

# Public Sector Advisors



PRESENTATION TO:

# The City of Ramsey

## Proposed TIF District

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PRESENTERS:

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# What is Fiscal Disparities (FD)?

- **A method of sharing commercial and industrial (C/I) tax base growth amongst metro cities**
- **A portion of C/I tax base growth is contributed to regional pool, Ramsey contribution is 41.9115%**
- **The pooled tax base is redistributed to cities through a formula based on population and market value of property**
- **Program enhances the tax bases of communities with lower tax capacities, reducing disparity between communities**

# Fiscal Disparities – City Contribution

- **2010 Current Tax Capacity - \$25,384,228**
- **2010 Captured TIF Tax Capacity – (\$3,799,536)**
- **2010 Fiscal Disparities Contribution – (\$2,797,825)**
  - Taxable Net Tax Capacity (TNTC) - **\$18,786,867**
  - TNTC is the value which the City's combined levy is spread against, resulting in Tax Rate.
- **The City contributes \$2,797,825 to the Fiscal Disparity Pool for redistribution**

# Fiscal Disparities – City Distribution

- The City is a net recipient from the redistribution of Fiscal Disparities
- For 2010 the City received a distribution of \$3,665,400 of Fiscal Disparity Tax Capacity
- The FD distribution is multiplied by the previous year's tax rate resulting in the area wide levy
- Area wide levy:  $\$3,665,400 \times 39.263\% = \$1,439,199$

# Fiscal Disparities – Effect on Tax Rate

- **Tax rate = Local Levy / TNTC**
- **Local Levy = Certified Levy – Area Wide Levy**

2010 Certified Levy	\$8,542,330
2010 Area Wide Levy	- <u>\$1,439,199</u>
2010 Local Levy	\$5,964,292
- **Tax Rate = Local Levy / TNTC**
  - \$5,964,292 / \$18,786,867 = 37.809% Tax Rate
- **Distribution of FD through Area Wide Levy reduces the Local Levy, and ultimately the Tax Rate**

# Fiscal Disparities – City Benefit

- **The City benefits from the distribution of Fiscal Disparities because it receives a greater tax capacity from FD than it contributes.**
- **Contributes \$2,797,825 in FD Tax Capacity and receives a Distribution of \$3,665,440**
- **Assumption is that the City will continue to be a beneficiary of Fiscal Disparities throughout term of TIF District**

# Fiscal Disparities and TIF District

- At the time of district creation City has the option of electing to make the Fiscal Disparity contribution either from *Outside the TIF District (Option A)* or from *Within the TIF District (Option B)*
- Option A results in greater TIF revenue for the City, but decreases the Taxable Net Tax Capacity of the City resulting in a higher tax rate
- Option B results in less TIF revenue, but does not affect the Taxable Net Tax Capacity

# Fiscal Disparities and TIF Calculation

<b>Hypothetical 2021 TIF Calculation</b>		
<b><u>TIF Calc Option A</u></b>		<b><u>TIF Calc Option B</u></b>
<b>\$7,220,288</b>	<b>Total TC of District</b>	<b>\$7,220,288</b>
<b>-\$1,724,713</b>	<b>Less: Base Value of District</b>	<b>-\$1,724,713</b>
<b>-0</b>	<b>Less: Fiscal Disparity Contribution (41.9115% of Commercial value under Option B)</b>	<b>-\$1,873,846</b>
<b>= \$5,495,575</b>	<b>Captured TC of TIF District</b>	<b>= \$3,621,729</b>
<b>X 99.566%</b>	<b>Total Tax Rate</b>	<b>X 99.566%</b>
<b>= \$5,471 724</b>	<b>Total TIF</b>	<b>= \$3,606,011</b>

## Fiscal Disparities and TIF Calculation (Cont)

- **The City would receive greater amount of TIF Revenue under Option A, due to the Fiscal Disparities portion of the new C/I property being captured within the District**
- **Results in greater TIF revenue of \$1,865,713 for our hypothetical 2021 TIF Calculation**
- **However, this amount must still be contributed to the Fiscal Disparity Pool, regardless of which option is selected**

# Fiscal Disparities Contribution

<b>Hypothetical 2021 Tax Capacity Calculation</b>		
<b><u>TIF Calc Option A</u></b>		<b><u>TIF Calc Option B</u></b>
<b>\$30,743,496</b>	<b>Total TC of City</b>	<b>\$30,743,496</b>
<b>-\$5,495,575</b> ( <b>\$3,621,729 +</b> <b>\$1,873,846)</b>	<b>Less: Current Year TIF Captured</b>	<b>-\$3,621,729</b>
<b>-\$1,873,846</b>	<b>Less: Fiscal Disparity Contribution</b> ( <b>41.9115% of Commercial under</b> <b>Option B)</b>	<b>-\$1,873,846</b>
<b>= \$23,374,075</b>	<b>Taxable Net Tax Capacity (TNTC)</b>	<b>= \$25,247,922</b>
<b>= \$1,873,846</b>	<b>TNTC is reduced under Option A</b> <b>by Fiscal Disparities Amount</b>	

# Fiscal Disparities Area Wide Levy Calculation

- **Assuming City will receive an area wide contribution in Hypothetical 2021 Scenario, regardless of which option is selected as both result in the FD Contribution to the Pool**
  - 2021 Estimated FD Contribution: \$1,873,846
  - 2021 Estimated FD Distribution based on current formula: \$2,454,738
  - Estimated Area Wide Levy based on assumed tax rate of 37.809% = 928,112
- **Estimated Area Wide Levy same under both options**

# Fiscal Disparities Effect on Tax Rate

<b>Hypothetical 2021 Tax Rate Calculation</b>		
<b><u>TIF Calc Option A</u></b>		<b><u>TIF Calc Option B</u></b>
<b>\$9,546,014</b>	<b>Hypothetical Certified 2021 Levy</b>	<b>\$9,546,014</b>
<b>-\$928,112</b>	<b>Less: Area Wide Levy</b>	<b>-\$928,112</b>
<b>\$8,617,902</b>	<b>= Local Levy</b>	<b>\$8,617,902</b>
<b>/ \$23,374,075</b>	<b>Taxable Net Tax Capacity (TNTC)</b>	<b>/ \$25,247,922</b>
<b>= 36.869%</b>	<b>Local Tax Rate</b>	<b>= 34.133%</b>
<b>= 2.736%</b>	<b>The increase in Tax Rate as a result of Option A</b>	

## Fiscal Disparities Effect on Tax Rate (Cont)

- **Electing the contribution of Fiscal Disparities from outside the TIF District (Option A) results in greater Tax Increment Revenue**
- **But since the contribution is still made it negatively impacts the City's Taxable Net Tax Capacity**
- **Results in a higher tax rate needed to fund the same general levy amount, compared to Option B**
- **Result in anticipated higher property tax cost for individual properties**

# Fiscal Disparities Effect on Project Funding

- **Option A results in greater TIF Revenue allowing more project costs to be funded through TIF Revenue**
- **If the project costs identified in Option A were funded under Option B, the City would need to levy for the difference in TIF revenue**
- **The estimated impact on the tax rate of funding maximum project costs under Option A is projected to be less than under Option B + a Debt Service Levy**
- **Only relevant if the amount of projects capable of being funded under Option B is insufficient**

# Fiscal Disparities Effect on Tax Rate

<b>Hypothetical 2021 Funding Calculation</b>		
<b><u>TIF Calc Option A</u></b>		<b><u>TIF Calc Option B</u></b>
<b>\$4,906,823</b>	<b>TIF Available for Debt Service</b>	<b>\$3,233,726</b>
<b>+\$0</b>	<b>Plus: Debt Service Levy</b>	<b>+\$1,673,097</b>
<b>\$4,906,823</b>	<b>= Total Amount for Funding Debt</b>	<b>\$4,906,823</b>
<b>\$9,545,987</b>	<b>Hypothetical Levy Amount = \$9.5M GF + \$1.6M D/S for Option B</b>	<b>\$11,219,084</b>
<b>/ \$23,374,075</b>	<b>/ Tax Capacity (Option A Adjusted for FD)</b>	<b>/ \$25,247,922</b>
<b>= 40.8401%</b>	<b>Effective Tax Rate</b>	<b>= 44.4357%</b>
<b>Cost of Using Option B + D/S Levy, compared to Option A</b>		<b>3.5956%</b>

# Proposed TIF Plan Expense Budget

Estimated Expenses	TIF Budget (Option A)		TIF Budget (Option B)
Land/Building acquisition, Special Assessments, Public Utilities, Site Improvements/Preparation Costs, Northstar Transit Station and related infrastructure, and other Eligible Improvements *Project costs based on Present Value of TIF assuming an interest rate of 6%	\$61,825,343		\$40,082,416
Bond/Note Interest Payments	105,312,690		67,219,151
Administrative expenses	18,570,896		11,922,397
<u>Other Expenditures</u>			
Capitalized Interest payments			
<b>Total</b>	<b>\$185,708,929</b>		<b>\$119,223,964</b>

# Proposed TIF Plan Revenue Budget

<b>Estimated Revenues</b>			
Tax Increment revenue	\$185,708,929		\$119,223,964
Interest on invested funds	0		0
Bond proceeds	0		0
Loan proceeds	0		0
Grants	0		0
Other	<u>0</u>		<u>0</u>
<b>Total</b>	<b>\$185,708,929</b>		<b>\$119,223,964</b>

# Proposed TIF Plan Budgets

- **Election of Option A or B has significant impact on TIF Plan Budget**
- **The TIF Plan Budget provides the authority for expenditures totaling those amounts, but does not require the expenditure of those amounts**
- **Under current statute the City will be able to adjust individual line-items without a public hearing, provided the total budget amount is not increased**
- **A public hearing would be required to increase the total budget from the approved amount**

# Questions

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