

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Preliminary draft -

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

This section of the Post Falls Urban Renewal Agency's FY 2022 financial report offers readers an overview and analysis of the Agency's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total fund balance for the Agency was \$2,031,452— see page 8 for breakdown
- The Agency's total net position was \$2,171,073

OVERVIEW OF FINANCIAL STATEMENTS

The Agency's annual report has four parts: this letter providing management's discussion and analysis (pages 4 to 10); the audited government-wide financial statements (pages 11 to 12); the audited fund financial statements (pages 13 to 16); and the auditor's notes and required supplemental information (pages 17-35).

Government - Wide Financial Statements

The Agency's required format of government-wide financial statements provides the reader with a broad overview of the Post Falls Urban Renewal Agency's finances, using accounting methods similar to those used by private-sector businesses.

The Statement of Net Position presents all of the Agency's assets and liabilities, with the difference between the two reported as net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., property tax increment payments to be received in future periods).

The Post Falls Urban Renewal Agency's net position totals \$2,171,073 at September 30, 2022. The increase of \$293,880 in the Agency's net position is due primarily to property tax revenues exceeding proponent payments.

Post Falls Urban Renewal Agency's main assets include (95.6%) cash and short-term investments in the State Investment Pool.

**POST FALLS URBAN RENEWAL AGENCY
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For the Year Ended September 30, 2022 (Continued)**

Below is a comparative summary of Post Falls Urban Renewal Agency's statement of net position:

Statement of Net Position

	2022	2021
ASSETS		
Cash and Investments	\$ 4,194,722	\$ 3,465,287
Net Pension Asset	-	107
Other Assets	193,857	159,371
Total Assets	<u>4,388,579</u>	<u>3,624,765</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	<u>39,034</u>	<u>16,602</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u><u>4,427,613</u></u>	<u><u>3,641,367</u></u>
LIABILITIES		
Other Liabilities	2,189,045	330,002
Long-term Liabilities - Current Portion	-	893,804
Long-term Liabilities - Net of Current Portion	-	504,216
Net Pension Liability	66,713	-
Total Liabilities	<u>2,255,758</u>	<u>1,728,022</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan	782	35,304
NET POSITION		
Unrestricted	<u>2,171,073</u>	<u>1,878,041</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 4,427,613</u></u>	<u><u>\$ 3,641,367</u></u>

In FY 2022, Agency revenues paid off debt and continued to be used to reimburse proponent obligations in the Expo and the East Post Falls districts.

In FY 2022, most districts continued to experience ongoing construction and expansion of public improvements. In some instances, the costs of these improvements are still being reviewed and analyzed by the Agency. Such costs have been neither finalized nor approved by the Agency and, therefore, any additional proponent obligations had not yet been finalized by the end of fiscal year 2022. The Agency anticipates completion on all current construction projects in FY 2023. The Agency also anticipates receiving sufficient funds within future years from incremental property taxes generated by new commercial and industrial development in its districts, to repay all of its existing liabilities and continue its operations. Proponent obligation reimbursement is subject to the creation of new tax increment within each district from new business growth.

**POST FALLS URBAN RENEWAL AGENCY
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For the Year Ended September 30, 2022 (Continued)**

The Statement of Changes in Net Position presents information showing how the Agency's net position changed during the most recent fiscal year; however, it is only one indicator of the Agency's financial position. To assess the overall health of the Agency, one needs to consider additional factors, such as changes in the property tax base from new developments being added to the tax rolls, plans for future development within the urban renewal districts created by the Post Falls City Council and administered by the Agency, the state of the area's economy, national economic trends and other factors.

Below is a comparative summary of Post Falls Urban Renewal Agency's statement of activities:

Changes in Net Position

	<u>2022</u>	<u>2021</u>
Revenues		
Property Taxes, levied for general purposes	\$ 5,771,633	\$ 5,190,551
Interest and Investment Earning	6,198	5,496
Penalties and Late Fees	10,023	18,121
Other Income	150,000	175,000
Total Revenues	<u>5,937,854</u>	<u>5,389,168</u>
Expenses		
Tax Increment Expenses	5,510,654	7,133,235
General Government	114,496	94,140
Pension Plan Expense (Income)	18,824	(13,547)
Total Expenditures	<u>5,643,974</u>	<u>7,213,828</u>
Change in Net Position	293,880	(1,824,660)
Fund Balance - October 1 (2022 Restated)	<u>1,877,193</u>	<u>3,702,701</u>
Fund Balance - September 30,	<u>\$ 2,171,073</u>	<u>\$ 1,878,041</u>

Government Activity Analysis

The majority of the revenue received by the Post Falls Urban Renewal Agency results from incremental increases in property values in its renewal districts resulting from new commercial and industrial development stimulated by public improvements and the extension of public utilities. The expenses of the Agency consist primarily of reimbursement of capital improvements consistent with the plan of development for each of its districts, principal and interest payments on long term debt and the expenses associated with the operation and administration of the Agency. The Agency acquired Private Placement financing of a tax exempt nature from Washington Trust Bank for \$13,000,000 to fund the Greensferry Overpass project. The long term debt from Washington Trust Bank was paid in full in November, 2021, twenty-two months early.

The Agency adopts an annual budget for its administrative operations. The annual budget is reviewed at a public meeting after being published for citizen comment, and, upon approval by the Commissioners of the Agency, is forwarded to the Post Falls City Council.

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Fund Financial Statements

Fund financial statements indicate related accounts grouped to maintain control over resources that have been segregated for specific activities or objectives. The Post Falls Urban Renewal Agency, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful to the reader in evaluating the Agency’s near-term financing requirements.

Because the focus of Agency funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the Agency with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency’s near-term financing decisions. Both the Agency’s balance sheet and its statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between Agency funds and activities.

For cash management purposes the Post Falls Urban Renewal Agency maintains a deposit account at First Interstate Bank and the State of Idaho Local Government Investment Pool (LGIP), together with a savings account at ICCU. These accounts are as follows:

<u>First Interstate Bank</u>	<u>LGIP</u>	<u>ICCU</u>
Checking Account (ACH)	General Fund (ACH)	Savings Account
	Capital Improvements (ACH)	

All funds received for deposit, primarily Tax Increment checks, are deposited to a First Interstate Bank checking account, as that is an Automated Clearing House (ACH) account which is used to transfer funds to and receive monies from the LGIP General Fund and/or the LGIP Capital Improvements Fund (ACH) accounts. Funds retained in the LGIP General Fund represent the Agency’s annual operating budget funds. The balance carried in the First Interstate Bank checking account also maintains the Agency operating budget balance. The LGIP Capital Improvements funds are used for proponent and project reimbursement typically on a semi-annual basis.

In order to attain a higher earnings rate, the Agency continues to monitor CD rates vs. the LGIP rate. At September 30, 2022 the LGIP rate was 2.10%, which is higher than what most financial institutions can offer at this time. All Certificates of Deposit, when acquired by the Agency, are kept within the FDIC insurance limit of \$250,000.

**POST FALLS URBAN RENEWAL AGENCY
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For the Year Ended September 30, 2022 (Continued)**

From a financial reporting standpoint, the Agency revenues and expenditures are disclosed as one fund as follows:

	<u>2022</u>	<u>2021</u>
Revenues		
Property Taxes	\$ 5,746,724	\$ 5,075,077
Administrative Charges to Districts	150,000	175,000
Other Revenues	16,221	23,617
Total Revenues	<u>5,912,945</u>	<u>5,273,694</u>
Expenditures		
Tax Increment Expenses	5,504,850	7,058,396
General Government	115,100	94,140
Debt Service - Principal	1,405,549	952,398
Debt Service - Interest	11,262	79,666
Total Expenditures	<u>7,036,761</u>	<u>8,184,600</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,123,816)	(2,910,906)
Fund Balance - October 1,	<u>3,155,268</u>	<u>6,066,174</u>
Fund Balance - September 30,	<u>\$ 2,031,452</u>	<u>\$ 3,155,268</u>

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the agency-wide and fund financial statements. Notes to the financial statements may be found on pages 17 to 32 of this report.

Financial Analysis of the Agency's Funds

As noted earlier, the Post Falls Urban Renewal Agency uses fund accounting to demonstrate and ensure compliance with finance related legal requirements.

Governmental Funds. The focus of the Post Falls Urban Renewal Agency governmental funds section is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements.

Current fund balances are allocated as follows:

Non-spendable:	\$ 2,641	(Prepaid Expenses)
Committed:	\$ 1,848,251	(Center Point, Expo, Tullamore)
Assigned:	\$ (795,003)	(EPF-S/C)
Unassigned:	\$ 975,563	(Operating Budget and Discretionary)

At the end of FY 2022, the Agency reported combined ending fund balances of \$2,031,452 a decrease of \$1,123,816 over the prior year due to payments in the EPF district for completed transportation and sewer projects.

**POST FALLS URBAN RENEWAL AGENCY
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For the Year Ended September 30, 2022 (Continued)**

General Fund Budgetary Highlights

The general fund is used to fund the annual expenses of operating the Agency and administering the urban renewal districts for which it is responsible.

The total operating expenses for the fiscal year were \$115,100 or \$117,100 under the FY 2022 budget of \$232,200.

Overall, the total budget was overspent by \$1,048,407 due to the early payoff of the Washington Trust long term debt and the timing of payment(s) upon project completion. This variation between the final and actual budget amount will not have a negative impact on future services or liquidity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

During the fiscal year 2022, the Agency had no additions to capital assets.

Long-term Debt

At the end of FY 2022 the Post Falls Urban Renewal Agency no outstanding debt.

ECONOMIC FACTORS AND CONDITIONS CONSIDERATION

- In-migration of new employers: Post Falls continues to be an increasingly attractive location for employers seeking to relocate from other areas or entrepreneurs seeking to start new businesses. The favorable business climate and the financial stability of the State of Idaho continue to attract in-migration from other states. This trend is expected to continue however the State will need to continue to focus on education, workforce training and infrastructure to support growth.
- Expansion of revenue from incremental property taxes resulting from new industrial and commercial development in renewal districts: Tax increment resulting from investments in several Urban Renewal districts is expanding as new buildings are being built.
- Continued improvement in Agency policies and procedures: The Agency continues to refine its policies and to add specificity to developer agreements which have resulted in smoother negotiations of capital project financial reimbursements. Agency Commissioners continue to closely examine actual benefits received from planned and approved infrastructure improvement expenses which the Agency is asked to reimburse, and are continuing to hold the Agency's developer partners and the Agency to a high standard of accountability for results against the goals envisioned in each district Plan
- Strengthening of internal controls: The Agency has adopted comprehensive policies governing conflict of interest, investment of revenues, and aggressive management of cash flow. It continues to improve the transparency of its operations and the manner and clarity of the monthly and annual reports it provides to the public regarding its activities.

**POST FALLS URBAN RENEWAL AGENCY
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- Annual administrative fee: Annual administrative fees are assessed against each of the operating urban renewal districts and are used to fund the operations of the Urban Renewal Commission. These fees have been set at \$25,000 per District per year, which continues the Commission's realistic approach to limiting the administrative burden in each of its Districts.

Administrative fees are transferred to the General Fund which is used for the Agency's operational expenses. The Commission prides itself on its operational efficiency and, over the past several years, has also reduced staff and related expenses. As the Commission closes several existing Urban Renewal Districts, funding generated from administrative fees will be reduced. Although this will have an impact on the General Fund balance the General Fund has a sufficient balance to offset this reduction in income for many years and sustain operations at current levels. As fee income is reduced due to the closing of urban renewal districts, the Commission plans to draw down on the General Fund, as needed, to fund operating expenses. The Commission has reviewed the long-term sustainability of its operations and is confident that funding available from its administrative fees and its General Fund will be sufficient to meet all of its operating expenses for the remaining term of its existing urban renewal districts.

All of these factors were considered in preparing the Post Falls Urban Renewal Agency's budget for the 2022 fiscal year. In FY 2016, the Agency transferred \$85,381 from the general fund in order to maintain a relatively low annual administrative fee that it allocates to each urban renewal district to meet its general operating expenses. In the FY 2017 budget, the Agency was able to allocate \$32,610 back to the general fund and an additional \$29,502 in FY 2018, \$6,465 in FY 2019, \$21,181 in FY2020, and in FY2021 \$65,890 was transferred. In FY 2022 the Agency was able to transfer \$79,187 to the General Fund due to a reduction in operation expenses..

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Post Falls Urban Renewal Agency for all those with an interest in the Agency's finances. Questions concerning the information provided in this report, or requests for additional financial information, should be addressed to the Post Falls Urban Renewal Agency, 201 E 4th Ave, Post Falls, ID 83854-7518. The office telephone number is 208-777-8151. The Agency office is located on the second floor of the Post Falls Chamber of Commerce building at 201 E. 4th Ave.

Post Falls Urban Renewal District
 Finance & Policy Committee
 2/8/2023

URD Fund Status as of 2.8.2023

District	Proponent	Closure YR	Fund Balance	Est. Tax Increment	Fund Obligation	Estimated Fund Balance	Estimated Un-Reimbursed
			@ 1/31/23	Feb'23 - Aug'23		@ 8/31/23	Costs @ 8/31/23
Center Point	Pointe Partners, LLC	2022	\$ 1,135,636.16	\$ 222,133	\$ 1,812,215.65	\$0.00	\$ (286,186)
Pointe Apartments	Whitewater Creek	2022	\$ 151,071.28	\$ 17,189			
EFP-S/C	City of Post Falls	2022	\$ 1,594,991.23	\$ 860,216	\$ 1,085,091.19	\$ 1,370,116	\$ -
Tullamore	Copper Basin Const.	2022	\$ 1,231,640.06	\$ 642,148	\$ 2,390,055.25	\$0.00	\$ (516,267)
Tullamore Commons II	Whitewater Creek	2022	\$ 6,491.63	\$ 6,492	\$ 132,212.08	\$0.00	\$ (119,228)
Post Falls Technology	Beyond Green, Inc.	2038	\$ 643,232.86	\$ 177,442	\$ -	\$820,675	
Downtown	City of Post Falls	2041	\$ 261,420.56	\$ 232,698	\$ -	\$494,119	
Pleasant View	City of Post Falls	2041	\$ (24,360.26)	\$ 1,756	\$ -	-\$22,604	
<i>Totals</i>			\$ 5,000,123.52	\$ 2,160,074	\$ 5,419,574.17	\$ 2,662,305	\$ (921,682)

Note: EPF-S/C estimated fund balance of \$1,370,116 @8/31/23 anticipated to be rebated to underlying tax authorities