

Redevelopment Agency Agenda Staff Report





REDEVELOPMENT AGENCY AGENDA STAFF REPORT
MEETING DATE: April 22, 2019

Title: Consideration, discussion, and possible approval of the Chief Administrative Officer’s final budget recommendations for the City of Sparks Redevelopment Agency, Areas 1 and 2, for fiscal year 2019-2020. [For Possible Action]
Petitioner: Neil C. Krutz, ICMA-CM, Chief Administrative Officer Presenter: Jeff Cronk, CPA, Chief Financial Officer
Recommendation: That the Agency Board approve the Chief Administrative Officer’s recommendations for the fiscal year 2019-2020 final budget.
Financial Impact: Recommending the Agency’s final budget for Fiscal Year 2019-2020.
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. This 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 2019-2020 final budget for the City of Sparks Redevelopment Agency, Areas 1 and 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 2019-2020 (FY20). Today, the Agency Board is asked to direct the Chief Administrative Officer in preparing the Agency’s final budget document for submission to the State of Nevada. City staff has filed the tentative budget for FY20 based upon direction received at the February 25, 2019 budget workshop, and the Agency Board will hold a public hearing to receive public comment on the FY20 tentative budget at its regularly scheduled Agency meeting on May 28, 2019. Immediately following the public hearing on the FY20 tentative budget, the Chief Administrative Officer and Chief Financial Officer will present the FY20 final budget for approval which will be prepared based upon direction received today.

In accordance with NRS 354.598, the final budget for the City and Redevelopment Agency 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 that affects the City’s or Agency’s budget for the subsequent fiscal year, an additional 30 days would be granted to file an amended budget if necessary.

Attached to this agenda are summary financial information for the Redevelopment Agency Areas 1 and 2, providing an overview of the expectations for FY19 and budget recommendations for FY20.

ALTERNATIVES:

Agency members could also choose alternatives other than the recommendations presented today and direct the Chief Administrative Officer to prepare a final budget for fiscal year 2019-2020 accordingly.

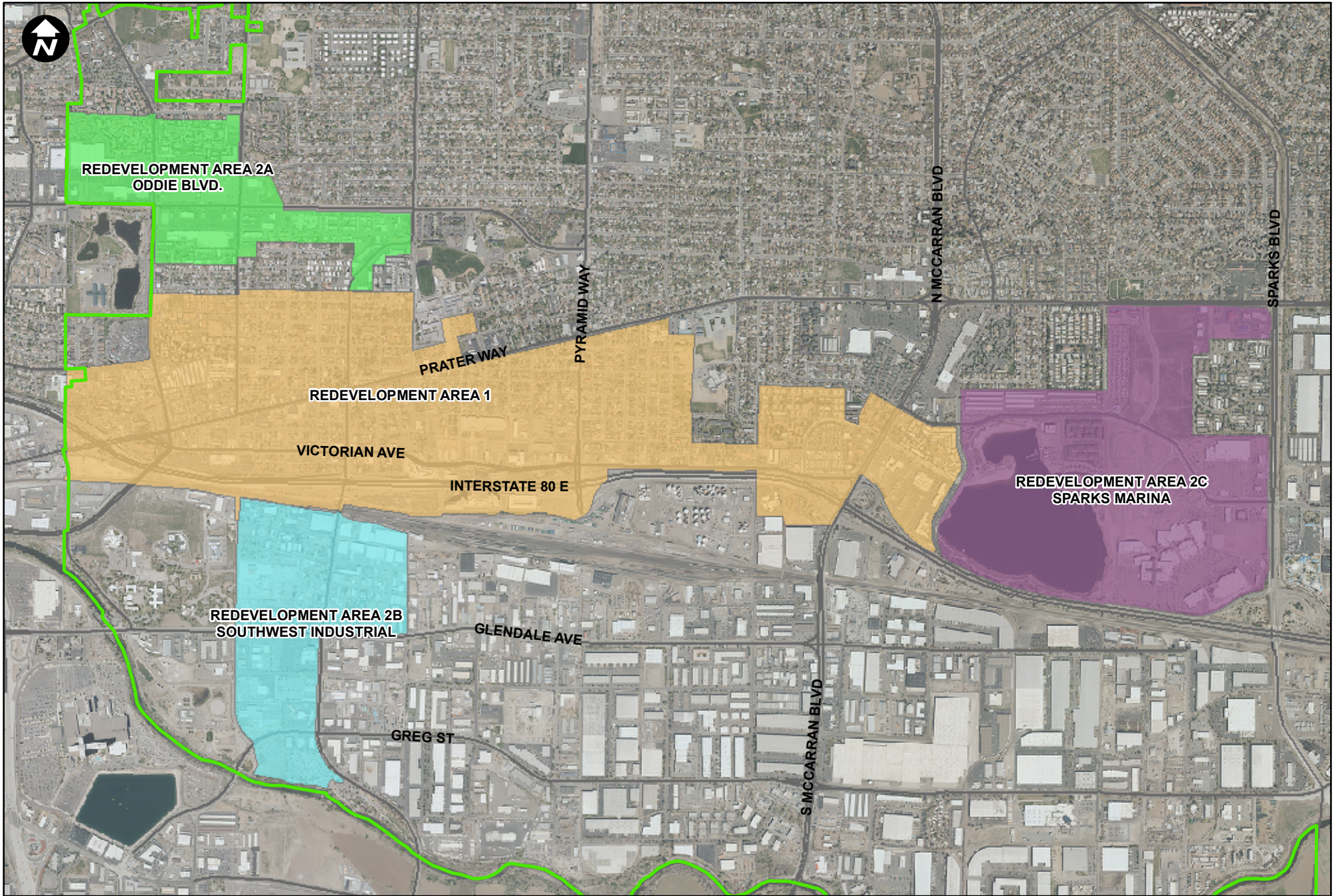
RECOMMENDED MOTIONS:

“I move to approve the Chief Administrative Officer’s final budget recommendations for the City of Sparks Redevelopment Agency, Areas 1 and 2, for fiscal year 2019-2020.”

Redevelopment Agency Financial Overview



City of Sparks



Redevelopment Districts

Legend

- REDEVELOPMENT AREA 1
- REDEVELOPMENT AREA 2B
- REDEVELOPMENT AREA 2A
- REDEVELOPMENT AREA 2C

Date: August 2018





City of Sparks
Redevelopment Agency

FY20 Budget Presentation

Chief Administrative Officer's Final
Budget Recommendations

April 22, 2019

Redevelopment Agency Area #1 Overview and Recommended FY20 Budget

- FY20 budgeted revenues of \$3.5M from ongoing sources are up by 8.3% over FY19 estimates.
- FY20 Debt service costs total \$2.6M.
- Capital expenditures of approximately \$500K for the downtown garage and H and 16th Street improvements were incurred in FY19.
 - ✓ No other major CIP activity is expected in FY19 and plans have not been finalized for FY20 improvements.
- Revenues are expected to exceed expenses by \$678K in FY20.
- Unrestricted ending fund balance is expected to be \$2.0M in FY20 pending finalization of capital improvement plans.
 - ✓ Additional fund balance of \$3.6M is restricted for tax increment bond reserves
- Area #1 terminates in 2023

Sparks Redevelopment Agency Fiscal Summary

Sparks Redevelopment Area #1

(Chief Administrative Officer's FY20 Budget Recommendations)

	FY16 Actuals	FY17 Actuals	FY18 Actuals	FY19 Estimate	FY20 Budget
Revenues	\$2,600,692	\$2,666,289	\$2,940,371	\$3,199,772	\$3,464,972
Land Sale Proceeds	\$934,000	\$1,096,000	\$0	\$0	\$0
Transfer-In From General Fund	\$0	\$0	\$0	\$0	\$0
Expenditures	(\$2,818,415)	(\$2,668,724)	(\$2,970,912)	(\$3,365,170)	(\$2,786,697)
Net Revenues/(Expenses)	\$716,277	\$1,093,564	(\$30,541)	(\$165,398)	\$678,275
Beginning Fund Balance	\$3,301,029	\$4,017,306	\$5,110,871	\$5,080,330	\$4,914,932
Ending Fund Balance	\$4,017,306	\$5,110,871	\$5,080,330	\$4,914,932	\$5,593,207
Less: Restricted for Debt Service	(\$3,134,459)	(\$3,224,870)	(\$3,354,041)	(\$3,466,082)	(\$3,573,748)
Unrestricted Ending Fund Balance	\$882,847	\$1,886,001	\$1,726,289	\$1,448,850	\$2,019,460

Victorian Square Room Tax Cumulative Resources	\$3,439,847	\$4,373,982	\$5,107,400	\$3,411,132	\$3,558,734
--	-------------	-------------	-------------	-------------	-------------

Note: The Victorian Square Room Tax Fund is a City Resource, but is Potentially Available for Victorian Square CIP Needs

** City Issued Debt Partially Paid by RDA #1

RDA #1 Debt Information	Tax Increment	2011 CTAX	2014 CTAX	Total RDA #1
	Refunding Bonds	Refunding Bonds	Refunding Bonds	Debt Service
Original Issue Amount	\$22,165,000	\$4,180,000	\$7,330,000	
Issue Date	5/11/2010	5/12/2011	8/14/2014	
Maturity Date	1/15/2023	5/1/2018	5/1/2026	
Interest Rate	4.0% - 5.375%	3.05%	3.09%	
FY19 Principal Payment	\$1,790,000	\$0	\$810,000	
FY19 Interest Payment	\$500,031	\$0	\$223,809	
Total FY19 Debt Service	\$2,290,031	\$0	\$1,033,809	
Total FY19 Debt Service Paid by RDA	\$2,290,031	\$0	\$297,108	\$2,587,139
6/30/19 Debt Outstanding	\$8,105,000	\$0	\$6,433,000	
FY20 Principal Payment	\$1,875,000	\$0	\$838,000	
FY20 Interest Payment	\$415,006	\$0	\$198,780	
Total FY20 Debt Service	\$2,290,006	\$0	\$1,036,780	
Total FY20 Debt Service Paid by RDA	\$2,290,006	\$0	\$297,962	\$2,587,968
6/30/20 Debt Outstanding	\$6,230,000	\$0	\$5,595,000	

** Both CTAX bonds were issued by the City, but about 29% (\$297,962 in FY20) is allocated to RDA #1 for the downtown portion of the original project.

Redevelopment Agency Area 1 Detail

Redevelopment Area 1 Funds 3301 and 3401 (Debt Service and Capital Project Fund)

Purpose of Funds: To accumulate monies for the repayment of debt for land acquisitions and capital improvements in Redevelopment Area 1 and to pay other necessary or incidental expenditures in accordance with a redevelopment plan for the Redevelopment Agency Area 1 until the Area terminates in 2023.

	FY16	FY17	FY18	FY19 Estimates	FY20 Budget
BEGINNING FUND BALANCE	3,301,029	4,017,306	5,110,870	5,080,329	4,914,932
REVENUES					
Property Taxes (Real & Personal)	2,391,875	2,475,264	2,708,248	2,980,000	3,245,000
State Govt'l Svcs Tax (Formerly Motor Veh Priv Tax)	177,572	162,774	192,370	177,572	177,572
All other revenues	965,245	1,124,250	39,753	42,200	42,400
TOTAL REVENUES	3,534,692	3,762,288	2,940,371	3,199,772	3,464,972
EXPENSES					
Salaries & Benefits	(19,520)	(21,182)	(22,257)	(23,078)	(24,741)
Services and Supplies	(217,319)	(57,678)	(197,330)	(257,900)	(173,987)
Capital Outlay	0	(12,168)	(173,897)	(497,052)	0
Debt Service - Principal	(1,580,000)	(1,640,000)	(1,710,000)	(1,790,000)	(1,875,000)
Debt Service - Interest	(709,881)	(646,681)	(576,981)	(500,031)	(415,006)
TOTAL EXPENSES	(2,526,720)	(2,377,709)	(2,680,465)	(3,068,061)	(2,488,734)
TRANSFERS OUT					
Transfer out to City Debt Service Fund	(291,695)	(291,015)	(290,447)	(297,108)	(297,962)
TOTAL TRANSFERS OUT	(291,695)	(291,015)	(290,447)	(297,108)	(297,962)
CHANGE IN FUND BALANCE	716,277	1,093,564	(30,541)	(165,397)	678,276
ENDING FUND BALANCE	4,017,306	5,110,870	5,080,329	4,914,932	5,593,208
<i>Less: Restricted for Debt Service</i>	<i>(3,134,459)</i>	<i>(3,224,869)</i>	<i>(3,354,040)</i>	<i>(3,466,082)</i>	<i>(3,573,748)</i>
Unrestricted Ending Fund Balance	882,847	1,886,001	1,726,289	1,448,850	2,019,460

FISCAL NOTES

Resources to this Fund consist mainly of property taxes collected within Redevelopment Agency Area 1 (RDA1). These resources are expected to be sufficient to repay the remaining debt issued in the name of the RDA1--Tax Increment Revenue Bonds series 2010. This debt will be paid in full in FY23. In addition, RDA1 has paid (via transfer to General Obligation Debt Service Fund) for its share of principal and interest on two City issued Revenue Bonds--CTAX Bonds Series 2011 and Series 2014. RDA1's transfer pays the principal and interest for the portion of the bond proceeds that were spent on improvements to Victorian Square. Ending Fund Balance represents the required \$2.2M reserve on the 2010 Tax Increment Revenue Bonds plus cash on hand to make future debt service payments.

Redevelopment Agency Area #2 Overview and Recommended FY20 Budget

- Revenues are expected to increase by 5.0% equaling \$3.5M in FY20.
- Debt service costs are expected to be \$1.5M in FY20.
- No capital projects are planned for FY20.
- Revenues are expected to exceed expenses by \$1.8M in FY20.
- Unrestricted ending fund balance is expected to be \$5.1M by the end of FY20
 - ✓ \$2.3M of additional fund balance is restricted for Tax Increment bond service.
- Area #2 terminates in 2029.

Sparks Redevelopment Agency Fiscal Summary

Sparks Redevelopment Area #2

(Chief Administrative Officer's FY20 Budget Recommendations)

	<u>FY16 Actuals</u>	<u>FY17 Actuals</u>	<u>FY18 Actuals</u>	<u>FY19 Estimate</u>	<u>FY20 Budget</u>
Revenues	\$2,738,444	\$1,317,638	\$2,726,580	\$3,311,400	\$3,478,400
Transfer-In From General Fund	\$0	\$0	\$0	\$0	\$0
Expenditures	(\$2,921,639)	(\$2,415,094)	(\$1,598,670)	(\$1,740,245)	(\$1,637,736)
Net Revenues/(Expenses)	(\$183,195)	(\$1,097,456)	\$1,127,910	\$1,571,155	\$1,840,664
Beginning Fund Balance	\$4,171,441	\$3,988,246	\$2,890,790	\$4,018,700	\$5,589,856
Ending Fund Balance	\$3,988,246	\$2,890,790	\$4,018,700	\$5,589,856	\$7,430,520
Less: Restricted for Debt Service & Note Receivable	(\$3,763,728)	(\$1,565,857)	(\$1,804,665)	(\$2,040,484)	(\$2,281,146)
Unrestricted Ending Fund Balance	\$224,518	\$1,324,933	\$2,214,035	\$3,549,372	\$5,149,374

RDA #2 Debt Information

	<u>2016 TIF Refunding Bonds</u>	<u>2014 Tax Increment Bonds</u>	<u>Total RDA #2 Debt Service</u>
Original Issue Amount	\$9,660,000	\$7,285,000	
Issue Date	9/26/2016	8/14/2014	
Maturity Date	6/1/2028	6/1/2029	
Interest Rate	2.33%	3.25%	
FY19 Principal Payment	\$759,000	\$405,000	
FY19 Interest Payment	\$196,675	\$184,706	
Total FY19 Debt Service	\$955,675	\$589,706	\$1,545,381
6/30/19 Debt Outstanding	\$7,682,000	\$5,280,000	
FY20 Principal Payment	\$775,000	\$415,000	
FY20 Interest Payment	\$178,991	\$171,547	
Total FY20 Debt Service	\$953,991	\$586,547	\$1,540,538
6/30/20 Debt Outstanding	\$6,907,000	\$4,865,000	

Redevelopment Agency Area 2 Detail

Redevelopment Area 2 Funds 3606 and 3601 (Debt Service and Capital Project Fund)

Purpose of Funds: To accumulate monies for the repayment of debt for land acquisitions and capital improvements in Redevelopment Area 2 and to pay other necessary or incidental expenditures in accordance with a redevelopment plan for the Redevelopment Agency Area 2 until the Area terminates in 2029.

	FY16	FY17	FY18	FY19 Estimates	FY20 Budget
BEGINNING FUND BALANCE	4,171,441	3,988,246	2,890,790	4,018,700	5,589,856
REVENUES					
Property Taxes (Real & Personal)	2,665,920	2,685,229	2,713,519	3,290,000	3,460,000
All other revenues (including refunding bond proceeds)	72,524	9,724,197	13,062	21,400	18,400
TOTAL REVENUES	2,738,444	12,409,426	2,726,581	3,311,400	3,478,400
TRANSFERS IN					
TOTAL TRANSFERS IN	0	0	0	0	0
EXPENSES					
Services and Supplies	(19,145)	(124,719)	(57,377)	(194,863)	(97,198)
Original Issue Discount/Governmental	0	(8,500)	0	0	0
Debt Refunding	0	(9,626,500)	0	0	0
Payment on Refinanced Bond	0	(1,456,787)	0	0	0
Debt Service - Principal	(915,000)	(859,000)	(1,130,000)	(1,164,000)	(1,190,000)
Debt Service - Interest	(913,769)	(353,523)	(411,294)	(381,381)	(350,538)
TOTAL EXPENSES	(1,847,914)	(12,429,029)	(1,598,671)	(1,740,244)	(1,637,736)
TRANSFERS OUT					
Transfer out to City Debt Service Fund	(1,073,725)	(1,077,853)	0	0	0
TOTAL TRANSFERS OUT	(1,073,725)	(1,077,853)	0	0	0
CHANGE IN FUND BALANCE	(183,195)	(1,097,456)	1,127,910	1,571,156	1,840,664
ENDING FUND BALANCE	3,988,246	2,890,790	4,018,700	5,589,856	7,430,520
<i>Less: Restricted for Debt Service & Note Receivable</i>	<i>(3,763,728)</i>	<i>(1,565,857)</i>	<i>(1,804,665)</i>	<i>(2,040,484)</i>	<i>(2,281,146)</i>
Unrestricted Ending Fund Balance	224,518	1,324,933	2,214,035	3,549,372	5,149,374

FISCAL NOTES

Resources to this Fund consist mainly of property taxes collected within Redevelopment Agency Area 2 (RDA2). These resources are used to repay the remaining 2 bonds issued in the name of RDA2--Tax Increment Revenue Bonds - Series 2016 (maturing FY28) and Series 2014 (maturing FY29). In addition, RDA2 has paid (via transfer to General Obligation Debt Service Fund) for principal and interest on debt originally issued in RDA2's name but subsequently refinanced as General Obligation (GO) debt--G.O. Limited Tax Med Term Bonds Series 2007A & Series 2007B. Both of these bond issues matured in FY17, removing \$1.1M of annual debt service (see Transfers Out above) paid by RDA2. Ending Fund Balance represents the required reserves and cash on hand to make future debt service payments. A subsidy from the General Fund was needed in FY13 in the amount of \$250K followed by an \$862K subsidy in FY14. Further subsidies are not expected due to rising property tax assessments and the sale of 10.2 acres of land owned by RDA2, the revenue for which was recorded in FY15. Ending Fund Balance represents the required \$729K reserve on the Tax Increment Revenue Bonds series 2014 plus cash on hand to make future debt service payments.