

Community Development Redevelopment Fund

Mission Statement

It is the mission of the Community Development Redevelopment Fund to finance Metro Centre Authority operating deficits, provide funds for redevelopment of the central city, and generate economic development.

Primary Functions → The fund is financed by a one-percent tax adopted in 1978 for a period of 20 years on motel and room charges, restaurant, lounge charges for food and liquor, and package liquor sales. This was renewed for additional ten-year periods in 1990 and 1999 with the tax to end in 2018. In addition to financing a portion of the Metro Centre Authority's deficits, the Fund provides the necessary capital for development opportunities, public improvements, and economic development efforts.

2004 Accomplishments →

- Renegotiated Metro Centre agreement for five years.
- The City continued to provide funding to the Rockford Convention and Visitors Bureau. The funding is a one-percent tax on lodging, restaurant food and drink, and package liquor goods (for four hotels).
- The Redevelopment Fund reimbursed departments within the City for police, fire, and public work's expenses for festivals held throughout the year.
- The City funded organizations such as SWIFTT, RLDC, Council of 100, and others whose focus meets City priorities.

2005 Goals and Objectives →

- The City anticipates that tourism will increase in the near future, which will generate additional revenue to offset future deficits.
- The Redevelopment Fund will reimburse City departments for expenses related to festivals held throughout the year.

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Budget Summary

| | 2003 <u>ACTUAL</u> | 2004 <u>BUDGET</u> | 2004 <u>ACTUAL</u> | 2005 <u>BUDGET</u> | INCREASE (DECREASE) |
|-------------------------|-----------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| APPROPRIATION | | | | | |
| CONTRACTUAL | \$16,376 | \$11,300 | \$12,313 | \$11,400 | \$100 |
| SUPPLIES | 0 | 0 | 0 | 0 | 0 |
| OTHER | <u>3,277,830</u> | <u>3,821,566</u> | <u>3,880,388</u> | <u>4,055,838</u> | <u>234,272</u> |
| TOTAL | <u>\$3,294,206</u> | <u>\$3,832,866</u> | <u>\$3,892,701</u> | <u>\$4,067,238</u> | <u>\$234,372</u> |
| FUNDING SOURCE | | 2004 <u>AMOUNT</u> | 2004 <u>PERCENTAGE</u> | 2005 <u>AMOUNT</u> | 2005 <u>PERCENTAGE</u> |
| REDEVELOPMENT SALES TAX | | | | | |
| MOTEL | | \$297,200 | 9.8 | \$276,800 | 9.0 |
| PACKAGE | | 369,300 | 12.2 | 393,000 | 12.7 |
| RESTAURANT | | <u>2,316,800</u> | <u>76.7</u> | <u>2,400,200</u> | <u>77.8</u> |
| SUBTOTAL | | <u>\$2,983,300</u> | <u>98.7</u> | <u>3,070,000</u> | <u>99.5</u> |
| INTEREST INCOME | | 33,000 | 1.1 | 5,000 | 0.5 |
| OTHER INCOME | | <u>\$3,360</u> | <u>0.2</u> | <u>0</u> | <u>0.0</u> |
| TOTAL | | <u>\$3,019,660</u> | <u>100.0</u> | <u>\$3,075,000</u> | <u>100.0</u> |

Redevelopment Fund Expenses

Expenses can be broken down into three groups as follows:

- Fixed costs – \$2,399,100
- Variable costs – \$59,000
- Variable project costs – \$1,609,138

Fixed Costs

- \$200,000 to the Council of 100 to continue economic development efforts and industrial park marketing.
- \$50,000 to the Rockford Local Development Corporation (RLDC).
- \$52,000 is transferred to the Community Development Division to pay for a portion of the costs associated with the economic development staff.
- \$45,200 is transferred to the Public Works Property and Equipment Division for staff services for building maintenance at Festival Park.
- \$912,000 to the Metro Centre Authority to help subsidize deficits (\$76,000 per month). The City signed a new agreement in June of 2004 with the Metro Centre.
- \$105,000 is provided to the Rockford Convention and Visitors Bureau. The County and City levy a tax on motel accommodations, three percent by the County and six percent by the City. The County passes the entire amount to the Bureau while the City keeps one percent for redevelopment efforts. The remaining five-percent is sent to the Bureau. With the annexation of four motels into the City in 1988, the City agreed to transfer the other one percent (for these four motels only) from the Redevelopment Fund to the Bureau.

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- \$133,300 for the maintenance of both the Ingersoll building (\$107,100) and Barber Colman Village buildings (\$26,200). The maintenance expense of the above indicated buildings is partially offset by revenue generated from leasing out building space.
- \$252,000 is allocated to the Coronado Theatre to pay for insurance (\$52,000) and utility expenses (\$200,000).
- \$25,400 will be reimbursed to the Public Works Water Division for the Millennium Fountain maintenance.

Direct Fund Expenses

- \$11,400 is budgeted for contractual expenses.
- \$515,300 is for reimbursement of police, fire, and public work's costs incurred during festivals.
- \$72,500 is for tax collection cost reimbursement.
- \$25,000 for Tourism Marketing to market the City of Rockford and attract new activities throughout the year.

Variable Costs

- \$5,000 for the City's share of assistance to Anderson Gardens.
- \$4,000 for the City's share of the College of Medicine's Health Communities Project.
- \$50,000 payment to SWIFTT (Southwest Ideas for Today and Tomorrow) for operating assistance.

Variable Project Costs

- \$940,000 for debt service on the two City Hall issues to renovate and expand City Hall. There were two debt issues, in 1991 \$4.0 million and in 1992 for \$5.05 million. This debt will be paid off in 2007.
- \$340,063 for debt service on fund improvements associated with the construction of a 33,000 square foot supermarket in the South Rockford Tax Increment Finance District. Bonds were issued in 2000 for \$4.0 million. The initial phase included property acquisition, demolition of existing structures, site work on ten acres, construction, equipment, and tenant improvements. The \$7.0 million cost is funded by this bond issue, a conventional loan, State and Federal grants, and an RLDC investment. Debt service from 2000 to 2019 will range from \$325,363 to \$772,640.
- \$329,075 for debt service on the Coronado. In 1999, the City issued \$7,000,000 in bonds for the Coronado Theatre restoration. City financing sources included the Tourism (1999-2003) and Redevelopment Funds as well as amusement and parking taxes at the Coronado Theatre. The Redevelopment Fund will pay the balance of the debt service due after the application of the two taxes. Debt service from 2004 to 2017 will range from \$329,075 to \$1,001,125.

Budget Analysis

Estimated 2004 tax revenue, budgeted at \$2,983,300, was \$3,017,900 at year's end, an increase of \$66,600 (2.3%) from the 2003 actual. Estimated collections decreased for motel (8.4%) and increased for package liquor (5.8%) and restaurants (1.6%). Anticipated tax revenue for 2005 is

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\$3,070,000, an increase of \$86,700 (2.9%) from the 2004 budget of \$2,983,300 and an increase of \$52,100 (1.7%) from 2004's actual.

Assumptions for revenue growth are 1% for motels (9.0%), 0.5% for package liquor (12.8%), and 2% for restaurants (78.2%). Growth in the last five years has ranged as follows: motels, -28.0% to 27%, package liquor, -1.2% to 12%, restaurants, -2.3% to 6.4%, and the three combined, 1.1% to 5.5%.

While Redevelopment Fund expenses have fluctuated from year to year, this has changed in the last several years. With the 1990 commitment to service part of the City Hall renovation project debt from 1998-2007, the 1999 Coronado commitment from 1999-2017, and the 2000 South Main grocery store commitment from 2000-2019, the portion available for discretionary economic development spending has decreased.

Five Year Financial Forecast

The 2006-2010 five-year forecast assumes growth in taxes – one percent for motels, one-half of one percent for packaged liquor, and two percent for restaurants – reflecting the past history and the slowing economy. This plan calls for continuing support for the Block Grant, Metro Centre, Visitors Bureau, the Council of 100, and the Local Development Corporation. The impact of the variable project group was discussed above.

REDEVELOPMENT FUND 2006-2010 FINANCIAL FORECAST (IN 000'S)

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | \$3,099 | \$3,121 | \$3,136 | \$3,179 | \$3,223 |
| Expenses | <u>4,049</u> | <u>4,260</u> | <u>3,330</u> | <u>3,471</u> | <u>3,586</u> |
| Excess (Deficit) | <u>(950)</u> | <u>(1,140)</u> | <u>(194)</u> | <u>(292)</u> | <u>(363)</u> |
| Beginning Balance | <u>(119)</u> | <u>(1,069)</u> | <u>(2,209)</u> | <u>(2,403)</u> | <u>(2,694)</u> |
| Ending Balance | <u>(\$1,069)</u> | <u>(\$2,209)</u> | <u>(\$2,403)</u> | <u>(\$2,694)</u> | <u>(\$3,057)</u> |