
CITY OF ROCHESTER HILLS

Planning and
Development

DATE: January 14, 2009

TO: LDFA Board Members

FROM: Dan Casey, Manager of
Economic Development

RE: 2009 SmartZone Budget

The Rochester Hills City Council has approved an annual budget for the LDFA totaling \$350,270. This total, however, does not include the reimbursement to the City of the school millage, which has been authorized by the Department of Treasury. The reimbursement is estimated to be \$103,581. This increases total estimated 2009 SmartZone revenues to \$453,851. This is the first time, however, that a reimbursement is being received and the City's Finance Department did not include it in the approved budget. Therefore, once the reimbursement is realized, a quarterly budget amendment will address this change.

OU INCubator is in the midst of a change in its accounting practices, shifting from a calendar to a fiscal year. This will coincide with Oakland University's fiscal year, which begins on July 1. The change also will resolve a current issue of dispersal of funds from the City to OU INC annually. Previously, OU INCubator's budget year began on January 1st, however, it was not receiving funds from the City until April 1 or later. This created a gap in funding. The change to a fiscal year resolves this problem.

OU INCubator has created a six-month bridge budget to carry it forward for the first part of 2009, which has been approved by Oakland University. OU INCubator's executive director will be providing a summary of the budget as it relates to use of tax increment financing revenues at the January meeting.

The Michigan Tax Tribunal settled three cases which had a negative impact on the SmartZone budget in late 2008. Approximately \$7,800 in tax repayments was required due to the settlement. The City, however, has been dispersing 100 percent of captured revenues to OU INC in the spring of each year and there was not sufficient funding remaining in the budget to make the full repayment. The budget was about \$2,300 short and the funds will be extracted from the 2009 budget to offset this difference.

After internal discussions were held with the Finance and Accounting Departments, it has been determined that this can happen again and, in fact, occurs all the time with other taxing jurisdictions. The solution that has been agreed upon is that a small percentage of the annual dispersal will be withheld, probably about 5 percent of projected revenues, until early December. At that time, if there are no reimbursement settlements to be repaid, we will send a second dispersal of the balance of funds to OU INCubator. Oakland University has not expressed any concern with this plan.