b>	<b>\$ 3,353,879.86</b>	<b>\$ 315,805.75</b>	<b>\$ 2,998,901.19</b>	<b>\$ 5,503,846.67</b>	<b>\$ 4,711,093.61</b>	<b>\$ 152,220.93</b>

# THE URBAN RENEWAL TAX INCREMENT DISTRICT, RELATED DEBT FINANCINGS, AND RELEASE OF TAX INCREMENT SURPLUS FUNDS

## What is Tax Increment?

This *Urban Renewal Tax Increment District* is most of the area in the oldest part of Great Falls

It was *Established in 1979* and will *End in FY 2010*

The *Tax Increment* is the increase in property taxes since the District was created.

## What is Tax Increment Used For?

The City has *Issued Bonds for Public Improvements* in the District.

The *Tax Increment Is Used to Pay Back the Bonds or to directly finance eligible activities*

The City, County and School are investing taxes to *Restore the City Center*

## What is Tax Increment Surplus?

Tax Increment now generates *More tax revenue than Needed to Pay Bonds -- A Surplus*

The Surplus is returned to tax entities in proportion to their mill levies

Surplus has been released annually since 1987.

## **Tax Increment District History**

The city center Tax Increment District was created in 1979. In FY 86/87 the City initiated annual releases of a portion of the Tax Increments determined to be unnecessary for urban renewal plans. The released levies totaled:

\$ 96,591 for FY 86/87;

\$ 114,845 for FY 87/88; and,

\$ 123,989 for FY 88/89.

All of these releases were made by annual resolutions instructing the County to release any tax increments in excess of \$2,029 per mill.

In 1989 the City issued its major Tax Increment Bond, and in 1993 most of the 1989 Tax Increment Bond was refunded. Bond covenants contain Debt Service Reserve requirements, and include a requirement that the City **directly receive** 100% of all tax increments. The purpose was to assure bond holders that first priority for all tax increments would be bond payments and required reserves. Accordingly, the tax levy for FY 89/90 and subsequent years could not provide for any release of Tax Increments through the County. The covenants also stipulate additional reserves before any release of tax increment surplus.

Due to new bond covenants, no Tax Increment release was provided for FY89/90. Since FY 90/91, analysis has shown that the City is able to:

- a. meet Debt Service Reserve requirements;
- b. issue additional bonds for construction of the Health Department Building;
- c. make current bond payments; and,
- d. annually release surplus tax increment.

Bond covenants authorize the City to use the surplus for further urban renewal, debt retirement, and/or distribution to the taxing bodies. When the Tax Increment District was created, the understanding among local government taxing bodies was that any surplus tax collections would be distributed.

A new City/County/School agreement provided for additional tax increment bonds to be issued in FY 97/98 for a City-County Health Building. The surplus distributions for FY 98/99 and thereafter are reduced due to the increased debt service obligations.

Additional debt service savings occurred in November 2002 when the 1993 T/I bonds were refunded.

Reserves were built up to required balances through past levies or directly through debt financing. The "surplus" is derived from the most current tax levies. Accordingly, the proposed surplus distribution is based upon the current annual mill levies of the taxing jurisdictions.

### **Release Of Tax Increments - Relevant Bond Covenants Review**

Section 8 of Resolution No. 8245 was amended with the adoption of Resolution No. 9268. This section prescribes the details related to required reserves, which are bond covenants, for the 1989 Tax Increment Bond issue.

Page 51 of the resolution sets the requirements which must be met before release of tax increments to taxing bodies. Financing of three reserves is required before any release:

1. RESERVE ACCOUNT - Section 8.04 (Long-term Debt Service Reserve)  
This reserve is set at \$771,000, and relates to an amount equal to the lesser of (1) the maximum Principal and Interest Requirements on outstanding bonds for the then current or any future calendar year or (2) ten percent (10%) of the aggregate original principal amount of all series of bonds then outstanding.
2. BOND ACCOUNT - Section 8.03 (Current Debt Service Reserve)  
This reserve varies relative to both the principal & interest paid per year as well as the point in time during the year when the balance is reviewed. The reserve amount is the interest due at the next interest payment date plus either:
  - a. 100% of the interest due within the next six (6) months; or,
  - b. 50% of the principal due within the next twelve (12) months.

3. DEVELOPMENT ACCOUNT - Section 8.05(e) (Release Reserve)

In addition to other permitted uses, including the payment of eligible project expenditures, provision is made in the Development Account section for release of surplus increments. However, before any release can be made another reserve requirement is added. This additional release reserve is set at 50% of the principal and interest due in the next succeeding fiscal year.

On page 49 of Resolution No. 8245, Section 8.03 makes specific reference to "all tax increment estimated to be received ... prior to the next succeeding Interest Payment Date" as a factor in measuring conformance with the Bond Account reserve requirement. Accordingly, both cash and estimated revenues should be used to analyze the potential to release tax increments to the taxing bodies. This was also verified through Bond Counsel.

**Parking Structure Financing Package Recap:**

a) Parking Fund Reserves	560,000
b) Community Block Grant Funds	300,000
c) Contributed Capital into the Parking Fund	
i) General Fund	
(1) Existing Fund Balance	500,000
(2) Special Improvement District Revolving Fund Surplus	300,000
(3) Special Lighting District Surplus	152,345
ii) Economic Development Fund	395,750
iii) Available Tax Increment Funds Designated for Construction	104,250
d) Central Garage - Equipment Revolving Fund Loans	
i) Parking Fund Payback	1,000,000
(1) Two-tiered Loan with a 25-year payback	
(2) Source of Repayment – Parking Revenues	
ii) Parking Fund Payback – (Orig. General Fund)	<u>1,020,000</u>
(1) 15-year payback	
(2) Source of Repayment – Parking Fund Balance	
 Total	 <u>\$4,332,345</u>