

SPECIAL REVENUE FUNDS

TAX INCREMENT FINANCING (TIF) FUND - DOWNTOWN

GENERAL INFORMATION:

This fund was first established in order to separately account for the incremental taxes collected and debt service payments on an April 1980 bond issue for \$780,000. This issue represented the permanent financing of a downtown project known as Urban Renewal Project No. 2, which incorporated one-half of a City block. Debt service requirements on the Tax Increment Revenue Bonds were funded from incremental taxes received from the property benefited from the project. The incremental tax levy is the total current levy of the City, County, and School less the total debt service levy for those governmental units. The tax levy is applied to the additional value of the property above the initial frozen value as determined at the beginning of the project. In November of 1995 the balance in the Downtown Tax Increment Fund was sufficient to call all outstanding bonds relating to the 1980 tax increment bond issue.

In August of 1994 the City expanded the Downtown Urban Renewal Area originally created for Project No. 2, to incorporate a much larger area including most of the downtown and the riverfront. As a result of state mandated reductions in commercial property values, the Downtown TIF was restructured in 1996. The current Downtown TIF includes most city owned properties in the immediate downtown area and only those private properties that produce a significant increment.

Improvement costs were incurred by the City beginning in 1995 for the acquisition of property, demolition costs, and the development of a public parking lot across from City Hall. The new parking lot opened in 1996. Interim financing notes were used to finance the improvement costs until the long term bonds were issued June 26, 1997 in the amount of \$1,795,000. This issue funded the Downtown Parking Lot Project previously mentioned as well as the Downtown Streetscaping Project, City Hall building improvements, and improvements to the heating, ventilation and air conditioning (HVAC) system at the City's Public Safety Building. The final payment on this issue was made in 2010/2011.

In September of 1998 the Council amended the Downtown TIF to include new increment-producing properties. This action was consistent with the direction and intent that the City Council established in August of 1994 when they first amended the Downtown TIF area.

In 2003/2004 the City acquired the Hawkeye Lumber property located in the riverfront area. Downtown tax increment funds were used to finance the purchase with \$10,878 of project costs funded from the available balance in this fund and \$420,000 funded from Tax Increment revenue bonds sold in April of 2004. The final payment on this issue will be made in 2011/2012.

CURRENT TRENDS AND ISSUES:

Since 2008/2009 the City has not claimed the full amount of incremental taxes due to the balance which had accumulated in the Downtown Tax Increment Fund. The amount claimed for the 2008/2009 year was approximately \$100,000 less than the total that would have been available. This allowed a portion of the incremental values to go back to regular taxable valuations for all the local taxing entities. In 2009/2010 the City claimed approximately \$172,600 less than the amount that would have been available. In 2010/2011 a property tax appeal reduced the increment available from this area and the increment claimed was approximately \$140,000 less than the amount available. For 2011/2012 the amount claimed was \$125,000 less than the amount available. For 2012/2013 the amount claimed is \$210,000 which is approximately \$129,000 less than the amount available.

The 2011/2012 revised estimate expenditures include a \$57,716 tax rebate to the HNI Corporation. This is the final year of the 15 year rebate agreement with HNI.

In 2009/2010 the City completed a number of capital projects in the Downtown Tax Increment area which were funded from the TIF portion of the June 2010 general obligation bond issue. The TIF portion of the bond issue totaled \$1,535,000. These bonds will be repaid with future incremental taxes from the downtown area. Improvements funded from this issue included improvements to the 3rd and Chestnut parking lot, resurfacing of other downtown parking lots, downtown handicapped ramps, Cedar Street resurfacing, improvements on the Riverfront related to the 2008 floods, and funds to replace the boiler at City Hall. The 2004 debt issue will be retired in 2011/2012. Debt service payments on the new issue were structured to lessen the impact from the new issue with 2011/2012 debt requirements of \$70,225. The 2012/2013 debt requirements on this issue are \$209,625.

Tax Increment Fund - Downtown

Fund Statement

	<u>Actual 2009/2010</u>	<u>Actual 2010/2011</u>	<u>Budget 2011/2012</u>	<u>Revised Estimate 2011/2012</u>	<u>Budget 2012/2013</u>
Beginning Balance, July 1	\$ 531,854	\$ 426,769	\$ 80,918	\$ 81,062	\$ 77,108
Revenues					
Incremental Taxes	\$ 198,809 (1)	\$ 201,988 (2)	\$ 210,000	\$ 212,400 (3)	\$ 210,000 (4)
Interest	<u>2,371</u>	<u>944</u>	<u>200</u>	<u>200</u>	<u>200</u>
Total Revenues	<u>\$ 201,180</u>	<u>\$ 202,932</u>	<u>\$ 210,200</u>	<u>\$ 212,600</u>	<u>\$ 210,200</u>
Funds Available	<u>\$ 733,034</u>	<u>\$ 629,701</u>	<u>\$ 291,118</u>	<u>\$ 293,662</u>	<u>\$ 287,308</u>
Expenditures:					
Bonds	\$ 215,000	\$ 375,000 (5)	\$ 85,000	\$ 85,000	\$ 0
Interest	34,700	23,787	3,613	3,613	0
Tax Rebate - HNI	56,565	57,127	57,100	57,716 (6)	0
TIF Administrative Fee	0	1,500	0	0	0
Transfers:					
Bonds	0	50,000	30,000	30,000	170,000
Interest	<u>0</u>	<u>41,225</u>	<u>40,225</u>	<u>40,225</u>	<u>39,625</u>
Total Expenditures	<u>\$ 306,265</u>	<u>\$ 548,639</u>	<u>\$ 215,938</u>	<u>\$ 216,554</u>	<u>\$ 209,625</u>
Ending Balance, June 30	<u><u>\$ 426,769</u></u>	<u><u>\$ 81,062</u></u>	<u><u>\$ 75,180</u></u>	<u><u>\$ 77,108</u></u>	<u><u>\$ 77,683</u></u>

Increase (Decrease) in Fund Balance	\$ (105,085)	\$ (345,707)	\$ (5,738)	\$ (3,954)	\$ 575
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1. For the 2009/2010 year, the City certified approximately \$172,600 less than the total available increment.
2. For the 2010/2011 year, the City certified approximately \$140,000 less than the total available increment.
A property tax appeal reduced the increment in total by \$804,060.
3. For the 2011/2012 year, the City certified approximately \$125,000 less than the total available increment.
4. For the 2012/2013 year, the City certified approximately \$129,000 less than the total available increment.
5. The 2011/2012 bond payments included \$150,000 to call the bonds from the June 26, 1997 issue originally scheduled for maturity on June 1, 2012 on June 1, 2011. This resulted in an interest savings of \$8,625.
6. FY 2011/2012 will be the final year of the 15 year TIF rebate agreement with HNI.

TAX INCREMENT FUND - DOWNTOWN

STATEMENT OF BOND AND INTEREST REQUIREMENTS

**Urban Renewal Tax Increment Revenue Bonds
Hawkeye Lumber Property Acquisition
\$420,000 Issue Dated April 23, 2004**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011/12	<u>\$ 85,000</u>	<u>\$ 3,613</u>	<u>\$ 88,613</u>

TAX INCREMENT FUND - DOWNTOWN

STATEMENT OF BOND AND INTEREST REQUIREMENTS

**General Obligation Bonds Funded from
Downtown Urban Renewal Tax Increment Revenues
3rd and Chestnut Parking Lot Reconstruction,
Downtown Parking Lots, Street and Alley Resurfacing,
Riverfront Flood Repairs, and City Hall Boiler Replacement
\$1,535,000 of \$7,425,000 Issue Dated June 1, 2010**

Fiscal Year	Principal	Interest	Total Requirements
2011/12	\$ 30,000	\$ 40,225	\$ 70,225
2012/13	170,000	39,625	209,625
2013/14	170,000	36,225	206,225
2014/15	175,000	32,825	207,825
2015/16	180,000	28,450	208,450
2016/17	180,000	23,050	203,050
2017/18	185,000	17,650	202,650
2018/19	195,000	12,100	207,100
2019/20	200,000	6,250	206,250
Total	\$ 1,485,000	\$ 236,400	\$ 1,721,400

Principal and interest payments for this general obligation bond issue are made from the Debt Service Fund. Incremental taxes from the Downtown TIF area will fund principal and interest requirements on this issue as they become due.