

APPROVAL <i>slw</i>	REQUEST FOR COMMON COUNCIL ACTION	MEETING DATE July 18, 2017
REPORTS & RECOMMENDATIONS	Property Tax Collection Process: Review and Update	ITEM NUMBER <i>6.29.</i>

Background

The City of Franklin bills/collects property owners for tax levy related to five overlaying taxing authorities (plus two additional school districts – for a total of seven agencies). Billing occurs in December, with collection thru July. In Mid-August, the City sells all remaining uncollected balances to the County with the principal exception of personal property taxes (not to be confused with Real Estate taxes).

Collection takes place thru the Treasury office. Staffing there normally consists of two persons, the Deputy Treasurer and a clerk. During tax collection season (week prior to Christmas to the end of the second week of January) additional part time staff augments staffing.

The payment methods offered are: in person, mailed to a lock box, and a drop box at City Hall.

1. Many properties have mortgage holders, and two main escrow agents remit payment in excess of \$1 million at peak processing time. There are more than 15 escrow agents.
2. The lockbox sends payment details to City Hall, which are individually processed like a counter transaction. A rather manual process.
3. Credit card payments include a service fee of 2.5%, which discourages this method of payment. Our merchant processor guarantees collection of credit card payments, which determines the size of the fee. Due to the nature of the relationship with the merchant processor, little can be done about this fee.
4. The City currently offers NO on-line payment method.

In all cases, receipts are provided, those payments not in person are mailed. This is a costly process, amounting to approximately \$5,500 per year, much of which is postage costs.

Following are stats on the last three year's collection efforts:

Dec Billings	Number of Remitters									
	Counter	Lock Box	Cr Card	Drop Box	Total	Counter	Lock Box	Cr Card	Drop Box	Total
2015	7,301	4,118	39	5,098	16,556	44%	25%	0%	31%	100%
2014	7,314	4,637	34	5,125	17,110	43%	27%	0%	30%	100%
2013	7,531	4,810	12	4,777	17,130	44%	28%	0%	28%	100%

Note that the number of remitters and the trends have not changed much in the last three years.

Analysis

Some observations:

- Utility payments also use a lockbox, that process has an electronic interface with the billing system, so there is no manual keying of payments to accounts. It is all automated. The tax payment system does not have that interface. This results in inefficiencies in the tax lock box processing.
- Escrow payments are also manually keyed as separate payments, which takes up valuable staff time just as peak service demands hit the counter. A service provider would automate the collection and application of escrow payments, removing much of the required staff time. The service provider does not charge City's for the service, rather they have made the escrow agent's lives easier, and the escrow agents pay for the service. Because escrow payments are large, we work on them quickly, but they typically occur at peak payment times, further burdening counter staff.
 - The tax billing software provider would charge the City a one-time \$2,500 programming fee to set up the automated scrips exchanging data with the service provider and an annual \$540 maintenance charge for the script.
- Lastly, what is NOT offered is a form of electronic payment. Some property owners look for electronic payment methods, banking primarily on-line. Initial discussions with providers indicate that these payments could also be automated. If the City used our primary bankers for on-line payments, the same lock box interface system could be used for these payments, further relieving pressure on staff time.

Options:

The Finance Director is recommending:

- Automating the application of lock box payments so that they are no longer manually processed. With 25% of the transactions happening this way, considerable labor can be saved. There would be a nominal increase in lock box processing fees. The City would be serving our residents better.
- Modify the Escrow payments – utilize a service provider to receive electronic payment and automate the application of those payments into the tax billing software. Efficiencies are more limited here, as the two largest escrow agents have an estimated 500 (3% of the total) accounts (combined). However, the staffing relief would come at the absolute peak period.
- Establish an on-line payment method and automate the application of those payments. It is unknown how many taxpayers would use this method, however, it is sure to grow overtime as electronic banking grows and would provide efficiencies in staffing requirements.

CAUTION: With the automation of payments, the automated processing would not produce individual tax receipts for mailing. Some residents would be unhappy about the lack of a receipt. Proof of payment is currently available on the City's web site, even going back to prior years.

While our bills state that receipts will only be offered when a self addressed stamped envelope (SASE) is provided, Franklin has routinely sent a receipt. Franklin is nearly unique in the Milwaukee area in mailing tax receipts. Oak Creek, New Berlin, West Allis, Greenfield do not mail receipts without a SASE. Producing a receipt for automated payments will now involve additional labor. Given that receipts are available on the City's web site, receipt mailing without an SASE would be not be practical. Receipt mailing will take longer than in the past.

Instructions on how to obtain a receipt would be included with the tax bills. Those instructions would also state that mailed receipts will only be sent when a Self Addressed, Stamped Envelope is provided.

These process enhancements were reviewed by the Finance Committee at the June 27, 2017 meeting. The Finance Committee recommends their adoption.

COMMON COUNCIL ACTION REQUESTED

Motion directing the Treasurer to automate property tax payments as outlined on July 18, 2017 and to cause an on-line payment option to be added for tax payers. Further, that property tax receipts be made available for in person payments and with the supply of a self-addressed, stamped envelope.

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APPROVAL <i>slw</i>	REQUEST FOR COUNCIL ACTION	MEETING DATE July 18, 2017
REPORTS & RECOMMENDATIONS	May, 2017 Monthly Financial Report	ITEM NUMBER <i>G.30.</i>

Background

The May, 2017 Financial Report is attached.

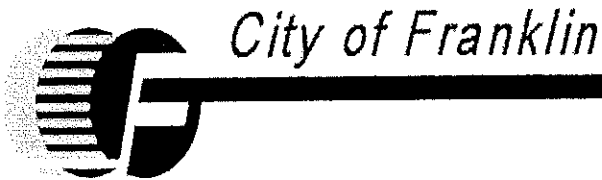
The Finance Committee reviewed the report at its June 27, 2017 meeting and recommends acceptance..

Highlights of the report are contained in the transmittal memo.

The Finance Director will be on hand to answer any questions.

COUNCIL ACTION REQUESTED

Motion to Receive and place on file



Date: June 16, 2017
 To: Mayor Olson, Common Council and Finance Committee Members
 From: Paul Rotzenberg, Director of Finance & Treasurer
 Subject: May 2017 Financial Report *PaD*

The May, 2017 financial reports for the General Fund, Debt Service Fund, TID3, TID4, TID5, Solid Waste Fund, Capital Outlay Fund, Equipment Replacement Fund, Street Improvement Fund, Capital Improvement Fund, Development Fund, Utility Development, Self Insurance Fund and Employee Retirement Insurance Fund are attached.

The budget allocation is completed using an average of the last five years actual spending. Caution is advised in that spending patterns may have changed. Comments on specific and trending results are provided below to aid in understanding or explaining current year financial results. Budget allocations are based upon the amended budget.

A Cash & Investments Summary – identifies the resources available to meet current activities. Cash & investments are positions with safety and liquidity as primary objectives as stated in the City's Investment policy. Investment returns are secondary in the investment decisions, while return potential is not ignored.

Cash & Investments in the General Governmental Funds decreased \$1,471,337 in the last month. The \$3.7 million increase in Property Tax Fund cash balances reflects the collection of the final installment of taxes. This will be settled with the other taxing authorities in June.

GENERAL FUND revenues of \$15,709,972 are \$606,082 more than budget, principally on faster collection of the tax roll. As the year progresses, this will resort back to budget. Building permit revenues of \$251,188 are \$95,635 (72.4% of budget) behind budget. A \$44,000 permit was pulled in May for a new development in the business park. This moved 2017 building permit revenues \$61,594 greater than 2016 thru May. \$48,310 of Landfill Siting Revenues have been credited to the General Fund, representing 27% of budget. Total Landfill siting revenues across all funds are \$264,921 represents 25% of budget, behind pace for the year. Miscellaneous revenues do not include a \$33,000 insurance rebate, which was received in June.

April's expenditures of \$10,697,805 are \$457,974 under spent to budget. Expenditure items of note are:

- General Government expenditures of \$1,347,855 are \$111,622 under spent. Information Systems is spending slower than budget by \$34,437. Administration has not required

the labor attorney services as yet, and is underspent by \$21,347. Assessor services are under spending by \$50,857 – which represents delayed billing from the contract provider.

- Public Safety costs are \$6,971,514, is \$18,991 less than budget.
- Public Works expenditures of \$1,840,330 are \$171,236 underspent.
- Professional service costs in Economic Development are occurring faster in 2017 than prior years, driving the costs over budget.

A \$5,012,167 surplus is \$1,064,056 greater than budget. This surplus will disappear as revenue collections slow, but personnel costs continue.

DEBT SERVICE – Debt payments were made March 1 as required with no budget issues.

TID Funds – TID 3 has unresolved commitments on the S 27th Street reconstruction project, but otherwise is on budget. TID 4 is on budget. TID 5 is substantially inactive until the Ball Park Commons developer's agreement is concluded.

SOLID WASTE FUND – Activity is occurring as budgeted.

CAPITAL OUTLAY FUND – revenues are in line with budget, with landfill siting revenues running slightly slower than budget anticipated.

Public Safety purchases relate to the 2017 patrol cars, (2) K-9 units, Tasers, safety equipment, (11) Police desktop PC's and the Fire Dept Zoll defibrillator unit. Public Works has purchased \$23,889 of trees.

The \$26,950 transfer out is the reclassification of an IT expenditure that was originally budgeted as a software purchase but re-characterized as professional services in the General Fund.

EQUIPMENT REPLACEMENT FUND – Revenues are in line with budget.

The 2017 ambulance and two Jeep vehicles in Inspection are the Public Safety expenditures. In Public Works, purchase commitments on the Snow blower, Snow Plow, and Self Propelled Paver account for the expenditures.

STREET IMPROVEMENT FUND – Revenues are in line with budget.

The 2017 street improvement program contract was let in April.

CAPITAL IMPROVEMENT FUND – Few resources to this fund have been received as yet. The Finance Committee will be examining the debt sale options at it next meeting and making recommendations to Common Council for this resource.

Expenditure wise, projects are in various state of completion:

The General Government project is the Health Wing remodeling - \$30,269 spent to date.

Public Safety is completing the 2016 Communications Center project, and the Emergency Vehicle Pre-emption system 2016 project also in the completion stage.

Within Public Works \$75,714 has been spent on the 2016 Emergency Vehicle Pre-emption system related to traffic signals, and purchase orders are outstanding on the St. Martin's Road/Tess Corners bridge project (\$652,408), and the City's share of the St Martin's Road reconstruction County project (\$139,155).

Very little has been spent on the 2017 Park projects. A \$19,041 engineering purchase order is outstanding on the River Park trail project.

None of the Ball Park Commons projects have been approved as yet.

DEVELOPMENT FUND – Impact fee collections are smaller than expected on development activity so far in 2017. Impact fee collections are less than half what was expected to this point in the year. Most of the \$4 million fund balance relates to Park Impact fees - \$3,324,755 and Water Impact fees of \$565,838. The Park Impact fee holding period is on extension until 2019. Significant park expenditures are needed to utilize the Park Impact fees collected, or they must be rebated to property owners.

Transfers to the Debt Service Fund we made in March to help meet debt service requirement but have been minimal as receipts are not sufficient to pay the 2017 debt service for these programs.

The St. Martin's Road water main oversizing project was approved, but not yet disbursed.

UTILITY DEVELOPMENT FUND – Activity is infrequent in this fund.

SELF INSURANCE FUND – Revenues are 95% of budget. The 2017 revenue budget in this fund was not adjusted when the Council reduced health premium cost in the General Fund. As a result, revenues will fall 5% behind budget all year.

Claims costs are rather strong so far in 2017, not unlike 2016. The budget includes a \$591,500 contingency for excess claims before Aggregate insurance coverage becomes available. So far, 2017 looks to require much of that contingency. Monitoring of the Stop Loss coverage is more difficult now that the Stop Loss carrier is divorced from the claims processor.

Results thru May reflect a \$197,613 deficit, worse than expected by the budget and nearly matching the 2016 deficit at this point.

RETIREE HEALTH FUND – Insurance results worse than 2016, as claims exceed the prior year by \$37,598 or 23%. Claim experience can be choppy, longer term results are better indicators, especially with the small census this plan has.

Positive investment results are healthy following the market returns so far in 2017. The fund is invested in passive index investments and will mirror market returns for the mix of investment classes used in the fund. The Finance committee is provided regular portfolio performance updates.

Caution is advised, as equity market returns can be volatile, and current positive gains will be reduced or temporarily lost due to market gyrations.

City of Franklin
Cash & Investments Summary
May 31, 2017

	Cash	American Deposit Management	Institutional Capital Management	Local Government Invest Pool	Fidelity Investments	Total	April Total
General Fund	\$ (218,779)	\$ 2,667,972	\$ 6,984,321	\$ 3,549,731	\$ -	\$ 12,983,245	\$ 14,454,583
Debt Service Funds	18,162	112,736	439,903	-	-	570,801	569,867
TIF Districts	45,359	2,551,821	1,227,638	-	-	3,824,818	3,826,112
Nonmajor Governmental Funds	586,570	5,158,613	9,043,976	-	-	14,789,159	15,152,479
Total Governmental Funds	431,312	10,491,142	17,695,838	3,549,731	-	32,168,023	34,003,041
Sewer Fund	65,295	774,355	730,569	-	-	1,570,219	1,928,873
Water Utility	996,515	894,859	-	-	-	1,891,374	2,353,966
Self Insurance Fund	17,161	75,281	2,347,476	-	-	2,439,918	2,519,434
Retiree Health Fund	(48,116)	-	-	-	5,227,932	5,179,815	5,163,912
Property Tax Fund	2,323,821	1,860,292	-	0	-	4,184,114	439,607
Other Trust Funds	14,368	-	-	-	-	14,368	13,911
Total Other Funds	3,369,044	3,604,787	3,078,045	0	5,227,932	15,279,808	12,419,704
Grand Total Cash & Investments	3,800,356	14,095,930	20,773,883	3,549,731	5,227,932	47,447,831	46,422,745
Average Rate of Return		0.65%	1.29%	0.71%			
Maturities:							
Demand	3,800,356	13,095,930	86,018	3,549,731	86,473	20,618,508	19,645,549
Fixed Income & Equities	-	-	-	-	3,709,669	3,709,669	3,681,286
2017 - Q2	-	-	-	-	-	-	-
2017 - Q3	-	-	1,500,230	-	-	1,500,230	1,500,563
2017 - Q4	-	-	2,998,832	-	-	2,998,832	2,998,655
2018 - Q1	-	-	1,089,186	-	171,384	1,260,570	1,260,285
2018 - Q2	-	-	-	-	-	-	-
2018	-	1,000,000	3,046,290	-	-	4,046,290	4,049,551
2019	-	-	3,978,288	-	150,946	4,129,234	4,126,031
2020	-	-	5,528,543	-	174,520	5,703,063	5,692,959
2021	-	-	983,804	-	177,432	1,161,236	1,157,707
2022	-	-	1,562,693	-	173,016	1,735,709	1,729,772
2023	-	-	-	-	176,680	176,680	175,490
2024	-	-	-	-	203,585	203,585	202,136
2025	-	-	-	-	204,226	204,226	202,762
	3,800,356	14,095,930	20,773,883	3,549,731	5,227,932	47,447,831	46,422,745

City of Franklin
2016 Financial Report
General Fund Summary
For the Five months ended May 31, 2017 and 2016

Revenue	2017 Original Budget	2017 Amended Budget	2017 Year-to-Date Budget	2017 Year-to-Date Actual	Var to Budget Surplus (Deficiency)	2016 Year-to-Date Actual
Property Taxes	\$ 16,423,500	\$ 16,423,500	\$ 12,408,704	\$ 13,084,041	\$ 675,337	\$ 12,786,587
Other Taxes	726,958	726,958	188,671	217,263	28,592	209,962
Intergovernmental Revenue	2,237,400	2,237,400	511,246	570,426	59,180	584,472
Licenses & Permits	1,051,865	1,051,865	457,102	381,517	(75,585)	307,559
Law and Ordinance Violations	500,000	500,000	240,866	236,527	(4,339)	220,696
Public Charges for Services	1,753,250	1,753,250	641,159	607,366	(33,793)	484,632
Intergovernmental Charges	203,200	203,200	21,532	-	(21,532)	-
Investment Income	220,000	220,000	91,667	92,433	766	131,900
Sale of Capital Assets	-	-	-	572	572	-
Miscellaneous Revenue	125,650	125,650	69,502	55,377	(14,125)	107,755
Transfer from Other Funds	1,050,000	1,076,950	473,441	464,450	(8,991)	458,500
Total Revenue	\$ 24,291,823	\$ 24,318,773	\$ 15,103,890	\$ 15,709,972	\$ 606,082	\$ 15,292,063
				104.01%		

Expenditures	2017 Original Budget	2017 Amended Budget	2017 Year-to-Date Budget	2017 Year-to-Date Actual	Var to Budget Surplus (Deficiency)	2016 Year-to-Date Actual
General Government	\$ 3,039,257	\$ 3,066,207	\$ 1,459,477	\$ 1,347,855	E \$ 111,622	\$ 1,276,654
Public Safety	16,768,325	16,773,897	6,990,505	6,971,514	E 18,991	6,652,286
Public Works	4,196,359	4,232,123	2,011,566	1,840,330	E 171,236	1,330,229
Health and Human Services	684,797	684,797	269,742	262,440	7,302	252,425
Other Culture and Recreation	196,218	201,168	66,623	65,078	E 1,545	55,530
Conservation and Development	623,677	631,177	221,349	233,465	E (12,116)	270,124
Contingency and Unclassified	707,500	715,150	326,442	134,180	192,262	20,014
Anticipated underexpenditures	(455,820)	(455,820)	(189,925)	-	(189,925)	-
Transfers to Other Funds	24,000	24,000	-	-	-	500,000
Encumbrances	-	-	-	(157,057)	157,057	(104,745)
Total Expenditures	\$ 25,784,313	\$ 25,872,699	\$ 11,155,779	\$ 10,697,805	\$ 457,974	\$ 10,252,517
				95.89%		
Excess of revenue over (under) expenditures	(1,492,490)	(1,553,926)	\$ 3,948,111	5,012,167	\$ 1,064,056	5,039,546
Fund balance, beginning of year	7,690,684	7,690,684		7,690,684		9,049,908
Fund balance, end of period	\$ 6,198,194	\$ 6,136,758		\$ 12,702,851		\$ 14,089,454

A Represents an amendment to Adopted Budget

E Represents an encumbrance for current year from prior year

City of Franklin
Debt Service Funds
Balance Sheet
May 31, 2017 and 2016

	2017 Special Assessment	2017 Debt Service	2017 Total	2016 Special Assessment	2016 Debt Service	2016 Total
Assets						
Cash and investments	\$ 570,998	\$ (197)	\$ 570,801	\$ 510,036	\$ 46,924	\$ 556,960
Taxes receivable	-	-	-	-	-	-
Special assessment receivable	86,356	-	86,356	111,456	-	111,456
Total Assets	\$ 657,354	\$ (197)	\$ 657,157	\$ 621,492	\$ 46,924	\$ 668,416
Liabilities and Fund Balance						
Unearned & unavailable revenue	\$ 86,356	\$ -	\$ 86,356	\$ 111,456	\$ -	\$ 111,456
Due to other funds	-	-	-	-	-	-
Unassigned fund balance	570,998	(197)	570,801	510,036	46,924	556,960
Total Liabilities and Fund Balance	\$ 657,354	\$ (197)	\$ 657,157	\$ 621,492	\$ 46,924	\$ 668,416

Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016

	2017 Special Assessment	2017 Debt Service	2017 Year-to-Date Actual	2017 Annual Budget	Variance to Budget	2016 Special Assessment	2016 Debt Service	2016 Year-to-Date Actual	2016 Annual Budget	Variance to Budget
Revenue										
Property Taxes	-	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ -	-	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ -
Special Assessments	-	-	-	-	-	-	-	-	-	-
Investment Income	4,208	735	4,943	-	4,943	4,010	2,314	6,324	-	6,324
Total Revenue	4,208	1,300,735	1,304,943	1,300,000	4,943	4,010	1,502,314	1,506,324	1,500,000	6,324
Expenditures:										
Debt Service:										
Principal	-	1,355,000	1,355,000	1,355,000	-	-	1,300,000	1,300,000	1,300,000	-
Interest	-	79,444	79,444	272,463	193,019	-	201,859	201,859	291,298	89,439
Bond Issuance Cost	-	-	-	-	-	-	53,789	53,789	-	(53,789)
Total expenditures	-	1,434,444	1,434,444	1,627,463	193,019	-	1,555,648	1,555,648	1,591,298	35,650
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	49,004	49,004	327,113	(278,109)	-	69,799	69,799	205,000	(135,201)
Refunding Bond Issuance	-	-	-	-	-	-	-	-	-	-
Premium (Discount) on Refunding Bonds	-	-	-	-	-	-	5,770,000	-	-	-
Repayment of Refunded bonds	-	-	-	-	-	-	154,202	-	-	-
Net change in fund balances	4,208	(84,705)	(80,497)	(350)	(466,185)	4,010	45,667	20,475	113,702	(93,227)
Fund balance, beginning of year	566,790	84,508	651,298	651,298	-	506,026	1,257	507,283	507,283	-
Fund balance, end of period	\$ 570,998	\$ (197)	\$ 570,801	\$ 650,948	-	\$ 510,036	\$ 46,924	\$ 527,758	\$ 620,985	-

City of Franklin
Tax Increment Financing District #3
Balance Sheet
May 31, 2017 and 2016

<u>Assets</u>	2017	2016
Cash & investments	\$ 1,429,529	\$ 2,556,693
Total Assets	<u>\$ 1,429,529</u>	<u>\$ 2,556,693</u>
 <u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 5,238	\$ 517,352
Interfund advance from Development Fund	<u>550,000</u>	<u>550,000</u>
Total Liabilities	555,238	1,067,352
Assigned fund balance	874,291	1,489,341
Total Liabilities and Fund Balance	<u>\$ 1,429,529</u>	<u>\$ 2,556,693</u>

Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016

	2017 Annual Budget	2017 Amended Budget	2017 Year-to-Date Budget	2017 Year-to-Date Actual	2016 Year-to-Date Actual
Revenue					
General property tax levy	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,253,575	\$ 1,730,642
State exempt computer aid	<u>464,300</u>	<u>464,300</u>	-	-	-
Investment income	3,000	3,000	1,791	12,382	6,302
Transfer from other funds	-	-	-	-	-
Total revenue	<u>1,767,300</u>	<u>1,767,300</u>	<u>1,301,791</u>	<u>1,265,957</u>	<u>1,736,944</u>
Expenditures					
Debt service principal	1,675,000	1,675,000	1,675,000	1,675,000	650,000
Debt service interest & fees	55,325	55,325	55,325	40,127	46,619
Administrative expenses	12,720	12,720	3,127	6,308	16,984
Interfund interest	19,250	19,250	19,250	4,746	8,166
Capital outlays	-	1,421,608	446,314	1,383,323	2,349,140
Encumbrances	-	-	-	<u>(1,376,433)</u>	<u>(1,826,846)</u>
Total expenditures	<u>1,762,295</u>	<u>3,183,903</u>	<u>2,199,016</u>	<u>1,733,071</u>	<u>1,244,063</u>
Revenue over (under) expenditures	5,005	(1,416,603)	<u>\$ (897,225)</u>	(467,114)	492,881
Fund balance, beginning of year	<u>1,341,405</u>	<u>1,341,405</u>		<u>1,341,405</u>	<u>996,460</u>
Fund balance, end of period	<u>\$ 1,346,410</u>	<u>\$ (75,198)</u>		<u>\$ 874,291</u>	<u>\$ 1,489,341</u>

City of Franklin
Tax Increment Financing District #4
Balance Sheet
May 31, 2017 and 2016

	2017	2016
<u>Assets</u>		
Cash & investments	\$ 2,375,691	\$ 1,237,808
Total Assets	<u>\$ 2,375,691</u>	<u>\$ 1,237,808</u>
<u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 10,253	\$ 182
Total Liabilities	<u>10,253</u>	<u>182</u>
Assigned fund balance	2,365,438	1,237,626
Total Liabilities and Fund Balance	<u>\$ 2,375,691</u>	<u>\$ 1,237,808</u>

Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016

	2017 Annual Budget	2017 Amended Budget	2017 Year-to-Date Budget	2017 Year-to-Date Actual	2016 Year-to-Date Actual
Revenue					
General property tax levy	\$ 994,000	\$ 994,000	\$ 994,000	\$ 1,013,892	\$ 1,289,709
State exempt computer aid	16,200	16,200	-	-	-
Payment in Lieu of Taxes	85,000	85,000	85,000	111,130	91,206
Investment income	19,200	19,200	8,000	12,008	1,729
Total revenue	<u>1,114,400</u>	<u>1,114,400</u>	<u>1,087,000</u>	<u>1,137,030</u>	<u>1,382,644</u>
Expenditures					
Debt service/interfund interest	-	-	-	-	920
Administrative expenses	9,075	89,075	3,781	78,374	17,982
Encumbrances	-	-	-	(64,500)	(12,100)
Total expenditures	<u>9,075</u>	<u>89,075</u>	<u>3,781</u>	<u>13,874</u>	<u>6,802</u>
Revenue over (under) expenditures	1,105,325	1,025,325	<u>\$ 1,083,219</u>	1,123,156	1,375,842
Fund balance, beginning of year	<u>1,242,282</u>	<u>1,242,282</u>		<u>1,242,282</u>	<u>(138,216)</u>
Fund balance, end of period	<u>\$ 2,347,607</u>	<u>\$ 2,267,607</u>		<u>\$ 2,365,438</u>	<u>\$ 1,237,626</u>

City of Franklin
Tax Increment Financing District #5
Balance Sheet
May 31, 2017 and 2016

	2017	2016
<u>Assets</u>		
Cash & investments	\$ 19,599	\$ -
Total Assets	<u>\$ 19,599</u>	<u>\$ -</u>
<u>Liabilities and Fund Balance</u>		
Interfund advance from General Fund	\$ 74,695	\$ -
Total Liabilities	<u>74,695</u>	<u>-</u>
Unassigned fund balance	(55,096)	-
Total Liabilities and Fund Balance	<u>\$ 19,599</u>	<u>\$ -</u>

Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016

	2017 Annual Budget	2017 Amended Budget	2017 Year-to-Date Budget	2017 Year-to-Date Actual	2016 Year-to-Date Actual
Revenue					
Bond proceeds	\$ 11,430,312	\$ 11,430,312	\$ -	\$ -	\$ -
Transfer from other funds	-	-	-	-	-
Total revenue	<u>11,430,312</u>	<u>11,430,312</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Transfer to other funds	10,949,250	10,949,250	-	-	-
Debt service interest & fees	206,700	206,700	-	-	-
Administrative expenses	61,270	71,418	8,250	13,398	-
Encumbrances	-	-	-	(10,148)	-
Total expenditures	<u>11,217,220</u>	<u>11,227,368</u>	<u>8,250</u>	<u>3,250</u>	<u>-</u>
Revenue over (under) expenditures	213,092	202,944	<u>\$ (8,250)</u>	(3,250)	-
Fund balance, beginning of year	(51,846)	(51,846)		(51,846)	-
Fund balance, end of period	<u>\$ 161,246</u>	<u>\$ 151,098</u>		<u>\$ (55,096)</u>	<u>\$ -</u>

City of Franklin
Solid Waste Collection Fund
Balance Sheet
May 31, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and investments	\$ 1,195,587	\$ 1,184,055
Total Assets	<u>\$ 1,195,587</u>	<u>\$ 1,184,055</u>
<u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 140,544	\$ 138,316
Accrued salaries & wages	-	292
Restricted fund balance	1,055,043	1,045,447
Total Liabilities and Fund Balance	<u>\$ 1,195,587</u>	<u>\$ 1,184,055</u>

Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016

	<u>2017</u>	<u>2017</u>	<u>2016</u>
<u>Revenue</u>	<u>Adopted</u>	<u>Year-to-Date</u>	<u>Year-to-Date</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Grants	\$ 69,200	\$ -	\$ 65,995
User Fees	1,203,200	1,209,096	1,198,161
Landfill Operations-tippage	346,000	104,709	104,579
Investment Income	2,500	4,864	5,739
Sale of Recyclables	500	14	905
Total Revenue	<u>1,621,400</u>	<u>1,318,683</u>	<u>1,375,379</u>
<u>Expenditures:</u>			
Personal Services	13,215	5,969	8,333
Refuse Collection	666,751	279,634	274,529
Recycling Collection	355,650	153,544	151,734
Leaf & Brush Pickups	54,300	18,086	17,787
Tippage Fees	455,000	136,186	136,485
Miscellaneous	3,500	1,104	1,893
Printing	1,800	-	115
Total expenditures	<u>1,550,216</u>	<u>594,523</u>	<u>590,876</u>
Revenue over (under) expenditures	71,184	724,160	784,503
Fund balance, beginning of year	<u>330,883</u>	<u>330,883</u>	<u>260,944</u>
Fund balance, end of period	<u>\$ 402,067</u>	<u>\$ 1,055,043</u>	<u>\$ 1,045,447</u>

City of Franklin
Capital Outlay Fund
Balance Sheet
May 31, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and investments	\$ 518,066	\$ 784,861
Total Assets	<u>\$ 518,066</u>	<u>\$ 784,861</u>
<u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 22,925	\$ 13,989
Miscellaneous claims payable	-	6,422
Encumbrance	110,906	97,723
Assigned fund balance	384,235	666,727
Total Liabilities and Fund Balance	<u>\$ 518,066</u>	<u>\$ 784,861</u>

Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016

<u>Revenue</u>	<u>2017 Original Budget</u>	<u>2017 Amended Budget</u>	<u>2017 Year-to-Date Budget</u>	<u>2017 Year-to-Date Actual *</u>	<u>2016 Year-to-Date Actual</u>
Property Taxes	\$ 444,300	\$ 444,300	\$ 444,300	\$ 444,300	\$ 437,100
Grants				3,938	2,000
Landfill Siting	148,000	148,000	81,686	51,900	37,100
Investment Income	6,000	6,000	2,500	3,316	6,457
Miscellaneous Revenue	25,000	58,470	8,738	40,102	7,076
Transfers from Other Funds	3,500	3,500	1,750	-	-
Total Revenue	<u>626,800</u>	<u>660,270</u>	<u>538,974</u>	<u>543,556</u>	<u>489,733</u>
Expenditures:					
General Government	217,379	254,918	64,453	3,965	16,887
Public Safety	389,589	525,012	256,493	429,669	385,290
Public Works	51,000	51,000	30,877	24,051	68,903
Health and Human Services	-	-	-	-	-
Culture and Recreation	7,000	17,776	2,405	12,589	2,729
Conservation and Development	1,900	1,900	792	1,019	-
Contingency	30,000	20,470	12,500	-	15,357
Transfers to Other Funds	-	26,950	-	26,950	-
Total expenditures	<u>696,868</u>	<u>898,026</u>	<u>367,520</u>	<u>498,243</u>	<u>489,166</u>
Revenue over (under) expenditures	(70,068)	(237,756)	<u>171,454</u>	45,313	567
Fund balance, beginning of year	<u>338,922</u>	<u>338,922</u>		<u>338,922</u>	<u>666,160</u>
Fund balance, end of period	<u>\$ 268,854</u>	<u>\$ 101,166</u>		<u>\$ 384,235</u>	<u>\$ 666,727</u>

* Amount shown is actual expenditures plus encumbrance

**City of Franklin
Equipment Replacement Fund
Comparative Balance Sheet
May 31, 2017 and 2016**

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and investments	\$ 2,550,903	\$ 2,628,690
Total Assets	\$ 2,550,903	\$ 2,628,690
<u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 112,768	\$ -
Encumbrance	279,040	422,029
Assigned fund balance	2,159,095	2,206,661
Total Liabilities and Fund Balance	\$ 2,550,903	\$ 2,628,690

**Comparative Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016**

	<u>2017 Original Budget</u>	<u>2017 Amended Budget</u>	<u>2017 Year-to-Date Budget</u>	<u>2017 Year-to-Date Actual *</u>	<u>2016 Year-to-Date Actual</u>
Revenue:					
Property Taxes	\$ 348,300	\$ 348,300	\$348,300	\$ 348,300	\$ 342,600
Landfill	200,000	200,000	106,873	70,600	102,900
Investment Income	25,000	25,000	10,417	20,172	15,976
Property Sales	15,000	15,000	2,677	-	14,954
Total revenue	588,300	588,300	468,267	439,072	476,430
Expenditures:					
Public Safety	250,000	250,000	178,865	233,419	-
Public Works	400,000	436,891	81,563	417,561	574,412
Total expenditures	650,000	686,891	260,428	650,980	574,412
Revenue over (under) expenditures	(61,700)	(98,591)	207,839	(211,908)	(97,982)
Fund balance, beginning of year	2,371,003	2,371,003		2,371,003	2,304,643
Fund balance, end of period	\$ 2,309,303	\$ 2,272,412		\$ 2,159,095	\$ 2,206,661

* Amount shown is actual expenditures plus encumbrance

**City of Franklin
Street Improvement Fund
Balance Sheet
May 31, 2017 and 2016**

<u>Assets</u>	2017	2016
Cash and investments	\$ 1,008,870	\$ 1,007,290
Total Assets	\$ 1,008,870	\$ 1,007,290
 <u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 2,497	\$ -
Encumbrances	837,433	903,806
Assigned fund balance	168,940	103,484
Total Liabilities and Fund Balance	\$ 1,008,870	\$ 1,007,290

**Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016**

	2017 Original Budget	2017 Year-to-Date Totals	2016 Year-to-Date Totals
Revenue:			
Property Taxes	\$ 704,900	\$ 704,900	\$ 693,500
Landfill Siting	133,000	47,000	67,900
Investment Income	5,500	3,098	3,065
Total revenue	843,400	754,998	764,465
Expenditures:			
Street Reconstruction Program - Current Year	940,000	843,386	906,936
Street Reconstruction Program - Prior Year(s)	-	-	-
Total expenditures	940,000	843,386	906,936
Revenue over (under) expenditures	(96,600)	(88,388)	(142,471)
Fund balance, beginning of year	257,328	257,328	245,955
Fund balance, end of period	\$ 160,728	\$ 168,940	\$ 103,484

**City of Franklin
Capital Improvement Fund
Balance Sheet
May 31, 2017 and 2016**

<u>Assets</u>	2017	2016
Cash and investments	\$ 2,726,390	\$ 2,037,756
Accrued receivables	847	22,596
Total Assets	\$ 2,727,237	\$ 2,060,352
<u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 9,876	\$ 11,826
Contracts Payable	6,531	28,974
Accrued payables	52,000	-
Fund Balance - Encumbrance	1,164,756	492,272
Assigned fund balance	1,494,074	1,527,280
Total Liabilities and Fund Balance	\$ 2,727,237	\$ 2,060,352

**Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016**

	2017 Original Budget	2017 Amended Budget	2017 Year-to-Date Totals	2016 Year-to-Date Totals
Revenue:				
Block Grants	\$ -	\$ -	\$ -	\$ -
Landfill Siting	389,500	389,500	47,111	66,666
Transfers from Other Funds	390,000	390,000	-	-
Transfers from General Funds	10,949,250	10,949,250	-	500,000
Transfers from Impact Fees	2,779,725	2,779,725	-	127,172
Transfers from Connection Fees	900,000	900,000	-	-
Bond Proceeds	8,500,000	8,500,000	-	-
Refunds & Reimbursements	-	-	-	-
Investment Income	5,000	5,000	21,497	3,219
Total revenue	23,913,475	23,913,475	68,608	697,057
Expenditures:				
General Government	1,800,000	1,800,000	38,169	-
Public Safety	102,800	291,857	172,387	93,131
Public Works	11,653,000	12,584,494	931,494	216,173
Culture and Recreation	4,824,326	4,848,801	24,756	425,058
Sewer & Water	4,059,500	4,059,500	-	113,657
Contingency	2,196,375	2,196,375	125,000	11,594
Bond/Note Issuance Cost	170,000	170,000	-	-
Total expenditures	24,806,001	25,951,027	1,291,806	859,613
Revenue over (under) expenditures	(892,526)	(2,037,552)	(1,223,198)	(162,556)
Fund balance, beginning of year	2,717,272	2,717,272	2,717,272	1,689,836
Fund balance, end of period	\$ 1,824,746	\$ 679,720	\$ 1,494,074	\$ 1,527,280

**City of Franklin
Development Fund
Comparative Balance Sheet
May 31, 2017 and 2016**

<u>Assets</u>	2017	2016
Cash and investments	\$ 3,923,535	\$ 3,812,094
Due From TID 3	275,000	275,000
Total Assets	\$ 4,198,535	\$ 4,087,094
<u>Liabilities and Fund Balance</u>		
Accounts payable	\$ -	\$ -
Payable to Developers- Oversizing	115,192	-
Non-Spendable Fund Balance - Advances	275,000	275,000
Encumbrance	3,321	3,321
Assigned fund balance	3,805,022	3,808,773
Total Fund Balance	4,080,022	4,083,773
Total Liabilities and Fund Balance	\$ 4,198,535	\$ 4,087,094

**Comparative Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016**

	2017 Original Budget	2017 Year-to-Date Budget	2017 Year-to-Date Actual	2016 Year-to-Date Actual
Revenue:				
Impact Fee: Parks	\$ 300,000	\$ 137,688	\$ 28,539	\$ 146,668
Impact Fee: Southwest Sewer Serv	-	-	-	-
Impact Fee: Administration	6,000	2,826	1,870	3,575
Impact Fee: Water	275,000	125,696	51,809	144,335
Impact Fee: Transportation	37,000	12,695	16,585	5,313
Impact Fee: Fire Protection	40,000	16,782	11,783	21,225
Impact Fee: Law Enforcement	73,000	30,409	21,557	39,426
Impact Fee: Library	60,000	27,340	8,307	41,024
Total Impact Fees	791,000	353,436	140,450	401,566
Investment Income	35,000	14,583	30,628	26,763
Interfund Interest Income	1,618	674	2,373	4,083
Total revenue	827,618	368,693	173,451	432,412
Expenditures:				
Other Professional Services	5,000	11	3,321	3,321
Transfer to Debt Service:				
Law Enforcement	205,000	54,854	12,000	21,681
Fire	43,100	29,603	28,220	37,637
Transportation	73,250	13,455	-	-
Library	133,100	44,187	8,785	10,481
Total Transfers to Debt Service	454,450	142,099	49,005	69,799
Transfer to Capital Improvement Fund:				
Park	2,891,185	315,728	-	127,172
Total Transfers to Capital Improve	2,891,185	315,728	-	127,172
Water Fees	500,000	208,333	99,665	-
Total expenditures	3,850,635	666,171	151,991	200,292
Revenue over (under) expenditures	(3,023,017)	(297,478)	21,460	232,120
Fund balance, beginning of year	4,058,562		4,058,562	3,851,653
Fund balance, end of period	\$ 1,035,545		\$ 4,080,022	\$ 4,083,773

City of Franklin
Utility Development Fund
Comparative Balance Sheet
May 31, 2017 and 2016

<u>Assets</u>	2017	2016
Cash and investments - Water	\$ 536,060	\$ 372,200
Cash and investments - Sewer	709,160	557,981
Special Assessment - Water Current	212,883	316,797
Special Assessment - Water Deferred	332,962	355,716
Special Assessment - Sewer Current	297,705	393,369
Special Assessment - Sewer Deferred	76,728	108,128
Reserve for Uncollectible	(40,982)	(95,136)
Total Assets	\$ 2,124,516	\$ 2,009,055
<u>Liabilities and Fund Balance</u>		
Accounts payable	\$ -	\$ -
Unearned Revenue	879,297	1,078,875
Total Fund Balance	1,245,219	930,180
Total Liabilities and Fund Balance	\$ 2,124,516	\$ 2,009,055

Comparative Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016

	2017 Original Budget	2017 Year-to-Date Budget	2017 Year-to-Date Actual	2016 Year-to-Date Actual
Revenue:				
Special Assessments				
Water	\$ 73,000	\$ 17,804	\$ -	\$ 13,880
Sewer	50,000	10,427	-	-
Connection Fees				
Water	4,100	2,596	2,281	-
Sewer	35,000	13,848	11,460	7,800
Total Impact Fees	162,100	44,675	13,741	21,680
Special Assessment Interest	44,400	6,628	-	81
Investment Income	-	-	7,288	1,416
Total revenue	206,500	51,303	21,029	23,177
Transfer to Capital Improvement Fund:				
Water	450,000	-	-	-
Sewer	450,000	-	-	-
Total Transfers to Capital Improven	900,000	-	-	-
Revenue over (under) expenditures	(693,500)	51,303	21,029	23,177
Fund balance, beginning of year			1,224,190	907,003
Fund balance, end of period			\$ 1,245,219	\$ 930,180

**City of Franklin
Self Insurance Fund - Actives
Balance Sheet
May 31, 2017 and 2016**

Assets	2017	2016
Cash and investments	\$ 2,524,918	\$ 3,215,947
Accounts receivable	288	576
Interfund advance receivable	275,000	275,000
Prepaid expenses	23,500	57,500
Total Assets	\$ 2,823,706	\$ 3,549,023
Liabilities and Net Assets		
Accounts payable	\$ 4,744	\$ 4,056
Claims payable	270,500	270,500
Unrestricted net assets	2,548,462	3,274,467
Total Liabilities and Fund Balance	\$ 2,823,706	\$ 3,549,023

**City of Franklin Self Insurance Fund - Actives
Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016**

	2017 Budget	2017 Year-to-Date Budget	2017 Year-to-Date Actual	2016 Year-to-Date Actual
Revenue				
Medical Premiums-City	\$ 2,573,850	1,096,532	\$ 1,024,926	\$ 1,034,774
Medical Premiums-Employee	426,800	179,430	178,814	172,547
Other - Investment Income, etc.	35,000	14,583	22,452	27,670
Medical Revenue	3,035,650	1,290,545	1,226,192	1,234,991
Dental Premiums-City	115,400	41,382	45,482	44,601
Dental Premiums-Retirees	5,850	3,045	1,728	1,728
Dental Premiums-Employee	56,100	23,803	23,038	23,265
Dental Revenue	177,350	68,230	70,248	69,594
Total Revenue	3,213,000	1,358,775	1,296,440	1,304,585
Expenditures:				
Active Employees-Medical				
Medical claims - Current Year	2,119,200	662,561	686,412	659,144
Excess claims	591,500	246,458	-	-
Medical claims - Prior Year	-	-	255,604	250,076
Prescription drug claims	335,000	126,203	105,751	115,877
Refunds-Stop Loss Coverage	-	-	(16,818)	3,376
Total Claims-Actives	3,045,700	1,035,222	1,030,949	1,028,473
Medical Claim Fees	224,300	102,560	100,823	77,244
Memberships	-	-	3,180	3,120
Miscellaneous Wellness	75,000	20,319	12,599	8,480
Section 125 administration Fee	6,200	2,750	950	(227)
Stop Loss Premiums	635,900	281,560	262,559	270,232
ACA Fees	25,000	23,904	-	24,762
Total Medical Costs-Actives	4,012,100	1,466,315	1,411,060	1,412,084
Active Employees-Dental				
Dental Claims	152,000	60,847	68,250	68,587
Dental Claim Fees	12,000	5,124	10,448	5,107
Total Dental Costs-Actives	164,000	65,971	78,698	73,694
Retirees-Dental				
Dental Claims	6,100	3,154	4,134	6,144
Dental Claim Fees	200	92	161	78
Total Dental Costs-Retirees	6,300	3,246	4,295	6,222
Total Dental Costs	170,300	69,217	82,993	79,916
Total Expenditures	4,182,400	1,535,532	1,494,053	1,492,000
Revenue over (under) expenditures	(969,400)	\$ (176,757)	(197,613)	(187,415)
Net assets, beginning of year	2,746,075		2,746,075	3,461,882
Net assets, end of period	\$ 1,776,675		\$ 2,548,462	\$ 3,274,467


City of Franklin
City of Franklin Post Employment Benefits Trust
Balance Sheet
May 31, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and investments	\$ -	\$ -
Investments held in trust - Fixed Inc	1,731,986	1,271,988
Investments held in trust - Equities	3,495,946	3,566,680
Accounts receivable	1,669	2,699
Due from Water Utility	408	178
Total Assets	\$ 5,230,009	\$ 4,841,545
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 353	\$ 353
Claims payable	45,000	45,000
Due to City	48,116	155,810
Net assets held in trust for post emp	5,136,540	4,640,382
Total Liabilities and Fund Balance	\$ 5,230,009	\$ 4,841,545

City of Franklin Post Employment Benefits Trust
Statement of Revenue, Expenses and Fund Balance
For the Five months ended May 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
	<u>Year-to-Date</u>	<u>Year-to-Date</u>
<u>Revenue</u>	<u>Actual</u>	<u>Actual</u>
ARC Medical Charges - City	\$ 61,221	\$ 58,329
Medical Charges - Retirees	43,634	42,143
Implicit Rate Subsidy	91,514	58,299
Medical Revenue	196,369	158,771
Expenditures:		
Retirees-Medical		
Medical claims - Current Year	92,759	43,803
Medical claims - Prior Year	20,534	32,845
Prescription drug claims	40,722	39,987
Refunds-Stop Loss Coverage	(14)	2,097
Total Claims-Retirees	154,001	118,732
Medical Claim Fees	10,599	6,765
Stop Loss Premiums	31,469	31,005
Miscellaneous Expense	300	255
ACA Fees	-	2,014
Total Medical Costs-Retirees	196,369	158,771
Revenue over (under) expenditures	-	-
Annual Required Contribution-Net	(6,671)	(7,383)
Other - Investment Income, etc.	257,375	129,780
Total Revenues	250,704	122,397
Net Revenues (Expenditures)	250,704	122,397
Net assets, beginning of year	4,885,836	4,517,985
Net assets, end of period	\$ 5,136,540	\$ 4,640,382

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APPROVAL 	REQUEST FOR COUNCIL ACTION	MEETING DATE 7/18/2017
REPORTS & RECOMMENDATIONS	Presentation and Discussion on 2018 Budget Development Issues and the Preliminary 2018 Budget Forecast	ITEM NUMBER <i>G.3/.</i>

At the Common Council meeting of June 20, 2017, the Common Council received a presentation on 2018 budget development issues and an overview of the preliminary 2018 Budget Forecast. As was noted at that time "the presentation will also look to establish the next steps in the discussion and will recommend certain topics to come back to the Common Council in July for more in depth discussion."

Although the budget issues and numbers remain in flux and are still very preliminary, it was noted that certain issues will benefit from engaging the Common Council earlier in the process and gaining input from them that can be used to shape the proposed budget document that is brought forward in September.

After the Director of Administration and Finance Director provide a very brief overview of the topic or related issue, it is requested that brief discussions be held on the following issues:

- ❖ Revised update on the preliminary 2018 Budget Forecast.
- ❖ Property tax levy: statutory options including direct and indirect access to prior years' allowable levy.
- ❖ Statutory provisions for a referendum.
- ❖ Preliminary health insurance modifications and impacts.
- ❖ Potential service cuts overview.
- ❖ Anticipated development levels that will impact permit fee revenue.
- ❖ Capital Outlay and Capital Improvements versus Operating Expenses.
- ❖ Reassigning resources from other capital funds is not a realistic option given the long-term fiscal needs of each of those funds.

As is done each year with the presentation of the Mayor's Recommended Budget, additional information will be presented at the meeting. As previously noted, resolution of the issues will ultimately occur through the approved budget process; however, by beginning the discussions earlier, the hope and intent will be to find solutions that best meet the needs of the residents of Franklin.

COUNCIL ACTION REQUESTED

Motion to receive and file, or as otherwise determined by the Council.

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APPROVAL <i>slw</i>	REQUEST FOR COUNCIL ACTION	MEETING DATE 7/18/17
REPORTS AND RECOMMENDATIONS	<p>Interstate Partners LLC Commercial, Light Industrial and Distribution Development on the southwest corner of South 27th Street and West Oakwood Road; Tax Incremental District No. 4 Development Agreement Between the City of Franklin and JAMS IP LLC. The Common Council may enter closed session pursuant to Wis. Stat. § 19.85(1)(e), to consider the terms and negotiation of a development agreement with JAMS IP LLC for the Interstate Partners LLC commercial, light industrial and distribution development on the southwest corner of South 27th Street and West Oakwood Road, for competitive and bargaining reasons, and to reenter open session at the same place thereafter to act on such matters discussed therein as it deems appropriate</p>	ITEM NUMBER <i>6.32</i>

Subject to conditions and restrictions, JAMS IP LLC received approval from the Common Council to construct two multi-tenant commercial, light industrial and distribution buildings on the southwest corner of South 27th Street and West Oakwood Road at the May 16, 2017 Common Council meeting. The project has an estimated value of \$11.5 million and would be the first development in the Area D land rezoned last fall for mixed-business park uses.

The developer has requested a development incentive grant of \$1,600,000 from Tax Incremental District (TID) No. 4 to assist in completion of the project.

On June 2, 2017, the City's financial consultant, Ehlers & Associates, Inc., completed a financial analysis of the proposed contribution for the project. Ehlers found that the contribution would not unduly richen the developer and that the contribution would meet the "but for" test required by law. A complete financial analysis from Ehlers is enclosed.

A tax incremental district pro forma development agreement was provided by City staff to the Developer for review and the provision of the specific terms necessary for this specific new development. A 'clean' copy of Developer's response with the proposed changes and specific terms of an agreement is annexed hereto. Negotiation of the development agreement terms is incomplete and remains ongoing at the time of this writing.

Funding

Funds accruing in TID #4 will be sufficient to cover the grant(s) outlined in the agreement. No bonding will be necessary. An amendment to the TID #4 budget is necessary to fund the grant(s) and the proposed amendment is a separate agenda subject matter item for this meeting after this subject matter item.

Background

On May 16, 2017 the Common Council approved a resolution imposing conditions and restrictions for the approval of a special use to allow for a multi-tenant building development consisting of commercial, light industrial and distribution space use upon property located at the southwest corner of South 27th Street and West Oakwood Road.

The Common Council approved rezoning of land in Area D, including the property, for Mixed-Use Business Park at the November 1, 2016 Common Council meeting.

The City continues to work with property owners, Ehlers and engineering consultants from Ruekert & Mielke, Inc. to evaluate solutions to develop additional land in Area D. That work is on-going.

COUNCIL ACTION REQUESTED

A motion to enter closed session pursuant to Wis. Stat. § 19.85(1)(e), to consider the terms and negotiation of a development agreement with JAMS IP LLC for the Interstate Partners LLC commercial, light industrial and distribution development on the southwest corner of South 27th Street and West Oakwood Road, for competitive and bargaining reasons, and to reenter open session at the same place thereafter to act on such matters discussed therein as it deems appropriate;

or

such other action as the Common Council may deem appropriate.



2 June 2017

Aaron Hertzberg
Director of Economic Development
City of Franklin
9229 W Loomis Rd
Franklin WI 53132

RE: 27th & Oakwood Rd – Interstate Partners

Dear Aaron,

Please find our updated analysis for the above referenced project.

In examining the financial need (the “but for” test required by law) for TIF participation, we were originally provided summarized information by Caroline Brzezinski and John Heller of Interstate Partners pertaining to the construction of a 101,025sf speculative industrial development on a vacant 7.7 acre parcel at approximately 3200 W Oakwood Rd, just west of the southwest corner of Oakwood and South 27th St (“Phase 1”). The multi-tenant project is intended for a longer term investment hold. There is also a second building planned on 10.35 acres of land immediately to the west of Phase 1 for development of a 136,500sf facility, for which we were subsequently provided information on (“Phase 2”). This building is expected to commence two years after the start of construction on Phase 1. Both Phase 1 and Phase 2 are the subject of this evaluation.

The information provided for both phases consisted of a sources and uses project budget, sewer and water assessment costs, a 10 year cashflow projection, as well as relevant construction documents, and subsequent communications firmed up those project details and other factors, including lease-up and rollover assumptions. The net operating income that was capitalized to approximate a valuation based on the 10th year of operations. The developer’s cashflow projections also contained preliminary financing assumptions for construction and permanent financing. We have incorporated the Developer’s information and assumptions in our own mathematical models to verify the Net Operating Income and the Net Cash Flow after financing, and then developed a 10-year income and expense projection for use in our analysis. Ehlers also developed a calculation of assessed value for increment generation. TID #4 expires in 2025 (last revenue year 2026), so the TIF evaluation is considered within that context as well.



DEVELOPER BASE CASE - \$1,600,000 TIF GRANT

Ehlers initially input the Developer's information into our financial model to replicate the income and expenses, deriving a Net Operating Income over a 10 year period and resultant sales estimate, to validate the need for financial assistance. The outcomes are summarized below and the following data and assumptions were used:

- Developer provided estimates for rental incomes, which appear reasonable, and increased both by 2% per year.
- Lease-up of the three tenant spaces (per building) is assumed to occur over the first two years of operations, therefore Year 3 is when stabilization occurs for each building.
- Debt Service payments for the holding period were calculated based upon anticipated bank terms provided by Developer, including the first year of interest-only payments for each phase. These terms are similar to current market deals we've evaluated.
- Franklin's current (2016-17) equalized tax rate of \$22.69 was used for real estate tax assumptions and TIF increment cash flow projections
- Construction of the Phase 1 building is assumed to commence in 2017 and completed in 2018; similarly, Phase 2 should break ground mid 2019 and complete in 2020. Our tax increment projections reflect this timing.

The developer's revised request was for a \$1.6M TIF Grant between the two buildings on a total \$17.5M development cost, or 9.1% of total cost. The land cost of \$1.125M equates to \$146K per acre, or \$11 per building square foot, and includes a portion of previous sewer and water assessments carried since assessments were implemented. Total construction costs were \$74 per foot, which represents the mostly warehouse nature of the facilities; approximately 8-10% of the area would be office use. The developer's fee of 3% is on the low end of the 3-6% found in the market. After allocating \$1M to Phase 1 and the \$600K to Phase 2, based on developer's current negotiations, construction loans for 61% of Phase 1 costs, and 75% of Phase 2 costs, averaged 68% loan-to-cost overall, both at an interest rate of 4.75%. Equity of \$3.96M made up the balance of the sources of funds, which are summarized below.

	<u>Ph 1</u>	<u>%</u>	<u>Ph 2</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Loan	4,850,000	61%	7,100,000	75%	11,950,000	68%
Equity	2,142,869	27%	1,821,486	19%	3,964,355	23%
TIF	1,000,000	13%	600,000	6%	1,600,000	9%
	<u>7,992,869</u>	<u>100%</u>	<u>9,521,486</u>	<u>100%</u>	<u>17,514,355</u>	<u>100%</u>

Rents were adequately estimated at \$5.65/sf (annual) on a triple-net (NNN) basis, which is within market for industrial properties of this type. A NNN lease means that all operating expenses of the property (common area maintenance, insurance, and real estate taxes) are fully passed through to the tenants on a pro-rata share. Lease terms were assumed between 7 and 10 years with annual rent escalations. Re-tenanting costs (weighted average tenant improvements

and lease commissions) for renewing leases were deducted in later years as the initial leases expire, which affect developer's cash flow and returns. Utilizing these assumptions, the average cash-on-cash return to the developer was between 8.5 to almost 9.5%, which is in an acceptable range compared with other developments we've evaluated in the region.

The capitalization rate utilized on the net operating income was 7.75%, which is higher than current rates but also reflective of the speculative nature of the development and timing of sale. Selling costs (sales commissions, title, and other closing costs) were assumed by the developer at only 1.0%, which is admittedly quite low; generally these costs would be at least 3% of the sales price. Between expected lease expirations in the two buildings, significant lease turnover and re-tenanting costs were incurred, particularly in Year 10, the typical hold period for evaluation, which negatively affected the Internal Rate of Return (IRR) for that year. Using the lower selling cost produced a Year 10 IRR of approximately 10.1% under Ehlers' calculations; however, in years without the re-leasing fluctuations, the IRRs ranged from 11.5% to nearly 13.4%, which roughly matches the developer's projections. Using the higher 3% as the selling cost, the Year 10 IRR would reduce to approximately 9.6%, and ranging from around 11.2% to near 13%. These IRR projections are on the lower end of an expected 12-16% investment band, and particularly considering the speculative leasing status, are somewhat conservative. We understand the developer has sunk costs into the project and a long history of working on this site, which partially explains acceptance of the lower return. As a further test, Ehlers removed the \$1.6M TIF grant from the capital structure, and assuming an equal increase in developer's equity, the IRR's reduce to sub 4%. In summary, the \$1.6M TIF request does not unduly enrich the developer, and without such financial assistance, it is unlikely the project would proceed.

ALTERNATE SCENARIO - \$980,000 TIF GRANT

Ehlers was also asked to evaluate the two-building project assuming a total TIF grant of \$980,000. Utilizing the same property cost and operating assumptions as above, the revised sources of funds are presented below:

	<u>Ph 1</u>	<u>%</u>	<u>Ph 2</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Loan	4,850,000	61%	7,100,000	75%	11,950,000	68%
Equity	2,584,486	32%	2,000,000	21%	4,584,486	26%
TIF	558,383	7%	421,486	4%	979,869	6%
	<u>7,992,869</u>	<u>100%</u>	<u>9,521,486</u>	<u>100%</u>	<u>17,514,355</u>	<u>100%</u>

Under this scenario, the cash-on-cash returns range from 7.8% to nearly 8.4%. Similarly, Year 10 IRR reduces to 9.6%, and adjusting for re-tenanting costs, is within a range of 11.3% to approximately 12.2%. Using the higher 3% selling cost further drives returns lower, to 9.1% in Year 10, and the range of 10.7% to about 12.3%.

ALTERNATE SCENARIO – PAYGO

In order to test assumptions as to the form of the financial assistance, we also considered a \$1.6M Pay-As-You-Go (PayGo) structure, where the developer would receive the increment generated by the project on an annual basis, not up front. Generally, the developer would monetize the PayGo payments from the City to make the increment payments, obtaining a second loan from a bank secured by the municipal revenue obligation (MRO) issued by the City. In this instance, due to the limited remaining term of the TID, the payment stream is rather abbreviated. However, inclusion of the second building provides sufficient tax increment through the last revenue year that would provide approximately \$2.4M in future value receipts, and about \$1.8M Net Present Value, which would cover the issuance of a \$1.6M MRO. Assuming 100% of the increment is allocated to developer, the PayGo results in an IRR in the range of 10-12%, and cash-on-cash return of over 9% at stabilization. Therefore, the PayGo structure could be considered as an effective option in this situation, though at a slightly lower IRR.

AFFECT ON TID VALUE AND TIMING

Under the above assumptions (capitalized income approach), the Oakwood project would produce a sales value of approximately \$16.1M upon sale after a 10-year investment period, and again, adjusting for re-leasing expenses, a range of \$17.7 - \$18.1M may be anticipated. The value at stabilization of both buildings (in Year 5 due to construction phasing), and measured in the same manner, would be approximately \$16.7M, generating an estimated \$384K of annual property tax in the first full year of collections. The future value of these collections is roughly \$2.48M, with a net present value of about \$1.86M. TID #4, under its statutory life, has a maximum life of June 2025, with a final revenue collection year of 2026. Given the timing of completion and resultant assessment of both buildings, the tax revenue collections from this project during the remaining years of this district would appear to be sufficient to fully support the \$1.6M assistance requested for this project. This is summarized in the table below:

Value at Stabilization	\$16,729,000
Taxes at Stabilization	\$380,000
Future Value of Increment	\$2,482,000
Present Value of Increment	\$1,865,000

SUMMARY

Generally, we would expect investor returns to be in the 12-16% range (IRR) depending on the product type and market location. The projections outlined above for the \$1.6M TIF Base Case indicated a Year 10 return of approximately 10% and a range of 11-13%, though cash-on-cash returns ranged from 8.5 to around 10%, which is a slightly more attractive measure. In the same manner, returns for the Base Case \$980K grant structure provided an IRR of only 7.9% in Year 10, and within a range of 10-11% overall. The PayGo structure provides an IRR of approximately 10-12%, and could be a viable option. As noted earlier, stressing the cash flows

2 June 2017

Aaron Hertzberg

RE: Interstate Partners Oakwood Rd

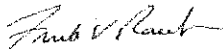
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without the TIF assistance results in an IRR of 6.5%. At that level, and given the shorter remaining duration of the TID, the project would not be undertaken but for the City's participation by way of the proposed grant.

Since the costs and revenues that have been provided by the developer are conservative estimates, we believe that it would be prudent for the City to include cost-saving provisions in any agreement to provide assistance to this project. Upon completion of construction, a cost review should be performed to ensure the requested funds were incorporated into the project, thus satisfying part of the "but for" test of the need for project support. Secondly, an operating "look-back" provision should also be included, which would be performed at the earlier of a project sale, or, after a 10 year operating period, a "mock sale" to be calculated at prevailing market rates at that time. Doing so would allow the City to re-calculate the return based upon actual costs and developer cash flows, and would allow for the City to adjust its participation if the costs are significantly lower and/or the returns markedly higher than projected up front. This concept was discussed at the onset with both the City and the developer, including examples of language used in similar development agreements.

Thank you for the opportunity to work with you on this project. Please let us know if there is any further analysis you would like us to perform.

Kind Regards,



Frank Roman
Municipal Advisor

cc: Mike Harrigan, Ehlers
Dawn Gunderson-Schiel, Ehlers

[7/14/14 Draft/Draft note: below is a 'clean' copy of Developer's proposed changes to the City pro forma development agreement terms and added project specific terms and provisions; same remains under review and negotiation.]

**TAX INCREMENTAL DISTRICT NO. 4
DEVELOPMENT AGREEMENT
BETWEEN THE CITY OF FRANKLIN AND
JAMS IP LLC
Commercial, Light Industrial and Distribution Development on
SWC of South 27th Street and West Oakwood Road**

THIS DEVELOPMENT AGREEMENT (the "Agreement") is entered into as of July ____, 2017 by and between JAMS IP LLC, a Wisconsin limited liability company, its successors and/or assigns ("Developer"), and the **CITY OF FRANKLIN, WISCONSIN**, a Wisconsin municipal corporation ("City").

RECITALS

City and Developer acknowledge the following:

A. Developer is or will be the Owner of that certain real property located at the southwest corner of South 27th Street and West Oakwood Road, legally described in **Exhibit A** attached hereto (the "Property").

B. The Property is located within the boundaries of Tax Incremental District No. 4, City of Franklin, Wisconsin (the "District"). Pursuant to Wis. Stat. § 66.1105 (the "Tax Increment Law"), the City adopted a plan for redevelopment within the District (the "Project Plan").

C. In 2006, sanitary sewer and water services were extended to the intersection of South 27th Street and West Oakwood Road, Oakwood Road was improved, and the Property was specially assessed \$528,060 with respect to such improvements. Developer and its predecessors in interest paid such special assessments as they came due and borrowed funds from a third party lender to finance such payments. However, the Property has remained undeveloped.

D. Developer and its affiliates plan on constructing approximately 230,000 square feet of commercial, light industrial and distribution space in two buildings and related improvements on the Property, with an estimated development cost of not less than \$11.5 million (the "Project"). It is acknowledged that development of the Project as described above will be consistent with the Project Plan.

E. The City desires to encourage economic development, expand its tax base and create new jobs within the City, the District and upon the Property. The City finds that the development of the Project and the fulfillment of the terms and conditions of this Agreement will further such goals, are in the vital and best interests of the City and its residents, and will serve a public purpose in accordance with state and local law.

F. The development of the Project would not occur without the financial participation of the City as set forth in this Agreement.

G. The City, pursuant to Common Council action dated July ___, 2017, has approved this Agreement and authorized its execution by the proper City officials on the City's behalf.

H. Developer has approved this Agreement and authorized its execution by the appropriate representatives on its behalf.

AGREEMENTS

In consideration of the RECITALS and the terms and conditions set forth herein, the parties agree and covenant as follows:

ARTICLE I DEVELOPER ACTIVITIES AND OBLIGATIONS

A. Developer shall construct the Project in accordance with all applicable City zoning and building codes, ordinances and regulations. Developer warrants and represents to the City that the Project will contain approximately 230,000 square feet of developed building space and that total development costs expended on the Project (inclusive of personal property) shall be not less than \$11,500,000. Developer or an affiliate shall substantially complete construction of "Phase I" of the Project (the eastern approximately 100,000 square foot building and related improvements) on or before July 31, 2019 ("Phase I Completion Date"), and Developer or an affiliate shall substantially complete construction of "Phase II" of the Project (the western approximately 130,000 square foot building and related improvements) on or before August 31, 2021 ("Phase II Completion Date"), all in accordance with final plans and specifications (including landscaping plans) approved by the City, including, but not limited to the terms, provisions and conditions of drawings for the Project prepared by JAKnetter Architects dated April 25, 2017 and any subsequently approved plans, and of which this Agreement and its terms and conditions are a condition thereof (the "Plans and Specifications"). Copies of the Plans and Specifications will be retained at the offices of the City Economic Development Department. Phase I and Phase II of the Project each shall be deemed to be substantially complete on the date that the City Building Inspector issues a certificate of occupancy for the principal building in that phase of the Project, which certificate may be subject to completion of landscaping and similar seasonal items and other non-material corrective actions. The City Building Inspector shall not issue the certificate of occupancy if the built phase of the Project does not conform to the Plans and Specifications, subject to any changes to the Plans and Specifications that may have been approved by the City.

B. Phase I of the Project shall include sanitary sewer and water extensions, improvements to Oakwood Road (including a turn lane), a sidewalk parallel to Oakwood Road, grading, berming and stormwater management improvements. Phase II of the Project shall include additional sanitary sewer and water improvements and additional grading, berming and stormwater management activities. To the extent any improvements that will be dedicated to the public are included within the scope of work for either Phase I or Phase II of the Project (the "Public Improvements"), Developer will complete the installation of the Public Improvements

for each phase in accordance with City specifications, including the execution of a City standard form development agreement where applicable terms thereof are not specifically set forth in this Agreement, and will dedicate the same to the City in accordance with City inspection and acceptance procedures. If required by applicable law, Developer agrees to comply with public bidding requirements under the Wisconsin Statutes for all work involving improvements to public rights of way or public property or that constitutes public improvements under applicable law (together referred to as the "Public Improvements"). The Public Improvements shall at all times be subject to City inspection and approval and the City or other public entity shall not be required to accept conveyance of the Public Improvements for either Phase I or Phase II of the Project unless the Public Improvements for that phase have been constructed in a good and workmanlike manner, in accordance with the City-approved plans for the Public Improvements, and otherwise are in a condition reasonably acceptable to the City. Following approval by the City of the completed Public Improvements for Phase I or Phase II of the Project, the Public Improvements for the phase shall be conveyed to the City or other public entity, to the extent appropriate. The Developer shall provide to the City or other public entity from all contractors and consultants involved in connection with the construction and installation of the Public Improvements, a one-year warranty against defects in construction, materials and workmanship, in a form reasonably acceptable to the City.

C. The Developer shall arrange for funding for all costs of the Project in excess of the funds provided by its construction lender and the City. By proceeding to commence construction on the Project, Developer will be deemed to have represented and warranted to the City that Developer has secured sufficient debt and equity financing commitments to enable the Project to proceed. Upon written request, Developer shall deliver to the City a copy of any mortgage recorded or to be recorded against title to the Property or any portion thereof in the office of the Register of Deeds of Milwaukee County, Wisconsin.

ARTICLE II CITY ACTIVITIES AND OBLIGATIONS

A. City shall cooperate with Developer throughout the development and construction of the Project and the term of this Agreement and shall reasonably promptly review and/or process all submissions and applications in accordance with applicable City ordinances.

B. The City shall make a total financial contribution to the Project in an amount not to exceed \$1,600,000 (the "Total Grant") which Total Grant shall consist of (i) a grant not to exceed \$980,500 for Phase I of the Project (the "Phase I Grant") and (ii) a grant not to exceed \$619,500 for Phase II of the Project (the "Phase II Grant"), subject to the terms set forth below.

(1) Provided that the Developer is not then in default beyond applicable notice and cure periods under this Agreement, the City shall pay the Phase I Grant to the Developer within ten (10) days after satisfaction of all of the following conditions:

(a) Developer has obtained all permits necessary to construct Phase I, including but not limited to a building permit for an approximately 100,000 square foot commercial, light industrial and distribution building;

(b) Developer has obtained approval from the City Engineer with respect to detailed plans and specifications for those Public Improvements associated with Phase I of the Project;

(c) Developer has provided the City's financial consultant a budget for the construction costs for Phase I consistent with an assessed valuation for Phase I, once completed, of not less than \$5,000,000;

(d) Developer has obtained a commitment from a conventional third party lender for a construction loan as necessary to finance the construction costs of Phase I which exceed Developer's equity;

(e) Developer has provided the City's financial consultant with an executed construction contract for Phase I between Developer and a reputable contractor licensed in the State of Wisconsin on a standard AIA form document; and

(f) Developer has provided the City evidence that Developer owns the Property in fee simple, free and clear of all monetary liens and encumbrances other than liens relating to the construction loan described in subsection (1)(d) above and to this Agreement.

(2) Provided that the Developer is not then in default beyond applicable notice and cure periods under this Agreement, the City shall pay the Phase II Grant to the Developer within ten (10) days after satisfaction of all of the following conditions:

(a) Developer has substantially completed Phase I not later than the Phase I Completion Date and provided full lien waivers from all contractors, subcontractors and materialmen showing that all amounts payable to such parties for Phase I have been paid;

(b) Developer has obtained all permits necessary to construct Phase II, including but not limited to a building permit for an approximately 130,000 square foot commercial, light industrial and distribution building;

(c) Developer has obtained approval from the City Engineer with respect to detailed plans and specifications for those Public Improvements associated with Phase II of the Project;

(d) Developer has provided the City's financial consultant a budget for the construction costs for Phase II consistent with an assessed valuation for Phase II, once completed, of not less than \$6,500,000;

(e) Developer has obtained a commitment from a conventional third party lender for a construction loan as necessary to finance the construction costs of Phase II which exceed Developer's equity;

(f) Developer has provided the City's financial consultant with an executed construction contract for Phase II between Developer and a reputable contractor licensed in the State of Wisconsin on a standard AIA form document; and

(g) Developer has provided the City evidence that Developer owns the Property in fee simple, free and clear of all monetary liens and encumbrances other than liens relating to the construction loans described in subsections (1)(d) and 2(e) above and to this Agreement.

C. In the event that the City has paid the Phase I Grant to Developer and that portion of the Property associated with Phase I of the Project is not assessed with an equalized value of at least \$5,000,000 as of January 1, 2020, thereafter, the City may levy a special assessment against that portion of the Property associated with Phase I in an amount equal to the product of (i) \$5,000,000 less (ii) the actual equalized value of the Phase I portion of the Property, (iii) divided by \$1000, and (iv) multiplied by the City's then current mill rate. In the event that the City has paid the Phase II Grant to Developer and that portion of the Property associated with Phase II of the Project is not assessed with an equalized value of at least \$6,500,000 as of January 1, 2022, thereafter, the City may levy a special assessment against that portion of the Property associated with Phase II in an amount equal to the product of (i) \$6,500,000 less (ii) the actual equalized value of the Phase II portion of the Property, (iii) divided by \$1000, and (iv) multiplied by the City's then current mill rate. During the term of this Agreement as set forth in paragraph M in Article VIII below, the City may continue to levy similarly calculated special assessments in any subsequent year in which the equalized value of the Property remains less than \$1,500,000. Developer's obligations under this paragraph shall be collectible as a debt upon an action at law; and shall also be otherwise collectible as are delinquent real estate taxes and any such delinquent amount shall constitute a lien upon the associated portion of the Property, as and in the same method, manner, status and legal existence as levied taxes are a lien against property pursuant to Wis. Stat. § 70.01; and shall also be otherwise collectible as are delinquent special charges pursuant to Wis. Stat. § 66.0627; and in addition to the foregoing, shall also be otherwise collectible by any other available legal and/or equitable remedy and as otherwise provided by law. Any and all notice and hearing requirements which may be required under the law for such special assessment or special charge are hereby waived by Developer. Notwithstanding the foregoing, as soon as the equalized value of the Property is \$11,500,000 or more, the City shall cease levying special assessments under this paragraph and waive and release unpaid special assessments levied under this paragraph. In addition, to the extent that ad valorem property taxes generated from the Property exceed \$230,000 in any year that this Agreement remains in effect, the City shall refund to Developer any special assessments paid under this paragraph from the tax increment generated from the Property in excess of \$230,000.

D. Developer shall make its records substantiating the costs of the Project available to Ehlers and Associates, Inc., the outside financial consultant for the City, or its designee, including the construction cost budget and monthly construction draws and backup information provided to Developer by its contractor. Such information shall be held and treated as confidential and as trade secrets and shall not be part of the public record associated with the Project, if and as may be permitted under the Wisconsin Open Records Law.

E. The City shall not close or terminate the District until all obligations of the City under this Agreement have been fully performed or as otherwise expressly permitted under this Agreement.

ARTICLE III

PAYMENT OF TAXES; PAYMENT IN LIEU OF TAXES

Throughout the life of the District, Developer will pay (or cause to be paid) all ad valorem property taxes lawfully assessed against any portion of the Property owned by the Developer before or when due under the law and Developer guarantees that such taxes shall not become delinquent. The foregoing shall not prohibit the Developer from contesting, in good faith, the assessed value of any portion of the Property.

In the event that any portion of the Property becomes exempt from ad valorem taxes during the statutory life of the District and for a period of five (5) years thereafter (the "PILOT Term"), then the Developer or any successor Developer of such exempt portion of the Property shall make (or cause to be made) during the PILOT Term annual payments in lieu of taxes in amounts equal to what the City's share of such ad valorem property taxes would have been for such portion of the Property (as determined by the City assessor) had it not been exempt. Such payment in lieu of taxes shall be due and payable at the same time and in the same manner as the ad valorem taxes would have been due and payable for such year. Developer's obligations under this Article III upon any default shall be collectible as a debt upon an action at law; and shall also be otherwise collectible as are delinquent real estate taxes and any such delinquent amount shall constitute a lien upon the associated portion of the Property, as and in the same method, manner, status and legal existence as levied taxes are a lien against property pursuant to Wis. Stat. § 70.01; and shall also be otherwise collectible as are delinquent special charges pursuant to Wis. Stat. § 66.0627; and in addition to the foregoing, shall also be otherwise collectible by any other available legal and/or equitable remedy and as otherwise provided by law. If the Developer or any successor Developer fails to make a payment in lieu of taxes when due, the City may, in addition to all other remedies available to it, levy a special assessment or special charge against the exempt portion of the Property in the amount of the unpaid payments. Any and all notice and hearing requirements which may be required under the law for such special assessment or special charge are hereby waived by Developer. The covenant contained in this Article shall be deemed to be a covenant running with the land and shall be binding upon all Developers and/or owners, successors and assigns of any portion of the Property for the duration of the PILOT Term. The City is hereby expressly declared to be a beneficiary of such covenant and entitled to enforce same against all successor Developers and/or owners of the Property.

ARTICLE IV

NO PARTNERSHIP OR VENTURE

Developer, its successors and/or assigns and/or owners of the Property shall be solely responsible for the completion of the Project. Nothing contained in this Agreement shall create or effect any partnership, venture or relationship between the City and Developer, its successors and/or assigns and/or owners of the Property in the construction of the Project.

ARTICLE V

CONFLICT OF INTEREST

No member, officer or employee of the City, during his/her tenure or for one year thereafter, will have or shall have had any interest, direct or indirect, in this Agreement or any

proceeds thereof, unless such member or officer abstained from any participation in the City review process of the Project and the Agreement from the point of time when a potential conflict of interest arose and thereafter.

ARTICLE VI WRITTEN NOTICES

All notices required or permitted by this Agreement shall be in writing and shall be deemed to have been given (i) upon delivery to an officer or designated representative of the person entitled to such notice, if hand delivered, or (ii) two business days following deposit in the United States mail, postage prepaid, or with a nationally recognized overnight commercial carrier that will certify as to the date and time of delivery, airbill prepaid, or (iii) upon transmission if by facsimile or email, and each such communication or notice shall be addressed as follows, unless and until any of such parties notifies the other in accordance with this Article of a change of address:

If to the City: City of Franklin
 9229 West Loomis Road
 Franklin, WI 53132
 Attention: Aaron Hertzberg, Director of Economic Development
 Facsimile No.: 414-427-7691
 Email address: AHertzberg@franklinwi.gov

With a Copy to: City of Franklin
 9229 West Loomis Road
 Franklin, WI 53132
 Attention: Sandra L. Wesolowski, City Clerk
 Facsimile No.: 414-425-6428
 Email address: SWesolowski@franklinwi.gov

If to the Developer: JAMS IP LLC
 N16 W23217 Stone Ridge Drive, Suite 120
 Waukesha, WI 53186
 Attention: John B. Heller
 Facsimile No.: 262-506-1001
 Email address: jheller@interstate.com

With a Copy to: Matthew Ewig
 1020 Katherine Drive
 Elm Grove, WI 53122
 Email address: matt@langdonpartnersre.com

ARTICLE VII DEFAULT

A. The occurrence of any one or more of the following events shall constitute a default by Developer hereunder ("Default"):

1. Developer fails to pay any amounts when due under this Agreement and further fails to pay such amounts on or before ten days following written notice of such failure; or

2. Any material representation or warranty made by Developer pursuant to this Agreement proves to have been false in any material respect as of the time when made or given; or

3. Developer materially breaches or fails to perform timely or observe timely any of its covenants or obligations under this Agreement (other than relating to the payment of money), and such failure shall continue for thirty (30) days following notice thereof from the City (or such longer period of time as is otherwise expressly set forth herein or as is reasonably necessary to cure the default as long as the Developer has commenced the cure of the default within the thirty (30) day period, is diligently pursuing the cure of the default and as long as the default is cured not later than one hundred twenty (120) days following the notice thereof from the City or such longer period of time as is reasonably agreed to by the City); or

4. Developer:

(a) makes a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its assets; or

(b) becomes the subject of an "order for relief" within the meaning of the United States Bankruptcy Code, or files a petition in bankruptcy, for reorganization or to effect a plan or other arrangement with creditors; or

(c) has a petition or application filed against it in bankruptcy or any similar proceeding, or has such a proceeding commenced against it and such petition, application or proceeding shall remain undismissed for a period of ninety (90) days or Developer shall file an answer to such a petition or application, admitting the material allegations thereof; or

(d) applies to a court for the appointment of a receiver or custodian for any of its assets or properties, with or without consent, and such receiver shall not be discharged within ninety (90) days after his appointment; or

(e) adopts a plan of complete liquidation of its assets; or

(f) shall cease to exist.

B. The City shall be deemed to be in default in the event it materially breaches or fails to perform timely or observe timely any of its covenants or obligations under this Agreement, and such failure shall continue for thirty (30) days following notice thereof from Developer (or such longer period of time as is otherwise expressly set forth herein or as is reasonably necessary to cure the default as long as the City has commenced the cure of the default within the thirty (30) day period, is diligently pursuing the cure of the default and as long as the default is cured not later than one hundred twenty (120) days following the notice

thereof from Developer or such longer period of time as is reasonably agreed to by the Developer).

C. Upon the occurrence of any Default by either party, upon ten (10) days' written notice, without further demand or action of any kind by the nondefaulting party and except as expressly set forth below, the nondefaulting party may, at its option, pursue any or all rights and remedies available at law or in equity. The City's rights shall include, but not be limited to temporary suspension of any payment of the City payments under this Agreement during the continuance of any Default by Developer, or City performance of any Developer obligation under this Agreement. Upon the cure of any such Default on the part of Developer, then, if and to the extent the City suspended any payments of City payments, the City shall promptly distribute to Developer any payments so suspended and promptly resume payments of amounts due with respect to the City payments due under this Agreement and continue such payments so that, subject to available Tax Increment, the cumulative amount paid upon full amortization is equal to that amount contemplated under this Agreement.

No remedy shall be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, and/or now or hereafter existing at law or in equity. No failure or delay on the part of any party in exercising any right or remedy shall operate as a waiver thereof nor shall any single or partial exercise of any right preclude other or further exercise thereof or the exercise of any other right or remedy.

Notwithstanding the foregoing, the City shall not terminate this Agreement or pursue, exercise or claim any rights or remedies arising out of a Default by Developer hereunder, except injunctive relief or the temporary suspension of City payments unless Developer, its mortgage lender or their designees have not commenced commercially reasonable efforts to cure any such Default within ninety (90) days after receipt of written notice from the City to Developer and its mortgage lender that if such efforts to cure such Default are not so commenced, then the City intends to pursue its other rights and remedies hereunder, including, without limitation, the right to terminate this Agreement.

D. In the event of a Default by either party, all reasonable fees, costs and expenses incurred by the nondefaulting party, including reasonable attorneys fees, in connection with the enforcement of this Agreement shall be paid by the defaulting party, including without limitation the enforcement of the nondefaulting party's rights in any bankruptcy, reorganization or insolvency proceeding.

ARTICLE VIII MISCELLANEOUS

A. Developer shall have in effect at all times, all permits, approvals and licenses as may be required by any governmental authority or, to the extent reasonably prudent or customary for similarly situated business operations, any non-governmental entity in connection with the development, construction, management and operation of the Project.

B. Developer shall maintain the following insurance policies issued by insurers licensed in the State of Wisconsin, with Best's A ratings and in the financial size category as

insurers of similar projects, with such policies (the "Insurance Policies") covering loss by perils, hazards, liabilities and other risks and casualties and in such amounts as may be reasonably required by the City:

(i) Following completion of construction of the Project, "all risks" property insurance insuring against such risks as are insured against by developers of similar projects, in amounts equal to 100% replacement cost of all buildings, improvements, fixtures, equipment and other real and personal property constituting the Project with an extended replacement cost endorsement; and

(ii) During the construction of the Project, builder's risk insurance in commercially reasonable form and amounts; and

(iii) During the term of this Agreement, commercial general liability insurance covered under a comprehensive general liability policy including contractual liability in amounts maintained by developers of similar projects, and insuring against bodily injury, including personal injury, death and property damage; and

(iv) Such other insurance as may be reasonably requested by the City.

Each Insurance Policy shall require the insurer to provide at least ten (10) days prior written notice to the City of any material change or cancellation of such policy. The City shall be named as an additional insured/loss payee on all policies of insurance except worker's compensation insurance.

C. Subject to one or more Force Majeure Events as set forth in paragraph E. of this Article, if the Developer does not substantially complete construction of Phase I the Project by the Phase I Completion Date or of Phase II of the Project by the Phase II Completion Date, then the City may, in its sole discretion, terminate this Agreement upon written notice to the Developer, provided, however, that if Developer substantially completes construction of the Project within ninety (90) days following receipt of such written election to terminate (a "Developer Savings Action"), this Agreement shall not terminate but shall continue in full force and effect. Upon an election to terminate that is not followed by any Developer Savings Action, the City shall thereafter have no further obligations under this Agreement and in addition thereto, the City may, in its sole discretion, terminate the District.

D. Developer hereby indemnifies, defends, covenants not to sue and holds the City harmless from and against all loss, liability, damage and expense, including attorneys' fees, suffered or incurred by the City in any way in connection with the Project, including without limitation: (a) the failure of Developer or its contractors, subcontractors, agents, employees, or invitees (while under control of Developer) to comply with any environmental law, rule, regulation or ordinance, or any order of any regulatory or administrative authority with respect thereto; (b) any release by Developer or its contractors, subcontractors, agents, employees, or invitees (while under control of Developer) of petroleum products or hazardous materials or hazardous substances on, upon or into the Project; (c) any and all damage to natural resources or real property or harm or injury to persons resulting from any failure by the Developer and/or its contractors, subcontractors and/or agents to comply with any law, rule, regulation or ordinance or any release of petroleum products or hazardous materials or hazardous substances as

described in clauses (a) and (b) above; (d) any violation by Developer at the Project of any environmental law, rule, regulation or ordinance; (e) claims arising under the Americans With Disabilities Act or similar laws, rules, regulations or ordinances; (f) the failure by Developer to comply with any term or condition of this Agreement; (g) injury to or death of any person at the Project; injury to any property caused by or at the Project; and (h) the failure of Developer to maintain, repair or replace, as needed, any portion of the Project; except, in each of the foregoing instances described in (a) through (h) above, to the extent negligently or willfully and wrongfully caused by the City or its agents, employees, contractors or representatives.

The terms "hazardous substances" means any flammable explosives, radioactive materials, hazardous wastes, toxic substances, or related materials, including without limitation, any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "toxic substances" under any applicable federal or state or local laws or regulations.

E. Time is of the essence of each and every obligation or covenant contained in this Agreement; provided, however, that if the Developer is delayed or prevented from timely commencing or completing construction of the Project by reason of fire, earthquake, war, flood, riot, strikes, labor disputes, governmental restrictions, judicial order, public emergency, or other causes beyond the control of the Developer ("Force Majeure Event"), performance of such act shall be excused for the period of such delay and the time for the performance of any such act shall be extended for a period equivalent to such delay.

F. Nothing contained in this Agreement is intended to or has the effect of releasing Developer, its successors and/or assigns and/or owners of the Property, from compliance with all applicable laws, rules, regulations and ordinances in addition to compliance with all terms, conditions and covenants contained in this Agreement.

G. Prior to substantial completion of the applicable phase of the Project, this Agreement may not be assigned by the Developer without the City's consent, which may be granted or withheld in the City's sole discretion, provided, however, Developer may assign or partially assign this Agreement to an entity that controls, is controlled by, or is under common control with, Developer without the consent of the City. The City specifically acknowledges and consents to assignment of all aspects of Phase II by Developer to an entity that controls, is controlled by, or is under common control with, Developer. Notwithstanding the foregoing, the Developer may collaterally assign this Agreement to the Developer's lender(s) for the Project without the consent of the City. In the event that any such lender forecloses on its collateral and succeeds to Developer of the Property, the City shall fulfill its obligations hereunder provided that such lender, or the party purchasing the Property at a foreclosure sale, assumes in writing all of the obligations of the Developer hereunder.

H. Developer shall timely construct and complete the Project as its primary obligation under this Agreement. In the event of fire, damage or any other casualty to any part of the Project, Developer agrees, at its cost and expense, to rebuild, repair and replace the Project to substantially the condition or better than existed immediately prior to the casualty. The fair market value of the Project following reconstruction and/or repair by Developer must be substantially similar to the fair market value of the Project immediately prior to the casualty. Developer shall not be relieved of any of its obligations under the terms of this Agreement as a

result of any fire, damage or any other casualty or during the period of repair or rebuilding or replacement of the Project. This obligation to repair, rebuild or replace shall remain in effect for a period expiring upon the later of: (i) the date of the expiration and closure of the District; or (ii) the date which is ten (10) years after the date this Agreement is executed.

I. If the State laws regarding ad valorem taxation are amended or modified during the term of this Agreement such that the projected Tax Increments from the Property are materially reduced, i.e., seven percent (7%) or more, and there are no corresponding amendments or modifications to the Tax Increment Law to compensate for such reduction, the parties agree to work in good faith to consider amendments to this Agreement toward the end of rendering the respective positions of the parties generally equivalent to the positions set forth herein.

J. In the event that any term or provision of this Agreement is determined to be invalid or unenforceable for any reason, then the other terms and provisions of this Agreement shall not be affected thereby and said terms and provisions shall remain in full force and effect.

K. A Memorandum of Agreement shall be recorded in the office of the Register of Deeds of Milwaukee County, Wisconsin, prior to the recording of the mortgages securing any construction loan, or any other mortgage on the Project, it being understood by the parties that this Agreement will run with the land and will be binding upon the Project and any owner of all or any portions of the Project and their successors and assigns in a form in substantial conformance with the attached Exhibit B.

L. This Agreement shall be construed pursuant to the laws of the State of Wisconsin. Except as otherwise specifically and expressly set forth in this Agreement, the venue for any disputes arising under this Agreement shall be the Circuit Court for Milwaukee County. The prevailing party shall be entitled to its costs, including its reasonable attorneys' fees, incurred in any litigation.

M. This Agreement and all rights and obligations hereunder shall terminate upon the earlier to occur of (i) full performance by Developer and the City of all of their respective obligations under this Agreement and (ii) five (5) years after the statutory life of the District. Upon such termination, the parties shall execute and record a termination of all Memoranda of Agreement recorded against the Property pursuant to paragraph K above.

[Signature page(s) follow.]

IN WITNESS WHEREOF, this Agreement is executed as of the date first above written.

DEVELOPER:

JAMS IP LLC

By: _____
(Name and Title)

Date: _____

STATE OF WISCONSIN)
)ss.
_____ COUNTY)

Personally appeared before me this ____ day of _____, 2017, the above-named _____, the _____ of JAMS IP LLC, to me known to be the persons who executed the foregoing agreement on behalf of the City and by its authority.

Notary Public State of Wisconsin
My commission expires: _____

City of Franklin, Wisconsin

By: _____
Stephen R. Olson, Mayor
Date: _____

By: _____
Paul Rotzenberger, Director of Finance and
Treasurer
Date: _____

Attest: _____
Sandra L. Wesolowski, City Clerk
Date: _____

STATE OF WISCONSIN)
)ss.
MILWAUKEE COUNTY)

Personally appeared before me this ____ day of _____, 2017, the
above-named Stephen R. Olson, Paul Rotzenberg and Sandra L. Wesolowski, Mayor, Director
of Finance and Treasurer, and City Clerk, respectively, of the City of Franklin, Wisconsin, to
me known to be the persons who executed the foregoing agreement on behalf of the City and by
its authority.

Notary Public State of Wisconsin
My commission expires: _____

Approved as to form:

Jesse A. Wesolowski, City Attorney
Date: _____

This instrument was drafted by:

EXHIBIT A

Property Legal Description

EXHIBIT B

Memorandum of Development Agreement

Document Number	MEMORANDUM OF DEVELOPMENT AGREEMENT Document Title
<p>THIS MEMORANDUM OF DEVELOPMENT AGREEMENT ("Memorandum") is made effective as of the ____ day of _____, 2017, by and between [_____, a Wisconsin _____, and assigns] ("Developer"), and the CITY OF FRANKLIN, a municipal corporation of Milwaukee County, Wisconsin ("City").</p>	
<p>WITNESSETH:</p> <p>WHEREAS, Developer and the City entered into that certain Development Agreement dated _____, 2017 ("Development Agreement"). The full Development Agreement is available for inspection and copies can be obtained at the City of Franklin City Hall; and</p>	
<p>Recording Area</p> <p>Name and Return Address</p> <p>PIN:</p>	

WHEREAS, this Memorandum is being executed for the purpose of providing notice of the Development Agreement and certain terms thereof in the Office of the Register of Deeds for Milwaukee County, State of Wisconsin in order to place third parties on notice of the Development Agreement and Developer's and the City's rights and obligations thereunder, some of which are hereinafter summarized.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained in the Development Agreement, Developer and the City hereby acknowledge as follows:

1. **PROPERTY.** The "**Property**" is land located in the City of Franklin, Milwaukee County, State of Wisconsin, legally described on Exhibit A attached hereto.

2. **TERM.** The Development Agreement shall run with the land pursuant to its terms unless terminated pursuant to its terms.

3. **NO MODIFICATION; DEVELOPMENT AGREEMENT CONTROLLING.** This Memorandum is only a summary of some of the terms and conditions contained in the Development

Agreement and this Memorandum is not intended in any way to amend, alter, modify, abrogate, substitute or otherwise affect any of the terms or conditions contained in the Development Agreement, all of which are hereby incorporated herein in full by this reference. It is hereby understood and agreed that, notwithstanding this Memorandum, the terms and conditions contained in the Development Agreement shall in all events control the relationship between Developer and the City with respect to the subject matter therein contained. This Memorandum is solely for recording and notice purposes.

4. **COUNTERPART SIGNATURES.** This Memorandum may be signed in two or more counterparts, all of which, when taken together, shall constitute one and the same instrument.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Developer and the City have executed this Memorandum effective as of the date first written above.

DEVELOPER:

CITY:

CITY OF FRANKLIN

By: _____
Name:
Title:

By: _____
Stephen R. Olson, Mayor

By: _____
Sandra L. Wesolowski, City Clerk

STATE OF WISCONSIN)
)ss.
_____ COUNTY)

Personally appeared before me this ____ day of _____, 2017, the above-named _____, the _____ of _____, to me known to be the persons who executed the foregoing agreement on behalf of the City and by its authority.

Notary Public State of Wisconsin
My commission expires: _____

STATE OF WISCONSIN)
)ss.
MILWAUKEE COUNTY)

Personally appeared before me this ____ day of _____, 2017, the above-named Stephen R. Olson and Sandra L. Wesolowski, Mayor and City Clerk, respectively, of the City of Franklin, Wisconsin, to me known to be the persons who executed the foregoing agreement on behalf of the City and by its authority.

Notary Public State of Wisconsin
My commission expires: _____

This Document was drafted by:

EXHIBIT A

LEGAL DESCRIPTION

Certified Survey Map No. _____

Tax Key No. _____

APPROVAL <i>slw</i> <i>Per</i>	REQUEST FOR COUNCIL ACTION	MEETING DATE July 18, 2017
REPORTS & RECOMMENDATIONS	AN ORDINANCE TO AMEND ORDINANCE 2016-2240, AN ORDINANCE ADOPTING THE 2017 ANNUAL BUDGETS FOR TID4 FOR THE CITY OF FRANKLIN FOR FISCAL YEAR 2017 TO PROVIDE APPROPRIATIONS FOR A DEVELOPERS AGREEMENT	ITEM NUMBER <i>G. 33,</i>

Background

A developer's agreement for a project located in TID4 will likely include a Developer Incentive. A parcel at S 27th Street and Oakwood Road is the subject of this project.

The 2017 Budget did not include any Developer's Incentive.

Fiscal Impact

A new appropriation is needed to provide appropriations for the Developer's Incentive.

COUNCIL ACTION REQUESTED

Motion adopting an Ordinance to amend Ordinance 2016-2240, an ordinance adopting the 2017 annual budgets for TID4 for the City of Franklin for fiscal year 2017 to provide appropriations for a Developers Agreement.

Roll call vote required

Finance Dept - Paul

STATE OF WISCONSIN: CITY OF FRANKLIN: MILWAUKEE COUNTY

ORDINANCE NO. 2017 _____

AN ORDINANCE TO AMEND ORDINANCE 2016-2240, AN ORDINANCE ADOPTING THE 2017 ANNUAL BUDGETS FOR TID4 FOR THE CITY OF FRANKLIN FOR FISCAL YEAR 2017, TO PROVIDE APPROPRIATIONS FOR A DEVELOPERS AGREEMENT

WHEREAS, the Common Council adopted the 2017 Budget for the City of Franklin providing resources and appropriations for 2017; and

WHEREAS, a developer has proposed a project at S 27th Street and Oakwood Road; and

WHEREAS, the developer is requesting assistance to provide the economic incentive to cause the project to proceed; and

WHEREAS, the Common Council of the City of Franklin believes these expenditures provide for the well being of the Community.

NOW, THEREFORE, the Common Council of the City of Franklin does hereby ordain as follows:

Section 1 That the 2017 Budget of TID4 be adjusted as follows:

Econ Dev	Professional Services	Increase	980,000
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Section 2 Pursuant to §65.90(5)(a), Wis. Stats., the City Clerk is directed to publish a Class 1 notice of this budget amendment within ten days of adoption of this ordinance.

Passed and adopted at a regular meeting of the Common Council of the City of Franklin this _____ day of _____, 2017.

APPROVED:

Stephen R Olson, Mayor

ATTEST:

Sandra L. Wesolowski, City Clerk

AYES ____ NOES ____ ABSENT ____

APPROVAL <i>slw</i>	REQUEST FOR COUNCIL ACTION	MEETING DATE 7/18/17
LICENSES AND PERMITS	MISCELLANEOUS LICENSES	ITEM NUMBER H.1.
<p>See attached list from meeting of July 18, 2017.</p> <p>COUNCIL ACTION REQUESTED</p>		

414-425-7500

**License Committee
Agenda*
Aldermen's Room
July 18, 2017 – 5:30pm**

1.	Call to Order & Roll Call	Time:		
2.	Applicant Interviews & Decisions			
License Applications Reviewed		Recommendations		
Type/ Time	Applicant Information	Approve	Hold	Deny
Extraordinary Entertainment & Special Event 5:35 p.m.	The Rock – The Hill Has Eyes Person in charge: Scot Johnson Location: 7900 W Crystal Ridge Dr (The Rock) Dates of Event: Every Thursday, Friday, Saturday & Sunday (starting Friday, Sept 29 th , through Sunday, October 29 th)			
Operator 5:45 p.m.	Haley S Dixon 4175 S 58 th St Milwaukee, WI 53220 Pick n Save – Lovers Lane Rd			
Operator 5:50 p.m.	Amanda N Julian 2811 W Acre Ave Franklin, WI 53132 Walgreen – S 76 th St			
Operator 5:55 p.m.	Maxwell T Van Egeren 2752 N Bartlett Ave., #4 Milwaukee, WI 53211 Milwaukee Burger Company			
Operator	Bianca R Bolyn 9801 W Oakwood Rd Franklin, WI 53132 The Landmark			
Operator	Tyrone Brown Jr 6615 Whitnall Edge Rd Franklin, WI 53132 Wal-Mart Store			
Operator	Daniel R Crivello 1220 Ridge Rd Waukesha, WI 53186 Wal-Mart Store			
Operator	Andrew P Dahlke 2532 Posekany Ln East Troy, WI 53120 Wal-Mart Store			
Operator	Diane C Debelak 10125 W Plum Tree Cir., #101 Hales Corners, WI 53130 Kwik Trip – Speedway Dr			
Operator	Nicole M Del Valle 721 W Grange Ave., #103 Milwaukee, WI 53221 Mulligan's Irish Pub & Grill			
Operator	Amanda J Fellows 22310 118 th St Bristol, WI 53104 Wal-Mart Store			

Type/ Time	Applicant Information	Approve	Hold	Deny
Operator	Kamille J Fritz 915 N 15 th St Milwaukee, WI 53233 Romey's Place			
Operator	Mary E Furey 3333 5 th Ave, #6I South Milwaukee, WI 53172 Country Lanes			
Operator	Candace M Hein 8501 W Cascade Oaks Ct Franklin, WI 53132 Michaelangelo's Pizza			
Operator	Amber E Helm 11401 Parkview Ln Hales Corners, WI 53130 The Landmark			
Operator	Lori A Jones 2247 S 68 th St West Allis, WI 53219 Iron Mike's			
Operator	Jeni B Knoedler 25710 Dover Line Rd Waterford, WI 53185 Mulligan's Irish Pub & Grill			
Operator	Isaac K Krikorian 2502A S Wentworth Ave Milwaukee, WI 53207 On the Border			
Operator	Mary Jennifer G Loeffel 1842 Alta Vista Ave Wauwatosa, WI 53213 Franklin Public Library			
Operator	Dawn R Luce 2840 21 st St., Unit #28 Kenosha, WI 53140 Wal-Mart Store			
Operator	Jon P McCourt 33606 Contour Dr Burlington, WI 53105 Wal-Mart Store			
Operator	Hugh R Mc Sorley 2427 Tanager Ct Waukesha, WI 53189 Chili's Bar & Grill			
Operator	Lori A Otto 5967 Oriole Ln Greendale, WI 53129 Rawson Pub			
Operator	Eugenia F Parks-Conway 2151 S 24 th St Milwaukee, WI 53215 Wal-Mart Store			

Type/ Time	Applicant Information	Approve	Hold	Deny
Operator	Angela D Rodriguez 11200 W Cleveland Ave., #H17 West Allis, WI 53227 Kwik Trip – Speedway Dr			
Operator	James A Seehausen 1220 Michigan Ave South Milwaukee, WI 53172 Kwik Trip – Speedway Dr			
Operator	Corey R Seekins 4620 W Holt Ave Greenfield, WI 53219 Rock Sports Complex			
Operator	Raymond A Syrstad 7841 S Scepter Dr., #21 Franklin, WI 53132 Point After Pub & Grill			
Operator	Michelle L Taylor 3910 W College Ave Greenfield, WI 53221 Mulligan's Irish Pub & Grill			
Operator	Veronica Wright 3352 S Schauer Ave Greenfield, WI 53219 Wal-Mart Store			
Temporary Entertainment & Amusement	Franklin Police Dept – National Night Out Kick Off Person in Charge: Ofc. Jon Czerwinski Event: National Night Out Kick Off Event Date: Monday, July 31 st , 2017			
Temporary Class B Beer	Franklin Lions Club Person in Charge: David Lindner Location: St. Martins Fair Date of the Event: 09/03/2017 to 09/04/2017			
Temporary Class B Beer & Wine	Franklin Public Library Foundation –Harry Potter Trivia Night Person in Charge: Jennifer Loeffel Location: 9151 W Loomis Rd Date of the Event: 08/04/2017			
Amendment to People Uniting for the Betterment of Life and Investment in the Community (PUBLIC) Grant	Franklin Public Library Foundation – Additional Fund Raising Event Event: Harry Potter Trivia Night Date: Aug. 4 th , 4pm to 7pm Location: Fadrow Room, Library (9151 W Loomis Rd)			
Temporary Class B Beer	H.C.- Franklin VFW Post #10394-Every Summer Monday Market Fair & Labor Day Fair Person in Charge: Andrew Hushek Location: 11230 W Franklin St Dates of Event: August 7, 14, 21, 28, September 3 & 4, 2017			
Temporary Entertainment & Amusement	H.C. Franklin VFW Post 10394 Person in Charge: Andrew Hushek Event: Live Bands at St Martins Fair Event Date: 09/03/2017 to 09/04/2017			
3.	Adjournment			
		Time		

*Notice is given that a majority of the Common Council may attend this meeting to gather information about an agenda item over which they have decision-making responsibility. This may constitute a meeting of the Common Council per State ex rel. Badke v. Greendale Village Board, even though the Common Council will not take formal action at this meeting.

APPROVAL <i>slw</i>	REQUEST FOR COUNCIL ACTION	MEETING DATE July 18, 2017
REPORTS AND RECOMMENDATIONS	<i>In the Matter of the Complaint Against: Vito M. Siciliano</i> , holder of an operator's alcohol beverage license as a bartender for Club OTB premises at 10741 S. 27 th Street, Franklin, Wisconsin; License Committee Recommendation upon Hearing pursuant to Wis. Stat. § 125.12(2) and §158-1 of the Franklin Municipal Code of the City of Franklin, WI.	ITEM NUMBER H.2.

A hearing upon the complaint in the above matter was scheduled before the License Committee on July 13, 2017. Vito M. Siciliano appeared and informed the Committee that he admitted the allegations in the complaint.

The License Committee adopted a Report under Wis. Stat § 12.12(2)(b)3. upon the complaint and the decision of Vito M. Siciliano to admit the allegations contained therein. A copy is attached.

COUNCIL ACTION REQUESTED

A motion to enter closed session pursuant to Wis. Stat. § 19.85(1)(a) to consider and deliberate upon the July 14, 2017 License Committee recommendation, to discuss the Common Council's determination thereon, and to reenter open session at the same place thereafter to act on such matters as discussed therein as it deems appropriate.

Or

A motion to adopt the License Committee Report, Findings of Fact, Conclusions of Law and Recommendation as to Action and award a 2017-2018 operator's license to Vito M. Siciliano and subsequently suspend the same for six months, commencing on July 14, 2017.

In the Matter of the Bartender License Renewal Application for:

Vito M. Siciliano,

Respondent.

LICENSE COMMITTEE REPORT
TO THE COMMON COUNCIL
PURSUANT TO §125.12(2)(b)3., STATS.

To the Mayor and Common Council:

A hearing in the above matter was held before the License Committee to the Common Council in the Common Council Chambers at the City of Franklin City Hall on July 13, 2017, upon a Summons and Complaint dated June 29, 2017. A quorum of the members of the License Committee were in attendance and the Committee received a verbal statement from Mr. Siciliano.

Mr. Siciliano did not deny the allegations contained in the complaint.

The following Findings of Fact, Conclusions of Law and Recommendation as to Action, represent the Report of the License Committee to the Common Council pursuant to §125.12(2)(b)3., Stats., incorporated into the Municipal Code of the City of Franklin §158-1 and adopted by the License Committee following the hearing and its deliberations on July 13, 2017.

FINDINGS OF FACT

1. A renewal bartender license application was filed with the City of Franklin by Vito M. Siciliano, currently residing at 26500 104th Street, Trevor, Wisconsin 53129, on April 20, 2017.
2. On July 14, 2011, Mr. Siciliano was charged with Felony Possession of Narcotic Drugs, contrary to Wis. Stat. §961.41(3g)(am) in Milwaukee County Circuit Court. He pled guilty to this offense on July 29, 2011 and was given a deferred prosecution agreement, which ultimately led to the dismissal of the charge.
3. On March 23, 2016, Mr. Siciliano was convicted of Operating a Motor Vehicle While Intoxicated – 1st Offense in Racine County, WI.
4. On May 3, 2017, Mr. Siciliano convicted of the crime of misdemeanor Possession of Controlled Substance (MDMA), contrary to Wis. Stat. §961.41(3g)(d).

5. Based on the above conduct that led to the referenced charges and convictions, Vito M. Siciliano is a habitual law offender, pursuant to Wis. Stat. §§125.04(5)(b), 125.12(2)(ag)(4), and 125.12(3).

6. The underlying behaviors which led to the above charges substantially relate to the licensed activity. The OWI conviction shows poor judgment pertaining to consumption of alcohol. The illegal drug possession cases are an indicator of drug abuse issues that can influence decision making when performing essential functions of the licensed activity.

7. In response to the operator license renewal application question inquiring whether there are any current pending criminal charges against him, Mr. Siciliano answered “no” despite the fact that he personally appeared in circuit court on the 2017 drug case on April 3, 2017, where he was given a future court date of May 25, 2017. The Committee finds that, whether intentional or not, Mr. Siciliano falsified information on his 2017-2018 operator’s license renewal application.

8. Mr. Siciliano has been issued two prior warning letters in conjunction with his operator’s license. The most recent was sent on June 29, 2016 (for the 2016-2017 licensing period) warning him that “any law, code or ordinance violation will not be tolerated and may form the basis for an enforcement action, including the suspension or revocation of the license.”

9. The Committee recognizes that Mr. Siciliano has a good employment history, has a need and desire to continue to work, and has held his current position for eight to nine years.

10. On June 29, 2017, the License Committee filed a Summons and Complaint with the City Clerk, which was personally served on Vito M. Siciliano July 3, 2017. Vito Siciliano appeared in person before the License Committee on July 13, 2017. Mr. Siciliano did not deny the facts alleged in the Complaint, and admitted to the underlying facts regarding the pending charges. Mr. Siciliano made a verbal statement to the committee.

CONCLUSIONS OF LAW

1. The above proceedings were commenced with the issuance of a Summons and Complaint dated June 16, 2017, issued *sua sponte* by the License Committee upon its receipt and review of the conviction and arrest records of the license applicant, the Summons and Complaint being personally served upon Vito M. Siciliano on July 3, 2017.

2. §125.12(2)(ag)1., Stats., incorporated into the City of Franklin Municipal Code at §158-1, provides that a violation of Chapter 125 of the Wisconsin Statutes or a municipal regulation adopted under its authority, may constitute grounds for the nonrenewal or suspension of an operator’s license.

3. §125.04(5), Stats., pertains to the qualifications for licenses related to alcohol beverages of natural persons and specifies at §125.04(5)(a)1., Stats., that such natural persons “[d]o not have an arrest or conviction record, subject to ss. 111.321, 111.322, 111.335, and 125.12(1)(b)”; §125.04(5)(b), Stats., provides in part that “[n]o license or permit related to alcohol beverages

may, subject to ss. 111.321, 111.322, and 111.335, be issued under this chapter to any person who has habitually been a law offender..."

4. "[T]here is no right to an alcoholic beverage license and...the ultimate question of whether to issue such a license to a particular applicant is a matter of local concern." *State ex rel. Smith v. City of Oak Creek*, 139 Wis.2d 788, 801, 407 N.W.2d 901 (1987).

5. Guideline 5(d) of City of Franklin Resolution No. 2010-6636 pertaining to establishing alcoholic beverage licenses enforcement guidelines provides that a person's alcohol beverage license may be denied, non-renewed, suspended or revoked of the person "[w]as issued a license in conjunction with a warning letter as to any future law violations. . .and has committed a law violation subsequent to the issuance of the warning letter.

RECOMMENDATION AS TO ACTION

The License Committee considers a violation of alcohol beverage laws such as drug possession and operating a motor vehicle while intoxicated, to be substantially related to licensed activities. The charges demonstrate either an inability of an individual to comply with laws or an intentional disregard by an individual of such laws, contrary to the duties of a bartender licensee to obey such laws while serving alcohol beverages and also to obtain such compliance by others working under the licensee's supervision and by establishment patrons. The License Committee recommends that the renewal alcohol beverage license application dated April 20, 2017, for the license year commencing July 1, 2017, be approved and suspended for a period of 6 months from the date of Council action, both upon the above Findings of Fact and Conclusions of Law.

Dated at Franklin, Wisconsin, this 14th day of July, 2017.

AYES 2 NOES 0 ABSENT 1
(ALD. TAYLOR)

CITY OF FRANKLIN
LICENSE COMMITTEE

BY ITS CHAIRPERSON:


Alderman Kristen Wilhelm

APPROVAL <i>slw</i>	REQUEST FOR COUNCIL ACTION	MEETING DATE 7/18/17
Bills	Vouchers and Payroll Approval	ITEM NUMBER I. 1

Attached are vouchers dated June 16, 2017 through July 13, 2017 Nos. 165301 through Nos. 165584 in the amount of \$ 1,663,979.60. Included in this listing are EFT's Nos. 3518 through Nos. 3547 and Library vouchers totaling \$ 21,011.55. Voided checks in the amount of \$ (97,245.06) are separately listed.

Early release disbursements dated June 16, 2017 through July 12, 2017 in the amount of \$ 1,191,192.55 are provided on a separate listing and are also included in the complete disbursement listing. These payments have been released as authorized under Resolution 2013-6920.

The net payroll dated June 23, 2017 is \$ 329,202.33 previously estimated at \$ 377,000.00. Payroll deductions dated June 23, 2017 are \$ 397,335.79 previously estimated at \$ 394,000.00.

The net payroll dated July 7, 2017 is \$ 371,716.50 previously estimated at \$ 365,000.00. Payroll deductions dated July 7, 2017 are \$ 215,110.78 previously estimated at \$ 212,000.00.

Attached is a list of property tax payments and refunds dated June 16, 2017 through July 13, 2017 Nos. 17199 through Nos. 17201 and EFT Nos. 165 in the amount of \$ 2,495.99. These payments have been released as authorized under Resolution 2013-6920. Voided checks in the amount of \$ (249.70) are separately listed.

Release of the \$19,993 first installment to Matt Talbot for water main oversizing as directed by Common Council motion April 3, 2017 when punch list is completed.

COUNCIL ACTION REQUESTED

Motion approving the following:

- City vouchers with an ending date of July 13, 2017 in the amount of \$ 1,663,979.60 and
- Payroll dated June 23, 2017 in the amount of \$ 329,202.33 and payments of the various payroll deductions in the amount of \$ 397,355.79 plus City matching payments and
- Payroll dated July 7, 2017 in the amount of \$ 371,716.50 and payments of the various payroll deductions in the amount of \$ 215,110.78 plus City matching payments and
- Property tax payments and refunds with an ending date of July 13, 2017 in the amount of \$ 2,495.99.
- Payment to Matt Talbot of \$19,993 as the first installment for water main oversizing as directed April 3, 2017 by Common Council

ROLL CALL VOTE NEEDED