



# CITY OF RAPID CITY

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## MEMO

**To:** Mayor Sam Kooiker & City Council

**From:** Pauline Sumption

**Date:** January 4, 2012

**RE:** Update on Reporting for Tax Increment Financing (TIF) Districts

I spoke with DLA just to make sure but nothing is changing as far as reporting for TIF districts goes, as we have had to show the TIF debt in our financials since 2008. The only thing that is changing is on the budget side so that we do not show that we over-spent the budget. We have been doing supplemental appropriations for this in the past, including in 2011. This is the first year, however, that we have supplemented the budgets for TIDs based on the entire project plan instead of waiting to see what is certified during the year. I am hopeful that this will aid in my determination to not have these budgets appear to be over-spent as part of the audit in future years.

Here are a few FAQ's for you.

**How many total dollars of TIFS are there currently?** The maximum allowed to be certified by the active TIF's is \$205,848,646.88. That being said, of those that have certified part of their costs or all of their costs, there is \$39,214,981.98 outstanding (with payments made through October 2011). This amount includes the developer and City portions.

**How many TIFS have paid off and what is the revenue we are receiving now?** Of the 71 different TIFS that were created, 27 remain. The other 44 were either paid off or just dissolved. I am unable to determine what revenue we are currently receiving on these TIFS as the County no longer separates the tax payments received from those properties. We are also in the process of dissolving another one of the TIFS (loan has been paid in full) and we are very close on another one. A third TIF is moving into Phase II of the project plan.

**How many tax dollars are we not receiving because of TIFS?** With our current active TIFS for 2011 through year-end, approximately \$1,565,973.05 (18%) of the property taxes collected on the TIFS would have otherwise gone to the City had the improvements been made without the creation of a TIF.



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**What is the history of property tax received before TIFS and currently today (supposedly some TIFS are paid off so where is the revenue)?** To answer this question specifically, I will say I am unsure. However, with the current active TIFS, the original base assessed valuation of the districts combined was \$234,082,678 at the time of their creation. The current year assessed valuation on these same TIFS is \$706,136,700 – over three times their original value. As to where the money goes once the TIFS are paid off, they revert back to the various taxing entities (County, School, City) unless there is an overlapping TIF. In that case, the moneys generated from the overlapping portion would then be forwarded onto the next TIF.

**When a TIF is put in place the school district gets the revenue from the new tax base. Who pays that?** In economic development type TIFS, the school district is made whole by the State as part of the State Aid to school formula because the valuation is not included in the local effort calculation. If it's a residential area, the valuation IS included in the local effort calculation as if they get the money, which they don't. In this case, the county auditor spreads it (the valuation) across the other valuations in the school district to make up the difference. The City rarely approves any of these types of TIFS. In essence, the School Districts are not affected by TIFS anymore as they are made whole either way. (I spoke with Dan Dryden on this issue)

If you have any questions, please do not hesitate to contact me.