CITY OF KEIZER MISSION STATEMENT
KEEP CITY GOVERNMENT COSTS AND SERVICES TO A MINIMUM BY PROVIDING CITY SERVICES TO THE COMMUNITY IN A COORDINATED, EFFICIENT AND LEAST COST FASHION

AGENDA

URBAN RENEWAL AGENCY OF THE CITY OF KEIZER WORK SESSION

Tuesday, May 23rd, 2000
5:30 p.m.
Robert L. Simon Council Chambers
Keizer, Oregon 97303

1. CALL TO ORDER

2. ROLL CALL

3. DISCUSSION

   a. Urban Renewal Financing Issues

4. OTHER BUSINESS

   This time is provided to allow Urban Renewal Agency members the opportunity to bring matters before the Agency which are not on tonight's agenda.

5 ADJOURN

Upon request, auxiliary aids and/or special services will be provided to participants with disabilities. To request services, please contact us at 390-3700 at least two working days (48 hours) in advance.

SPENCER & KUPPER - MEMORANDUM

TO: CITY OF KEIZER URBAN RENEWAL AGENCY AND STAFF

FROM: CHARLES KUPPER

SUBJECT: REVISED OPERATIONS PLAN AND CIP, DATA ON MAXIMUM DEBT

DATE: 05/18/00

SENT VIA: E-MAIL

I have sent a spreadsheet containing information on questions about renewal agency revenues, and the likely date at which the Agency will reach its maximum indebtedness limit. Via separate memo, I also will discuss questions raised by the Agency related to Renewal Area boundaries, establishing new districts, and renewal levies. Two tables in the spreadsheet file should be attached to this memo. Attachment 1 is my revision of the Operations Plan and CIP prepared by John Morgan in 1999. Attachment 2 is a table showing projected tax increment revenues, and maximum debt balances. It is my hope that the two tables will respond to the questions raised by the Agency at its last work session.

ATTACHMENT 1 – Revised Operations Plan and Capital Improvements Program

This revision makes the following changes to the 1999 version:

- Adds an updated calculation of projections of Agency "divide the tax" revenue.
- Debt Service line now shows only debt service on 1998 bonds, and a retirement amount in 2005.
- Adds new line in Operating Expenditures to show distribution of close-out funds
- In contingency line, adds a 5% annual construction inflation factor to capital projects

No changes have been made to the amounts, or timing of capital projects shown in the 1999 version. Those capital project details are omitted simply to keep the table easier to understand and read.

Analysis of Attachment 1 The table shows that given the assumptions about the growth of property values, and tax increment revenues, and the cost and timing of project activities, the Agency could complete its project activities, and retire all remaining debt in the 2005-06 tax year. Given the revenue assumptions, the year 2005-06 also is the year in which the Agency should reach its limit on maximum indebtedness. (The maximum debt issue is covered in more detail with Attachment 2.) In the year 2005-06, the Agency's tax increment revenue is limited to the balance of its maximum debt amount. After paying off the principal amounts of outstanding bonds, the Agency should have a balance of approximately $3.4 million in 2005-06. It could use those funds for debt for other project activities, or disburse the balance to the overlapping taxing bodies.

The Agency should note that total resources, and total expenditures balance at $25.409 million.

SPENCER & KUPPER
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ATTACHMENT 2 – Tracking the Maximum Indebtedness

In the last Agency work session, there was some confusion about how the revenues shown in the "Operations Plan and CIP" related to the Agency's maximum indebtedness. The Operations Plan and CIP is essentially a cash flow model, both in its original form, and in the revision shown in Attachment 1. A cash flow model must necessarily show all annual outlays for debt service. One source of the confusion in trying to match revenues in the cash flow table against maximum indebtedness is that tax increment revenues used for interest payments on project debts are not counted against maximum indebtedness. Thus, only the capital portion of the debt service amounts shown in the "Operations Plan and CIP" is debited against the Agency's maximum indebtedness. That means that in fact, the Agency may take in more tax increment revenue than the face amount of the maximum indebtedness, if that is necessary to pay interest on project debts. Attachment 2 is put together with debt service information provided to Spencer & Kupper by City staff in 1998.

Analysis of Attachment 2 The table shows that the Agency established a maximum indebtedness amount of $22,390,384 in 1998. The Agency thus far has made two draws against that maximum debt limit, in 98-99, and 99-00. The columns in Attachment 2 show the following information:

- Column 1 shows years, beginning with 1998-99, the first year of maximum debt limits
- Column 2 shows tax increment revenue drawn, or projected to be drawn in each year.
- Column 3 shows how much of the total revenue drawn goes for interest on debt.
- Column 4 subtracts the interest amount, and shows the amount of the revenue drawn which counts against maximum debt.
- Column 5 shows a running balance of the maximum indebtedness amount remaining.

Attachment 2 shows that given the revenue assumptions made, and the projected debt service schedule, the Agency should reach its maximum debt limit in 2005-06.

In response to a question raised at the last work session – If the Agency decided to use its maximum revenue authority, and institute a levy, it would mean only that the Agency would receive more revenue in each year than is shown in Attachment 2. The result would be that the maximum indebtedness amount would be reached sooner.

Putting Attachments 1 and 2 together
Attachment 1 shows that by the year 2004-05, the 1999 list of Capital Improvement projects is essentially completed. There will be a large sum carried forward into 2005-06. Table 2 shows that there is still about $3.5 million left in the maximum indebtedness limit for 2005-06. One alternative this suggests is that roughly $3.5 million in new project activities could be carried out in 2004-05 and 05-06, within the maximum indebtedness limit.

SPENCER & KUPPER - MEMORANDUM

TO: KEIZER URBAN RENEWAL AGENCY AND STAFF

FROM: CHARLES KUPPER

SUBJECT: URBAN RENEWAL QUESTIONS FROM MAY 8 WORK SESSION

DATE: 05/18/00

SENT VIA: E-MAIL

This will provide written response to questions discussed at the Agency work session on May 8th.

Q – How does a renewal agency impose its special levy?

All urban renewal agencies which were in existence at the time BM50 was passed have the ability to authorize a special levy in order to receive the maximum amount of revenue the Assessor calculates for the Agency. Keizer's urban renewal agency has chosen not to take its maximum revenue, and does not use its special levy authority. If the Agency wished to impose a levy, it could do so in any year's budget process, with approval by the City Council. The Agency could limit the amount it wished to raise by special levy. Any revenue raised by special levy would require an increase in property tax bills.

Q – How would a levy affect maximum indebtedness?

Using the special levy authority would simply produce more tax increment revenue on an annual basis. The increase in revenue would bring Keizer's Renewal Agency to its maximum debt limit sooner. It would not otherwise change the maximum debt limit.

Q – Can the list of Projects in the Plan be changed? What is the process for changing it?

The list of projects authorized in Keizer's Urban Renewal Plan can be changed, and added to by an amendment to the Urban Renewal Plan. The type of Amendment required would be either minor, and require only an Agency resolution, or in some cases would require Council approval of the Agency's action. Additions and changes to the Plan would need to be undertaken within the maximum indebtedness limit of the Plan. That might require changes to, or re-allocations of the project costs shown in the Report on the Plan.

Q – Can a community have more than one urban renewal area? Can two urban renewal areas overlap the same piece of land?

There is no limit on the number of renewal areas Keizer may have. Urban renewal areas may not exceed more than 25% of Keizers' acreage, nor may the total of frozen base values exceed 25% of the city's assessed values. Two urban renewal areas may not overlap on a single property.

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Q – Could part of an existing renewal area be removed, and placed in a new renewal area?

Yes, a portion of project land could be removed from the project boundary. In at least one case I am familiar with, land was removed from one project boundary, and incorporated into the boundary of another area. There were renewal activities that needed to be done on that land, and it was determined the activities could be better co-ordinated and phased in the new renewal area being formed adjacent to the old area boundary.

Q – What are some advantages and disadvantages of that approach?

The land removed from the old boundary would reduce both the frozen base, and the total values of the old area. The result would be a decrease in tax increment revenue for the old area. The amount of decrease would depend of course on the total value of the land removed.

The land, when placed in the boundary of a new area, would become part of the frozen base of value for the new area. It would not produce revenue for the new area until there was further growth in the value of that land.

The approach may be the only one if the old area has virtually used up its 20% limit on additions of land by plan amendments, or if it appeared that project activities could not be carried out inside the maximum indebtedness limit of the old plan. Keizer used up much of its 20% limit in the Chemawa addition a few years ago.

A new renewal area could be formed by adopting a new urban renewal plan. Adoption of the plan would not require a vote.

Keizer Urban Renewal Agency
Tracking the Maximum Debt

Maximum indebtedness **$22,390,384**

	Tax Increment Revenue	For Interest on 1998 Bonds	For Principal and other Project debt	Balance Remaining on Maximum debt
1998-1999	$2,269,014	$469,586	$1,799,428	$20,590,956
1999-2000	$2,698,908	$433,015	$2,265,893	$18,325,063
2000- 2001 (Estimate)	$2,858,606	$401,233	$2,457,373	$15,867,690
2001-2002	$3,058,708	$366,124	$2,692,585	$13,175,105
2002-2003	$3,272,818	$328,421	$2,944,397	$10,230,709
2003-2004	$3,501,915	$287,816	$3,214,099	$7,016,610
2004-2005	$3,747,049	$243,889	$3,503,161	$3,513,449
2005-2006	$3,513,449	$0	$3,513,449	$0

With these assumptions, the maximum debt limit is reached in 2005-06

Keizer 21st Centrury Renewal Strategy
Operations Plan and Capital Improvements Program
Revised May 16, 2000 by C.Kupper

Projection of Tax Increment Revenues	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Incremental Value in Area (7% annual increase)	$190,326,457	$203,649,309	$217,904,761	$233,158,094	$249,479,161	$266,942,702
Tax Rate per $1,000 Increment Value	$15.65	$15.65	$15.65	$15.65	$15.65	$15.65
Division of Tax Revenues	$2,977,715	$3,186,155	$3,409,185	$3,647,828	$3,903,176	$4,176,399
Uncollectables and Discounts (4%)	$119,109	$127,446	$136,367	$145,913	$156,127	$167,056
Net Anticipated Tax Collected	$2,858,606	$3,058,708	$3,272,818	$3,501,915	$3,747,049	$4,009,343

	99-00	00-01	01-02	02-03	03-04	04-05	05-06 (See notes)	Total
RESOURCES								
Working Capital Carryforward	$ 2,473,330	$ 1,758,862	$ 1,551,878	$ 1,618,660	$ 1,560,927	$ 2,079,956	$ 3,763,094	$ 2,473,330
Tax Increment Revenue - Division (7% increase per year)	2,590,592	2,858,606	3,058,708	3,272,818	3,501,915	3,747,049	3,513,449	22,543,138
Interest (4.5%)	59,100	70,586	51,889	47,867	42,538	62,948	57,723	392,651
Total Resources	$ 5,123,022	$ 4,688,054	$ 4,662,475	$ 4,939,345	$ 5,105,380	$ 5,889,953	$ 7,334,266	$ 25,409,119
EXPENDITURES								
Personal Services (4% annual increase)	78,765	81,916	85,192	88,600	92,144	95,830	50,000	572,446
Materials & Services (4% annual increase)	168,055	174,777	181,768	189,039	196,601	204,465	50,000	1,164,705
Total Capital Projects	$ 2,134,325	$ 1,765,000	$ 1,592,500	$ 1,794,500	$ 1,410,000	$ 625,000	$ -	$ 9,321,325
Total Operating Expenditures	$ 2,381,145	$ 2,021,693	$ 1,859,461	$ 2,072,139	$ 1,698,744	$ 925,294	$ 100,000	11,058,476
Debt Service - Long Term Bond Debt	933,015	976,233	971,124	973,421	972,816	978,889	3,725,000	9,530,498
Contingency and 5% construction inflation	50,000	138,250	213,231	332,858	353,864	222,676	50,000	1,360,879
Distribute close-out funds to taxing bodies							3,459,266	3,459,266
Total Expenditures	$ 3,364,160	$ 3,136,176	$ 3,043,816	$ 3,378,418	$ 3,025,424	$ 2,126,859	$ 7,334,266	$ 25,409,119
Reserves	777,225	777,225	777,225	777,225	777,225	300,000	-	
Ending Fund Balance	981,637	774,653	841,435	783,702	1,302,731	3,463,094	-	-
Total Reserves and Ending Fund Balance	$ 1,758,862	$ 1,551,878	$ 1,618,660	$ 1,560,927	$ 2,079,956	$ 3,763,094	$ -	$ -

Notes:

The tax increment revenue in 2005-06 is the estimated amount left on maximum indebtedness

It is assumed the principal balance of long-term bonds can be paid off in 2005

The balance of funds available in 2005 can be distributed to taxing bodies, or used for projects

CITY OF KEIZER
2000-2001 Property Tax Revenue Estimates

Estimates Based on Percent New Construction Expected

	1999-00 Actual Tax Revenues	Maximum Assessed Value Increase 3%	1% New Construction 4%	3% New Construction 6%	4% New Construction 7%	6% New Construction 9%	8% New Construction 11%
District Net Value	$1,214,180,036	$1,250,605,437	$1,262,747,237	$1,287,030,838	$1,299,172,639	$1,323,456,239	$1,347,739,840
Urban Renewal Increment (see below)	(173,024,052)	(178,214,774)	(183,405,495)	(186,865,976)	(190,326,457)	(193,786,938)	(197,247,419)
District Net Value w/o Urban Renewal	$1,041,155,984	$1,072,390,664	$1,079,341,742	$1,100,164,862	$1,108,846,181	$1,129,669,301	$1,150,492,421
Permanent Tax Rate per $1,000	$ 2.0838	$ 2.0838	$ 2.0838	$ 2.0838	$ 2.0838	$ 2.0838	$ 2.0838
Gross Property Tax Revenues	$2,169,561	$2,234,648	$2,249,132	$2,292,524	$2,310,614	$2,354,005	$2,397,396
Penalties/Commpression/adjustments	1,246	1,283	1,283	1,283	1,283	1,283	1,283
Property Tax Revenues	$2,170,807	$2,235,931	$2,250,416	$2,293,807	$2,311,897	$2,355,288	$2,398,679
Uncollectables and Discounts (4%)	(86,832)	(89,437)	(90,017)	(91,752)	(92,476)	(94,212)	(95,947)
Net Anticipated Tax Collected	2083974.566	$2,146,494	$2,160,399	$2,202,055	$2,219,421	$2,261,077	$2,302,732
1999-00 Actual Tax Revenues		(2,083,975)	(2,083,975)	(2,083,975)	(2,083,975)	(2,083,975)	(2,083,975)
Increase over 1999-00 Revenues		$62,519	$76,425	$118,080	$135,447	$177,102	$218,758

Urban Renewal Property Tax Revenues		Maximum Assessed Value Increase 3%	3% New Construction 6%	5% New Construction 8%	7% New Construction 10%	9% New Construction 12%	11% New Construction 14%
Real Market Value inside Keizer's Plan Area	$ 236,290,926						
Assessed Value (frozen)	63,266,874						
Increment Value	$ 173,024,052	$ 178,214,774	$ 183,405,495	$ 186,865,976	$ 190,326,457	$ 193,786,938	$ 197,247,419
Tax Rate per $1,000 Increment Value	$ 15.6453	$ 15.6453	$ 15.6453	$ 15.6453	$ 15.6453	$ 15.6453	$ 15.6453
Division of Tax Revenues	$2,707,013	$2,788,224	$2,869,434	$2,923,574	$2,977,715	$3,031,855	$3,085,995
Uncollectables and Discounts (4%)	(108,281)	(111,529)	(114,777)	(116,943)	(119,109)	(121,274)	(123,440)
Net Anticipated Tax Collected	2,598,733	$2,676,695	$2,754,657	$2,806,631	$2,858,606	$2,910,581	$2,962,555

The Fiscal year 2000-2001 City of Keizer budget anticipates property tax revenue to increase 3% for increases in assessed value and another 4% for new construction
The Fiscal year 2000-2001 Keizer Urban Renewal budget anticipates property tax revenue to increase 3% for increases in assessed value and another 7% for new construction

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