



## CITY COUNCIL AGENDA ITEM

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Date: May 11, 2015

To: The Honorable Mayor and City Council

From: Brian Kischnick, City Manager  
Mark F. Miller, Director of Economic and Community Development  
Thomas Darling, Director of Financial Services

Subject: Approval of the Troy Downtown Development Authority's Proposed Fiscal Year 2015/16 Budget (***Introduced by: Mark F. Miller, Director of Economic & Community Development***)

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The Downtown Development Authority (DDA) approved their proposed 2015/16 budget and three year budget at the April 15, 2015 DDA meeting.

The City-captured tax rate of 10.5 mills, Oakland County 4.65 mills and Oakland County Community College 1.58 mills was used in determining the DDA property tax revenue, based on a captured taxable value of \$69,984,800 in fiscal year 2015/16, with a projected property tax revenue of \$1,199,000.

The very positive tax revenue reflects the October 2013 amendment to the DDA Tax Increment Financing and Development Plan. This latest Plan corrected the negative tax capture and eliminated the potential for default of three bond issues. While the City of Troy issued bonds backed by the full faith and credit of the City, including its AAA bond rating to pay off the three DDA bond series. The Plan amendment limits the DDA to three functions: debt service, maintenance cost and administrative fees. Initially it was projected that the City of Troy would have to financially assist the DDA in covering the enhanced street island maintenance. In fiscal year 2016 the DDA will generate sufficient revenue to pay for both the bonds and maintenance. Within the three year budget starting fiscal 2017 the DDA will be able to reimburse the City \$25,000 for administrative expense. In conclusion the DDA Plan amendment in 2013 is very successful in solving the dramatic reduction in DDA revenues.

The DDA's proposed fiscal year 2015/16 budget is hereby submitted to City Council for their approval.

2015/2016

# CITY OF TROY

Downtown Development Authority

# BUDGET

grow through community | lead through action

## Members

Timothy Blair  
Dennis Bostick  
David R. Hay  
Arkan Jonna  
Laurence G. Keisling  
P. Terry Knight  
Daniel MacLeish  
Albert Papa  
Ward Randol, Jr.  
Ernest C. Reschke  
Douglas J. Schroeder  
Dane Slater

### **Chairman**

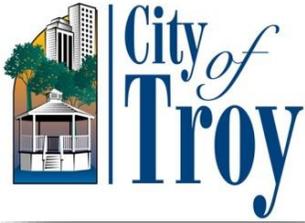
Alan M. Kiriluk

### **Executive Director**

Mark F. Miller

### **Secretary/Treasurer**

Thomas Darling



## *Downtown Development Authority*

County of Oakland, State of Michigan

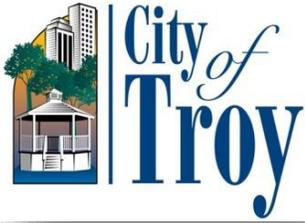
2015/16 through 2017/18 Budget

### Introduction

In order to prevent further deterioration and to encourage economic development of the Downtown District, the City of Troy established the Downtown Development Authority of the City of Troy (the TDDA) pursuant to Act 197 of 1975 (Act 197) and an ordinance adopted by the City Council of the City of Troy on July 12, 1993 and amended on September 28, 1998, February 7, 2000, August 5, 2002, December 16, 2002, June 4, 2007 and October 7, 2013.

The TDDA in its first six Tax Increment Financing and Development Plans identified specific sources of funding to finance the implementation of a plan for physical improvements to the Downtown District identified in this plan as the Development Area.

The purpose of the Tax Increment Financing and Development Plans are to provide for the construction and financing of the necessary streets, sidewalks, street lighting, landscaping, parking garage and other facilities, Kmart and Civic Center projects, widening of Rochester and Big Beaver roads to improve traffic flow; provide and expand existing public facilities on the civic center site to serve the needs of the TDDA businesses and the citizens of the City of Troy; to fund improvements contained in the Big Beaver Corridor Study and to carry out the objectives of the TDDA so as to prevent the further deterioration of the Downtown Development Area while preserving and promoting economic growth for the benefit of all taxing units located within and benefited by the Troy Downtown Development Authority.



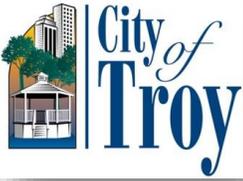
## *Downtown Development Authority*

**County of Oakland, State of Michigan**

The TDDA issued three separate bond issues in 2001, 2002 and 2003. The bonds were “naked tax increment bonds” secured solely by the tax increment revenues to be derived from the properties in the Downtown District. This is rare in Michigan and was based on the then perceived strength of the Downtown District’s taxable values and the ability of properties in the Downtown District to generate sufficient tax increment revenues to pay the debt service on the bonds. While the City has a AAA rating, its full faith and credit was not utilized or pledged for these three bond issues.

The initial value of the district in 1993 was \$439,230,530. At the height of the aggregate value for the TDDA, the value peaked at \$700,929,970 and captured value was \$271,014,440. In comparison, the projected value for 2015/2016 is \$379,177,070 and the captured value is \$69,984,800. The reduction in the separation between the base year value and current taxable value created a revenue stream reduction trending toward elimination. This created a situation in which the TDDA would not be able to service the three bond issues and default was imminent.

On October 7, 2013, a new Tax Increment Financing and Development Plan was approved. The revised Plan eliminated properties that were a negative draw on the aggregate value of the TDDA. The Plan authorized three functions: debt service, maintenance costs and administrative fees. In addition, the TDDA and Plan were extended to 2033. Finally, the City of Troy issued bonds backed by the full faith and credit of the City, including its AAA bond rating to pay off the three TDDA bond series. In conclusion, this budget demonstrates that the revision of the Plan provides for sufficient revenue to service the City of Troy bonds and thereby eliminates the threat of default of the TDDA bonds.



## Downtown Development Authority

County of Oakland, State of Michigan

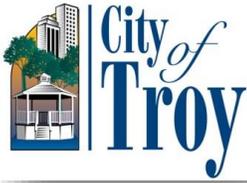
### 2014/15 through 2016/17 Budget

	2014 Actual	2015 Estimated	2015 Budget	2016 Budget	2017 Budget	2018 Budget
<b>REVENUE</b>						
Property Taxes	\$ 291,837	\$ 1,198,800	\$ 1,199,000	\$ 1,170,850	\$ 1,262,120	\$ 1,354,800
City Contribution	-	-	-	-	-	-
Interest Income	653	2,600	-	-	-	-
<b>Total Revenues</b>	<b>292,490</b>	<b>1,201,400</b>	<b>1,199,000</b>	<b>1,170,850</b>	<b>1,262,120</b>	<b>1,354,800</b>
<b>EXPENDITURES</b>						
Administrative Expenses	-	-	-	-	25,000	27,000
Audit Fees	3,070	3,070	3,070	3,070	3,070	3,070
Tax Tribunals	173,208	100,000	100,000	100,000	100,000	100,000
Street Island Maintenance	-	122,600	136,367	179,380	180,160	180,970
Debt Service-Prior Issues	412,221	-	-	-	-	-
Debt Service-Series 2013	125	958,560	958,563	950,760	941,660	931,260
Other expenditures	962	1,000	1,000	1,000	1,000	1,000
<b>TOTAL - EXPENDITURES</b>	<b>589,586</b>	<b>1,185,230</b>	<b>1,199,000</b>	<b>1,234,210</b>	<b>1,250,890</b>	<b>1,243,300</b>
<b>Change Before Other Financing</b>	<b>(297,096)</b>	<b>16,170</b>	<b>-</b>	<b>(63,360)</b>	<b>11,230</b>	<b>111,500</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond Proceeds from General Fund	15,440,343	-	-	-	-	-
Payments to Escrow Agent	(17,866,244)	-	-	-	-	-
<b>Total Financing Sources (Uses)</b>	<b>(2,425,901)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SURPLUS (USE) OF FUND BALANCE</b>	<b>(2,722,997)</b>	<b>16,170</b>	<b>-</b>	<b>(63,360)</b>	<b>11,230</b>	<b>111,500</b>
BEGINNING FUND BALANCE	2,839,878	116,881	3,029,893	133,051	69,691	80,921
<b>ENDING FUND BALANCE</b>	<b>\$ 116,881</b>	<b>\$ 133,051</b>	<b>\$ 3,029,893</b>	<b>\$ 69,691</b>	<b>\$ 80,921</b>	<b>\$ 192,421</b>

### Captured Taxable Value

	2015/16 Taxable	2016/17 Taxable	2017/18 Taxable
Real Base Taxable Value (1993 initial/Revised 2013)	\$ 244,924,440	\$ 244,924,440	\$ 244,924,440
Real Taxable Value	277,522,820	281,964,532	286,477,339
<b>Real Captured Value</b>	<b>32,598,380</b>	<b>37,040,092</b>	<b>41,552,899</b>
Personal Base Taxable Value (1193 initial/Revised 2013)	64,267,830	64,267,830	64,267,830
Personal Taxable Value	101,654,250	102,668,268	103,694,950
<b>Personal Captured Value</b>	<b>37,386,420</b>	<b>38,400,438</b>	<b>39,427,120</b>
<b>Total Captured Value</b>	<b>\$ 69,984,800</b>	<b>\$ 75,440,530</b>	<b>\$ 80,980,019</b>

	Oakland County	Oakland Comm. College	City of Troy	Total
Millage Rates	4.65	1.58	10.5	16.73



## Downtown Development Authority

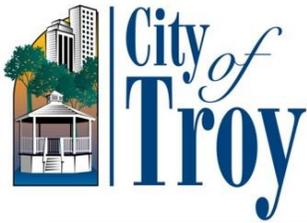
County of Oakland, State of Michigan

### Projected Tax Capture to Debt Schedule

Year	Revenues			Debt Service - Series 2013			
	Total Taxable Value	Captured Taxable Value	Captured Tax Revenues (16.73 mills)	Principal	Interest	Total Debt Service	Net
2015/2016	379,177,070	69,984,800	1,170,850	260,000	690,763	950,763	220,087
2016/2017	384,632,800	75,440,530	1,262,120	260,000	681,663	941,663	320,457
2017/2018	390,172,289	80,980,019	1,354,800	260,000	671,263	931,263	423,537
2018/2019	395,794,278	86,602,008	1,448,850	260,000	663,463	923,463	525,387
2019/2020	401,500,025	92,307,755	1,544,310	260,000	654,363	914,363	629,947
2020/2021*	407,281,625	98,089,355	1,641,030	375,000	638,488	1,013,488	627,542
2021/2022	413,146,480	103,954,210	1,739,150	440,000	618,113	1,058,113	681,037
2022/2023	419,095,789	109,903,519	1,838,690	500,000	594,613	1,094,613	744,077
2023/2024	425,130,768	115,938,498	1,939,650	600,000	567,113	1,167,113	772,537
2024/2025 **	433,633,383	124,441,113	2,081,900	745,000	537,213	1,282,213	799,687
2025/2026	442,306,051	133,113,781	2,226,990	900,000	499,813	1,399,813	827,177
2026/2027	451,152,172	141,959,902	2,374,990	975,000	452,938	1,427,938	947,052
2027/2028	460,175,215	150,982,945	2,525,940	1,250,000	403,563	1,653,563	872,377
2028/2029	469,378,719	160,186,449	2,679,920	1,250,000	352,781	1,602,781	1,077,139
2029/2030	478,766,293	169,574,023	2,836,970	1,250,000	294,188	1,544,188	1,292,782
2030/2031	488,341,619	179,149,349	2,997,170	1,275,000	227,906	1,502,906	1,494,264
2031/2032	498,108,451	188,916,181	3,160,570	1,275,000	160,969	1,435,969	1,724,601
2032/2033	508,070,620	198,878,350	3,327,230	1,275,000	94,031	1,369,031	1,958,199
2033/2034	518,232,032	209,039,762	3,497,240	1,275,000	30,281	1,305,281	2,191,959

\* = 1.44% Increase

\*\* = 2% Increase



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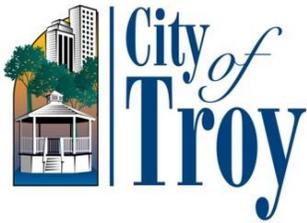
### TAX INCREMENT PROCEDURE

Tax increment revenue to be transmitted to the TDDA is generated when the current taxable value of all properties within a development area exceeds the initial assessed value of the properties. The initial assessed value is defined in Act 197 as the assessed value of all taxable property within the boundaries of the development area at the time the ordinance establishing the tax increment financing plan is approved, as shown by the most recent assessment roll of the municipality for which equalization has been completed at the time the ordinance is adopted. The current assessed value refers to the assessed value of all properties, real and personal, within the development area as established each year subsequent to the adoption of the tax increment financing plan. The amount in any one year by which the current taxable value exceeds the initial assessed value, including real and personal property, is defined as the "captured taxable value". The tax increment revenue transmitted to the TDDA results from applying the total tax levy of taxing units within the development area to the captured taxable value.

Increases in assessed values within a development area which result in the generation of tax increment revenues, can result from any of the following:

- a. Construction of the new development occurring after the date establishing the "initial assessed value".
- b. Construction of new rehabilitation, remodeling alterations, or additions accruing after the date establishing the "initial assessed value".
- c. Increases in property values which occur for any other reason.

Tax increment revenues transmitted to the TDDA can be pledged for debt service on general obligation tax increment bonds issued by the municipality or tax increment revenue bonds issued by the TDDA.



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If bonds are to be sold, the municipality may not pledge for annual debt service requirements in excess of 80% of the estimated tax increment revenue to be received from a development area for that year. In addition, the estimated annual debt service owed on bonds issued by the municipality may not exceed 80% of the estimated annual tax increment revenues. Should actual tax increment revenues fall below projections, any previously accumulated revenue would be devoted to retirement of the bonds. Any tax increment revenues collected in excess of the 80% measure described in Table 2 of the Development Plan will be used to pay current debt service on any bonds issued under the Plan. The bonds are subject to the Michigan Municipal Finance Act and may not mature in more than thirty years.

The TDDA may expend tax increment revenues only in accordance with the tax increment financing plan; surplus revenues revert proportionally to the prospective taxing jurisdictions. The tax increment financing plan may be modified upon approval of the governing body after notification and hearings as required by Act 197. When the governing body finds that the purposes for which the plan was established have been accomplished, they may abolish the plan.