

MINUTES OF THE MEETING OF THE BOARD OF COMMISSIONERS
PONCA CITY, OKLAHOMA
SEPTEMBER 24, 2008

Pursuant to notice as required by law, the Ponca City Board of Commissioners met in special session joint session at 2:00 p.m. in the Commission Chamber at City Hall, 516 E. Grand, with Mayor Homer Nicholson presiding:

Present: Homer Nicholson, Mayor
Stan Paynter, Commissioner
Diane Anderson, Commissioner
Lanita Chapman, Commissioner
Wayne Foxworthy, Commissioner
Gary Martin, City Manager
Marc LaBossiere, Finance Director/City Clerk
Kevin Murphy, City Attorney

Others Present: Phil Johnston, Jim Fairbanks, Rhonda Skrapke, don Nuzum, Chris Henderson, Tana McKinley, Rob Dick, City staff; Katherine Long, Jeff Seymour, David Myers, Tim Burg, Charles Casey, Larry Murphy, Doug Major, Lee Evans, Clement Collogen, James Smith, Don Bouldin, Eric Lybarger, Jeff Cowen, Darryl Stolhand, Want Brune, citizens; Beverly Bryant, Ponca City News.

1. Mayor Homer Nicholson called the special meeting to order at 2:00 p.m. for the Ponca City Board of Commissioners. Next, Lee Evans called the special meeting of the Ponca City Development Authority to order.

City Manager Gary Martin advised that the special joint meeting of the Ponca City Board of Commissioners and the Ponca City Development Authority to gain information on Tax Increment Financing (TIF) districts. Martin went on to say that many other cities have used the TIF, but Ponca City has not yet had one. Martin stated that City Attorney Kevin Murphy has identified a specialist in the field, who will give the presentation.

Murphy introduced Dan McMahon, attorney and financial advisor who offices in Altus and Oklahoma City. Murphy stated that Mr. McMahon is the outstanding authority in Oklahoma on Tax Increment Financing.

2. Receive Presentation from Dan McMahon on Tax Increment Financing (TIFs).

Dan McMahon began his presentation by outlining the history of economic development transaction, using an example of communities making land grants available or providing money for the railroads to locate in their town. McMahon stated that this transaction was used many times and was given the name of Industrial Development Bond Financing in the second half of the last century. Due to changes in the federal tax structure these transaction are no longer in use advised McMahon.

McMahon went on to explain that the typical industrial bond transaction involved a company who wanted to locate in a community, and an entity such as the Ponca City Development Authority would borrow money from the local bank, and in turn loan the borrowed money to the company to locate their business in the community. The advantage of the Development Authority borrowing the money would be that the interest paid on the bonds is tax exempt from

the federal income taxation, which was an incentive for the banker to offer the Authority a lower interest rate, and this rate would then in turn be passed on to the business.

McMahon went on to say that the second type of transaction occurred after WWII, when larger communities across the country began seeing their older parts of town looking run-down and in need of revitalization. This was when the federal government enacted the Urban Renewal Act. This funded urban renewal transactions by making grants to those who would take the money and purchase dilapidated structures or acquire property in a blighted area and revitalize the property, so that it could be added back on the tax rolls.

McMahon stated that these two models are quite dissimilar, but are examples of economic development and community development. McMahon qualified a belief that economic development is creating jobs in the community, and community development is improvements to a location. McMahon then described TIF's for the group, with the purpose of capturing increases tax revenues and using them for a different purpose than what the revenue was originally intended.

McMahon advised that the Oklahoma Constitution prohibits spending tax dollars levied for one purpose for another purpose, but in 1990, a constitutional provision was passed that specifically allows this to be done for TIF districts. McMahon explained that a typical TIF transaction includes drawing a district and then freezing the tax base for purposes of calculating the increment. The taxpayers continue to pay taxes as they ordinarily would, but that tax revenues over the base amount are then captured and used for the purpose set forth in the TIF. McMahon went on to say that the TIF district could apply to school districts, county, city, or city-county.

McMahon pointed out that the typical revenue source of a TIF in Oklahoma is advalorem taxes, but that sales tax can also be thrown into a TIF district. Sales tax is a very important revenue source, stated McMahon, as they come in quicker than the advalorem tax. McMahon advised using the "but for" test when considering a TIF district, meaning "but for" this public expenditure we cannot expect new private investment to occur in our community and without new private investment we will not have the increment revenues to be captured.

McMahon also spoke about the process of setting up a TIF area, and that a city has to prepare a project plan and describe the boundaries of the TIF area and project. McMahon stated that when the statute was amended, it stated that the project area could be larger than the TIF District itself, but money could not be captured from one part of the city or town and spent in a different part of the city or town. McMahon advised that the amendment was designed to remove ambiguities associated with some types of utility improvements such as a water and sewer line extension. Discussion ensued.

4. City Manger Comments.

None.

5. Comments from Mayor and Commissioners.

None.

Comment [jpc1]:

Comment [jpc2R1]:

6. Comments from Ponca City Development Authority Trustees.

None.

7. Mayor Nicholson adjourned the meeting 3:32 p.m.

PASSED IN SESSION AND APPROVED THIS 13TH DAY OF OCTOBER 2008.

MAYOR

ATTEST

CITY CLERK