



City of San Antonio

Agenda Memorandum

File Number:
{{item.tracking_number}}

Agenda Item Number: 4

Agenda Date: November 14, 2023

In Control: Audit Committee

DEPARTMENT: Office of the City Auditor

DEPARTMENT HEAD: Kevin Barthold

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Acceptance of the Office of the City Auditor Report AU23-028 Audit of NHSD Tax Increment Reinvestment Zones.

SUMMARY:

Determine if Tax Increment Reinvestment Zones (TIRZ) are properly managed including governance, revenues, and expenditure authorizations.

BACKGROUND INFORMATION:

Background

NHSD, through the Tax Increment Financing (TIF) program, encourages development in areas where traditional market mechanisms or other city incentives are not provided. The TIF program helps support development projects intended to promote economic stimulus to surrounding areas by creating TIRZ. These zones are formed along with a financial plan using the amount of existing

tax collections originating from inside their boundaries. TIRZ will offer developers and other businesses interested in moving to a zone an incentive to do so. The additional tax revenues collected by the new development is the “tax increment”. The tax increment can then be reinvested for additional new development for the life of the zone.

The TIRZ are managed by the TIF division in NHSD. The division works closely with Finance’s Financial Management division which develop the financial plans, monitor the tax increments, determine if funds exist for new projects, and review reimbursement requests. As of March 2023, there are 239 total projects in the 24 zones with approximately \$900M in assigned TIRZ funds.

Scope and Methodology

The audit scope included the governance of TIRZ for fiscal years 2020 through 2022. We reviewed Zone and Project applications for proper supporting documentation and approvals. Additionally, we reviewed the Contract Progress Payment Requests (CPPRs) for the projects’ reimbursement request process and verified they had adequate controls. We reviewed for appropriate compliance monitoring. We also confirmed the accuracy and timing of required reporting. We tested project financial plans for accuracy, document support, and accurate allocation. Finally, we confirmed the accuracy of reimbursement payments, tax increments, and fee collection.

Conclusions

TIRZ are properly managed including governance, revenues, and expenditure authorizations. NHSD has controls in place that ensure TIRZ project reimbursements are properly supported and accurate. In addition, NHSD has adequate controls that ensure administrative and designation fee collections are paid timely. NHSD also has controls in place that ensure projects are accurately tracked and recorded. Additionally, NHSD has effective controls that ensure tax increments per zone are correctly allocated.

However, we identified areas in which controls could be improved over document retention for project application approvals as well as improved controls for monitoring compliance for TIRZ projects, specifically insurance, bonds, and reporting requirements.

We made recommendations to improve these areas. Management agreed with the recommendations and developed positive corrective action plans.

ISSUE:

This item is presented for acceptance by the Audit Committee.

FISCAL IMPACT:

N/A

ALTERNATIVES:

None

RECOMMENDATION:

Staff recommends acceptance of this report.