

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

**Tax Increment District #3
Cash Flow Model
December 31, 2014**

Issued February 5, 2015

Presented by:

Paul Rotzenberg, CPA

City of Franklin Director of Finance & Treasurer

M E M O R A N D U M

DATE: February 5, 2015
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 September 1, 2014 and the taxes levied in December 2014. The District was formed in June, 2005. The amended District is located along S 27th Street from W Sycamore St to just south of West Drexel Ave, and extending west to approximately S 35th 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 27th street, and will accommodate the City costs for the reconstruction project on 27th Street by the State Dept of Transportation scheduled for 2015-16. Incentive funds for major development opportunities that may come along were also included in the Amendment.
2. Actual development of the TIF District has been 84% of the original development assumptions. The September 2013 amendment changed the project to include the updated 27th Street project costs
3. The growth, to date, in increment value has come mainly from Northwestern Mutual and Franklin Oaks (an ICON project).
4. The 2014 annual tax increment was 13.2% or \$8,479,300. For the life of the TID, development has totaled \$72,785,000 or 78% of the projection.
5. 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.
6. The 27th Street project is the only remaining project to be completed. That project is currently estimated to start in 2015. The cost of this remaining project is currently estimated at \$3.3 million including the cost of the half mile of 27th Street north of the District boundary. 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.
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 2014 there are \$3,350,000 of inter-fund advances outstanding.

8. To fund the 27th 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. Realization of the assumptions in the TID #3 analyses would result in the TIF District being funded through 2023 depending upon the approved projects actual costs. Without any need for the Development incentives, 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 \$75 million and the tax revenue generated will be about \$1.7 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 2014 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, 2014

Year	Revenue										Expenditures					TIF Status		
	Tax Levy	Interest Income 1.50%	Computer Aid	Developer Loan Repayment	Grant & Debt Proceeds	Total Revenue	Debt Interest & Fees	Debt Service Principal	Project Costs	Admin Expenses	Total Expenditures	Yearly Cash Activity	Net Cash Balance	Note Balance	Net Debt Balance	Fund Balance		
																	Year End	Balance
2005	-	60,525	-	-	3,905,571	3,966,096	66,036	-	906,440	61,554	1,034,030	2,932,066	2,932,066	-	3,905,571	(973,505)		
2006	-	114,349	-	-	94,429	208,778	179,643	-	2,021,091	70,527	2,271,261	889,583	889,583	-	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	322,793	322,793	10,000,000	9,700,000	622,793		
2008	504,283	14,311	304,643	789,625	11,137,628	12,750,490	762,388	10,100,000	2,087,552	46,955	12,996,893	76,390	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	737	737	8,785,000	10,600,000	7,985,737		
2010	2,295,166	7,725	326,765	790,589	-	3,420,245	736,093	2,225,000	105,028	11,564	3,077,685	343,297	343,297	8,160,000	9,000,000	8,503,297		
2011	1,407,207	10,971	333,786	793,255	-	2,545,219	675,943	1,640,000	9,683	9,986	2,335,612	209,607	552,904	7,520,000	6,000,000	8,072,904		
2012	1,650,483	5,128	282,085	795,629	-	2,733,325	596,352	2,655,000	25,360	12,116	3,288,868	(2,639)	(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	47,284	407,508	6,255,776	5,530,000	13,812,766	159,661	9,695,000	357,083	12,233	10,223,977	3,588,789	3,717,287	-	6,680,000	(2,962,713)		
2015	1,681,578	55,759	387,133	-	-	2,124,470	146,674	2,070,000	3,640,419	29,000	5,886,093	(3,761,623)	(44,336)	-	4,610,000	(4,654,336)		
2016	1,708,346	(665)	367,776	-	-	2,075,457	109,050	1,950,000	29,000	29,000	2,117,050	(41,593)	(85,929)	-	2,660,000	(2,745,929)		
2017	1,734,842	(1,289)	349,387	-	-	2,082,941	54,375	1,675,000	29,000	29,000	1,787,375	295,566	209,637	-	985,000	(775,363)		
2018	513,076	3,145	331,918	-	-	848,138	14,775	985,000	29,000	29,000	1,057,775	(209,637)	0	-	-	0		
2019	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	0		
2020	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	0		
2021	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	0		
2022	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	0		
2023	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	0		
2024	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	0		
2025	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	0		
2026	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	0		
2027	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-	0		
	16,402,135	424,070	4,124,216	11,146,214	39,317,628	71,414,263	5,521,894	38,280,000	27,138,462	473,907	71,414,263	0	0	-	-	-		
	Debt Refinanced				(10,000,000)			(10,000,000)										
	TEA Grant				(1,000,000)													
	Developer Loan payments			(11,146,213)			(1,146,213)	(10,000,000)	(10,000,000)									
	Net Debt borrowed and repaid			1	28,317,628		4,375,681	18,280,000	17,138,462									

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 Debt Service
December 11, 2014

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

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

Interfund Advance	\$ -
Improvements Cost	\$ -
Capitalized Interest	\$ -
Est Issuance Cost	\$ -
Rounding	\$ -

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

Year	Debt Service 8/15/05			Debt Service 8/26/08			Debt Service (3/31,6/30,9/30 & 12/31)			Debt Service		
	Balance	Principal 3/1	Interest (3/1 & 9/1) avg = 3.25%	Balance	Principal 3/1	Interest (3/1 & 9/1) avg = 4.00%	Balance	Principal	Interest	Balance	Principal	Interest
2005	4,000,000	-	66,036	-	-	-	4,000,000	-	66,036	4,000,000	-	66,036
2006	4,000,000	-	179,643	-	-	-	4,000,000	-	179,643	4,000,000	-	179,643
2007	7,000,000	-	295,926	-	-	-	2,700,000	-	70,021	9,700,000	-	365,947
2008	700,000	6,300,000	216,253	10,000,000	200,000	334,118	600,000	3,200,000	65,620	11,300,000	9,500,000	281,873
2009	-	700,000	5,311	9,800,000	800,000	314,500	800,000	600,000	15,127	10,600,000	1,500,000	354,566
2010	-	-	-	9,000,000	800,000	314,500	-	800,000	1,841	9,000,000	1,500,000	316,341
2011	-	-	-	8,000,000	1,000,000	287,500	-	-	-	8,000,000	1,000,000	287,500
2012	-	-	-	6,000,000	2,000,000	240,000	-	-	-	6,000,000	2,000,000	240,000
2013	-	-	-	3,500,000	2,500,000	165,000	1,150,000	-	33,743	4,650,000	2,500,000	198,743
2014	3,330,000	-	(166,080)	-	3,500,000	61,341	3,350,000	-	110,710	6,880,000	3,500,000	5,971
2015	3,310,000	20,000	65,299	-	-	-	1,300,000	2,050,000	81,375	4,610,000	2,070,000	146,674
2016	2,660,000	650,000	86,300	-	-	-	-	1,300,000	22,750	2,660,000	1,950,000	109,050
2017	985,000	1,675,000	54,375	-	-	-	-	-	-	985,000	1,675,000	54,375
2018	-	985,000	14,775	-	-	-	-	-	-	-	985,000	14,775
2019	-	-	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-
	10,330,000	817,838	11,147,838	10,000,000	1,402,459	11,402,459	7,950,000	401,187	8,351,187	28,280,000	2,621,485	30,901,485

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	65,650
	(19,695)
	<u>37,538</u>

**City of Franklin
TIF #3 Projection
Projected Revenue
December 11, 2014**

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	-		1,905,532	74,690,532	22.87	1,708,346
2015	2016	2017	74,690,532	-		1,924,587	76,615,119	22.64	1,734,842
2016	2017	2018	76,615,119	-		1,943,833	78,558,953	22.42	1,761,069
2017	2018	2019	78,558,953	-		1,963,272	80,522,224	22.19	1,787,029
2018	2019	2020	80,522,224	-		1,982,904	82,505,128	21.97	1,812,726
2019	2020	2021	82,505,128	-		2,002,733	84,507,862	21.75	1,838,160
2020	2021	2022	84,507,862	-		2,022,761	86,530,622	21.53	1,863,337
2021	2022	2023	86,530,622	-		2,042,988	88,573,610	21.32	1,888,257
2022	2023	2024	88,573,610	-		2,063,418	90,637,029	21.11	1,912,923
2023	2024	2025	90,637,029	-		2,084,052	92,721,081	20.89	1,937,339
2024	2025	2026	92,721,081	-		2,104,893	94,825,974	20.69	1,961,506
				80,330,000			Reported		32,651,405

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

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

Note The Mil 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, 2014

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
Project Expenditures
December 11, 2014

Const Year	Project Costs												
	Stormwater Management	Right of Way 31st St	Construction 31st St-N 6903	Construction 31st St-S 6904	Construction Drexel	Construction 27th St	Water Mains	Grants	Loans	Admin	Sub-total	Loan Incentives	Total
2005		643,614	210,909	51,667		250					906,440		906,440
2006	46,200	295,878	1,520,186	37,765		121,062					2,021,091		2,021,091
2007		5,150	729,855	487,315	73,421	(15,134)	6,000,000				7,280,607	229,750	7,510,357
2008			143,343	60,618	1,878,293	5,298					2,087,552	290,900	2,378,452
2009			26,038	14,327	574,507	131					615,003	272,775	887,778
2010			3,161	717	101,150						105,028	254,175	359,203
2011				5,532	4,151						9,683	235,200	244,883
2012					8,636						25,360	215,775	241,135
2013											3,196	195,524	198,720
2014						257,596	53,736	45,751			357,083	92,925	450,008
2015						2,961,056	650,000			29,363	3,640,419	-	3,640,419
2016										29,000	29,000	-	29,000
2017										29,000	29,000	-	29,000
2018										29,000	29,000	-	29,000
2019												-	
2020												-	
2021												-	
2022												-	
2023												-	
2024												-	
	46,200	944,642	2,633,492	657,941	2,640,158	3,350,179	703,736	6,045,751	116,363	17,138,462	1,787,024	18,925,486	

Phase	Description	Total		Difference
		Projection	Project Plan	
Phase 1	N 31st St	3,624,334	3,500,000	124,334
Phase 1	31st St Reconstruction	657,941	1,000,000	(342,059)
Phase 1	Grants-loan subsidy	1,787,400	-	1,787,400
Phase 2	Drexel	2,640,158	1,100,000	1,540,158
Phase 2	27th St Reconstruction	3,350,179	2,200,000	1,150,179
Phase 3	Grants	5,000,000	5,000,000	-
		12,800,000	12,800,000	4,260,012
		115.0%		
	Total Project Limit	17,060,012		
	Add'l TEA Grant	1,000,000		
	Estimated Project Cost	18,060,012		2,340,012
		(15,720,000)		
		2,340,012		18.28%
		(1,787,400)		
		552,612		4.32%