



LOCAL DEVELOPMENT FINANCE AUTHORITY

June 15, 2016

**CITY OF PORTAGE
LOCAL DEVELOPMENT FINANCE AUTHORITY
BOARD OF DIRECTORS MEETING**

A G E N D A

June 15, 2016, 8:00 a.m.

CALL TO ORDER:

8:00 a.m., Portage City Hall, Conference Room #1, 7900 South Westnedge Avenue

APPROVAL OF MINUTES:

* October 26, 2015

BUSINESS:

- * 1. FY 2014-15 Annual Financial Reports
 - Communication from the Community Development Director
 - Resolution Approving and Authorizing Transmission of the Financial Report on the Status of the Tax Increment Financing Plan

STATEMENT OF CITIZENS:

ADJOURNMENT:

Star (*) indicates printed material within the agenda packet.

PORTAGE LOCAL DEVELOPMENT FINANCE AUTHORITY

Monday, October 26, 2015

The Portage Local Development Finance Authority meeting on October 26, 2015 was called to order at 8:05 a.m. in Conference Room #1 of Portage City Hall, 7900 South Westnedge Avenue.

MEMBERS PRESENT:

Dennis Brooks, Karla Colestock, Michael Collins, Rick DeKam, Jeff Gardner, Larry Killips, and Tim Wenzel

MEMBERS EXCUSED:

Robert Seely, Sean Silkworth, and Tim Zajac

IN ATTENDANCE:

Vicki Georgeau, Director of Community Development, William Furry, Director of Finance and Purchasing.

APPROVAL OF MINUTES:

The minutes of the September 19, 2014 meeting were introduced for approval. A motion was offered by Collins and seconded by Colestock to approve the meeting minutes as presented. Upon voice vote, the motion was unanimously approved.

BUSINESS:

1. Election of Officers. Ms. Georgeau referred to the Articles of Incorporation, and the officers of the Board. The current slate includes Tim Wenzel, Chair; Dennis Brooks, Treasurer; and Karla Colestock, Secretary. There was a brief discussion of the continuation of the current officers. A motion was offered by Collins and seconded by Gardner that Wenzel serve as Chair, Brooks as Treasurer and Colestock as Secretary. Upon voice vote, the motion was unanimously approved.
2. Resolution authorizing refunding of the City of Portage Local Development Finance Authority Bonds, Series 2004, and Resolution approving the undertaking to provide continuing disclosure by the City of Portage for the Local Development Financing Authority Refunding Bonds, Series 2015. Ms. Georgeau introduced the refinancing proposal and indicated following review by the Board, the information will be forwarded to City Council for approval. Mr. Furry summarized the materials in the agenda prepared by Bond Counsel and the proposal to refinance LDFA bonds that are now callable. Furry indicated the city will save \$409,552 by refinancing the bonds. Georgeau added that the current bond interest rates are approximately 6% and the bonds to be refinanced will have an interest rate of approximately 3%. Wenzel inquired in regard to the interest rates now versus the anticipated new rates. In response to an inquiry from Wenzel, Mr. Furry clarified the bonds will have an additional 15-year term through 2030. Wenzel and Collins inquired regarding bond

counsel expenses for the refinancing and what firm the city uses. Furry indicated that bond counsel expenses are included with the bond financing and that the city uses Axe and Ecklund for bond counsel. After further discussion, a motion was made by Gardner, seconded by Collins to approve the Resolution authorizing refunding of the City of Portage Local Development Finance Authority Bonds Series 2004. Upon voice vote, the motion was unanimously approved. After a brief discussion, a motion was made by Gardner, seconded by Collins to approve Resolution approving the undertaking to provide continuing disclosure by the City of Portage for the Local Development Financing Authority Refunding Bonds, Series 2015. Upon voice vote, the motion was unanimously approved.

3. Resolution Approving the 2013-14 Annual Financial Report. Ms. Georgeau summarized the communication to the Board concerning the annual report included in the agenda. Following review by the Board, Ms. Georgeau noted the information will be forwarded to City Council and then to the State Tax Commission. Ms. Georgeau explained that the city will complete the Zylman Avenue improvements when the Stryker Corporation completes the expansion project to the East Centre Avenue facility and the Haverhill water tower project is now planned to be completed in FY2018-19, which is intended to improve fire flow within the industrial corridor. Ms. Georgeau noted that the fund balance will be utilized to complete pending improvements as well as fund any shortfalls that may occur from debt expenditures that exceed revenues. In FY 2013-14, staff noted debt expenditures exceeded revenues by \$20,673, which was lower than the \$61,075 shortfall experienced in FY 2012-13. Georgeau added that the recent Kenco facility on Portage Road and other anticipated development in the LDFA should improve finances for the LDFA. However, personal property taxes will begin to phase out and the LDFA, which is comprised of large scale industrial uses, generated significant personal property tax revenues. Furry added that specific details are still pending from the State of Michigan in regard to the 85% reimbursement for personal property taxes to the city. After further discussion, a motion was made by Colestock, seconded by Gardner, to approve the resolution and authorize the transmission of the FY 2013-14 Annual Financial Report on the status of the tax increment financing plan. Upon a voice vote, the resolution was unanimously approved.

STATEMENT OF CITIZENS:

None.

ADJOURNMENT:

There being no further business to come before the Board, the meeting was adjourned at 8:20 a.m.

Respectfully Submitted,

Vicki Georgeau, AICP
Director of Community Development

TO: Local Development Finance Authority Board

DATE: June 8, 2016

FROM: Vicki Georgeau,  Director of Community Development

SUBJECT: Annual Financial Report

Attached find a resolution to approve and authorize transmission of the FY 2014-2015 annual report to the State Tax Commission and to City Council per the Local Development Financing Act (PA 281 of 1986). The Annual Financial Report includes final audited information and is attached as Appendix A to the resolution. The annual report is only transmitted after the board has the opportunity to review the applicable annual audit information for the City of Portage.

As the Board will recall and for the benefit of the new members, Public Improvement/Activity Project #5 (East Milham-Kalamazoo/Battle Creek International Airport water main extension) could not be completed since it was not feasible to construct the water main crossing beneath the airport, due to the cost of required insurance to protect against catastrophes and for which no insurance is available. As a result, an alternative project was identified and involves replacement of the existing 750,000 gallon Haverhill Water Tower with a new, larger 2.75 million gallon tower. Construction of the new water tower was initially programmed in the Capital Improvement Program for FY 2014-2015 but has been reprogrammed for FY 2018-2019 due to increased costs and funding available through the Water Fund.

With regard to Public Improvement/Activity Project #7 (Zylman Avenue improvements), this project has been deferred. Since the Stryker Corporation did not use Zylman for access when it constructed the East Centre Avenue manufacturing plant, the city believed it prudent to delay the project until it was needed to facilitate access to the adjacent property. The Stryker Corporation was advised of this project deferral and agreed. City Council adopted a resolution in May 2009 approving the substitution of the Haverhill water tower upgrade for Public Improvement/Activity Project #5 and deferring Zylman Avenue improvements.

As shown in the Revenues, Expenditures and Changes in Fund Balances table at the end of the report, the fund balance was \$1,939,810 at the end of FY 2014-2015, a slight increase from \$1,928,982 at the end of FY 2013-2014. In FY 2014-2015, revenues were less than the expenditures and in order to cover the \$44,172 difference, money was utilized from the fund balance. Recent and proposed construction activity, such as the 330,000 square foot distribution center at 6501 Portage Road, and a planned 98,000 square foot Pfizer addition at 7171 Portage Road will help improve the financial standing of the LDFA.

Attached is a resolution approving and authorizing the transmission of the Financial Reports to the Portage City Council, and then subsequently to the State Tax Commission. Approval of the accompanying resolution is recommended.

Attachment: Resolution with Annual Financial Report

CITY OF PORTAGE

At a regular meeting of the Board of the Local Development Finance Authority of the City of Portage, Michigan, held on June 15, 2016 at 8:00 a.m. at the City Hall, Portage, Michigan, there were:

PRESENT: _____

ABSENT: _____

The following preamble and resolution were offered by _____ and supported by _____:

**RESOLUTION APPROVING AND AUTHORIZING
THE TRANSMISSION OF THE FINANCIAL
REPORTS ON THE STATUS OF THE TAX INCREMENT
FINANCING PLAN**

WHEREAS, the Local Development Finance Authority of the City of Portage (the "Authority") has been duly incorporated by the City of Portage (the "City") pursuant to Act No. 281 of the Public Acts of Michigan of 1986 (the "Act") and the Board of the Authority has been duly appointed and sworn into office; and

WHEREAS, the Authority is required by statute to transmit annually to the City Council of the City of Portage and the State Tax Commission a Financial Report on the Status of the Tax Increment Financing Plan which report shall include certain matters as required by Section 13(3) of the Act; and

WHEREAS, such material has been prepared and is attached hereto as Appendix A to this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE CITY OF PORTAGE, as follows:

1. The Financial Reports on the Status of the Tax Increment Financing Plan attached hereto as Appendix A is approved.

2. The Director of the Authority is authorized to transmit said financial report to the City Council of the City of Portage and the State Tax Commission.

The results of a roll-call vote on the foregoing resolution were as follows:

YES: _____

NAYS: _____

ABSTAIN: _____

THE RESOLUTION WAS DECLARED ADOPTED

SECRETARY'S CERTIFICATE

The undersigned, being the duly qualified and acting Secretary of the Board of the Local Development Finance Authority of the City of Portage, Michigan, hereby certifies that (1) the foregoing is a true and complete copy of a resolution duly adopted by the Board at a regular meeting held on June 15, 2016, at which meeting a quorum was present and remained throughout, (2) the original thereof is on file in the records of the proceedings of the Board in my office, (3) the meeting was conducted, and public notice thereof was given, pursuant to and in full compliance with the Open Meetings Act (Act No. 267, Public Acts of Michigan, 1976, as amended), and (4) minutes of such meeting were kept and will be or have been made available as required thereby.

, Secretary

Dated: June 15, 2016

ANNUAL FINANCIAL REPORT

CITY OF PORTAGE

LOCAL DEVELOPMENT FINANCE AUTHORITY

For

FY 2014 - 2015

Portage, Michigan

APPENDIX A

LOCAL DEVELOPMENT FINANCE AUTHORITY

OF

THE CITY OF PORTAGE

2003 AMENDED DEVELOPMENT PLAN/TAX INCREMENT FINANCE PLAN

FY 2014-15 ANNUAL FINANCIAL REPORT

As Approved by the Authority Board

on

June 15, 2016

INTRODUCTION

Pursuant to the provisions of Act No. 281, Public Acts of Michigan, 1986, (Act 281), the City of Portage (the "City") has established the Local Development Finance Authority of the City of Portage (the "Authority"). Act 281 provides that the Board of the Authority, if it determines that it is necessary for the achievement of the purposes of Act 281, shall prepare and submit a tax increment financing plan to the City Council. Act 281 further provides that a tax increment financing plan shall include a development plan.

In 2003, a new opportunity to utilize the LDFA and again forge a public-private cooperative program became available. The City Administration facilitated additional growth and expansion of the manufacturing sector that would benefit the city and other local taxing jurisdictions. As a tool used to spur manufacturing growth, the LDFA financing mechanism was proposed to accomplish public improvements and eligible activities and provide incentives for Pfizer Incorporated to expand in this community. An investment of approximately \$30 million was planned by Pfizer. Additionally, the Stryker Corporation indicated plans to significantly expand its manufacturing capacity by investing up to nearly \$70 million, with significant job retention and job creation possibilities, and incentives to facilitate new manufacturing facilities in Portage and to encourage this investment were proposed. Amending the boundaries of LDFA District No. 1 to include properties along Sprinkle Road were included as part of this initiative.

Pfizer Incorporated proposed new/expanded facilities at the manufacturing complex on Portage Road. Public infrastructure improvements facilitated this expansion effort by the company. The manufacturing facilities are operational. Given the changing pharmaceutical industry over the past several years and for this annual report, jobs at the Pfizer complex have been fluctuating. For the purpose of this annual report, it is estimated that 2,270 jobs are provided locally by Pfizer.

Stryker Corporation proposed a new and also reconstructed/expanded manufacturing, research, and distribution facilities at 3800 East Centre Avenue, 4100 East Milham Avenue and at 6300 Sprinkle Road. The company invested \$68 million in the new manufacturing and expanded facilities and are operational. For the purpose of this annual report, it is estimated that the company employs 2,000 people at these facilities.

The purpose of the 2003 Amended Development Plan/Tax Increment Finance Plan is to provide for the acquisition, construction and financing of public facilities and other eligible activities (as defined in Act 281) necessary for the planned projects by these two companies.

The acquisition and construction of certain public facilities and land acquisition activities facilitated the construction and development of the projects by these companies and thereby created economic growth and development in the Authority District and other areas of the City of Portage and Kalamazoo County.

PROPOSED PUBLIC IMPROVEMENT / ACTIVITY PROJECTS

PUBLIC IMPROVEMENTS/ACTIVITIES	ESTIMATED COST	ESTIMATED TIME DESIGN & CONSTRUCTION
1. Sprinkle Road widening, East Centre to Zylman	\$1,010,000	12-24 months
2. Sprinkle Road/Zylman and Sprinkle Road/East Milham Access improvements	\$300,000	12-24 months
3. 80 acre land purchase	\$2,400,000	12 months
4. Water and Sewer facilities to serve interior property	\$110,000	12-24 months
5. East Milham-Kalamazoo/Battle Creek International Airport water main improvement	\$1,200,000	12-24 months

PUBLIC IMPROVEMENTS/ACTIVITIES	ESTIMATED COST	ESTIMATED TIME DESIGN & CONSTRUCTION
6. Water main Improvement, Sprinkle, Tiffany to Hayes*	\$880,000	12-24 months
7. Zylman Improvements*	\$1,210,000	12-24 months
8. Ramona Lane, Lovers to Portage water main improvement*	\$500,000	12-24 months
9. Ramona Lane, Lovers to Portage sanitary sewer improvement*	\$990,000	12-24 months
TOTAL \$8,600,000		

* Projects will be funded through tax increment revenue if available or other sources.

With regard to the proposed projects identified above:

- Public Improvement/Activity Project #1:** complete
- Public Improvement/Activity Project #2:** complete
- Public Improvement/Activity Project #3:** complete
- Public Improvement/Activity Project #4:** complete
- Public Improvement/Activity Project #5:** Haverhill water tower improvements substituted
- Public Improvement/Activity Project #6:** complete
- Public Improvement/Activity Project #7:** Pending further facility expansion by Stryker
- Public Improvement/Activity Project #8:** complete
- Public Improvement/Activity Project #9:** complete

FINANCIAL INFORMATION

This Annual Financial Report has been prepared pursuant to Section 13(3) of the Local Development Financing Act. The Annual Financial Report is for FY 14-15 and contains the information required by the Act.

Section 13(3)a: THE AMOUNT AND SOURCE OF TAX INCREMENTS RECEIVED

Tax increment revenue	\$ 508,810
Interest	\$ 6,579
Total	\$ 515,389

Section 13(3)(b): THE AMOUNT IN ANY BOND RESERVE ACCOUNT

- In the LDFA Debt Service Fund balance there is \$ 1,939,810

Section 13(3)(c): THE AMOUNT AND PURPOSE OF EXPENDITURES OF TAX INCREMENT REVENUES

- Interest and paying agent fees on outstanding principal \$ 559,561

Section 13(3)(d): THE AMOUNT OF PRINCIPAL AND INTEREST ON ANY OUTSTANDING BONDED INDEBTEDNESS OF AUTHORITY

- \$6,811,913 as of June 30, 2015

Section 13(3)(e): THE INITIAL ASSESSED VALUE OF THE ELIGIBLE PROPERTY

- The initial value is established at \$ 21,061,140.

Section 13(3)(f): THE CAPTURED ASSESSED VALUE OF THE ELIGIBLE PROPERTY
RETAINED BY THE AUTHORITY

- The captured value is established at \$30,588,460 for FY 2014-2015.

Section 13(3)(g): THE NUMBER OF JOBS CREATED AS A RESULT OF THE
IMPLEMENTATION OF THE TAX INCREMENT FINANCING PLAN.

- 225 new jobs; 1600 existing jobs retained.

Section 13(3)(h): ANY ADDITIONAL INFORMATION THE GOVERNING BODY OR THE STATE
TAX COMMISSION CONSIDERS NECESSARY.

1. Attached find pages excerpted from the FY 2014-2015 comprehensive annual financial report for the City of Portage. This information provides supporting documentation for this financial report.

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2015

	General Obligation Debt Fund	Special Assessment Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 291,899
Special assessments	-	190,609	-	-
Interest and rents	101	6,469	32	195
Net increase in fair value of investments	-	2,331	7	265
Total revenues	<u>101</u>	<u>199,409</u>	<u>39</u>	<u>292,359</u>
Expenditures				
Debt service:				
Principal	2,146,694	230,000	1,135,000	155,000
Interest and other fiscal charges	963,837	97,710	197,154	159,425
Total expenditures	<u>3,110,531</u>	<u>327,710</u>	<u>1,332,154</u>	<u>314,425</u>
Revenues under expenditures	<u>(3,110,430)</u>	<u>(128,301)</u>	<u>(1,332,115)</u>	<u>(22,066)</u>
Other financing sources (uses)				
Issuance of long-term debt	4,782,403	-	-	-
Payment to refunding bond escrow agent	(4,798,239)	-	-	-
Premium on refunding debt	76,689	-	-	-
Transfers in:				
General fund	-	-	-	100,000
Capital improvement fund	3,064,000	-	1,332,000	-
Downtown Development Authority fund	-	60,604	-	-
Transfers out -				
Capital improvements fund	-	-	-	(60,604)
Total other financing sources (uses)	<u>3,124,853</u>	<u>60,604</u>	<u>1,332,000</u>	<u>39,396</u>
Net change in fund balances	<u>14,423</u>	<u>(67,697)</u>	<u>(115)</u>	<u>17,330</u>
Fund balances, beginning of year	<u>189,468</u>	<u>555,794</u>	<u>3,763</u>	<u>117,287</u>
Fund balances, end of year	<u>\$ 203,891</u>	<u>\$ 488,097</u>	<u>\$ 3,648</u>	<u>\$ 134,617</u>

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet

Nonmajor Debt Service Funds
June 30, 2015

	General Obligation Debt Fund	Special Assessment Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund
Assets				
Cash and investments	\$ -	\$ 488,097	\$ 3,648	\$ 134,617
Accounts receivable	-	-	-	-
Special assessments receivable	-	1,609,269	-	-
Prepaid items	1,987,636	-	-	-
Total assets	\$ 1,987,636	\$ 2,097,366	\$ 3,648	\$ 134,617
Liabilities				
Accounts payable	\$ 8,614	\$ -	\$ -	\$ -
Interfund payable	1,775,131	-	-	-
Total liabilities	1,783,745	-	-	-
Deferred inflows of resources				
Unavailable revenue - special assessments	-	1,609,269	-	-
Fund balances				
Nonspendable	1,987,636	-	-	-
Restricted	-	488,097	3,648	134,617
Unassigned	(1,783,745)	-	-	-
Total fund balances	203,891	488,097	3,648	134,617
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,987,636	\$ 2,097,366	\$ 3,648	\$ 134,617

Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
\$ 386,184	\$ 1,914,132	\$ 2,926,678
-	-	-
-	-	1,609,269
-	26,828	2,014,464
<u>\$ 386,184</u>	<u>\$ 1,940,960</u>	<u>\$ 6,550,411</u>
\$ -	\$ 1,150	\$ 9,764
-	-	1,775,131
-	1,150	1,784,895
-	-	1,609,269
-	26,828	2,014,464
386,184	1,912,982	2,925,528
-	-	(1,783,745)
386,184	1,939,810	3,156,247
<u>\$ 386,184</u>	<u>\$ 1,940,960</u>	<u>\$ 6,550,411</u>

Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
\$ -	\$ 508,810	\$ 800,709
-	-	190,609
273,050	2,841	282,688
753	3,738	7,094
273,803	515,389	1,281,100
421,992	225,000	4,313,686
154,297	334,561	1,906,984
576,289	559,561	6,220,670
(302,486)	(44,172)	(4,939,570)
-	2,150,000	6,932,403
-	(2,095,000)	(6,893,239)
-	-	76,689
-	-	100,000
339,000	-	4,735,000
-	-	60,604
-	-	(60,604)
339,000	55,000	4,950,853
36,514	10,828	11,283
349,670	1,928,982	3,144,964
\$ 386,184	\$ 1,939,810	\$ 3,156,247