



Meeting Date: March 4, 2019

Report No.: SEDA-19-01 (Revised)

Agenda Item: 2b

Purpose: Request Reallocation of Incentive Transfer and Budget Allocation to Economic Development Legal Fees

Budget Impact: None

Alternatives: The following alternatives are available to the City Council:

1. Accept staffs' recommendation
2. Request alternative from staff

Recommendation: Accept staffs' recommendation to reallocate the budget for incentives and the related transfer to economic development legal fees and related expenditures.

Prepared by: Melissa Reames, Deputy City Manager

Reviewed by: Christy Cluck, Finance Director

Submitted by: Norman McNickle, City Manager

Background: Sales tax in arrears agreements are an economic development incentive. Stillwater Economic Development Authority (SEDA) budgets to pay back businesses with these agreements a portion of the sales tax generated and remitted by that business. During FY19 SEDA has seen several businesses who were parties to these agreements reach the end of the agreement term or not meet their revenue projections making them ineligible for the payment in arrears. The remaining balance of the transfer after projections for future incentive payments is \$160,000.

SEDA is consulting with the Center for Economic Development Law on several development projects. During the creation of the FY19 budget, no provision was made for professional services in SEDA. Currently the charges from the Center for Economic Development Law have been paid out of the city attorney's professional services account. Staff is requesting that \$160,000 of the incentive budget balance and related transfer be reallocated to legal fees and related expenses. The transfer of funds is to pay the legal fees incurred by Tax Increment District #3 (TIF) and other economic development projects. When the TIF begins generating revenue, this is an expense SEDA can recapture from the ad valorem increment. The payments have come out of the City Attorney's (CA) outside legal services fee

account and the CA is concerned the budget balance in the account will not last to the end of the fiscal year.

As the original transfer into SEDA and the related expenditure was approved in the FY19 budget for the purpose of funding sales tax in arrears agreements, staff is requesting a change to the utilization of the funds.