



REDEVELOPMENT AGENCY AGENDA STAFF REPORT
MEETING DATE: April 23, 2012

Title: Consideration, discussion, and possible approval of the Chief Administration Officer's Final Budget recommendations for the City of Sparks Redevelopment Agency, Areas 1 & 2, for fiscal year 2012-2013.
Petitioner: Shaun Carey, Chief Administrative Officer Presenter: Jeff Cronk, CPA, Chief Financial Officer
Recommendation: That the Agency Board approve the Chief Administrative Officer's recommendations for the 2012-2013 Final Budget.
Financial Impact: Establishing the Agency's budget for Fiscal Year 2012-2013.
Business Impact (Per NRS 237) <input type="checkbox"/> A Business Impact Statement is attached. <input checked="" type="checkbox"/> A Business Impact Statement is not required because this is not a rule. <input type="checkbox"/> A Business Impact Statement is not required. This is a rule but does not impose a direct and significant economic burden on a business, or directly restrict the formation, operation or exemption of a business. <input type="checkbox"/> A Business Impact Statement is not required. Thus is a rule but emergency action is necessary to protect the public health and safety (requires a unanimous vote of the City Council and cannot be in effect for more than six months).
Agenda Item Brief: This agenda item provides the Agency's Board with the Chief Administrative Officer's recommendations for the fiscal year 2012-2013 budget for the City of Sparks Redevelopment Agency, Areas 1 & 2.

BACKGROUND & ANALYSIS:

The Agency's Chief Administrative Officer and Chief Financial Officer are presenting the Chief Administrative Officer's final budget recommendations for fiscal year 2012-2013. Today, the Agency Board is asked to direct staff in preparing the Agency's final budget document for submission to the State of Nevada. City staff has filed the tentative budget for the fiscal year 2012-2013, and the Agency Board will receive public comment on the fiscal year 2012-2013 tentative budget on Tuesday morning, May 15, 2012 at 9:00 am. Immediately following the public hearing on the 2012-2013 tentative budget at 9:00 am, the Chief Administrative Officer and Chief Financial Officer will then present the final budget which will be prepared based upon direction received today. The final budget must be filed with the Nevada Department of Taxation by June 1 annually. During years in which the Legislature is in session, should the Legislature take action which affects the City's budget for the subsequent fiscal year, an additional 30 days would be granted to file an amended budget with the Nevada Department of Taxation.

Attached to this agenda are summary financial information for the Redevelopment Agency Areas 1 & 2, and a presentation providing an overview of the expectations and recommendations for fiscal year 2012-2013.

ALTERNATIVES:

Agency members could also choose alternatives other than those presented today, and direct staff to prepare a final budget for fiscal year 2012-2013.

RECOMMENDED MOTIONS:

I move to approve the Chief Administrative Officer's recommendations for the City of Sparks Redevelopment Agency, Areas 1 & 2, final budget for fiscal year 2012-2013.

Respectfully Prepared & Submitted by:
Jeff Cronk, CPA, Chief Financial Officer

Approved:
Shaun D. Carey, Chief Administrative Officer

City of Sparks
Redevelopment Agency

FY '13 Budget Presentation

City Manager Recommendations

April 23, 2012

City of Sparks

Redevelopment Area #1 Overview
& Recommended FY '13 Budget

- FY '13 Property Tax Revenues are expected to decline by 3.4%
- Expenditures expected to remain consistent with FY '12 & include:
 - ✓ Debt Service payments of \$2.6M;
 - ✓ Common Service Charges of \$304K;
 - ✓ Special Events subsidy \$119K;
 - ✓ Other expenses of \$257K (incl. \$100k trans. to Tourmark Fund)
- Unrestricted ending fund balance should be ~ \$1.0M
 - ✓ Additional fund balance of ~\$2.2M is restricted for tax increment bond reserves

City of Sparks

Redevelopment Area #1 Overview & Recommended FY '13 Budget

- Exp's are expected to be greater than Rev's by about \$520K
- At current pace of Fund Balance "burn", it is expected that by FY '15 or FY '16, the G.F. will need to begin subsidizing Area #1 costs
 - ✓ The planned \$100k transfer to the Tourmark Fund is not expected to occur after FY '13, thus reducing the fund balance "burn" rate
- A financial summary of FY '13 expectations and recommended budget as well as detailed debt information for Redevelopment Area #1 is presented on the next slide



Sparks RDA #1 Financial Overview		FY '13 Est.	Comments	
Revenues		\$2,756,312	3.4% Decline in Property Tax Revenue Expected	
Expenses:				
Debt Service	\$2,596,223			
Common Service Charges	\$304,184			
Special Events Subsidy	\$119,091			
Other Operating Exp's	\$257,289	\$3,276,787		
Net Revenues/(Expenses)		(\$520,475)		
Est. FY '13 Unrestricted Beginning Fund Balance		\$1,543,259		
Est. FY '13 Unrestricted Ending Fund Balance		\$1,022,784	(Assuming an additional \$2.2M for tax increment bond reserves)	
Est. Fund Balance Coverage Ratio of Net Expenses		2.0	(By FY '15 or '16, the General Fund would need to begin subsidizing costs)	
** City Issued Debt Partially Paid by RDA #1				
	Tax Increment	2011 CTAX	2007 CTAX	Total RDA
	Refunding Bonds	Refunding Bonds	Refunding Bonds	Debt Service
Original Issue Amount	\$22,165,000	\$4,180,000	\$13,635,000	
Issue Date	5/11/2010	5/12/2011	2/15/2007	
Maturity Date	1/15/2023	5/1/2018	5/1/2026	
Interest Rate	4.0% - 5.375%	3.05%	4.09%	
FY '12 Principal Payment	\$1,350,000	\$20,000	\$595,000	
FY '12 Interest Payment	\$939,281	\$123,442	\$321,883	
Total FY '12 Debt Service	\$2,289,281	\$143,442	\$916,883	
Total FY '12 Debt Service Paid by RDA	\$2,289,281	\$41,598	\$263,131	\$2,594,010
6/30/12 Debt Outstanding	\$19,210,000	\$4,160,000	\$7,275,000	
FY '13 Principal Payment	\$1,405,000	\$645,000	\$0	
FY '13 Interest Payment	\$885,281	\$112,164	\$297,548	
Total FY '13 Debt Service	\$2,290,281	\$757,164	\$297,548	
Total FY '13 Debt Service Paid by RDA	\$2,290,281	\$219,578	\$86,365	\$2,596,223
6/30/13 Debt Outstanding	\$17,805,000	\$3,515,000	\$7,275,000	
		FY '13 D.S. from RDA-Issued Debt =	\$2,290,281	
		FY '13 D.S. from City-Issued Debt =	\$305,942	
		Total FY '13 RDA Debt Service =	\$2,596,223	
** City Issued Debt Partially Paid by RDA #1 Notes:				
1) Both bonds are issued in the City's name, but about 29% (\$305,942 in FY '13) is allocated to RDA #1 for Victorian Square portion of the original bonding project				
2) The 2007 Refunding bonds will be interest only until FY '19 after the 2011 Refunding bonds mature				
3) \$2,181,295 remains in Capital Projects Fund as unspent bond proceeds which can be used for projects or debt service				
-- Recommended use of bond proceeds includes \$1.2M for C Street parking garage repairs, & \$980k for City Hall electrical upgrades				

Redevelopment Area #1 Questions??

City of Sparks

Redevelopment Area #2 Overview & Recommended FY '13 Budget

- FY '13 Property Tax Revenues are expected to increase by 3.1%
- Expenditures expected to decrease 8.3% from FY '12 & include:
 - ✓ Debt Service payments of \$3.0M;
 - ✓ Special Assessment charges of \$93K from property owned
 - ✓ The primary reason for the 8.3% decrease in exp's is removal of Common Service Charges which totaled \$232K in FY '12
- Unrestricted ending fund balance should be ~ \$0
 - ✓ Additional fund balance of ~\$2.3M is restricted for tax increment bond reserves

City of Sparks

Redevelopment Area #2 Overview & Recommended FY '13 Budget

- Exp's are expected to be greater than Rev's by about \$652K
- With a razor-thin fund balance projected, the General Fund can be expected to subsidize RDA #2 debt service costs by at least FY '14, but possibly FY '13 pending property tax collections
- A \$550K General Fund subsidy is being projected to begin in FY '14
 - ✓ A subsidy of varying amounts should exist through FY '17, which is when the 2007 Series of Ad Valorem Refunding bonds are scheduled to mature
 - ✓ Assuming property taxes grow 3% annually, the cumulative subsidy is projected to be about \$1.7M through FY '17
- A financial summary of FY '13 expectations and recommended budget as well as detailed debt information for Redevelopment Area #2 is presented on the next slide

Sparks

Sparks RDA #2 Financial Overview

	FY '13 Est.	Comments
Revenues	\$2,498,926	3.1% Increase in Property Tax Revenue Expected
Expenses:		
Debt Service	\$3,045,924	Total revenue provides less than 1x debt service coverage (0.8x)
Common Service Charges	\$0	Common Service Charges of \$178k removed from FY '13 (G.F. Impact)
Special Assessment Charges	\$92,924	
Other Operating Exp's	\$11,826	
	<u>\$3,150,674</u>	
Net Revenues/(Expenses)	(\$651,748)	
Est. FY '13 Unrestricted Beginning Fund Balance	\$652,049	(Assuming an additional \$2.3M for Tax Increment Bond reserve)
Est. FY '13 Unrestricted Ending Fund Balance	<u>\$301</u>	(In FY '14, the General Fund will need to begin subsidizing debt service)

	Redevelopment Area #2 Debt		City Issued Debt Paid by RDA #2		Total RDA Debt Service
	2008 Tax Increment Bonds	2009 Tax Increment Bonds	2007A Ad Valorem Refunding Bonds	2007B Ad Valorem Refunding Bonds	
Original Issue Amount	\$12,700,000	\$7,230,000	\$7,090,000	\$1,315,000	
Issue Date	7/30/2008	11/24/2009	3/29/2007	3/29/2007	
Maturity Date	6/1/2028	6/1/2029	3/1/2017	3/1/2017	
Interest Rate	6.4% - 6.70%	5.0% - 7.75%	3.78%	5.65%	
FY '12 Principal Payment	\$420,000	\$285,000	\$690,000	\$150,000	
FY '12 Interest Payment	\$809,780	\$511,438	\$172,746	\$58,708	
Total FY '12 Debt Service	<u>\$1,229,780</u>	<u>\$796,438</u>	<u>\$862,746</u>	<u>\$208,708</u>	<u>\$3,097,672</u>
6/30/12 Debt Outstanding	<u>\$11,885,000</u>	<u>\$6,775,000</u>	<u>\$3,880,000</u>	<u>\$890,000</u>	
FY '13 Principal Payment	\$445,000	\$245,000	\$720,000	\$160,000	
FY '13 Interest Payment	\$782,900	\$496,119	\$146,664	\$50,241	
Total FY '13 Debt Service	<u>\$1,227,900</u>	<u>\$741,119</u>	<u>\$866,664</u>	<u>\$210,241</u>	<u>\$3,045,924</u>
6/30/13 Debt Outstanding	<u>\$11,440,000</u>	<u>\$6,530,000</u>	<u>\$3,160,000</u>	<u>\$730,000</u>	
FY '13 D.S. from RDA-Issued Debt =	<u>\$1,969,019</u>				
FY '13 D.S. from City-Issued Debt =			<u>\$1,076,905</u>		<u>\$3,045,924</u>

Redevelopment Area #2 7 Year Projection of Financial Results & Possible G.F. Impact

