

APPENDIX A

LOCAL DEVELOPMENT FINANCE AUTHORITY
OF
THE CITY OF PORTAGE

2003 AMENDED DEVELOPMENT PLAN/TAX INCREMENT FINANCE PLAN

FY 2017-2018 ANNUAL FINANCIAL REPORT

As Approved by the Authority Board

on

June 28, 2019

INTRODUCTION

Pursuant to the provisions of Act No. 281, Public Acts of Michigan, 1986, (Act 281), the City of Portage (the "City") has established the Local Development Finance Authority of the City of Portage (the "Authority"). Act 281 provides that the Board of the Authority, if it determines that it is necessary for the achievement of the purposes of Act 281, shall prepare and submit a tax increment financing plan to the City Council. Act 281 further provides that a tax increment financing plan shall include a development plan.

In 2003, a new opportunity to utilize the LDFA and again forge a public-private cooperative program became available. The City Administration facilitated additional growth and expansion of the manufacturing sector that would benefit the city and other local taxing jurisdictions. As a tool used to spur manufacturing growth, the LDFA financing mechanism was proposed to accomplish public improvements and eligible activities and provide incentives for Pfizer Incorporated to expand in this community. An investment of approximately \$30 million was planned by Pfizer. Additionally, the Stryker Corporation indicated plans to significantly expand its manufacturing capacity by investing up to nearly \$70 million, with significant job retention and job creation possibilities, and incentives to facilitate new manufacturing facilities in Portage and to encourage this investment were proposed. Amending the boundaries of LDFA District No. 1 to include properties along Sprinkle Road were included as part of this initiative.

Pfizer Incorporated proposed new/expanded facilities at the manufacturing complex on Portage Road. Public infrastructure improvements facilitated this expansion effort by the company. The manufacturing facilities are operational and construction of the warehouse is nearly complete. It is estimated that Pfizer has 2,260 full time jobs at this facility plus an approximate 600 contract workers.

Stryker Corporation proposed a new and also reconstructed/expanded manufacturing, research, and distribution facilities at 3800 East Centre Avenue, 4100 East Milham Avenue and at 6300 Sprinkle Road. The company invested \$68 million in these new manufacturing and expanded facilities and are now operational. It is estimated that the company employs 2,790 people locally.

The purpose of the 2003 Amended Development Plan/Tax Increment Finance Plan was to provide for the acquisition, construction and financing of public facilities and other eligible activities (as defined in Act 281) necessary for the planned projects by these two companies.

The acquisition and construction of certain public facilities and land acquisition activities facilitated the construction and development of the projects by these companies and thereby created economic growth and development in the Authority District and other areas of the City of Portage and Kalamazoo County.

PROPOSED PUBLIC IMPROVEMENT / ACTIVITY PROJECTS

PUBLIC IMPROVEMENTS/ACTIVITIES	ESTIMATED COST	ESTIMATED TIME DESIGN & CONSTRUCTION
1. Sprinkle Road widening, East Centre to Zylman	\$1,010,000	12-24 months
2. Sprinkle Road/Zylman and Sprinkle Road/East Milham Access improvements	\$300,000	12-24 months
3. 80 acre land purchase	\$2,400,000	12 months
4. Water and Sewer facilities to serve interior property	\$110,000	12-24 months
5. East Milham-Kalamazoo/Battle Creek International Airport water main improvement	\$1,200,000	12-24 months

PUBLIC IMPROVEMENTS/ACTIVITIES	ESTIMATED COST	ESTIMATED TIME DESIGN & CONSTRUCTION
6. Water main Improvement, Sprinkle, Tiffany to Hayes*	\$880,000	12-24 months
7. Zylman Improvements*	\$1,210,000	Underway, to be complete October 2019
8. Ramona Lane, Lovers to Portage water main improvement*	\$500,000	12-24 months
9. Ramona Lane, Lovers to Portage sanitary sewer improvement*	\$990,000	12-24 months
TOTAL \$8,600,000		

* Projects will be funded through tax increment revenue if available or other sources.

With regard to the proposed projects identified above:

Public Improvement/Activity Project #1: complete
Public Improvement/Activity Project #2: complete
Public Improvement/Activity Project #3: complete
Public Improvement/Activity Project #4: complete
Public Improvement/Activity Project #5: Haverhill water tower improvements substituted
Public Improvement/Activity Project #6: complete
Public Improvement/Activity Project #7: Underway
Public Improvement/Activity Project #8: complete
Public Improvement/Activity Project #9: complete

FINANCIAL INFORMATION

This Annual Financial Report has been prepared pursuant to Section 13(3) of the Local Development Financing Act. The Annual Financial Report is for FY 2017-2018 and contains the information required by the Act.

Section 13(3)a: THE AMOUNT AND SOURCE OF TAX INCREMENTS RECEIVED

Tax increment revenue	\$ 366,083
State shared revenue	247,887
Interest	10,313
Total	\$ 624,283

Section 13(3)(b): THE AMOUNT IN ANY BOND RESERVE ACCOUNT

In the LDFA Debt Service Fund balance there is \$2,167,529

Section 13(3)(c): THE AMOUNT AND PURPOSE OF EXPENDITURES OF TAX INCREMENT REVENUES

Interest and paying agent fees on outstanding principal \$424,679

Section 13(3)(d): THE AMOUNT OF PRINCIPAL AND INTEREST ON ANY OUTSTANDING BONDED INDEBTEDNESS OF AUTHORITY

\$4,936,245 as of June 30, 2018

Section 13(3)(e): THE INITIAL ASSESSED VALUE OF THE ELIGIBLE PROPERTY

The initial value is established at \$21,061,140

Section 13(3)(f): THE CAPTURED ASSESSED VALUE OF THE ELIGIBLE PROPERTY
RETAINED BY THE AUTHORITY

The captured value is established at \$15,687,369 for FY 2017-2018.

Section 13(3)(g): THE NUMBER OF JOBS CREATED AS A RESULT OF THE
IMPLEMENTATION OF THE TAX INCREMENT FINANCING PLAN.

- 225 new jobs; 1600 existing jobs retained.

Section 13(3)(h): ANY ADDITIONAL INFORMATION THE GOVERNING BODY OR THE STATE
TAX COMMISSION CONSIDERS NECESSARY.

Attached find pages excerpted from the FY 2017-2018 comprehensive annual financial report for the City of Portage. This information provides supporting documentation for this financial report.

City of Portage, Michigan
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Debt Service Funds							Permanent Fund	
	General Obligation Debt Fund	Special Assessment Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Fund	Local Development Finance Authority Debt	Total Debt Service Funds	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ 453,817	\$ -	\$ 366,083	\$ 819,900	\$ -	\$ 3,548,930
Special assessments	-	-	-	-	-	-	-	-	22,959
Licenses and permits	-	-	-	-	-	-	-	-	803,520
Federal grants	-	-	-	-	-	-	-	-	221,665
State-shared revenue	-	-	-	3,337	-	247,887	251,224	-	2,052,976
Charges for services	-	-	-	-	-	-	-	30,600	30,600
Loan principal	-	-	-	-	-	-	-	-	33,471
Interest income	2,815	105,845	247	3,135	571	20,335	132,948	11,171	170,414
Net change in fair value of investments	-	(3,887)	(35)	(1,169)	(306)	(10,022)	(15,419)	(5,295)	(28,890)
Other revenue	-	-	-	-	-	-	-	-	9,600
Total revenues	2,815	101,958	212	459,120	265	624,283	1,188,653	36,476	6,865,245
Expenditures									
Current									
General government	-	-	-	-	-	-	-	-	146,217
Health and welfare	-	-	-	-	-	-	-	-	1,531,392
Recreation and cultural	-	-	-	-	-	-	-	-	891,254
Highways and streets	-	-	-	-	-	-	-	-	1,491,804
Debt service									
Principal retirement	2,358,341	425,000	940,000	225,000	680,000	295,000	4,923,341	-	4,923,341
Interest and fiscal charges	629,313	81,044	105,693	142,587	91,478	129,679	1,179,794	-	1,179,794
Total expenditures	2,987,654	506,044	1,045,693	367,587	771,478	424,679	6,103,135	-	10,163,802
Excess (deficiency) of revenues over expenditures	(2,984,839)	(404,086)	(1,045,481)	91,533	(771,213)	199,604	(4,914,482)	36,476	(3,298,557)
Other financing sources (uses)									
Transfers in	3,628,021	331,378	1,045,652	-	739,000	-	5,744,051	-	6,062,373
Transfers out	-	-	-	(101,378)	-	-	(101,378)	(6,000)	(1,740,700)
Total other financing sources and uses	3,628,021	331,378	1,045,652	(101,378)	739,000	-	5,642,673	(6,000)	4,321,673
Net change in fund balance	643,182	(72,708)	171	(9,845)	(32,213)	199,604	728,191	30,476	1,023,116
Fund balance – beginning of year	118,053	362,132	5,404	283,411	122,442	1,967,925	2,859,367	1,161,687	5,558,760
Fund balance – end of year	\$ 761,235	\$ 289,424	\$ 5,575	\$ 273,566	\$ 90,229	\$ 2,167,529	\$ 3,587,558	\$ 1,192,163	\$ 6,581,876

City of Portage, Michigan
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Debt Service Fund							Fund	
	General Obligation Debt Fund	Special Assessment Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Fund	Local Development Finance Authority Debt	Total Debt Service Funds	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
Assets									
Pooled cash and investments	\$ 761,235	\$ 289,424	\$ 5,575	\$ 273,566	\$ 90,229	\$ 2,167,529	\$ 3,587,558	\$ 1,192,163	\$ 6,654,387
Receivables									
Customers	-	-	-	-	-	-	-	-	1,312,582
Special assessments	-	1,368,848	-	-	-	-	1,368,848	-	1,368,848
Due from other units of government	-	-	-	-	-	-	-	-	270,412
Prepaid items	-	-	-	-	-	-	-	-	8,646
Total assets	<u>\$ 761,235</u>	<u>\$ 1,658,272</u>	<u>\$ 5,575</u>	<u>\$ 273,566</u>	<u>\$ 90,229</u>	<u>\$ 2,167,529</u>	<u>\$ 4,956,406</u>	<u>\$ 1,192,163</u>	<u>\$ 9,614,875</u>
Liabilities									
Checks written against future deposits	-	-	-	-	-	-	-	-	51,153
Accounts payable	-	-	-	-	-	-	-	-	457,891
Accrued compensation	-	-	-	-	-	-	-	-	27,569
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,613</u>
Deferred inflows of resources									
Unavailable revenue	-	1,368,848	-	-	-	-	1,368,848	-	2,496,386
Fund Balances									
Non-spendable									
Prepaid items	-	-	-	-	-	-	-	-	8,646
Perpetual care	-	-	-	-	-	-	-	1,186,163	1,186,163
Restricted for									
Local streets	-	-	-	-	-	-	-	-	609,858
Municipal streets	-	-	-	-	-	-	-	-	115,757
Community development	-	-	-	-	-	-	-	-	3,458
West Lake management	-	-	-	-	-	-	-	-	50,202
Debt service	761,235	289,424	5,575	273,566	90,229	2,167,529	3,587,558	-	3,587,558
Perpetual care	-	-	-	-	-	-	-	6,000	6,000
Committed									
Cable television	-	-	-	-	-	-	-	-	551,074
Curbside recycling	-	-	-	-	-	-	-	-	191,020
Leaf pickup/spring cleanup	-	-	-	-	-	-	-	-	272,140
Total fund balances	<u>761,235</u>	<u>289,424</u>	<u>5,575</u>	<u>273,566</u>	<u>90,229</u>	<u>2,167,529</u>	<u>3,587,558</u>	<u>1,192,163</u>	<u>6,581,876</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 761,235</u>	<u>\$ 1,658,272</u>	<u>\$ 5,575</u>	<u>\$ 273,566</u>	<u>\$ 90,229</u>	<u>\$ 2,167,529</u>	<u>\$ 4,956,406</u>	<u>\$ 1,192,163</u>	<u>\$ 9,614,875</u>