



MADRAS REDEVELOPMENT COMMISSION

125 S.W. "E" Street Madras Oregon 97741
Phone: 541-475-3388 Fax: 541-475-3959

The Urban Renewal Agency of the City of Madras

Budget Committee
City Council Chambers

April 21, 2016
5:30 p.m.

Agenda

- I Call to Order

- II Election of Officers
 - A. Chairman
 - B. Vice-Chairman (Optional)
 - C. Secretary

- III Budget Message

- IV Review of Budget

- V Consider Approval of Budget

- VI Adjourn

**Note: MRC Budget Committee agenda will resume on May 3, 2016 at 5:30 p.m. if not completed during this scheduled meeting.*

First Meeting-MRC
Budget Committee Meeting Minutes
April 21, 2016

I CALL TO ORDER

The MRC Budget Committee meeting was called to order by Commission Chair Doug Lofting at 5:35 p.m. for the deliberation of the MRC budget for fiscal year 2016-2017 on April 21, 2016 in the Madras City Hall Council Chambers located at 125 S.W. E Street.

BUDGET COMMITTEE MEMBERS IN ATTENDANCE WERE:

Mayor Royce Embanks, Commissioner Chair Doug Lofting, Commissioner Tom Brown, Commissioner Don Reeder, Janet Brown, Tena Jackson, Maura Schwartz, Dan Chamness and Steve Jansen.

CITY STAFF MEMBERS IN ATTENDANCE WERE:

City Administrator Gus Burrell, Finance Director Brandie McNamee, Police Chief Tanner Stanfill, Public Works Director Jeff Hurd, Community Development Director Nick Snead, HR and City Administrator Coordinator Sara Puddy, Wastewater Supervisor Keith Bedell, Streets Supervisor Rod Fulton, Parks Supervisor Jon Burchell and Accounting Technician Megan Hansen.

VISITORS IN ATTENDANCE WERE:

City Councilor Bartt Brick and Joe Krenowicz.

II Election of Officers

- A. Chairman:** Janet Brown nominates Commissioner Chair Doug Lofting. Commissioner Lofting declined and nominated Janet Brown as Chairman. The nomination was seconded by Commissioner Tom Brown and Mayor Royce Embanks. The nomination was passed unanimously 0/9.
- B. Vice-Chairman** (Optional) not needed.
- C. Secretary:** Commissioner Tom Brown nominated Tena Jackson as the Secretary. The nomination was seconded by Commissioner Chair Doug Lofting and was passed unanimously, 0/9.

III Budget Message

City Administrator Gus Burrell One of the things that we did this last fall is create a master plan, which updated our 2003 and 2005 Action Plans. We wish to connect to you what we have been doing for this last 6 to 8 months.

Community Development Director Nick Snead this past year has been a busy year for the Madras Redevelopment Commission. Some of our highlights are:

- Updated our Urban Renewal Action Plan: over 300 members of our community participated in the project.
- We made our final financial commitment to the movie theatre.
- Helped out with the Police Station/City Hall.
- Responded to a need to our community to restore a historic building.
- Funding a special grant/loan for an improvement project.
- Funded the removal of a derelict building.
- Funded the flowers to the downtown area.

The Urban Renewal Action Plan was updated because Staff and the Commission felt that there were many factors that had happened and we needed to change it. First a lot of progress has been made on the 2016 plan. Additionally the tax collection rate had been reduced from \$18 per 1000 to \$15 per 1000. We needed to have a better understanding of the nature of the Urban Renewal District moving forward. This plan has also established an investment strategy going forward. Our consultants that developed our plan, EcoNorthwest spent quite a bit of time evaluating the financials of the districts. In the next 3 years they advised we should be focused on tax increment producing projects or TIF projects. This is defined as projects that generate additional tax value, this will create positive financial impacts on the districts. Additional EcoNorthwest is encouraging us to support development on vacant or underutilized properties as well as invest in properties that create additional investments. They also focused on the need to obtain services in Madras to help us recruit businesses to Madras.

After the plan was approved by the commission we also presented three avenues that we could work on during the fiscal year budget of 2016-17. Each of the scenarios modeled a different line of credit draws for different levels of investments for the district. The preferred scenario was to maximize the ending cash, minimize the line of credit for operations and provide funding for three projects. The projects were: to fund the Sidewalk Repair Grant Program, remove additional derelict buildings and draw \$105,000 from the line of credit for a development. At this time we do not know what that development is but we will be prepared financially to fund it.

Janet Brown asked if they will draw the money even if there is not a project.

Community Development Director Nick Snead said that is correct we would not draw the money unless we needed it.

The Madras Redevelopment Commission has \$500,000 line of credit at 2.5% annual interest, currently we have drawn half of that with a two year agreement. It is designed that every 2 years we will renew it with the Bank of the Cascades. This coming winter we will start re-evaluating. With our plan we may draw out \$105,000 which will increase the amount to \$350,000 out of the \$500,000 line. What to keep in mind is if we are so lucky to have 3 projects that require additional funding from the MRC we can extend the MRC line of credit to allow that.

City Administrator Gus Burril as a district the life was at 25 years and when we updated the Action Plan there was approximately 4 cycles of long term debt issuance. We are in cycle 2 right now. The line of credit was the preferred method for the first cycle. We went for about 7 years and then converted that to long term debt. We usually have great interest rates, from 2-3%. When we convert that there are some cost of issuance, we usually convert that to a 20-25 year bond issuance. We are following a similar approach to the first cycle. If we had 2 opportunities that come up we have the ability to adjust. Since we are partnered by the City that is how we get the good rate and the loan of the Good Faith Credit Series, the City is the lending partner to the MRC. This has helped us keep the interest rates lower.

The district was originally okay to borrow up to 14 million; we are currently committed to around 5 million so we have about 9 million left to borrow. We borrowed as fast as we can pay back. The MRC is designed to be a borrowing board. The added tax dollars to the district have to be large enough to pay back to the loan. Once it is retired we hand back the district to the taxing entities at a higher value then it never existed. It is meant to be an incentive to the district. Some of the success stories are the Movie Theatre, Cross Keys Hotel, Great Earth, Six Shooters, the sidewalk projects and the flower program. The district has done good things, we have taken the feedback from the board and have proposed that. You can see our taxes are variable that is mainly due to when the district got set up in 2003, as a general obligation bond retired in the district it took our tax rate from almost \$18 per 1000 to \$15 per 1000. That is essentially why you have seen it roll back and start to grow. Our cushion between assessed value and retail market value has gotten a lot closer but we appear to be reversing that trend according to the assessor's office. We think we will start to build from here. We manage year to year on it, we adjust spending accordingly. Currently right now, our 3 year goal is to get our ending year fund to \$100,000 in reserve. We will use the Action Plan to guide us into the proposals.

Janet Brown any questions? Is there a City Budget Meeting following this?

City Administrator Gus Burril yes we should stop around 6:25 p.m. and if we are comfortable we can make a motion.

Mayor Royce Embanks asked was the dialysis part of the movie theatre loan, or was it separate?

City Administrator Gus Burril the MRC's relationship was the theatre itself, there are multiple paths on that development. The way it worked, similar to the Cross Keys Hotel is a 5 year outlay of funds upon a certificate of occupancy of payment 1. It was a performance guarantee and contract.

Janet Brown they also put in a 5 plex not a 3 plex.

Commissioner Tom Brown I think these other things are what you call secondary effects. The MRC involvement in the movie theatre is what really brought that thing to being.

Once that was there now we have the dialysis, O'Reillys and KFC. These are all secondary effects from what the MRC put into the theatre.

Mayor Royce Embanks I was just curious because people ask me.

Commissioner Don Reeder after we had an excellent presentation from Brandie. I was concerned after the meeting with the economic situation. Are we keeping enough money in the ending fund balance and contingency's?

Finance Director Brandie McNamee currently in the general fund after you take the beginning fund balance in this proposed budget of \$393,000 less the value of the reserve for the redevelopment properties, it leaves you \$64,000 of liquid cash. We are essentially borrowing from the line of credit of \$125,000 in order to meet the \$64,000. If we do not do any projects then we will not draw on that \$125,000. If you recall EcoNorthwest recommended a target goal of \$100,000 in this fund. Realistically it will take 2-3 years to get there. The fund that does have a healthy balance is the reinvestment fund. This beginning fund balance of \$235,000 is truly liquid cash. This fund is used for an emergency pull if you did not have borrowing capacity on your loan. If you see I have a place holder on this fund, this place holder is here for any big projects that come up and we need cash immediately. You could then transfer the money as an interfund transfer which would be an interfund loan. This would create a supplemental budget. The monies in the fund are sufficient to cover the debt obligations but honestly it is pretty thin.

Commissioner Don Reeder do you expect a need for a supplemental budget?

Finance Director Brandie McNamee yes if you have a large project in mind you will have to do a supplemental budget before the project is started.

Janet Brown at this point we do not have some things in the wings.

City Administrator Gus Burrell we try to estimate projects but what happens is an opportunity presents itself that we agree is a good investment then we go through the budget process. We may not use all of it but if we have an opportunity comes up we will use it.

Janet Brown and if an opportunity comes up it will go back in front of the MRC.

Community Development Director Nick Snead we are projecting to start the year at \$393,154, you can see that is a slight decline although depending on the expenditures this coming year I think you will see that increase in the future. I want to focus on the main sources of revenue. Our current property taxes are starting to increase, in the past we have had almost 4 years of declining property taxes. This year is a year that we are going to expand due to the property taxes increasing. Prior taxes are the taxes that come in after the due date of taxes. This number does not affect the budget dramatically but we have to recognize it. Part of your beginning cash is your redevelopment properties of \$329,007. Those are the values of the two properties that the MRC owns, however Staff is getting

an opinion from a real estate value of the two properties. You will probably see that value decline a little bit. When you look at the beginning fund balance there is a portion of that in there from those properties.

Finance Director Brandie McNamee under the new GAASB standards you have to assess your properties under the fair value. In accounting terms you have to go value these properties. If you recall in our audit a couple of years ago we had taken a loss in investment because originally these properties were valued over \$480,000 for the two, so we booked a loss on investment and if the realtor comes back then we have to bring our beginning balance down again. It is the reality of the Fair Market value.

Steve Jansen What are the properties?

Community Director Nick Snead the properties are located North of Mid Oregon Credit Union and between Mike Goss' Business, Farmers Insurance and the Harriman building.

Steve Jansen is that two lots?

Councilor Bartt Brick you wouldn't consider that those are liquid assets.

Finance Director Brandie McNamee the properties are not realized until sold, non-spendable until sold. If we sold one then we could recognize the revenue as investment earning.

Dan Chamness did you pay \$329,000, what did you pay for the property?

Janet Brown right at the height.

Community Development Director Nick Snead \$480,000 was the price. We also have money in the properties to remediate them.

Steve Jansen why can't something be done to liquidate them?

Community Development Director Nick Snead the lots are for sale, we are taking any offers.

Steve Jansen I have people that are interested in them but the charges are sky high. We need to lower the price to bring some real assets into the district.

City Administrator Gus Burrell I do not think the board is against adjusting the sell price to offset the fees. It is really is just the market, they have to pencil in construction cost and other fees as well. It is much more than fees, they might blame that but it is not a determining factor.

Mayor Royce Embanks the average SDC's are 6-8% of the total price.

City Administrator Gus Burrell if you look at a house it is about 5%, if you look at a business it might be 3% of a real low activity business but if it is fast food it might be 15%. This is typically across the region, it comes back to your land, construction and fees.

Mayor Royce Embanks that is your average SDC, everything else is a variable.

City Administrator Gus Burrell the land price is very affordable here.

Janet Brown it depends on the activity of the businesses from the transportation part of the SDC. When you compare our SDC's for the rest of Central Oregon we are on the low side.

What year are we on for pay back for this building, the 4th or 5th year?

Finance Director Brandie McNamee this is the 6th payment.

City Administrator Gus Burrell board discussions have been on a \$350,000, and then we would renew that \$350,000. The ultimate discussion in 2011 was to request about 20% of construction costs for this facility at 1.1 million. When we went through the Action Plan update we did ask for continuing support. From the consultants they advised to continue to support this building. It was in the original Action Plan that was also surveyed from the community.

Janet Brown to be clear this 2016-2017 will be the 6th payment?

Finance Director Brandie McNamee in year 2013-14 a payment got booked in a business line, it should have been booked somewhere else. Over 6 payments that is \$450,000 total.

Janet Brown so by the original agreement we should be done with that payment so that is a topic of discussion whether we want to continue that.

City Administrator Gus Burrell you can certainly bring it up but I am going to encourage us to be consistent with the Action Plan and the 2011 decision. The City also has financed this thing for 20 years with anticipation of 1.1 million assistance.

Commissioner Chair Doug Lofting currently with the \$75,000 and the other 20 year commitment, the MRC is currently paying 34% of the buildings payment annually. The MRC has been able to contribute greatly, we needed such a building. As far as continuing again we are going to have to look at that closely. We need to see what projects are on the horizon, we need to generate TIF funds for our projects in the future. Regarding our land Steve those properties were picked up to remove blight. Nick, does the lot up by Mid Oregon Credit Union have any transportation credits?

Community Development Director Nick Snead I do not know that off hand.

Steve Jansen wasn't that a gas station?

Janet Brown yes it was a used gas station, but then it was used car lot which isn't as many trips. That is why that property was purchased, there were gas tanks, and there was a lot of cleanup. No one would buy that property as it was that is why we removed it. The property next to Harriman was hardpan dirt hump about 2-3 stories high, with old buildings on top of it. Both of the properties were an eye sore that is why the properties were purchased.

Steve Jansen I look at it like an outsider. A lot of people mentioned in the past that Madras has a lot of holes. They are referring to the holes where the buildings use to be. We need to do something to get those things sold. The holes are really an eye sore.

Janet Brown I would argue that they look a heck of a lot better than what they were before. They are for sale and the City has offered really sweet deals for these properties.

Community Development Director Nick Snead this budget is developed to feed as many of the mouths or the needs as we can, there are more needs than we have resources. This year in materials and services we have a little bit of professional services identified for development recruitment specialist which staff has discussed this with the Commission. Then property acquisitions is for a place holder for any projects or properties that might come along. The majority of your expenses are from special payments, \$105,000 for a developer that could come in that needs assistance with costs. The other expenses are \$10,000 for sidewalks, \$10,000 for blight removal then \$75,000 for the Police Station/City Hall. The next largest expense is debt services, the 2013B bond that is the principal and interest for the bond. The draw and the interest are associated with that. Again, if we do not draw that you might not have the full expense.

Janet Brown so the actual payments are \$75,000?

Community Development Director Nick Snead the \$179,000 to \$181,000 is the payment, but it does fluctuate.

Janet Brown plus the \$75,000 for this building?

Community Development Director Nick Snead I thought you were just talking about debt service.

Janet Brown from \$105,000 down to \$450,000, those two sections of what is actually going out the door no matter what we decide.

Community Development Director Nick Snead yes.

Dan Chamness what is the 45,000 payment?

Community Development Director Nick Snead that is the MRC payment for City Staff; City Administrator, myself and the Finance Department. The transfer goes into the Community Development budget but it is shared. Unfortunately the district does not operate itself.

Commissioner Tom Brown so the dollars out for the debt service, that is basically paying back for the original \$2.5 million that was borrowed. That was paid off a long time ago and the interest was converted into long term debt and these are the payments for the \$2.5 million dollar loan when the district was formed.

Janet Brown the \$179,000?

Commissioner Tom Brown yes those 3 numbers.

Tena Jackson we haven't collected it in tax revenue yet?

Community Development Director Nick Snead we had a line of credit for \$2 million then we used bonds and then we paid off the bonds. The line of credit paid for remediation of the Harriman Building, the property by Mid Oregon Credit Union, the development of the regional Action Plan, but most of the money was towards remediation. There were also 7 improvement loans for Great Earth, World of Treasures, Ralphs TV and Furniture, Bowling Alley. This year we have had 3 loans paid in full. Again, Urban Renewal is very different from public or personal finance. We are intended to borrow money and spend it, it is a debt finance district. This why the consultants are recommending to invest in businesses that will produce property taxes, then you will have more borrowing capacity in invest in the district.

Tena Jackson are those payments going to reduce those debts?

Community Development Director Nick Snead the reinvestment fund is established to be a revolving loan fund. Some of the investments that the district made the proceeds will go back into that which then we get to re loan or reinvest the monies. The money does not go back into the general fund to repay the debt. The property tax revenue pays back the debt.

Dan Chamness what fund does the \$45,000 go to?

Community Development Director Nick Snead the \$45,000 goes to Community Development in the Cities budget.

Tena Jackson where does the property tax value come from? So we do not over commit ourselves.

Community Development Director Nick Snead each year we get a statement from the tax assessor what she believes the Urban Renewal District will collect. Traditionally we have budgeted about 5% less than the statement. We take about 95% of what the assessor says we will collect.

Tena Jackson so is that based overall tax revenue?

City Administrator Gus Burril the way it works is they freeze the base, if anything increases over that value it comes to the district. So if there is \$220 million next year, \$20 million is assessed and that is money to the district. For example if we go invest and it adds \$10 million to the district that is additional revenue to the district and is about a 10 year return.

Tena Jackson is it only on the MRC projects?

Janet Brown no it is the improvement in the district. When we drew the district boundary we drew it purposely around specific businesses.

Tena Jackson it is just the corridor?

Janet Brown if you look at the boundary, it takes out where there is already development. We drew it around the properties that we need to get cleaned up where we needed to get people on that bare land.

Community Development Director Nick Snead these two line items take a lot of effort in the budgeting process to create these estimates.

Commissioner Don Reeder in regards to the general fund, is this your budget authority? Some of these must be hard items and the other estimates. Is there a line item we should have some estimates. Such as legal fees, is that hard item or soft item?

Community Development Director Nick Snead yes we cannot spend more than the MRC approves in the budget. If we want to spend more than that we need to seek approval through the budget amendment process.

Finance Director Brandie McNamee budget authority goes by budget category. For example the total of materials and services is \$85,000, Staff can spend that without a resolution.

Janet Brown if it goes over a certain percentage.

Finance Director Brandie McNamee yes, 10%

Janet Brown where are the flowers?

Community Development Director Nick Snead the flowers are in the reinvestment fund, we made that change in the lean years. That tends to be a small reoccurring expense.

Janet Brown we are not going to finish tonight, let's go 3 minutes. Does that sound fine?

Community Development Director Nick Snead any further questions?

Janet Brown I know there will be but let's continue.

Community Development Director Nick Snead the reinvestment fund is seeing very positive increases historically. This is because the loans that the MRC has issued in the past the borrowers are paying them back and in some cases they are paying it back in full. We have had 3 loans paid back in full this year; Great Earth, World of Treasures and Ralphs TV. As staff noted in the March meeting, the reinvestment fund if the world ends for the MRC you have a resource here if you can't get additionally financing. This fund is really a revolving loan. We are seeing very positive revenues however the revenues you see we are projecting \$13,899 which is substantially more than last year. The reason is loans are being paid back, we do not have as many loans out waiting for payment. The downtown flowers are at \$11,000. The reason for that is we are adding hanging flower baskets to 31 light poles that were installed with the J street project. Right before Memorial Day weekend you will see all the hanging flower baskets. We have budgeted \$25,000 for loan distributions, not knowing what the loan will be but at least budgeting as an estimate so you have the capacity to pay it back. There is a lot of flexibility, this is not limited to one project- it could help out a business, derelict building or other improvements. The contingency is at \$70,000, the reason for that is, we could have not put as much in there but if we have a large opportunity then we have to draw from contingency to respond to any opportunity that we do not know about today.

Janet Brown then you would have to do a supplemental budget?

Tena Jackson so why is the contingency separated out?

Community Development Director Nick Snead you just do not know what it would be used for. To use the \$70,000 the MRC would have to make a decision through a supplemental budget process. There is a lot of mechanics to change that.

Janet Brown there will be plenty of time to ask questions at the next meeting so I call the meeting to the close.

MOTION WAS MADE TO CONTINUE THE PUBLIC HEARING FOR THE MADRAS REDEVELOPMENT COMMISSION BUDGET COMMITTEE TO TUESDAY, MAY 3RD AT 5:30 P.M. IN THIS BUILDING. THE MOTION WAS MOVED BY COMMISSIONER TOM BROWN AND SECONDED BY COMMISSIONER CHAIR DOUG LOFTING AND PASSED UNANIMOUSLY 0/9.

Community Development Director Nick Snead please let City Staff know if we have any conflicts so we can have a quorum for the meeting.

Commissioner Chair Doug Lofting I will not be here.

Dan Chamness I will not be here.

Steve Jansen I will not be here.

Community Development Director Nick Snead staff is saying we should be good to go with those absences.

Janet Brown what are the rules with the committee and the members at large?

Finance Director Brandie McNamee there are currently two vacancies, Bartt was placed on this committee prior to his appointment to City Council so technically because Chuck was gone tonight he can be a vote, but if Chuck is here he can't. It creates a City Council quorum for the MRC which is against their charter. We will still have quorum even with the 3 absences. But if there is a different day, with public announcements we are stuck to that week.

Steve Jansen what was wrong with the 5th?

Finance Director Brandie McNamee I will not be here.

Janet Brown see you on the 3rd, meeting was adjourned at 6:30 p.m.



Janet Brown
Budget Committee Chairman



Tena Jackson
Budget Committee Secretary

CITY OF MADRAS
VISITOR'S ATTENDANCE SHEET

**BUDGET COMMITTEE MEETING
MADRAS REDEVELOPMENT COMMISSION**

APRIL 21, 2016

5:30 p.m.

VISITOR'S/MEMBER'S NAME	REPRESENTING/ADDRESS
1. <i>Burt Brick</i>	<i>City Council</i>
2. <i>Kumar</i>	<i>Chamber / Aishaw</i>
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