

**DOVER URBAN RENEWAL DISTRICT
ANNUAL REPORT TO THE CITY OF DOVER
MARCH 31, 2015**

This report provides an annual update to the City of Dover, detailing the District's financial condition and activities for the year. This information should be read in conjunction with the annual audited financial statements.

FINANCIAL HIGHLIGHTS

Property tax increment in the urban renewal district (URD) exceeded \$555,000 during 2013-14. During 2012-2013 tax increment was \$579,000. This was due to drastic decline in assessed value of properties in the Dover Bay Development. However, upon agreement with the City of Dover, 70% of new hookup fees coming to the URA exceeded \$34,819, leaving a net increase in operating revenues in excess of \$10,000 over the previous fiscal year. Key financial highlights follow:

- The District's General Fund, which pays for most District administration costs including audit, accounting and legal expenses, ended the year with a cash balance of over \$42,000. The primary sources of income to this fund are property taxes and hookup fees, which as noted above increased from the previous year. Additional increases in these revenue sources are expected in future years.
- The URA sold Series A and B bonds in the amount of \$6,726,437 in FY 2013-14, which refunded the 2011 Series A and B bonds and completed the reimbursement of developers costs associated with the Dover Bay Development. Included in the funding was a Bond Reserve Fund (BSR), at \$550,000, and a Debt Service Reserve (DSR), which is now funded at over \$108,000. By its covenants with American West Bank, 90% of future tax increment will be deposited into the DSR for servicing the bonds, and 10% to the General Fund, the latter of which may be used at the discretion of the URA Board for future projects in the URD. When the DSR reaches a total of \$550,000, 75% of future tax increment will be deposited into the DSR for servicing the bonds, and 25% to the General Fund
- The bonds have a twenty-year amortization at \$512,160 (paid semi-annually on May 19 and November 19) with a balance due in six years. The bonds are 3.75% for the first three years and 5% for the remaining three years, when the annual payment will increase to \$558,250.
- The URD has received loans in the amount of \$1,208,914 from the City of Dover from Hookup Fees, payable if and when the Bonds are retired, as part of an agreement with Dover Bay Development to pay for City infrastructure.

OVERVIEW OF ANNUAL FINANCIAL STATEMENTS:

CONDENSED COMPARATIVE DATA

Year ended 9-30-2014.

Assets:

Unrestricted Cash	\$550,000	
Debt Service Reserve	108,406	
Bond Payment Fund Reserve	42,556	
Total Cash		\$ 700,962
Debt Issuance Costs		33,000
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Total Assets		<u>\$733,962</u>

Liabilities:

Bond Payable – American West	\$6,726,437	
Loan Payable – City of Dover	1,208,914	
Interest Payable – City of Dover	1,029	
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Total Long Term Liabilities		\$7,936,380
Beginning Fund Balance – October 1, 2013	\$(7,434,236)	
Unapplied Revenues September 30, 2014	231,818	
Fund Balance and Unapplied Revenue		<hr/> (7,202,418)
		<hr/>
Total Liabilities and Unapplied Revenue		<u>\$733,962</u>

The main source of income to the District is property tax income received from the Bonner County Assessor, based on the increase in taxes on all property in the URD since January 1, 2005. Additional sources of revenue are a portion of hookup fees paid by Dover Bay Development and impact fees assessed in the City of Dover.

Delinquent taxes are collected by Bonner County for collection. Any taxes that are more than three years delinquent are collected by the County during a tax deed sale, and then remitted to the URA.

BUDGETARY HIGHLIGHTS

- As noted above, the Agency had a net gain in excess of \$231,000 for the fiscal year ending September 30, 2014. That resulted from the refinance of the bonds and the additional receipt of hookup fees.
- The refinance of the bonds allowed the Agency to finish the total reimbursement to Dover Bay Development (DBD). It is important to note the

significance of this, as the amount reimbursed exceeded \$8.3 million, and was accomplished in just nine years after the formation of the District.

- It is also important to note that DBD has invested over \$10 million in City infrastructure since the Agency's creation in 2005. It is the amount over \$8.3 million that the Agency believes was from the prepaid hookups at that time and were by agreement between the City and DBD to be used for the cost of the infrastructure improvements, which DURA has completely reimbursed.
- American West Bank has been asked by the URA and the City of Dover to change its requirement of a fully funded DSR, to free up additional funds for future projects. A decision on that is expected in FY 2014-15.

ECONOMIC FACTORS AND BUDGET ISSUES FOR 2014-15

- Growth in new tax increment is expected in the next fiscal year, as new development is pending in the URD. The Agency also approved reimbursing the City of Dover for improvements to its Geo Bag facility and for its Water Intake Valve. The latter is a pending loan from the Idaho Department of Water Resources.
- Debt service on the Bonds is easily covered by the receipt of the current tax increment of \$555,000 and annual debt service of \$512,160. In addition, \$550,000 is held in a Bond Reserve Fund and \$108,000 currently in a Debt Service Fund.

SUMMARY

The economic outlook for the Dover Urban Renewal District remains very strong, and should continue into the future. The strong partnership between the City of Dover and Mayor Annie Shaha and the Council and the URA, under the leadership of its Chairman, Paul Nowaske and the URA Board assures this.

Please direct any comments or questions on this report to me at the contact information below. The Panhandle Area Council is pleased to have been a part of the Agency since its inception, and looks forward to many more years of service.

Respectfully submitted,

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