



City of Franklin

**Common Council
Community Development Authority**

**Tax Increment District #3
Cash Flow Model
December 31, 2016**

Issued April 10, 2017

Presented by:

Paul Rotzenberg, CPA

City of Franklin Director of Finance & Treasurer

MEMORANDUM

DATE: April 10, 2017
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 Aug 9, 2016 and the taxes levied in December 2016. 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. 27th Street. 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 S 27th street, and will accommodate the City costs for the reconstruction project on S. 27th Street by the State Dept of Transportation. That project began in 2015 and construction was substantially completed in 2016. The WI DOT has not yet billed the City for its portion of the costs. Incentive funds for major development opportunities that may come along were also included in the Amendment.
2. The DOR certified an increment of \$55,256,200 for 2016. That was \$17,573,700 less than the prior year. The correction of an understatement in 2015 was the impetus of this change. The current increment of \$55.2 million is 57% of the original development assumptions. 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. 27th 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. The S. 27th Street project was the last major remaining construction. That project started in 2015. The cost of this project was estimated at \$4.2 million including the cost of the half mile of S. 27th Street north of the District boundary. \$500,587 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 additional developer incentives for proposals that might materialize. All project expenditures must be completed by June 2020, with any debt service completed by 2025.
6. The projection assumes a \$ 5 million Developers Grant in 2017. This is followed on by \$15,000,000 in new increment constructed by Dec 31, 2018, and a further \$10,000,000 in 2019. The project costs also assumes a Municipal Revenue Bond for \$1.85 million beginning in 2020.

7. Total project costs are now estimated at \$25,792,112. 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 \$4,446,704 of available project cost overages.
8. 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. There was insufficient increment to retire the interfund advance as expected. At December 2016 \$550,000 of inter-fund advances are outstanding.
9. 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.
10. A 2017 Developers grant will require financing, which is assumed at \$4.6 million.
11. This projection would permit the TID to close after the 2022 increment is collected, while the Municipal Revenue Note would not get extinguished until 2024.
12. The TID's mandatory closure date is 2025.

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 2016 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 | Debt Service | | Project Costs | Admin Expenses | Total Expenditures | Yearly Cash Activity | Net Cash Balance | Note Balance | Net Debt Balance | Fund Balance | |
| | | | | | | | Interest & Fees | Principal | | | | | | | | | |
| 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 | (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 | 304,643 | 789,625 | 11,137,628 | 12,750,490 | 762,386 | 10,100,000 | 2,087,552 | 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 | 3,485,550 | 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 | 325,765 | 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 | 333,786 | 793,255 | - | 2,545,219 | 675,943 | 1,640,000 | 9,683 | 9,986 | 2,335,612 | 209,607 | 552,904 | 7,520,000 | 8,000,000 | 8,072,904 | |
| 2012 | 1,650,483 | 5,128 | 282,085 | 795,629 | - | 2,733,325 | 596,392 | 2,655,000 | 25,360 | 12,116 | 3,288,868 | (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 | 5,173,488 | |
| 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 | 12,400 | 355,862 | - | - | 2,098,904 | 108,968 | 1,800,000 | 1,002,972 | 11,505 | 2,923,445 | (824,541) | 1,871,921 | - | 3,210,000 | 1,321,921 | |
| 2017 | 1,299,912 | 3,000 | 464,300 | - | 4,600,000 | 6,367,212 | 80,911 | 1,675,000 | 6,338,636 | 18,000 | 8,112,547 | (1,745,335) | 126,585 | - | 6,135,000 | (5,023,415) | |
| 2018 | 1,327,210 | - | 441,100 | - | - | 1,768,310 | 60,923 | 1,535,000 | - | 20,000 | 1,615,923 | 152,387 | 278,972 | - | 4,600,000 | (4,321,028) | |
| 2019 | 1,354,231 | - | 419,000 | - | - | 1,773,231 | 36,000 | 1,600,000 | 207,500 | 20,000 | 1,865,500 | (92,269) | 186,703 | - | 3,000,000 | (2,813,297) | |
| 2020 | 1,380,978 | - | 398,100 | - | - | 1,779,078 | 25,000 | 1,000,000 | 339,000 | 20,000 | 1,384,000 | 395,078 | 581,781 | - | 2,000,000 | (818,219) | |
| 2021 | 1,407,453 | - | 378,200 | - | - | 1,785,653 | 13,500 | 1,300,000 | 335,600 | 20,000 | 1,669,100 | 116,553 | 698,334 | - | 700,000 | 298,334 | |
| 2022 | 313,243 | - | 359,300 | - | - | 672,543 | 3,500 | 700,000 | 332,200 | 20,000 | 1,055,700 | (383,157) | 315,176 | - | - | 1,215,176 | |
| 2023 | - | - | 341,300 | - | - | 341,300 | - | - | 328,900 | 20,000 | 348,900 | (7,600) | 307,576 | - | - | 1,907,576 | |
| 2024 | - | - | - | - | - | - | - | - | 306,800 | 20,000 | 306,800 | (306,800) | 776 | - | - | 1,600,776 | |
| 2025 | - | - | - | - | - | - | - | - | - | - | 0 | - | 776 | - | - | - | |
| | 21,259,539 | 528,704 | 6,266,875 | 11,146,214 | 43,917,628 | 83,118,959 | 5,703,277 | 42,880,000 | 34,005,088 | 529,817 | 83,118,182 | 776 | 776 | - | - | - | |

| | |
|------------------------------|--------------|
| Debt Refinanced | (10,000,000) |
| TEA Grant | (1,000,000) |
| Developer Loan payments | (11,146,213) |
| Net Debt borrowed and repaid | 1 |
| | 32,917,628 |
| | (1,146,213) |
| | 4,557,064 |
| | 22,880,000 |
| | (10,000,000) |
| | 24,005,088 |

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, 2015

| | |
|------------------------------|---------------------|
| 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) avg = 3.50% | | | Debt Issues | | |
|------|----------------------|---------------|----------------------------------|----------------------|---------------|----------------------------------|---|-----------|-----------|-------------|-----------|------------|
| | Balance | Principal 3/1 | Interest (3/1 & 9/1) avg = 3.25% | Balance | Principal 3/1 | Interest (3/1 & 9/1) avg = 1.00% | 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 | 354,556 |
| 2010 | - | - | - | 8,000,000 | 1,000,000 | 287,500 | - | 800,000 | 1,841 | 9,000,000 | 1,600,000 | 316,341 |
| 2011 | - | - | - | 6,000,000 | 2,000,000 | 240,000 | - | - | - | 8,000,000 | 1,000,000 | 287,500 |
| 2012 | - | - | - | 3,500,000 | 2,500,000 | 165,000 | 1,150,000 | - | 33,743 | 4,650,000 | 2,500,000 | 198,743 |
| 2013 | - | - | - | - | 3,500,000 | 107,091 | 3,350,000 | - | 110,710 | 6,680,000 | 3,500,000 | 51,721 |
| 2014 | 3,330,000 | - | (166,080) | - | - | - | 1,700,000 | 1,650,000 | 64,406 | 5,010,000 | 1,670,000 | 129,705 |
| 2015 | 3,310,000 | 20,000 | 85,299 | - | - | - | 550,000 | 1,150,000 | 22,668 | 3,210,000 | 1,800,000 | 108,968 |
| 2016 | 2,660,000 | 650,000 | 86,300 | 4,600,000 | - | 23,000 | 550,000 | - | 3,236 | 6,135,000 | 1,675,000 | 80,911 |
| 2017 | 985,000 | 1,675,000 | 54,675 | 4,600,000 | 4,600,000 | 46,000 | - | 550,000 | 148 | 4,600,000 | 1,535,000 | 60,923 |
| 2018 | - | 985,000 | 14,775 | 3,000,000 | 1,600,000 | 38,000 | - | - | - | 3,000,000 | 1,600,000 | 38,000 |
| 2019 | - | - | - | 2,000,000 | 1,000,000 | 25,000 | - | - | - | 2,000,000 | 1,000,000 | 25,000 |
| 2020 | - | - | - | 700,000 | 1,300,000 | 13,500 | - | - | - | 700,000 | 1,300,000 | 13,500 |
| 2021 | - | - | - | - | 700,000 | 3,500 | - | - | - | - | 700,000 | 3,500 |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - | - | - | - | - |
| | | 10,330,000 | 818,138 | | ##### | 1,597,209 | 7,950,000 | 387,520 | 8,337,520 | 32,860,000 | 2,802,868 | 35,682,868 |

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) |
| | 45,955 |
| | 37,628 |

**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 | - | (17,573,700) | | 55,256,200 | 23.53 | 1,299,912 |
| 2016 | 2017 | 2018 | 55,256,200 | - | | 1,730,244 | 56,986,444 | 23.29 | 1,327,210 |
| 2017 | 2018 | 2019 | 56,986,444 | - | | 1,747,546 | 58,733,990 | 23.06 | 1,354,231 |
| 2018 | 2019 | 2020 | 58,733,990 | - | | 1,765,022 | 60,499,012 | 22.83 | 1,380,978 |
| 2019 | 2020 | 2021 | 60,499,012 | - | | 1,782,672 | 62,281,684 | 22.60 | 1,407,453 |
| 2020 | 2021 | 2022 | 62,281,684 | 15,000,000 | | 1,800,499 | 79,082,183 | 22.37 | 1,769,243 |
| 2021 | 2022 | 2023 | 79,082,183 | 10,000,000 | | 1,968,504 | 91,050,687 | 22.15 | 2,016,635 |
| 2022 | 2023 | 2024 | 91,050,687 | - | | 2,088,189 | 93,138,876 | 21.93 | 2,042,256 |
| 2023 | 2024 | 2025 | 93,138,876 | - | | 2,109,071 | 95,247,947 | 21.71 | 2,067,616 |
| 2024 | 2025 | 2026 | 95,247,947 | - | | 2,130,161 | 97,378,108 | 21.49 | 2,092,719 |
| | | | | 105,330,000 | | | Reported | | 30,934,765 |

| | Amend # 1 |
|----------------------|----------------|
| Base Value Increment | \$ 53,939,000 |
| Equalized Value | \$ 117,768,200 |
| Assessed Value Ratio | 63,317,000 |
| | \$ 181,085,200 |
| | \$ 53,939,000 |
| | \$ 171,707,200 |
| | 63,317,000 |
| | 236,024,200 |
| | 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, 2015

| Const Year | Project Plan (Memo) | Development | | | | | | | | | | Difference from Plan |
|------------|---------------------|---------------|--------------|------------------|---------------|-------------|--------------|------------|---------------|-------------|-----------|----------------------|
| | | Franklin Oaks | Johnson Bank | 31st Office Bldg | Land N of NIM | 27th Street | Amended Area | Add NM2 | 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 | | 44,487,000 | 1,752,000 | 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 | | 0 |
| 2016 | | | | | | | | | | 0 | | 0 |
| 2017 | | | | | | | | | | 0 | | 0 |
| 2018 | | | | | | | | | | 0 | | 0 |
| 2019 | | | | | | | | | | 0 | | 0 |
| 2020 | | | | | | | | | | 15,000,000 | | 15,000,000 |
| 2021 | | | | | | | | | | 10,000,000 | | 10,000,000 |
| 2022 | | | | | | | | | | 0 | | 0 |
| | | 95,930,000 | 1,200,000 | - | - | 25,778,000 | - | 51,095,000 | 1,752,000 | 105,330,000 | | (15,600,000) |

Assumptions:

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

