

**GARIBALDI URBAN
RENEWAL AGENCY
PROPOSED
FISCAL YEAR 2009-2010
BUDGET**



**Budget Committee Meeting
Monday, May 4, 2009, 6:00 p.m.
Garibaldi Fire Hall**

GARIBALDI URBAN RENEWAL AGENCY (Est. June 19, 2006 by Ord. No. 292)
Everett Brown, Chair + Doris Mengel, Vice Chair + William Fouste + Valerie Folkema
Suzanne McCarthy, Mayor + Terry Kandle + Roberta Bettis + Jerry Bartolomucci + Betty Thomas
Kevin M. Greenwood, Administrator/Budget Officer

BUDGET MESSAGE FOR FISCAL YEAR 2009-10

The City of Garibaldi formed the Garibaldi Urban Renewal Agency (GURA) on August 21, 2006, the first in Tillamook County. Though GURA is a separate quasi-municipal corporation, GURA is also included in the City's budget as a "component" fund of the City. The GURA budget committee is made up of the ten members of the City's budget committee (council plus five freeholder positions) and the eight members of GURA's at-large budget committee (GURA members plus four freeholders). An eighteen member budget committee is large by any community's standards and I appreciate all of you for participating.

This is GURA's third budget. The state constitution allows for the formation of urban renewal districts to service debt incurred by public/private capital improvement projects that increase assessed values (AVs) within the district. Before taking on a project, GURA should consider whether assessed values will be benefitted by the project since the increases in AV will service the debt incurred by the project.

To meet governmental auditing standards, GURA has two funds. The General Fund receives loans, grants and donations to construct capital improvement projects approved by GURA board members. All projects eligible for funding are identified in the Garibaldi Urban Renewal Plan. The Debt Service Fund receives taxes and services debt incurred by GURA to carry out the projects. GURA has an intergovernmental agreement (IGA) with the City to provide administrative services which is shown as debt. The City's auditor ruled that the IGA is a contracted obligation and may be treated as debt pursuant to ORS 457. The IGA states that GURA shall pay 7% of the received tax increment to the city for providing administrative services to GURA. The percentage was derived from the urban renewal consultant's report to the city.

GENERAL FUND RESOURCES

The General Fund serves as GURA's operating fund. All construction or planning activities are accounted for in this fund.

In 2008-09, GURA received a \$10,000 loan (6%, 2 yrs.) from the City's room tax fund to fund gateway signs, a \$7,000 grant from the city's room tax fund to fund gateway signs, a \$150,000 line of credit (pending) from Sterling Bank to fund streetscape improvements at Fourth St. and Garibaldi Ave. and additional refinement planning for downtown, and a minor amount of interest to offset administrative costs.

In 2009-10, GURA will focus on improving streetscape elements in downtown. The city received notice that ODOT will provide a \$50,000 Quick Fix grant and submitted a \$100,000 grant application to ODOT for a Small Cities Transportation Allotment as part of the federal economic stimulus funding toward the Fourth St. project. Another \$50,000 grant application was submitted to the state for continued refinement planning of the downtown. A small amount of interest will again be generated.

GENERAL FUND REQUIREMENTS

In 2008-09, GURA spent a small amount on materials and services (i.e. bank admin fees, etc.) The largest capital outlay activity was the construction of gateway signs (\$17,635.) This project was not funded through tax increment financing; rather it was funded through a donation by the since-dissolved Garibaldi Chamber of Commerce and grants. GURA also funded preliminary design work and cost estimation (\$4,876) for the Fourth St. intersection project. An unappropriated ending fund balance of almost \$151,000 will be used primarily toward the Fourth St. intersection project in 2009-10.

In 2009-10, minimal expenses are expected under materials and services. The primary budgeted activities in the new fiscal year surround continued planning refinement of downtown (\$57,000) and reconstruction of Fourth St. including transition from two-way traffic to one-way, curb extensions, diagonal parking, new sidewalks, storm drainage and possible underground utilities (\$200,000). If GURA receives economic stimulus funding, additional projects could be funded including a low- or no-interest local business improvement loan program.

DEBT SERVICE FUND RESOURCES

According to Tim Lutz, Tillamook County Assessor, the Garibaldi Urban Renewal Agency (as well as the rest of the city) should see an increase of 3% in Assessed Values (AV). GURA’s “frozen base” of \$17,922,850 was established in FY0607. The AV was increased to \$18,630,557 in FY0708, an increase of \$707,707 (+3.9%) resulting in a tax increment of \$7,566. The AV increased by \$798,688 (+4.3%) to \$19,429,245 in FY0809 resulting in a tax increment of \$15,845. The net effect of a conservative 3% annual increase in AV would produce a linear progression resulting in an additional \$7,500 or so every year. This revenue must be used for one reason and one reason only: to service debt. In fact, GURA may only ask the assessor for the full tax increment IF there is at least that amount of debt to service.

Annual GURA Cumulative Increases in Assessed Value and Tax Increment (2007-2013)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Increased AV over Frozen Base	\$707,707	\$1,506,395	\$2,089,272	\$2,689,636	\$3,308,011	\$3,944,936
Tax Increment	\$7,566	\$15,845	\$21,976	\$28,291	\$34,795	\$41,495

DEBT SERVICE FUND REQUIREMENTS

Pursuant to the IGA, GURA pays the City seven (7%) percent of its collected taxes for administrative services. In FY 2009-10 that amount should be minimal (>\$1,750). Approximately \$1,228 of the \$21,976 will pay off the City’s loan to GURA and the remainder will service the first payment on a subsequent loan. GURA is researching options for a loan, or line of credit, totaling \$150,000. This, along with the IGA, will meet state requirements for incurring debt and allow GURA to request the full tax increment through 2012-13.

3% Maximum Increase in Assessed Value, Resulting Tax Increment and Debt Service

	Increased AV	Tax Increment	City IGA Payment	Principal Payment	6% Interest Payment	Debt		
						Beginning	New	Ending
2007-08	\$707,707	\$7,566	\$530	\$6,545	\$491	\$11,625	\$0	\$5,080
2008-09	\$1,506,395	\$15,845	\$1,109	\$13,852	\$884	\$5,080	\$160,000	\$151,228
2009-10	\$2,089,272	\$21,976	\$1,538	\$19,211	\$1,226	\$151,228	\$0	\$132,016
2010-11	\$2,689,636	\$28,291	\$1,980	\$24,732	\$1,579	\$132,016	\$0	\$107,284
2011-12	\$3,308,011	\$34,795	\$2,436	\$30,418	\$1,942	\$107,284	\$0	\$76,866
2012-13	\$3,944,936	\$41,495	\$2,905	\$36,275	\$2,315	\$76,866	\$0	\$40,591
2013-14	\$4,600,970	\$48,395	\$3,388	\$42,307	\$2,700	\$40,591	\$0	-\$1,716

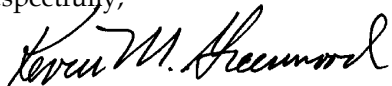
ISSUES FOR 2009-10 AND BEYOND

Due to concerns about a decline in our economy, the immediate outlook for any significant development in 2009-10 looks bleak. This may, however, be a good time to continue planning, prioritizing and paying for engineering to develop projects for construction once development begins. GURA will have reduced administrative costs by incurring a \$150,000 line of credit which should easily be paid off by 2013-14.

CONCLUSION

Urban renewal thrives when the projects it benefits are privately held. Since the taxes generated for projects are directly tied to increased assessed value, it is critical - especially in the agency’s early years - that the projects do as much as possible to increase assessed values. Projects benefitting public property (i.e. not on the tax rolls) should be considered carefully as to the impact it has on surrounding property’s assessed values. Thank you for taking the time to consider the Garibaldi Urban Renewal Agency’s 2009-10 Budget.

Respectfully,



Kevin M. Greenwood, Budget Officer/Secretary
Garibaldi Urban Renewal Agency

APPROVED GARIBALDI URBAN RENEWAL AGENCY FISCAL YEAR 2009-10 BUDGET

GENERAL FUND RESOURCES	AUDITED 2007-2008	BUDGETED 2008-2009	PROPOSED 2009-2010	APPROVED 2009-2010
BEGINNING FUND BALANCE	0	6,600	150,978	150,978
TOTAL RECEIPTS	40,708	101,400	200,200	200,200
Current Years' Taxes	7,567	--	--	--
Prior Years' Taxes	0	--	--	--
Loans	11,625	83,000	0	--
Grants	0	18,000	200,000	200,000
Miscellaneous	21,299	0	0	0
Interest	217	400	200	200
TOTAL RESOURCES	40,708	108,000	351,178	351,178

GENERAL FUND REQUIREMENTS	AUDITED 2007-2008	BUDGETED 2008-2009	PROPOSED 2009-2010	APPROVED 2009-2010
MATERIALS AND SERVICES	669	500	200	200
Contracted Services	529	--	--	--
Travel & Training	0	0	0	0
Bank Fees, Charges	0	500	200	200
Subscriptions, Dues & Licensing	140	0	0	0
CAPITAL OUTLAY	26,513	104,000	257,000	257,000
Gateway Signs	1,065	24,000	0	0
Fourth St. Improvements	0	0	200,000	200,000
Garibaldi Plaza	0	25,000	0	0
Downtown Master Planning	25,448	55,000	57,000	57,000
DEBT SERVICE	7,037	--	--	--
Principal	6,545	--	--	--
Interest	492	--	--	--
OTHER EXPENDITURES	0	0	25,000	25,000
Preservation/Rehab Loans/Grants	0	0	25,000	25,000
FUND CONTINGENCY	0	1,000	1,000	1,000
UNAPPROPRIATED ENDING FUND BALANCE	6,489	2,500	67,978	67,978
TOTAL REQUIREMENTS	40,708	108,000	351,178	351,178

DEBT SERVICE FUND RESOURCES	AUDITED 2007-2008	BUDGETED 2008-2009	PROPOSED 2009-2010	APPROVED 2009-2010
BEGINNING FUND BALANCE	--	0	0	0
TOTAL RECEIPTS	--	7,878	25,050	25,050
Current Years' Taxes	--	7,778	25,000	25,000
Prior Years' Taxes	--	0	0	0
Interest	--	100	50	50
TOTAL RESOURCES	--	7,878	25,050	25,050

DEBT SERVICE FUND REQUIREMENTS	AUDITED 2007-2008	BUDGETED 2008-2009	PROPOSED 2009-2010	APPROVED 2009-2010
DEBT SERVICE	--	7,778	25,050	25,050
Principal	--	6,734	19,211	19,211
Interest	--	500	4,039	4,039
Fees	--	0	50	50
Contracted Services	--	544	1,750	1,750
FUND CONTINGENCY	--	0	0	0
UNAPPROPRIATED ENDING FUND BALANCE	--	100	0	0
TOTAL REQUIREMENTS	--	7,878	25,050	25,050