

**City of Franklin  
Common Council  
Community Development Authority**

**Tax Increment District #3  
Cash Flow Model  
December 31, 2015**

**Issued April 29, 2016**

**Presented by:**

**Paul Rotzenberg, CPA**

**City of Franklin Director of Finance & Treasurer**

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# M E M O R A N D U M

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**DATE:** April 29, 20156  
**TO:** Common Council & Community Development Authority  
**FROM:** Paul Rotzenberg, Director of Finance & Treasurer  
**RE:** Report and Analysis of TID #3 Cash Flow Projection

Attached is a projection of tax increment revenue, expenditures, debt service payments and the net asset position for TID #3 based upon equalized values released by the Department of Revenue on July 29, 2015 and the taxes levied in December 2015. The District was formed in June, 2005. An amended project plan was adopted September 3, 2013 to include additional parcels and extending the District further North along S. 27<sup>th</sup> Street. The amended District is located along S 27<sup>th</sup> Street from W Sycamore St to just south of West Drexel Ave, and extending west to approximately S 35<sup>th</sup> Street. The final year of project expenditures is 2020 and the final year of increment would be 2026.

## Summary Conclusions:

1. In September 2013, the District was amended to add 13 parcels with an equalized value of \$53,939,108. This amendment extended the boundary one half mile north along S 27<sup>th</sup> street, and will accommodate the City costs for the reconstruction project on S. 27<sup>th</sup> Street by the State Dept of Transportation. That project began in 2015 and is scheduled to complete in 2016. Incentive funds for major development opportunities that may come along were also included in the Amendment.
2. Actual new development of \$72,829,900 is 75% of the original development assumptions. The 2014 increment was only \$44,900. The growth, to date, in increment value has come mainly from Northwestern Mutual and Franklin Oaks (an ICON project).
3. The September 2013 amendment changed the project to include the updated S. 27<sup>th</sup> Street project costs
4. In 2014, as a result of Act 145, the State changed the funding for the Vocational Educational system in the state, which reduced the Tax levy for TID's. MATC reduced their levy by 36% in 2014 from 2013. That reduced the tax rate for this district 5.5% or \$1.35 per thousand of value in 2014.
5. The S. 27<sup>th</sup> Street project is the major remaining construction project to be completed. That project started in 2015. The cost of this project is currently estimated at \$4.2 million including the cost of the half mile of S. 27<sup>th</sup> Street north of the District boundary. \$650,000 of previously unidentified water main work was identified in 2015 which added to the project costs. All of these costs were included in the Amended 2013 Project plan. The amended project plan did provide for developer incentives for major development proposals that might materialize. All project expenditures must be completed by June 2020, with any debt service completed by 2025.
6. Total project costs are now estimated at \$28,915,608. This compares to the \$27,220,000 approved in the Amended Project plan. The approved project plan permits 15% overages on projected project costs. There remain \$2,641,733 of available project cost overages.
7. The slower rate of development and the impact of lower tax rates on the tax increment generated have resulted in the inadequate cash flow to meet the scheduled debt service. Additional financing was necessary. This was accomplished by a short term borrowing or an inter-fund advance from the City. The City advanced \$2,200,000 in early 2014 to help

fund the \$3.5 million loan payment due March 1, 2014. At December 2015 there are \$1,700,000 of inter-fund advances outstanding.

8. To fund the 27<sup>th</sup> Street project, the TID borrowed \$3,330,000 in December 2014. With repayment anticipated by 2018, an interest rate of 1.47% was achieved.
9. Assuming no additional project costs for development incentives included in the amended project plan would result in the TIF District being funded through 2023 depending upon the approved projects actual costs.
10. Without any need for the Development incentives included in the Amended project plans, the TIF District would be eligible to close in 2018 with the tax increment released the following year. By that year the tax increment generated will be about \$80 million and the tax revenue generated will be about \$1.86 million with a City share of approximately one quarter of that amount. The original project plan anticipated full funding of the TIF District in 2017.

The analysis is qualified to the following extent:

1. Realization that the stated assumptions will determine the results of the projection.
2. The tax rate assumption is based on the actual equalized tax rate in effect in December 2015 less an assumed decline in tax rate of 1.0%. If the tax rate varies from the assumption it will have either a positive or negative impact on these projections.

City of Franklin  
TIF #3 Projection  
Projected Cash Flow  
December 11, 2015

Year	Revenue										Expenditures				TIF Status		
	Tax Levy	Interest Income 1.50%	Computer Aid	Developer Loan Repayment	Grant & Debt Proceeds	Total Revenue	Interest & Fees	Debt Service		Project Costs	Admin Expenses	Total Expenditures	Yearly Cash Activity	Net Cash Balance	Note Balance	Net Debt Balance	Fund Balance
								Principal	Fees								
2005	-	60,525	-	-	3,905,571	3,966,096	66,036	-	906,440	61,564	1,034,030	2,932,066	2,932,066	-	3,905,571	(973,505)	
2006	-	114,349	-	-	94,429	209,778	179,643	-	2,021,091	70,527	2,271,261	(2,062,483)	869,583	-	4,000,000	(3,130,417)	
2007	251,402	102,647	317,482	130,950	16,700,000	17,502,481	693,528	-	17,280,607	75,136	18,049,271	(546,790)	322,793	10,000,000	9,700,000	622,793	
2008	504,283	14,311	304,943	789,625	11,137,628	12,750,490	762,386	10,100,000	2,067,552	46,955	12,996,893	(246,403)	76,390	9,400,000	11,300,000	8,176,390	
2009	1,535,719	6,159	353,993	792,679	800,000	3,488,550	804,998	2,115,000	615,003	29,202	3,564,203	(75,653)	737	8,785,000	10,600,000	7,985,737	
2010	2,295,166	7,725	326,785	790,589	-	3,420,245	736,093	2,225,000	105,028	11,564	3,077,685	342,560	343,297	8,160,000	9,000,000	8,503,297	
2011	1,407,207	10,971	333,766	793,255	-	2,545,219	675,943	1,640,000	9,683	9,986	2,335,612	209,607	552,904	7,520,000	8,000,000	8,072,904	
2012	1,850,483	5,128	282,085	785,629	-	2,733,325	596,392	2,655,000	25,360	12,116	3,288,668	(555,543)	(2,639)	6,865,000	6,000,000	6,862,361	
2013	1,547,835	(1,979)	361,741	797,711	1,150,000	3,855,308	522,341	3,170,000	3,196	28,634	3,724,171	131,137	128,498	6,195,000	4,650,000	5,173,498	
2014	1,572,197	47,156	407,508	6,255,776	5,530,000	13,812,638	205,411	9,695,000	330,265	12,482	10,243,158	3,569,480	3,697,978	-	6,680,000	347,978	
2015	1,681,578	146,311	421,710	-	-	2,249,599	129,705	1,670,000	1,429,255	22,156	3,251,116	(1,001,517)	2,696,461	-	5,010,000	996,461	
2016	1,730,642	40,447	400,600	-	4,500,000	6,671,689	131,468	1,800,000	7,315,104	29,000	9,275,572	(2,603,883)	92,578	-	7,710,000	(4,957,422)	
2017	1,758,174	-	380,800	-	-	2,138,774	102,911	2,175,000	-	29,000	2,306,911	(168,137)	(75,558)	-	5,535,000	(4,625,558)	
2018	1,785,427	-	361,600	-	-	2,147,027	55,423	1,935,000	-	29,000	2,019,423	127,604	52,046	-	3,600,000	(3,547,954)	
2019	1,812,402	-	343,500	-	5,000,000	7,155,902	113,500	2,000,000	5,000,000	-	7,113,500	42,402	94,448	-	6,600,000	(6,505,552)	
2020	1,839,103	-	326,300	-	-	2,165,403	167,250	2,000,000	-	-	2,167,250	(1,847)	92,601	-	4,600,000	(4,507,389)	
2021	1,865,533	-	310,000	-	-	2,175,533	116,375	2,050,000	-	-	2,166,375	9,158	101,759	-	2,550,000	(2,498,241)	
2022	1,891,693	-	294,500	-	-	2,186,193	51,625	2,150,000	-	-	2,201,625	(15,432)	86,327	-	400,000	(463,673)	
2023	40,873	-	279,800	-	-	320,673	7,000	400,000	-	-	407,000	(86,327)	0	-	1,600,000	1,600,000	
2024	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	2,000,000	
2025	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	-	
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25,169,719	553,750	5,806,613	11,148,214	48,817,628	81,493,924	6,118,027	47,780,000	37,128,584	467,312	91,493,923	0	0	0	-	-	-	
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Debt Refinanced	(10,000,000)																
TEA Grant	(1,000,000)																
Developer Loan payments	(11,146,213)																
Net Debt borrowed and repaid	37,817,628																
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(1,146,213)																	
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4,971,814																	
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27,128,584																	

Note: The taxable loan is considered revenue as repaid and the debt balance is net of the loan to developer. Project costs can not be initiated after June 21, 2020

Assumptions:

- 1 Computer aid will decrease at 5% per year.
- 2 Payoff by 2017 represented to the Other Taxing Jurisdictions through the Joint Review Board

**City of Franklin  
TIF #3 Projection  
Projected Revenue  
December 11, 2015**

Const. Year	Incr. Year	Revenue Year	Full Value Beginning of Year	Total Increment	DOR Adjustment	Inflation & Additional Increment	Cumulative Equalized Increment Value	Tax Rate	Increment Revenue Collected
2005	2006	2007	-	11,743,000		1,178,100	12,921,100	19.46	251,402
2006	2007	2008	12,921,100	8,668,000		3,315,300	24,904,400	20.25	504,283
2007	2008	2009	24,904,400	44,487,000		5,491,100	74,882,500	20.51	1,535,719
2008	2009	2010	74,882,500	15,432,000	10,000,000	5,587,800	105,902,300	21.67	2,295,166
2009	2010	2011	105,902,300	-	(42,000,000)	(2,467,600)	61,434,700	22.91	1,407,207
2010	2011	2012	61,434,700	-	12,000,000	(782,100)	72,652,600	22.72	1,650,483
2011	2012	2013	72,652,600	-	-	(8,734,800)	63,917,800	24.22	1,547,835
2012	2013	2014	63,917,800	-	-	387,900	64,305,700	24.45	1,572,197
2013	2014	2015	64,305,700	-	-	8,479,300	72,785,000	23.10	1,681,578
2014	2015	2016	72,785,000	-	-	44,900	72,829,900	23.76	1,730,642
2015	2016	2017	72,829,900	-	-	1,905,981	74,735,881	23.53	1,758,174
2016	2017	2018	74,735,881	-	-	1,925,041	76,660,922	23.29	1,785,427
2017	2018	2019	76,660,922	-	-	1,944,291	78,605,213	23.06	1,812,402
2018	2019	2020	78,605,213	-	-	1,963,734	80,568,947	22.83	1,839,103
2019	2020	2021	80,568,947	-	-	1,983,371	82,552,319	22.60	1,865,533
2020	2021	2022	82,552,319	-	-	2,003,205	84,555,524	22.37	1,891,693
2021	2022	2023	84,555,524	-	-	2,023,237	86,578,761	22.15	1,917,588
2022	2023	2024	86,578,761	-	-	2,043,470	88,622,231	21.93	1,943,219
2023	2024	2025	88,622,231	-	-	2,063,904	90,686,135	21.71	1,968,590
2024	2025	2026	90,686,135	-	-	2,084,543	92,770,678	21.49	1,993,702
				80,330,000			Reported		32,951,945

	Amend # 1
Base Value	\$ 117,768,200
Increment Equalized Value	63,317,000
Assessed Value Ratio	\$ 181,085,200
	\$ 53,939,000
	\$ 171,707,200
	63,317,000
	235,024,200
	229,093,100
	97.48%

- Assumptions:**
1. Property value inflation 1.00%
  2. Property additions 0.00%
  3. Mill Rate Inflation -1.00%

Note The Mill rate deflation assumption is based upon the recent experience of the City of Franklin that the development within TIFs is happening at a greater rate than outside the TIF effectively lowering the TIF rate. In addition it assumes the impact of the current tax levy limits will continue in some format in the future.

City of Franklin  
TIF #3 Projection  
Development Assumptions  
December 11, 2015

Const Year	Project Plan (Memo)	Development								Difference from Plan	
		Franklin Oaks	Johnson Bank	31st Office Bldg	Land N of NM	27th Street	Amended Area	Add NM 2	Rawson Avenue		Total
	Project Plan	44,750,000	1,000,000	1,000,000	9,180,000	2,500,000	-	37,500,000	-	95,930,000	
2005	17,850,000	10,543,000	1,200,000							11,743,000	(6,107,000)
2006	11,900,000	8,400,000			268,000					8,668,000	(3,232,000)
2007	12,500,000	2,825,000			510,000			39,400,000	1,752,000	44,487,000	31,987,000
2008	6,500,000	3,737,000						11,695,000		15,432,000	8,932,000
2009	13,000,000									0	(13,000,000)
2010	15,560,000									0	(15,560,000)
2011	15,560,000									0	(15,560,000)
2012	3,060,000									0	(3,060,000)
2013										0	-
2014										0	-
2015										0	-
2016										0	-
2017										0	-
2018										0	-
2019										0	-
2020										0	-
2021										0	-
2022										0	-
		95,930,000	1,200,000	-	-	778,000	-	51,095,000	1,752,000	80,330,000	(15,600,000)

**Assumptions:**

1. Construction includes \$5 million in non taxable computers
2. Project Estimate



City of Franklin  
TIF #3 Projection  
Projected Debt Service  
December 11, 2015

<b>Tax Exempt G.O. Bonds</b>	<b>\$ 1,000,000</b>
Improvements Cost	\$ 1,000,000
Capitalized Interest	-
Est Issuance Cost	-
Rounding	-

<b>Tax Exempt G.O. Bonds</b>	<b>\$ 10,083,583</b>
Improvements Cost	\$ 10,017,933
Capitalized Interest	-
Est Issuance Cost	\$ 65,650
Rounding	-

<b>Interfund Advance</b>	<b>\$ -</b>
Improvements Cost	\$ -
Capitalized Interest	\$ -
Est Issuance Cost	\$ -
Rounding	\$ -

<b>Total</b>	<b>\$ 11,083,583</b>
<b>Tax Exempt G.O. Debt</b>	<b>\$ 11,017,933</b>
Improvements Cost	\$ -
Capitalized Interest	\$ -
Est Issuance Cost	\$ 65,650
Rounding	\$ -

Year	Debt Service 8/15/05			Debt Service 8/25/08			Debt Service (3/31,6/30,9/30 & 12/31) avg = 3.50%			Debt Issues						
	Balance	Principal 3/1 avg = 3.25%	Interest (3/1& 9/1)	Balance	Principal 3/1 avg = 1.00%	Interest (3/1& 9/1)	Balance	Principal	Interest	Balance	Principal	Interest	Total			
2005	4,000,000	-	66,036	-	-	-	2,700,000	-	-	70,021	-	-	4,000,000	-	66,036	66,036
2006	4,000,000	-	179,643	-	-	-	600,000	-	-	65,620	-	-	4,000,000	-	179,643	179,643
2007	7,000,000	-	295,928	-	-	-	800,000	-	-	15,127	-	-	9,700,000	-	365,947	365,947
2008	700,000	6,300,000	2,16,253	10,000,000	200,000	334,118	9,800,000	3,200,000	600,000	615,127	3,265,620	9,500,000	11,300,000	281,873	9,781,873	9,781,873
2009	-	700,000	5,311	9,800,000	800,000	314,500	9,000,000	600,000	800,000	1,841	801,841	1,500,000	10,600,000	354,556	1,854,556	1,854,556
2010	-	-	-	9,000,000	1,000,000	287,500	8,000,000	-	-	-	-	1,600,000	9,000,000	316,341	1,287,500	1,287,500
2011	-	-	-	8,000,000	1,000,000	240,000	6,000,000	-	-	-	-	2,000,000	8,000,000	287,500	2,240,000	2,240,000
2012	-	-	-	6,000,000	2,000,000	165,000	3,350,000	-	-	-	-	33,743	4,650,000	198,743	2,698,743	2,698,743
2013	-	-	-	3,500,000	2,500,000	107,091	3,607,091	-	-	-	-	110,710	6,680,000	51,721	3,551,721	3,551,721
2014	3,330,000	-	(166,080)	-	3,500,000	107,091	3,607,091	-	-	-	-	110,710	6,680,000	51,721	3,551,721	3,551,721
2015	3,310,000	20,000	65,299	-	-	-	1,700,000	1,650,000	64,406	1,714,406	1,670,000	5,010,000	1,670,000	129,705	1,799,705	1,799,705
2016	2,660,000	650,000	86,300	4,500,000	-	22,500	550,000	1,150,000	22,668	1,172,668	1,800,000	7,710,000	1,800,000	131,468	1,931,468	1,931,468
2017	985,000	1,675,000	54,675	4,500,000	45,000	45,000	50,000	500,000	3,236	503,236	2,175,000	5,535,000	2,175,000	102,911	2,277,911	2,277,911
2018	-	985,000	14,775	3,600,000	900,000	40,500	3,600,000	50,000	148	50,148	3,600,000	1,935,000	3,600,000	55,423	1,990,423	1,990,423
2019	-	-	-	1,600,000	2,000,000	26,000	5,000,000	1,100,000	87,500	87,500	6,600,000	2,000,000	6,600,000	113,500	2,113,500	2,113,500
2020	-	-	-	700,000	900,000	11,500	3,900,000	1,350,000	155,750	1,255,750	4,600,000	2,000,000	4,600,000	167,250	2,167,250	2,167,250
2021	-	-	-	-	700,000	3,500	2,550,000	1,350,000	112,875	1,462,875	2,550,000	2,050,000	2,550,000	116,375	2,166,375	2,166,375
2022	-	-	-	-	-	-	400,000	2,150,000	51,625	2,201,625	400,000	2,150,000	400,000	51,625	2,201,625	2,201,625
2023	-	-	-	-	-	-	-	400,000	7,000	7,000	400,000	-	400,000	7,000	7,000	7,000
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		10,330,000	818,138	11,148,138	14,500,000	1,597,209	16,097,209	12,950,000	802,270	13,752,270	37,780,000	3,217,618	40,997,618			

Note: This issue was originally \$4M and was increased to \$7M on 3-1-07. It was reduced to \$1M in 2008 and repaid to the Debt Service Fund in 2009.

Premium	83,583
Debt Issuance to other funds	45,955
	<u>37,628</u>