

JOURNAL OF COMMISSION WORK SESSION
January 20, 2015

City Commission Work Session
Civic Center, Commission Chambers

Mayor Winters presiding

CALL TO ORDER: 5:30 p.m.

ROLL CALL: City Commissioners present: Michael J. Winters, Bill Bronson, Fred Burow, Bob Jones, and Bob Kelly.

STAFF PRESENT: City Manager; Deputy City Manager; City Attorney; Directors of Fiscal Services, Library, Park and Recreation, and Public Works; Police Chief; City Engineer; and the Deputy City Clerk.

*** Action Minutes of the Great Falls City Commission. Please refer to the audio/video recording of this meeting for additional detail. ***

1. PUBLIC COMMENT

There were no comments from the public.

2. QUARTERLY BUDGET UPDATE

Fiscal Services Director Melissa Kinzler provided and discussed a handout for FY 2015 – 2nd Quarter Review, including a highlight sheet.

Director Kinzler noted franchise fees are included in Licenses & Permits. City Manager Greg Doyon reported the City will provide Charter an address list and GIS map. Once an annexation occurs, the cable franchisee at the time will be notified.

Director Kinzler reported the General Fund balance, as of December 31st, for FY 2015 of \$4.3 Million compared to FY 2014 of \$197,000. Manager Doyon noted the City is just shy of hitting the minimum target of 17% for general fund balance two years after the Southern settlement. The City is now in a position to begin discussing how to address needs beyond minimal financial requirements.

Director Kinzler also discussed the remaining \$1 Million debt from Highwood Generating Station coal. Manager Doyon added the one residual issue remaining is resolving final billing issues with Barrett Minerals.

Manager Doyon discussed departmental charges for administrative costs.

3. TAX INCREMENT FINANCING UPDATE/OVERVIEW

Community Development Services of Montana (CDS) Principal Janet Cornish provided and discussed a PowerPoint presentation on tax increment financing (TIF) overview. She also provided a handout on TIF related statutes.

Great Falls Tax Increment Financing Program

City Commission Workshop
January 20th, 2015



Tonight's Presentation

- Tax Increment Financing Overview
- Eligible Expenditures – How can TIF dollars be used?
- TIF Program Administration and Management
- Project and Program Development
- Questions and Discussion

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Tax Increment Financing

A Brief Overview



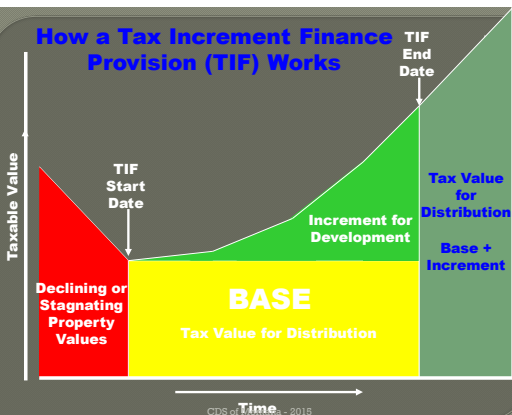
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What is Tax Increment Financing?

- Tax increment financing (TIF) is a state authorized, locally driven funding mechanism that allows cities and counties to direct property tax dollars that accrue from new development, within a specifically designated *district*, to community and economic development activities within that district.
- The laws governing TIF can be found in Montana's Urban Renewal Law, 7-15-4201 et. Seq. MCA

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How a Tax Increment Finance Provision (TIF) Works



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History of TIF in Montana

- TIF districts were first authorized in Montana in 1974.
- Beginning in 1989, the use of TIF was expanded to include Industrial Districts.
- Aerospace, Technology and Transportation Districts and Technology Districts were added in 1999 and 2005 respectively.
- In 2013, the Legislature replaced all non-urban renewal districts types with one type – Targeted Economic Development Districts or “TEDDs”
- Today there are about 50 TIF Districts in the state, having a total incremental taxable value of over \$50,000,000
- To date about 10 districts have sunsetted with an incremental taxable value of \$15.3 million

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Great Falls TIF Districts (with base years)

- Urban Renewal
 - Downtown - 2012
 - West Bank - 2007
- Industrial
 - Airport - 2008
 - East Industrial Park - 2013
 - Central Montana Agriculture and Technology Park - 2005

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What is the financial effect of TIF on individual property owners?



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There is No Financial Effect on Individual Property Owners!

- The TIF provision ONLY affects the WAY in which new property tax dollars (based on new value) are distributed.
- As always, taxes paid are based on the value of your property including new improvements.
- Property owners, benefit, however, because infrastructure improvements are made in the area in which their properties are located.

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It Takes a Big Private Investment

- Assume: \$2,000,000 dollars of appraised NEW value
- Assume: Class 4 property (residential, commercial, industrial) @2.20% (2015) = \$44,000 in taxable value.
- Assume: A mill levy of 700 (Total mill levy less the 6 mill university levy)
- Tax Increment = \$30,800



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Eligible Expenditures – How can TIF dollars be used?



See Statutes Handout

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Overview – TIF Funds may be used to:

- Undertake public revitalization and public infrastructure projects
- Encourage private sector investment
- Engage in thoughtful planning and implementation through:
 - Phased development and leveraging of funds
 - Thoughtful design
 - Intergovernmental cooperation
 - Public-private partnerships

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Allowable Uses of TIF Funds

- Land Acquisition
- Rehabilitation and Renovation
- Demolition and Removal of Structures
- Planning, Marketing and Analysis
- General Redevelopment Activities
- Constructing, improving and **connecting** to public infrastructure
- Provision of public services
- Program Administration



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Potential Funding Strategies



- TIF dollars can be used to:
 - Directly fund projects and programs
 - Retire debt
 - Leverage other funding sources, both public and private.
- Funds may be used to establish a revolving loan fund to provide financing to property owners within the district to make improvements to private infrastructure.
 - Interest rates can be set based on project feasibility
 - The revolving fund may continue in perpetuity, even after the district has "sunsetted".

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Key Issues Related to Expenditures

- TIF funds are property tax dollars and as such must be managed accordingly.
 - The public purpose of expenditures must be established.
 - The purchase of goods and services must follow regular procurement policies established by the local government.
 - Infrastructure should be designed to benefit more than a single developer or property owner.

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Remember: TIF is only one of Several Tools!

- State and Federal Loans and Grants
- Special Improvement Districts
- Public-Private Partnerships
- Developer Financed Infrastructure Improvements

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Administration and Management



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First: Understanding our Charge



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Authority for Urban Renewal

7-15-4209 MCA. A municipality may formulate a workable program for utilizing appropriate private and public resources:

- (a) to eliminate and prevent the development or spread of blighted areas;
- (b) to encourage needed urban rehabilitation;
- (c) to provide for the redevelopment of such areas; or
- (d) to undertake such of the aforesaid activities or other feasible municipal activities as may be suitably employed to achieve the objectives of such workable program.

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Authority for TEDDs and TIFIDs

- 7-15-4279 MCA. The purpose of the district is the development of infrastructure to encourage the location and retention of value-adding projects in the state.
- (a) "secondary value-added products or commodities" means products or commodities that are manufactured, processed, produced, or created by changing the form of raw materials or intermediate products into more valuable products or commodities that are capable of being sold or traded in interstate commerce;
- (b) "secondary value-adding industry" means a business that produces secondary value-added products or commodities or a business or organization that is engaged in technology-based operations within Montana that, through the employment of knowledge or labor, adds value to a product, process, or export service resulting in the creation of new wealth.

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Program Activities are Guided by:

- Growth Policies
- Urban Renewal Plans
- Development Plans (non-urban renewal districts)
- Concept and Design Plans
- Other Planning Documents
 - Historic Preservation
 - Capital Improvements
 - Housing
 - Transportation
 - other



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Management Options

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Structures

- Urban Renewal TIF Programs **may** be administered under a separate Urban Renewal Agency, authorized by the local government or the governing body can serve as the Urban Renewal Agency
- Non-Urban Renewal TIF programs are administered by the local governing body and may make use of advisory boards and committees.
- The local governing body always has final budget authority (through annual budgets and/or individual project approval).

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Urban Renewal Agencies

- A local governing body may elect to have urban renewal powers assigned to an urban renewal agency, which is a public body corporate.
- The agency is governed by five commissioners appointed by the City Commission or Council
- Urban renewal agency commissioners must reside in the municipality.

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Agency Responsibilities

- Conduct Urban Renewal Activities
- Formulate annual budgets and work plans
- Provide the governing body with annual reports
- Work to maintain the TIF accounts within the local government's budget
- Hire staff and contract for services

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TIF Advisory Boards

- ABs are not statutorily authorized, but can serve as an important tool to secure public involvement and provide oversight for the program.
- ABs can take a more in-depth look at projects and programs and in turn provide meaningful input to the governing body to foster sound decision making.

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Suggested AB Responsibilities

- Prepare an Annual Work Plan for submittal to the governing body
- Work with staff to maintain the TIF accounts within the local government's budget
- Conduct engineering studies and project feasibility analyses
- Identify public infrastructure and/redevelopment projects
- (more)

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Responsibilities (continued)

- Review proposed projects
- Make sure all procurement rules are followed in project development and implementation
- Monitor approved projects



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Suggested Annual Work Plan Contents

- Anticipated Increment Revenue for the Year
- Project Priorities and Associated Costs (more)
- Financing Strategies Anticipated
 - Direct Increment Revenue
 - Debt Financing
 - Other Sources of Funding
- Administrative Budget for the Board including staff and consulting services



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Around the State....

- TIF Advisory Boards
 - Jefferson County (TIFID and Urban Renewal)
 - Missoula County (TIFID and TEDD)
 - Stevensville (TIFID and TEDD)
 - Butte-Silver Bow (TIFID)
- Urban Renewal Agencies
 - Butte
 - Missoula
 - Livingston

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Other Models

- Community Development and Planning Departments manage programs
- Outside contractors manage programs
 - Local Development Corporations
 - Downtown and Main Street Groups

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Project and Program Development and Review



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Project Identification

- Based on:
 - Statutory Authority
 - Planning Goals and Objectives (Urban Renewal or Area Development Plan)
 - Internal and External Requests
- Limited by:
 - Financial Resources
 - Available Information

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Project Types

- Feasibility Studies
 - Market Analyses
 - Engineering Studies and Reports
- Public-private partnerships
 - Revitalization Activities
 - Public Infrastructure Investments
- Capital Projects
 - Direct Financing
 - Leveraged Financing
 - Matching funds
 - Seed monies
- Programs and Services
 - Public Safety
 - Events



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Great Falls' TIF Project Review Process



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Staff Review Group

- Department Heads representing:
 - Fiscal Services
 - Planning and Community Development
 - Park & Recreation
 - Public Works department heads
- The Deputy City Manager

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Evaluation Criteria (City of Great Falls)

- Public Infrastructure Improvements
- Economic Stimulus
- Tax Generation
- Employment Generation
- Elimination of Blight
- Special or Unique Opportunities
- Impact Assessment
- Financial Assistance
- Developer Feasibility and Performance
- Timely Completion
- Payment of Taxes

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Questions and Discussion

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Ms. Cornish noted statute authorizes TIF districts for a period of 15 years, but may be extended an additional 25 years.

Commissioner Kelly questioned if a fire station could be built in a TIF district and the City access the increment taxes to help build that infrastructure, knowing the fire station would service the district and the community.

Ms. Cornish responded that is an allowable expense. She believes that by showing the cost of serving a particular area has put a particular burden on a public safety department, the TIF district could pay that portion of the cost. Once the infrastructure is inside the district, she also believes TIF funds could be used.

Manager Doyon discussed challenges of using that revenue source for police and fire, both general fund entities.

Ms. Cornish discussed issues involved in returning unused increment funds and guidelines for extending a TIF district.

4. DISCUSSION OF POTENTIAL UPCOMING WORK SESSION TOPICS

City Manager Greg Doyon provided a handout Master Work Session Topic List. A Meet and Greet reception is scheduled on February 3, 2015. The rotating department update will continue on February 17, 2015.

ADJOURN

There being no further discussion, Mayor Winters adjourned the informal work session of January 20, 2015, at 6:49 p.m.