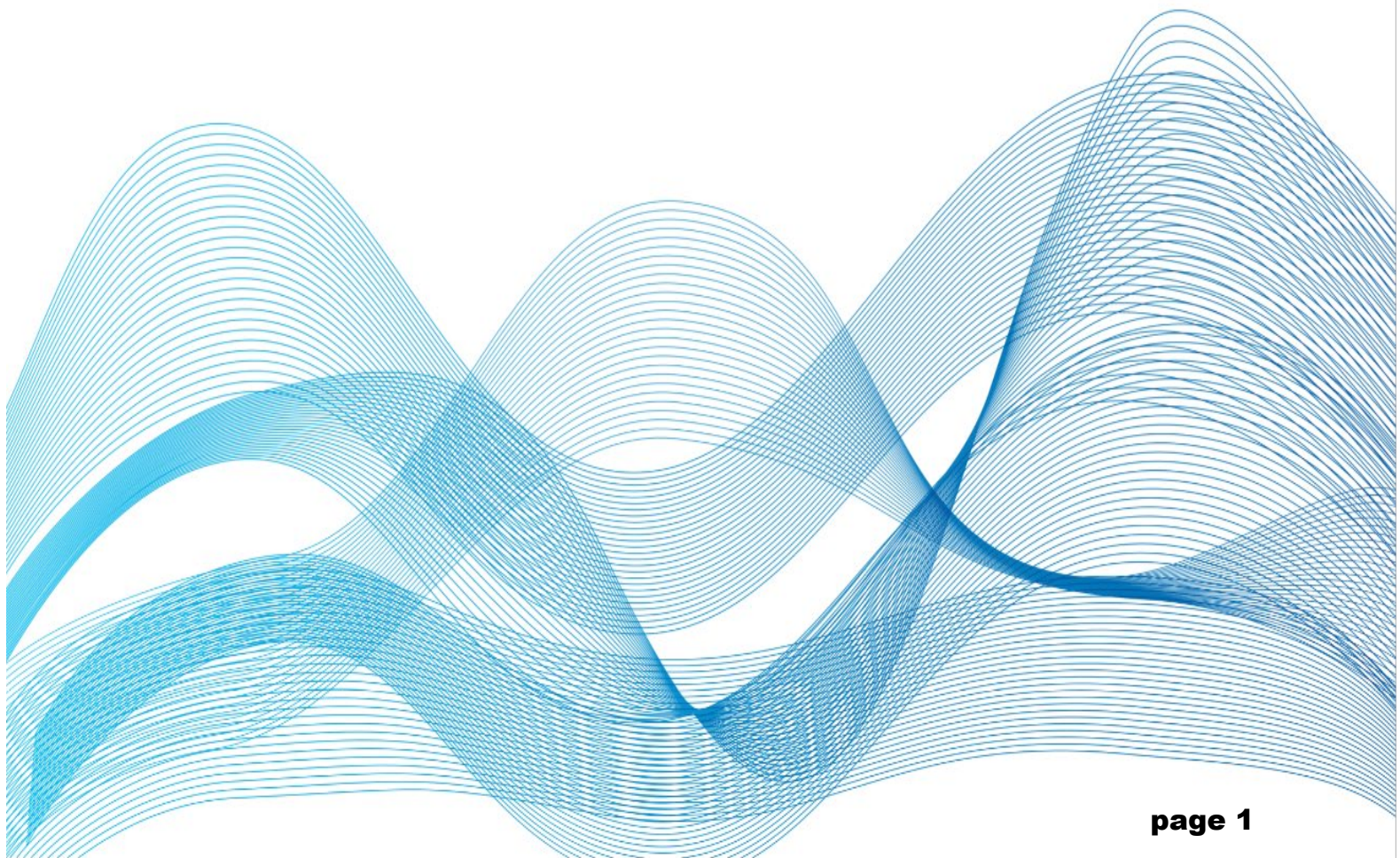

Redevelopment Agency Areas 1 & 2 Section



Redevelopment Agency Agenda Staff Report





REDEVELOPMENT AGENCY AGENDA STAFF REPORT
MEETING DATE: April 26, 2021

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 2021-2022.
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 2021-2022 final budget.
Financial Impact: Recommending the Agency’s final budget for Fiscal Year 2021-2022.
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 2021-2022 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 2021-2022 (FY22). 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 FY22 based upon direction received at the February 22, 2021 budget workshop and the March 22, 2021 Capital Improvement Plan workshop, and the Agency Board will hold a public hearing to receive public comment on the FY22 tentative budget at its regularly scheduled Agency meeting on May 24, 2021. Immediately following the public hearing on the FY22 tentative budget, the Chief Administrative Officer and Chief Financial Officer will present the FY22 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 FY21 and budget recommendations for FY22.

ALTERNATIVES:

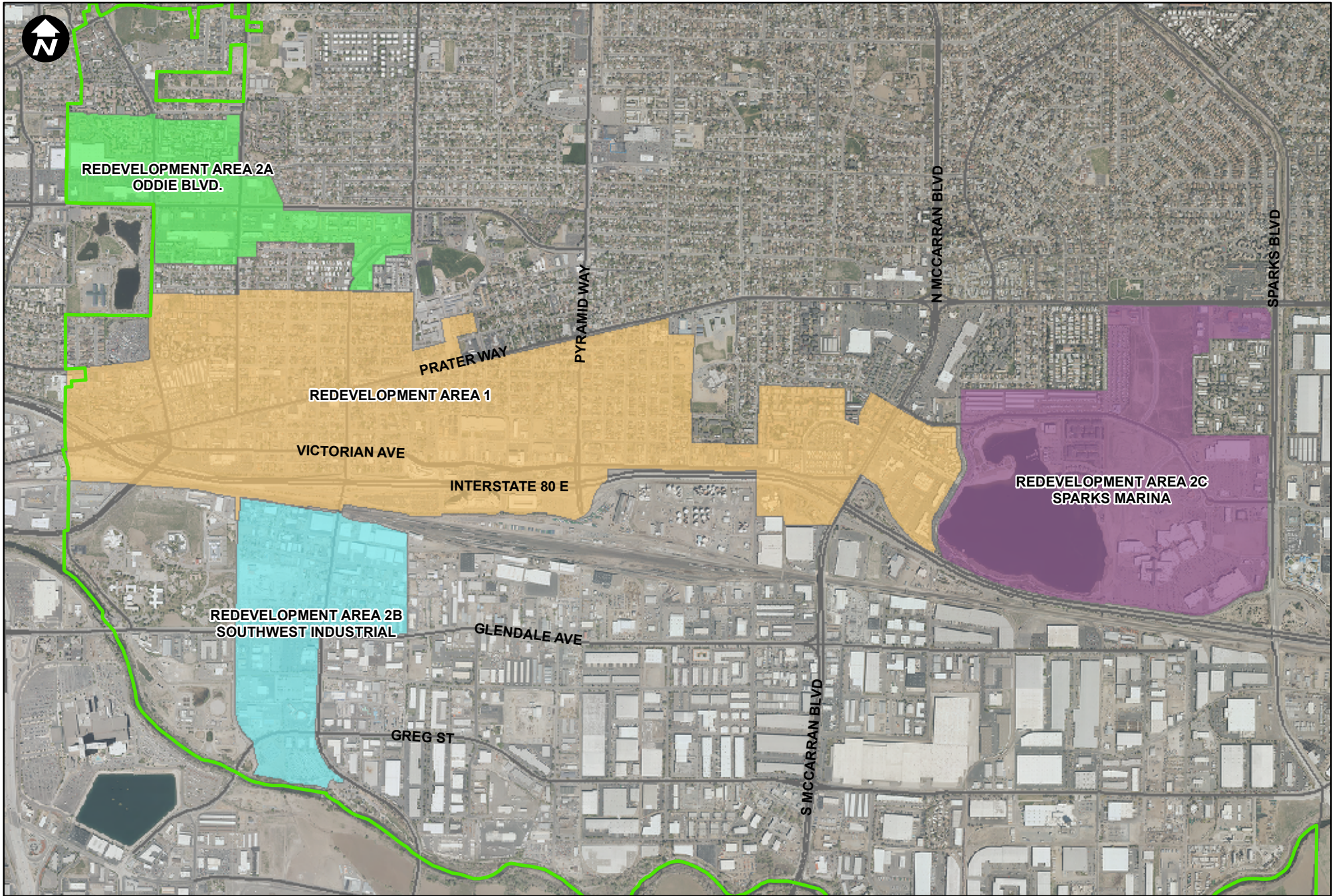
1. Agency members could approve the fiscal year 2021-2022 final budget recommendations presented today.
2. Agency members could reject the fiscal year 2021-2022 final budget recommendations and provide direction to the Chief Administrative Officer.

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 2021-2022."

Redevelopment Agency Financial Overview & Final FY22 Budget Recommendations





Redevelopment Districts

Legend

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

Date: August 2018



City of Sparks
Redevelopment Agency

FY22 Budget Presentation

Chief Administrative Officer's Final
Budget Recommendations

April 26, 2021

Redevelopment Agency Area #1 Overview and Recommended FY22 Budget

- FY22 budgeted revenues of \$3.9M from ongoing sources are up by 5.2% over FY21 estimates.
- FY22 Debt service costs total \$2.5M.
- Budgeted expenses exceed revenues by \$1.9M in FY22.
- Unrestricted ending fund balance is expected to be \$1.2M in FY22.
 - ✓ Additional fund balance of \$824K is restricted for tax increment bond reserves
- Area #1 terminates in 2023

Redevelopment Agency Area #1 Overview and Recommended FY22 Budget

- FY22 Capital expenditures of \$3.2M includes:
 - ❖ Avenue of the Oaks Straightening Project (\$1.1M)
 - ❖ Victorian Square Infrastructure Improvement Section 2C (\$800K)
 - ❖ Victorian Square Barricades (\$700K)
 - ❖ Pedestrian Improvements Related to CDBG Project (\$300K)
 - ❖ Nugget Events Center Forecourt Design (\$250K)
 - ❖ Victorian Avenue tree Grate Replacement (\$50K)
 - ❖ Amphitheater Phase 2 Design (\$25K)

Sparks Redevelopment Agency Fiscal Summary

Sparks Redevelopment Area #1

(Chief Administrative Officer's FY22 Final Budget Recommendations)

	FY18 Actuals	FY19 Actuals	FY20 Actuals	FY21 Estimate	FY22 Budget
Revenues	\$2,940,371	\$3,409,535	\$3,592,542	\$3,749,276	\$3,944,276
Expenditures	(\$2,970,912)	(\$3,259,669)	(\$5,809,739)	(\$2,837,745)	(\$5,876,795)
Net Revenues/(Expenses)	(\$30,541)	\$149,866	(\$2,217,197)	\$911,531	(\$1,932,520)
Beginning Fund Balance	\$5,110,871	\$5,080,330	\$5,230,196	\$3,012,999	\$3,924,530
Ending Fund Balance	\$5,080,330	\$5,230,196	\$3,012,999	\$3,924,530	\$1,992,011
Less: Restricted for Debt Service	(\$3,354,041)	(\$3,486,429)	(\$2,926,981)	(\$2,825,960)	(\$823,688)
Unrestricted Ending Fund Balance	\$1,726,289	\$1,743,767	\$86,019	\$1,098,571	\$1,168,322

Victorian Square Room Tax Fund Balance	\$4,373,982	\$5,107,400	\$4,838,017	\$3,709,855	\$3,376,371
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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 Refunding Bonds	2011 CTAX Refunding Bonds	2014 CTAX Refunding Bonds	Total RDA #1 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	1/15/2022	5/1/2018	5/1/2026	
Interest Rate	4.0% - 5.375%	3.05%	3.09%	
FY21 Principal Payment	\$1,975,000	\$0	\$865,000	
FY21 Interest Payment	\$202,500	\$0	\$172,886	
Total FY21 Debt Service	\$2,177,500	\$0	\$1,037,886	
Total FY21 Debt Service Paid by RDA	\$2,177,500	\$0	\$298,280	\$2,475,780
6/30/21 Debt Outstanding	\$2,075,000	\$0	\$4,730,000	
FY22 Principal Payment	\$2,075,000	\$0	\$892,000	
FY22 Interest Payment	\$103,750	\$0	\$146,157	
Total FY22 Debt Service	\$2,178,750	\$0	\$1,038,157	
Total FY22 Debt Service Paid by RDA	\$2,178,750	\$0	\$298,358	\$2,477,108
6/30/22 Debt Outstanding	\$0	\$0	\$3,838,000	

**** Both CTAX bonds were issued by the City, but about 29% (\$298,358 in FY22) is allocated to RDA #1.**

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.

	FY18	FY19	FY20	FY21 Estimates	FY22 Budget
BEGINNING FUND BALANCE	5,110,870	5,080,329	5,230,197	3,013,001	3,924,454
REVENUES					
Property Taxes (Real & Personal)	2,708,248	3,097,923	3,336,981	3,555,000	3,750,000
State Govt'l Svcs Tax (Formerly Motor Veh Priv Tax)	192,370	177,572	177,572	177,572	177,572
All other revenues	39,753	134,041	77,989	16,627	16,627
TOTAL REVENUES	2,940,371	3,409,536	3,592,542	3,749,199	3,944,199
EXPENSES					
Salaries & Benefits	(22,257)	(23,073)	(24,937)	(25,799)	(25,819)
Services and Supplies	(197,330)	(197,631)	(117,752)	(163,060)	(148,868)
Capital Outlay	(173,897)	(451,825)	(899,081)	(173,107)	(3,225,000)
Debt Service - Principal	(1,710,000)	(1,790,000)	(4,055,000)	(1,975,000)	(2,075,000)
Debt Service - Interest	(576,981)	(500,031)	(415,006)	(202,500)	(103,750)
TOTAL EXPENSES	(2,680,465)	(2,962,560)	(5,511,776)	(2,539,466)	(5,578,437)
TRANSFERS OUT					
Transfer out to City Debt Service Fund	(290,447)	(297,108)	(297,962)	(298,280)	(298,358)
TOTAL TRANSFERS OUT	(290,447)	(297,108)	(297,962)	(298,280)	(298,358)
CHANGE IN FUND BALANCE	(30,541)	149,868	(2,217,196)	911,453	(1,932,596)
ENDING FUND BLANCE	5,080,329	5,230,197	3,013,001	3,924,454	1,991,858
<i>Less: Restricted for Debt Service</i>	<i>(3,354,040)</i>	<i>(3,486,428)</i>	<i>(2,926,980)</i>	<i>(2,825,960)</i>	<i>(823,689)</i>
Unrestricted Ending Fund Balance	1,726,289	1,743,769	86,021	1,098,494	1,168,169

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 and there were even sufficient resources in FY20 to make an extra principal payment. This debt will now be paid in full in FY22 instead of FY23. In addition, RDA1 has paid (via transfer to General Obligation Debt Service Fund) for it's 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. RDA1 will have paid is full share of the CTAX Bonds Series 2011 and Series 2014 by the end of FY23. Ending Fund Balance represents the required \$824K 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 FY22 Budget

- Revenues are expected to increase by 6.0% to \$5.0M in FY22.
- Debt service costs are expected to be \$1.5M in FY22.
- \$150,000 is included in the FY22 Capital Improvement Plan to help complete the All Abilities Playground at the Sparks Marina.

Redevelopment Agency Area #2 Overview and Recommended FY22 Budget

- Revenues are expected to exceed expenses and transfers-out by \$3.2M in FY22.

- Unrestricted ending fund balance is expected to be \$11.4M by the end of FY22
 - ✓ \$2.2M 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 FY22 Tentative Budget Recommendations)

	FY18 Actuals	FY19 Actuals	FY20 Actuals	FY21 Estimate	FY22 Budget
Revenues	\$2,726,580	\$3,555,085	\$4,276,634	\$4,713,150	\$4,997,622
Transfer-Out To General Fund	\$0	\$0	(\$1,111,580)	\$0	\$0
Expenditures	(\$1,598,670)	(\$1,686,853)	(\$1,601,266)	(\$1,744,050)	(\$1,769,306)
Net Revenues/(Expenses)	\$1,127,910	\$1,868,231	\$1,563,788	\$2,969,100	\$3,228,316
Beginning Fund Balance	\$2,890,790	\$4,018,700	\$5,886,931	\$7,450,720	\$10,419,819
Ending Fund Balance	\$4,018,700	\$5,886,931	\$7,450,720	\$10,419,819	\$13,648,135
Less: Restricted for Debt Service & Note Receivable	(\$1,804,665)	(\$2,082,306)	(\$2,361,103)	(\$2,256,535)	(\$2,208,810)
Unrestricted Ending Fund Balance	\$2,214,035	\$3,804,625	\$5,089,617	\$8,163,284	\$11,439,326

RDA #2 Debt Information

	2016 TIF Refunding Bonds	2014 Tax Increment Bonds	Total RDA #2 Debt Service
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%	
FY21 Principal Payment	\$794,000	\$430,000	
FY21 Interest Payment	\$160,933	\$158,064	
Total FY21 Debt Service	\$954,933	\$588,064	\$1,542,997
6/30/21 Debt Outstanding	\$6,113,000	\$4,435,000	
FY22 Principal Payment	\$814,000	\$445,000	
FY22 Interest Payment	\$142,433	\$144,093	
Total FY22 Debt Service	\$956,433	\$589,093	\$1,545,526
6/30/22 Debt Outstanding	\$5,299,000	\$3,990,000	

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.

	FY18	FY19	FY20	FY21 Estimates	FY22 Budget
BEGINNING FUND BALANCE	2,890,790	4,018,700	5,886,932	7,450,720	10,419,820
REVENUES					
Property Taxes (Real & Personal)	2,713,519	3,396,411	4,086,610	4,690,528	4,975,000
All other revenues (including refunding bond proceeds)	13,062	158,674	190,024	22,622	22,622
TOTAL REVENUES	2,726,581	3,555,085	4,276,634	4,713,150	4,997,622
TRANSFERS IN					
TOTAL TRANSFERS IN	0	0	0	0	0
EXPENSES					
Services and Supplies	(57,377)	(141,472)	(60,728)	(201,053)	(73,780)
Site Improvements	0	0	0	0	(150,000)
Debt Service - Principal	(1,130,000)	(1,164,000)	(1,190,000)	(1,224,000)	(1,259,000)
Debt Service - Interest	(411,294)	(381,381)	(350,538)	(318,997)	(286,526)
TOTAL EXPENSES	(1,598,671)	(1,686,853)	(1,601,266)	(1,744,050)	(1,769,306)
TRANSFERS OUT					
Transfer out to General Fund	0	0	(1,111,580)	0	0
TOTAL TRANSFERS OUT	0	0	(1,111,580)	0	0
CHANGE IN FUND BALANCE	1,127,910	1,868,232	1,563,788	2,969,100	3,228,316
ENDING FUND BLANCE	4,018,700	5,886,932	7,450,720	10,419,820	13,648,136
<i>Less: Restricted for Debt Service & Note Receivable</i>	<i>(1,804,665)</i>	<i>(2,082,307)</i>	<i>(2,361,103)</i>	<i>(2,256,534)</i>	<i>(2,208,809)</i>
Unrestricted Ending Fund Balance	2,214,035	3,804,625	5,089,617	8,163,286	11,439,327

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). \$2.2M of Area #2's ending fund balance is reserved in FY22 for future debt service payments.

\$150K is included in the FY22 Capital Improvement Plan to help complete the All Abilities Playground at the Sparks Marina.

A subsidy from the General Fund was needed in FY13 in the amount of \$250K followed by an \$862K subsidy in FY14. In FY20 the Agency repaid these subsidies by transferring \$1.1M back to the General Fund.