SAINT ALBANS
Vermont

Request for Proposal

$14.5 Million

Tax Increment Financing General Obligation Bond

Contact: Dominic Cloud, City Manager
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City of St. Albans
Bond Sale Supplemental Materials
November 4, 2013

The City of St. Albans seeks proposals for up to $14.5 million of general obligation bonds, of which $3 million is a refinance of short-term debt. Debt proceeds will be utilized for implementation of the City's Tax Increment Finance Program (TIF). The St. Albans TIF has been unanimously approved by the State of Vermont's Economic Progress Council. Local voters have authorized a $42.5 million debt ceiling and up to $16 million for brownfield remediation, streetscaping, intersection improvements, and construction of a 370 space downtown parking garage. All votes have been approved by over two-to one margins, with the parking garage receiving 77 percent approval.

The parking garage is the critical piece of public infrastructure that supports the City's downtown revitalization efforts. The garage will serve the general public as well as two private development projects. The first project is a 47,000 square foot Class A office space, which will be leased to the State of Vermont and bring 170 office workers downtown every day to work. The second is planned to be an 88 room downtown hotel or other large commercial development.

The State of Vermont is seeking new space for their regional offices in anticipation of the pending sale of their existing office building. The existing State Office Building will be sold to Mylan Technologies, who is seeking to expand their adjacent pharmaceutical manufacturing business. The new State Office Building has received all necessary permits and is scheduled to begin construction on December 4, 2013. The parking garage is not contingent upon the hotel; the City can service the debt using tax increment already created within the district as well as the tax increment provided by two office buildings.

These bonds are guaranteed by the full faith and credit of the City of St. Albans. As indicated in the enclosed materials, the City intends to service the bonds using a combination of real property tax increment, working capital reserve funds, transfers from enterprise funds, and personal property tax increment.

The information contained in these materials does not constitute an offer to sell any debt obligations of the City of St. Albans. Notes and bonds of the City to finance the improvements described herein shall be offered for sale pursuant to a formal solicitation. The City has no reason to believe that the information contained herein is not complete, accurate and timely. However, persons expressing an interest in purchasing debt obligations of the City are strongly encouraged to inquire further into the financial, managerial and administrative affairs of the City and its tax increment financing district improvements.

Financing proposals may be submitted in accordance with the attached Bond Sale Notice.

For more information, contact:

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City Manager
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St Albans - Bond

11/1/2013

Uses of Funds	DRAFT Bond Budget
Property Acquisition, abatement and demolition	885,000
Construction - Garage and Site	8,355,000
Lake & Federal Intersection Improvements	300,000
Ace Brownfield Remediation	1,700,000
Streetscape Project	400,000
Professional Services, Financing Costs & Misc soft costs	1,400,000
Working Capital	1,350,000
Contingency	450,000
	14,840,000
Other Sources	
Water-Sewer Funds	(340,000)
Net Amount for Bond	14,500,000

City of St. Albans 11/1/13

$14,500,000 Tax Increment Financing General Obligation Bond Issue

Financing Narrative

The attached TIF Bond Cash Flow Projection incorporates the following assumptions.

I) Revenue Assumptions

We are providing TIF Bond Cash Flow Projections for two scenarios. Both scenarios assume the new privately owned state office building is constructed and the current state office building is sold to a private entity and becomes taxable. These two transactions are at the core of the entire plan. Both scenarios also assume $100,000 per year in other background grand list growth in the TIF district.

The only significant point of divergence between the two scenarios is that one scenario assumes that a hotel is built on what is currently a city-owned parcel on Lake Street and the other assumes the hotel is not built. If the hotel is not built the City's borrowing may reduce from $14,500,000 to $13,100,000.

Other Revenue notes:

a. Tax Rates: It is assumed that the municipal tax rate will increase an average of 2% per year and the education tax rate increases 3.5% per year.
b. Grand List Growth: The projections conservatively assume zero growth beyond the specific projects and $100,000/yr background growth described above.
c. Property Values: The projections assume the new privately owned state office building will have a grand list value of $8 million and the existing state office building, once sold, will come on the grand list with a value of $5 million. It is assumed the hotel, if built, will have a grand list value of $9 million.
d. Revenue timing: It is assumed that all three projects commence construction in FY 2014 and appear on the grand list for the first time as of April 1, 2015, which results in their new taxes being received for the first time in FY 2016.
e. Personal Property Taxes: It is assumed that the City will dedicate $50,000 per year in new personal property tax increment to repayment of the bond. The Cash Flow Projections show this continuing for the life of the 20 year bond, but the City anticipates it will cease making this contribution once the TIF District is fully able to support itself based on incremental real property taxes.

II) Working Capital Reserve Fund

The City plans to establish a Working Capital Reserve Fund to cover negative cash flow periods in the TIF District. In TIF districts, there is commonly a lag period between when debt is incurred and when growth in the grand list reaches a level to fully service the debt. Projections for St. Albans' TIF District follow this common pattern. To address the cash flow short-fall in the early years, the City will establish a Working Capital Reserve Fund to ensure sufficient funds are available for debt service.

The size and makeup of the fund will vary depending on whether or not the hotel is built.

a. Scenario A: with hotel
   The developer of the new state office building, ReArch, is buying the property on which it will be built from the City, along with rights to 170 parking spaces in the new parking garage, for $2.5million. If the hotel is built as expected $2million of this will be invested by the City in the hotel project. The remaining $500,000 will be seed money for the Working Capital Reserve Fund. All sources of funds for the Working Capital Reserve Fund:
   i. From sale to ReArch: $500,000
   ii. Refinance City's purchase of Moose property $225,000
   iii. From bond proceeds: $1,400,000
   iv. Total: $2,125,000

b. Scenario B: no hotel
   If the hotel deal is not consummated, the full $2.5million sales proceeds received from ReArch will become seed money for the Working Capital Reserve Fund. In this case the City will not need the additional $1,250,000 from the bond and may elect to reduce the total bond amount. Under this scenario all sources of funds for the Working Capital Reserve Fund are:
   i. From sale to ReArch: $2,500,000
   ii. Refinance City's purchase of Moose property $225,000
   iii. Total: $2,725,000

In either scenario, once the TIF District reaches the point where incremental real property taxes are sufficient to fully cover debt service requirements, the City intends to release remaining funds in the Working Capital Reserve Fund for other purposes.

City of St. Albans 11/1/2013

TIF Bond Cash Flow Projection

Scenario B: no hotel

Fiscal Year	Sources of Funds: Working Capital Reserve Fund Beginning Balance	Projected TIF Revenue	Personal Property Tax Increment	Total Funds Available for Debt Service	Debt Service on Bond	Working Capital Reserve Fund Ending Balance
2013	0	0	0	0	0	0
2014	2,725,000	192,698	50,000	2,967,698	933,971	2,033,727
2015	2,033,727	394,744	50,000	2,478,472	933,971	1,544,501
2016	1,544,501	646,763	50,000	2,241,264	933,971	1,307,294
2017	1,307,294	667,754	50,000	2,025,048	933,971	1,091,077
2018	1,091,077	689,455	50,000	1,830,532	933,971	896,561
2019	896,561	711,890	50,000	1,658,451	933,971	724,481
2020	724,481	735,085	50,000	1,509,566	933,971	575,596
2021	575,596	759,067	50,000	1,384,663	933,971	450,693
2022	450,693	783,864	50,000	1,284,556	933,971	350,586
2023	350,586	809,502	50,000	1,210,088	933,971	276,118
2024	276,118	836,013	50,000	1,162,131	933,971	228,160
2025	228,160	863,427	50,000	1,141,587	933,971	207,617
2026	207,617	891,775	50,000	1,149,392	933,971	215,421
2027	215,421	921,090	50,000	1,186,512	933,971	252,541
2028	252,541	951,407	50,000	1,253,948	933,971	319,977
2029	319,977	982,760	50,000	1,352,737	933,971	418,766
2030	418,766	1,015,185	50,000	1,483,952	933,971	549,981
2031	549,981	1,048,721	50,000	1,648,703	933,971	714,732
2032	714,732	1,083,407	50,000	1,848,140	933,971	914,169
2033	914,169	1,119,283	50,000	2,083,453	933,971	1,149,482

City of St. Albans 11/1/2013

TIF Bond Cash Flow Projection

Scenario A: with hotel

	Sources of Funds					
Fiscal Year	Working Capital Reserve Fund Beginning Balance	Projected TIF Revenue	Personal Property Tax Increment	Total Funds Available for Debt Service	Debt Service on Bond	Working Capital Reserve Fund Ending Balance
2013	0	0	0	0	0	0
2014	2,125,000	192,698	50,000	2,367,698	1,033,784	1,333,914
2015	1,333,914	394,744	50,000	1,778,658	1,033,784	744,874
2016	744,874	807,294	50,000	1,602,168	1,033,784	568,384
2017	568,384	833,027	50,000	1,451,411	1,033,784	417,627
2018	417,627	859,617	50,000	1,327,244	1,033,784	293,460
2019	293,460	887,095	50,000	1,230,555	1,033,784	196,771
2020	196,771	915,492	50,000	1,162,263	1,033,784	128,479
2021	128,479	944,838	50,000	1,123,317	1,033,784	89,533
2022	89,533	975,168	50,000	1,114,701	1,033,784	80,917
2023	80,917	1,006,514	50,000	1,137,431	1,033,784	103,647
2024	103,647	1,038,913	50,000	1,192,560	1,033,784	158,776
2025	158,776	1,072,400	50,000	1,281,176	1,033,784	247,392
2026	247,392	1,107,014	50,000	1,404,405	1,033,784	370,621
2027	370,621	1,142,793	50,000	1,563,414	1,033,784	529,630
2028	529,630	1,179,778	50,000	1,759,408	1,033,784	725,624
2029	725,624	1,218,011	50,000	1,993,635	1,033,784	959,851
2030	959,851	1,257,536	50,000	2,267,387	1,033,784	1,233,603
2031	1,233,603	1,298,397	50,000	2,582,000	1,033,784	1,548,215
2032	1,548,215	1,340,640	50,000	2,938,856	1,033,784	1,905,072
2033	1,905,072	1,384,315	50,000	3,339,387	1,033,784	2,305,603