

**GROWING YOUR FINANCES:  
REVENUE ENHANCEMENT  
STRATEGIES FOR CITIES**

IIMC Region III Conference &  
SC MFOCTA Spring Academy

February 22, 2018

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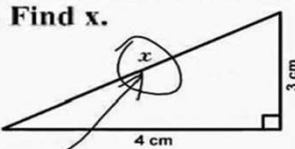
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**3. Find x.**



*Here it is*

**SIMPLICITY**  
The simplest solutions are often the cleverest  
They are also usually wrong

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TOPICS:

- Cost Allocation Plans
- Fund Transfers – recent legal cases
- Public Private Partnerships
  - Municipal Improvement Districts
  - Infrastructure Reimbursement Agreements

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COST ALLOCATION PLANS

- GFOA Best Practice:
- In addition to the direct cost of providing services, governments also incur indirect costs. Such indirect costs include shared administrative expenses where a department or agency incurs costs for support that it provides to other departments/agencies (e.g., legal, finance, human resources, facilities, maintenance, technology).

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COST ALLOCATION PLANS

1. Determine the rules of the allocation
2. GFOA best practices recommend a recalculation at least every three years, more often if there is a significant change in the accounting structure
3. Understand the allocation of direct costs – it must make sense and be reasonable
4. Weigh the cost benefit of this complex calculation

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### COST ALLOCATION PLANS

- Certain important management objectives can be served by allocating indirect costs :
  - measuring the cost of government services
  - establishing fees and charges
  - charging back the cost of internal services to departments/agencies
  - requesting reimbursements under federal and state grants, when allowed
- Regardless of the purpose of an indirect cost allocation, a systematic and rational methodology should be used to calculate the amounts allocated.

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### TRANSFERS FROM UTILITY FUNDS

- **GFOA Best Practice:**
- **Transfers out.** If the enterprise fund is expected to make a transfer to the general government or to some other fund, then this sort of claim on the enterprise funds assets may call for higher levels of working capital to maintain flexibility. (45 days of working capital is the standard)
- Transfers could include an enterprise funds contributions to overhead/support functions, subsidies granted to other operations, or any other transfer of resources.
- Regardless of the rationale of the transfer, governments should take into account the claim on working capital when setting a target amount.

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Account	2017	2018	2019
Utility Fund	1,000,000	1,000,000	1,000,000
Transfers to General Fund	(500,000)	(500,000)	(500,000)
Transfers to Other Funds	(200,000)	(200,000)	(200,000)
Operating Expenses	300,000	300,000	300,000
Depreciation	100,000	100,000	100,000
Interest	50,000	50,000	50,000
Income Tax	0	0	0
Reserve	150,000	150,000	150,000
Total	1,000,000	1,000,000	1,000,000

- The Rating Agencies strongly prefer that there is a transfer policy.
- The City of Rock Hill transfer policy is based on a calculation on expenses that a private utility service would have:
  - 1. A 5% rate of return to provide for improvements and expansions to the system
  - 2. A 5% Franchise Fee
  - 3. A calculation of property taxes that would be due from a private utility.
- All transfers must provide a benefit to the Utility.

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## AZAR VS. THE CITY OF COLUMBIA CASE

The SC Supreme Court found that "surplus revenues" from Columbia's water/sewer utility could only be transferred to the general fund after the following payments had been met:

1. Principal and Interest on all annual debt service
2. Operations and Maintenance expenses
3. Depreciation expenses
4. Contingencies (system improvements)

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## EXAMPLE TRANSFERS ANALYSIS

City of Rock Hill, SC			
Utility System Transfer Analysis - as defined by Azar vs. City of Columbia			
	FY 15-16	FY 16-17	
Operating Revenue and Other Income	\$ 187,218,414	\$ 194,073,473	util page 30
Debt and Interest Reservations Fund			
Principal (util 30 - Principal/Revenue Coverage)	\$ (7,581,874)	\$ (7,987,046)	util page 125
Interest (util 30 - Principal/Revenue Coverage)	\$ (5,173,399)	\$ (5,795,926)	util page 125
Operations and Maintenance Fund			
Annual O&M Expenses Fund	\$110,279,400	\$118,125,518	util page 30
Depreciation Fund			
Annual Depreciation Expenses	\$ 17,034,300	\$ 17,717,800	util page 30
Contingency Fund/Reserves, Accruals			
Reserve for Capital Improvements/Contingencies	\$ (1,112,899)	\$ (1,361,412)	Revenue/Budget Reporting
<b>Sub TOTAL</b>	<b>\$ 7,388,841</b>	<b>\$ 7,614,325</b>	
Transfer Ability			
Transfer to General Fund	\$ (7,388,841)	\$ (7,614,325)	util page 30
Balance of Annual System Revenues	\$ 0	\$ 0	

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## INFRASTRUCTURE REIMBURSEMENTS

- The City has entered into several infrastructure reimbursement agreements whereby the Company commits to create and maintain a minimum investment and number of new jobs in exchange for a 5 year reimbursement of City property taxes.
- The Company constructs infrastructure which is donated into the City's system.

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## PUBLIC/PRIVATE PARTNERSHIPS

- The Riverwalk Development
  - The Developer purchased the old Celanese Plant property and demolished the abandoned Plant which was on 1000 acres adjacent to the Catawba River.

Riverwalk (site of City Cycling amenities)  
Before 2009/After Demol 2005 - Celanese Plant

Riverwalk conceptual plan(2009)

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## PUBLIC/PRIVATE PARTNERSHIPS

- Through a Public Private Partnership, the Developer donated 250 acres to the City in exchange for Public amenities on the site.
- Additionally, the City expanded an existing City-only TIF District and overlaid a Municipal Improvement District.
- The City issued \$10.5 million in TIF bonds to fund electric/water/sewer extensions to the property and a 3 mile public walking trail along the Catawba River.
- The Municipal Improvement District (MID) promised to pay MID assessments on the property if property taxes were insufficient to pay the debt service on the TIF bonds.
- It's complicated.

	FY 14-15	FY 15-16	FY 16-17	FY 17
Projected Incremental Value	\$1,589,834	\$4,062,572	\$ 2,291,078	
Projected Tax Incremental Revenue	\$ 149,854	\$ 378,850	\$ 223,045	\$
Current Bonds	\$ 30,000	\$ 41,710	\$ 41,710	\$
MID Part of Assessment of Bond	\$ 751,844	\$1,070,112	\$ 667,365	\$
	\$ 401,212	\$1,449,672	\$ 1,429,860	\$
<b>TIF/MID Part of Bonds</b>				
2008/et 2042 TIF/MID Part of Bonds - P	\$ 425,000	\$ 528,000	\$ 541,000	\$
2008/et 2042 TIF/MID Part of Bonds - I	\$ 462,212	\$ 241,440	\$ 223,354	\$
2015 TIF/MID Part of Bonds - P	\$ -	\$ 478,000	\$ 387,000	\$
2015 TIF/MID Part of Bonds - I	\$ -	\$ 164,221	\$ 245,002	\$
	\$ 487,212	\$1,415,721	\$ 1,416,356	\$
Administrative Budget	\$ 40,000	\$ 25,000	\$ 14,651	\$
Total Expenses	\$ 487,212	\$1,440,721	\$ 1,431,007	\$

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## PUBLIC/PRIVATE PARTNERSHIPS

- The City's part : to construct various Public amenities on the 250 acres donated by the developer, to incentivize private development.
- The Developer's part: to fund the shortfall if the incremental property taxes were insufficient to pay the debt service on the original \$10.5 million TIF, further secured by the MID.
- Through the MID structure, the City had a lien on the entire unsold portion of the 1,000 acres should the Developer fail to pay the assessment.

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## PUBLIC DEVELOPMENT

- The Velodrome (funded by 2% Hospitality Tax and New Markets Tax Credits)



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## PUBLIC DEVELOPMENT

- The BMX track (funded by 2% Hospitality Tax)



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## PUBLIC DEVELOPMENT

- The Walking Trail (funded by the original TIF)



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### PRIVATE DEVELOPMENT

- Over 200 residential homes in the \$250,000 - \$500,000 range



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### PRIVATE DEVELOPMENT

- Lidl and Freddy's



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### PRIVATE DEVELOPMENT

- Before and After – The Pump House



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### PUBLIC/PRIVATE PARTNERSHIPS

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- The City issued \$10.5 million in TIF bonds to fund electric/water/sewer extensions to the property and a 3 mile public walking trail along the Catawba River.
- The Municipal Improvement District (MID) promised to pay MID assessments on the property if property taxes were insufficient to pay the debt service on the TIF bonds.

	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Projected Incremental Value	\$1,680,000	\$4,062,572	\$ 2,200,000	
Projected Tax Incremental Revenue	\$ 149,654	\$ 320,650	\$ 220,045	\$
Current Funds	\$ 30,000	\$ 40,710	\$ 41,710	\$
MID Part B Assessment Budget	\$ 25,816	\$1,020,127	\$ 867,865	\$
	\$ 107,212	\$1,441,812	\$ 1,429,845	\$
<b>MID Part B Receipts</b>				
2006 and 2007 MIFAMID Part B Bonds - P	\$ 425,000	\$ 220,000	\$ 544,000	\$
2006 and 2007 MIFAMID Part B Bonds - I	\$ 462,212	\$ 742,440	\$ 220,000	\$
2015 MIFAMID Part B Bonds - P	-	\$ 420,000	\$ 387,000	\$
2015 MIFAMID Part B Bonds - I	-	\$ 169,212	\$ 165,000	\$
	\$ 887,212	\$1,411,710	\$ 1,416,000	\$
Administrative Budget	\$ 400,000	\$ 25,000	\$ 140,000	\$
Total Expenses	\$ 1,017,212	\$1,436,812	\$ 1,476,040	\$

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### PUBLIC/PRIVATE PARTNERSHIPS KIDS PLANET (GREER)




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### TOPICS:

- Revenue Enhancement Services
- Managing Non-Profits
- Seeking Grants

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### CONTRACTING FOR REVENUE ENHANCEMENT

- Start with RFP
- Businesses can be aggressive
- Must manage the process
- Stay away from local
- Can be beneficial

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### MANAGING NON-PROFITS

- Council and management buy-in
- Fee in lieu – Negotiated
- Administrative fee – more for tracking
- License fee – everything or business activities

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### GRANTS

- No magic answer
- Start with eligibility
- Look for the "strings"
- Look to local foundations

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TOPICS:

- Millage Rates and Exceptions
- Implementing Fees
- Funding Capital Projects

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MILLAGE RATES AND EXCEPTIONS

- State Authority
  - Section 5-7-30 of the SC Code of Laws
    - Levy and collect a taxes on real and personal property

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MILLAGE RATES AND EXCEPTIONS

- Limitations
  - Rollback Provisions of Section 12-37-251(E) of the SC Code of Laws
  - Increase Limitations of Section 6-1-320(A)(1)
    - CPI plus population growth %
    - 3-Year Lookback provision

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### MILLAGE RATES AND EXCEPTIONS

- Exceptions to Limitations
  - Section 6-1-320(B)(1) – (B)(7) of the SC Code of Laws
    - Common ones are (B)(1) – (B)(5)
    - Must be detailed separately on tax bill

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### MILLAGE RATES AND EXCEPTIONS

- Exceptions to Limitations
  - Section 6-1-320(D) of the SC Code of Laws
    - Reserve Account Millage
    - Lease Purchase Millage (for Real Property)
    - Debt Millage

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**Auditor Office**

Steve Clay, CPA  
Greenville County Auditor  
Phone: 252-426-1300  
http://www.auditorcountycorncar.com

## MILLAGE RATES AND EXCEPTIONS

**2017 MUNICIPAL MILLAGE CERTIFICATION FORM**

To: City of Greenville      Entry No: 200201

In order to process 2017 property tax bills in a timely and accurate manner and to obtain certification of property tax millage pursuant to Section 12-42-285 of the SC Code of Laws, this Millage Certification Form should be filed out and returned to the Auditor's office as soon as possible.

Thank you for your assistance with this process. Please contact me directly if you have any questions at 467-7662 or, alternatively, contact Jennifer Perrowe at 467-7663.

	2016	Income*	Total 2017
Operating Base Millage	32.4	2.2	34.6
Reserve Account Millage	2.0	0.0	2.0
Lease Purchase Millage**	2.4	1.0	3.4
Debt Millage	2.8	0.0	2.8
<b>Total</b>	<b>39.6</b>	<b>3.2</b>	<b>42.8</b>

\*Millage levied pursuant to Sec. 6-1-320(D) to "maintain a reserve account."  
\*\*Millage levied pursuant to Sec. 6-1-320(D) for "real property purchased using a lease-purchase agreement."  
\*\*\*Millage increases are limited to the millage cap established by SC Code Sec. 6-1-326.

**RECHARGE MILLAGE**

2016	2017
Recharge Millage:	

Statewide Reason under Section 6-1-320(B) for surcharge: (Please check one)

<input type="checkbox"/>	(1) deficiency of the preceding year
<input type="checkbox"/>	(2) catastrophic event (natural disaster, act of God, etc.)
<input type="checkbox"/>	(3) revenue loss
<input type="checkbox"/>	(4) compliance with a court order or decree
<input type="checkbox"/>	(5) taxpayer closure (decrease by 10% or more prior year revenue)
<input type="checkbox"/>	(6) compliance with a federal or state authorized regulation or statute

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IMPLEMENTING FEES

- State Authority
  - Section 6-1-330 of the SC Code of Laws
    - Charge and collect a service or user fee
- Definition
  - Section 6-1-300(6) of the SC Code of Laws
    - Paid in return for a particular service or program available to the payer that is different than non-payers.
    - Include Uniform Service Fees

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IMPLEMENTING FEES

- Uniform Service Fees
- 4 Part Test for Validity
  - Revenue is used for the benefit of the payers
  - Revenue is used only for the specific purpose
  - Revenue does not exceed the cost of the purpose
  - Fee is uniformly imposed on all payers

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IMPLEMENTING FEES

- User Fees
- 3 Part Test for Validity
  - Paid in exchange for service solely benefiting payer
  - Paid by choice
  - Fee is used to compensate government for its expenses, not raise revenues

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### IMPLEMENTING FEES

- In general, 1 to 1 relationship, but many exist
  - Connection, Development and/or Impact Fees
  - Sewer and Utility Service Fees
  - Landfill Fees
  - Storm Water Program Fees
  - Sanitation Service Fees
  - Recreation Programs, Admissions and Rental Fees

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### CAPITAL FUNDING

- Lease Purchase Agreements
- General Obligation Bonds
- Revenue Bonds
- Tax Increment Financing
- Interim Financing
- Special Tax-Based Financing
- Municipal Improvement Districts
- Government Loans
- Bank Loans

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### CAPITAL FUNDING LEASE PURCHASE AGREEMENTS

- Typically for equipment, vehicles, computers
  - Real Property, if lease / lease back transactions
- Generally easiest, and least expensive of L/T debt
- 5 - 10 year basis, recurring and rotating
  - Can schedule cyclically
- Repaid from Operations
  - Not included in debt limit calculations
    - Unless used for Real Property

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CAPITAL FUNDING  
L/P-AMERICAN LEGION STEVENS FIELD



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CAPITAL FUNDING  
GENERAL OBLIGATION BONDS

- Typically for Real Property or improvements of a general nature benefitting all taxpayers; Infrastructure
- Generally easiest, and least expensive of bonds
- Longer amortization cycles for repayment
- Included in debt limit calculations
- Pledge full faith and credit, taxing authority

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CAPITAL FUNDING  
GOB-COUNTRY CLUB ROAD PARK



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**CAPITAL FUNDING  
REVENUE BONDS**

- Typically for Real Property or improvements tied to a specific revenue stream
- Private Placement or Public Issue
  - Can be expensive
- Longer amortization cycles for repayment
- Included in debt limit calculations
  - Quasi-governmental agencies

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**CAPITAL FUNDING  
IPRB-CITY HALL AND PARK**



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**CAPITAL FUNDING  
TAX INCREMENT FINANCING**

- Typically for Real Property, development and infrastructure tied to growth in assessed value
- Redevelop blighted, depressed or conservation areas
- Similar cost as GOBs
- Longer amortization cycles for repayment
- Subject to surrounding governments' authorization

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CAPITAL FUNDING  
TIF-GATEWAY INDUSTRIAL PARK



Google Earth

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CAPITAL FUNDING  
INTERIM FINANCING

- Tax Anticipation Notes (TANs)
- Bond Anticipation Notes (BANs)
- Grant Anticipation Notes (GANs)
- Quick and easy to put in place
  - Quick funding for operations or a project when waiting on longer term financing; or
  - Carry you through low revenue periods in your revenue cycle

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CAPITAL FUNDING  
SPECIAL TAX-BASED FINANCING

- Capital Improvement Sales Tax
  - Limited and subject to voter approval
- Local Hospitality and Accommodations Taxes
  - Create nexus to qualified programs and facilities
  - Great source of revenue
    - Construction and development
    - Maintenance and upkeep
    - Events

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CAPITAL FUNDING  
SPECIAL TAX-BASED FINANCING



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CAPITAL FUNDING  
MUNICIPAL IMPROVEMENT DISTRICTS

- Lengthy process to create
- Property assessments pay for, or guarantee, debt repayment
  - Assessment structure is flexible
    - Structure according to needs of specific area

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CAPITAL FUNDING  
GOVERNMENT LOANS

- State Revolving Loan Fund
  - Limited – water and sewer only
  - Federal program with state match
  - 20 – 30 years
- USDA Rural Development
  - Last resort lender
    - Higher rates, inflexible financing structure, requires consent for other debt

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CAPITAL FUNDING  
BANK LOANS

- Very flexible structure
  - Terms and capacity may be limited
- Similar to BQ paper
- Potential Problems
  - Not a recognized debt structure, not Council action, no public notice requirements, no IRS reporting, no debt filing with State Treasurer
- Use banks that understand you

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Q & A

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