



City of Franklin

**Common Council
Community Development Authority**

**Tax Increment District #3
Cash Flow Model
December 31, 2017**

Issued April 10, 2018

Presented by:

Paul Rotzenberg, CPA

City of Franklin Director of Finance & Treasurer

M E M O R A N D U M

DATE: April 10, 2018
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, 2017 and the taxes levied in December 2017. 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, although an estimate of the costs was included in 2017 results. Incentive funds for major development opportunities that may come along were also included in the Amendment.
2. The DOR certified an increment of \$62,049,100 for 2017. That was \$6,792,900 greater than the prior year. The current increment of \$62 million is 65% 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 provided 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 TID Amendment projections assumed a \$ 5 million Developers Grant in 2017. This was followed on by \$15,000,000 in new increment constructed by Dec 31, 2018, and a further \$10,000,000 in 2019. The project cost also assumes a Municipal Revenue Bond for \$1.85 million beginning in 2020.
7. In October 2017, a developer's agreement was signed related to a multi-family development just north of Northwestern Mutual. That is projected to create \$25 million in

additional increment in the District by the end of 2019. This would generate additional tax revenues in 2021. The developer's agreement provided for a \$5 million grant to the developer and a \$2 million municipal revenue obligation (pay-as-you-go) for the demolition of a hotel on site.

8. Total project costs are now estimated at \$24.5 million. This compares to the \$22,800,000 approved in the Amended Project plan. The approved project plan permits 15% overages on projected project costs. There remains \$2.7 million of available project cost overages.
9. 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 2017 \$50,000 of inter-fund advances are outstanding.
10. 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.
11. The Developers grant noted above may require financing, which is assumed at \$3.5 million. This financing may be achievable with inter-fund advances given the short retirement prospects.
12. This projection would permit the TID to close after the 2022 increment is collected. At which time, the TID debt and Municipal Revenue Note would get extinguished..
13. 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 2017 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 31, 2017

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	Year End 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	179,943	-	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	3,488,550	804,998	2,115,000	615,003	29,202	3,994,203	(75,653)	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	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	1,650,463	5,128	282,085	795,629	-	2,733,325	596,392	2,655,000	25,380	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	5,173,498			
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	63,991	355,882	-	-	2,150,495	109,189	1,800,000	1,034,856	11,507	2,955,552	(805,057)	1,891,404	-	3,210,000	1,341,404			
2017	1,253,573	23,049	458,196	-	-	1,734,818	74,152	2,175,000	1,387,794	24,403	3,661,348	(1,926,530)	(35,126)	-	1,035,000	(85,126)			
2018	1,381,189	16,000	435,300	-	-	1,832,489	14,923	1,035,000	135,479	29,000	1,214,402	618,087	582,961	-	-	582,961			
2019	1,401,252	4,000	413,500	-	3,500,000	5,318,752	61,250	-	5,485,100	29,000	5,575,350	(256,598)	326,363	-	3,500,000	(3,173,637)			
2020	1,535,888	4,000	392,800	-	-	1,932,688	96,250	1,500,000	392,050	29,000	2,017,300	(84,612)	241,751	-	2,000,000	(1,758,249)			
2021	1,853,140	4,000	373,200	-	-	2,230,340	40,250	1,700,000	552,400	29,000	2,321,650	(91,310)	150,441	-	300,000	(149,559)			
2022	1,878,123	4,001	354,500	-	-	2,236,624	5,250	300,000	694,900	29,000	1,029,150	1,207,474	1,357,915	-	-	1,357,915			
2023	-	-	-	-	-	-	-	-	-	-	0	-	1,357,915	-	-	1,357,915			
2024	-	-	-	-	-	-	-	-	-	-	0	-	1,357,915	-	-	1,357,915			
2025	-	-	-	-	-	-	-	-	-	-	0	-	1,357,915	-	-	1,357,915			
	23,479,678	632,345	5,893,071	11,146,214	42,817,628	83,968,935	5,773,739	41,780,000	34,496,059	561,222	82,611,020	1,357,915							
	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	31,817,628	4,627,526	21,780,000	24,496,059										

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 31, 2017

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	\$ 11,083,583
Tax Exempt G.O. Debt	\$ 11,017,933
Improvements Cost	\$ -
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 (3/31, 6/30, 9/30 & 12/31)			Debt Issues			
	Balance	Principal 3/1	Interest (3/1 & 9/1) avg = 3.25%	Balance	Principal 3/1	Interest (3/1 & 9/1) avg = 3.50%	Balance	Principal	Interest	Balance	Principal	Interest	Balance	Principal	Interest	Total
2005	4,000,000	-	66,036	-	-	-	-	-	-	-	-	-	4,000,000	-	66,036	66,036
2006	4,000,000	-	179,643	-	-	-	2,700,000	-	70,021	-	-	-	4,000,000	-	179,643	179,643
2007	7,000,000	-	295,926	-	-	-	600,000	3,200,000	65,620	3,265,620	-	-	9,700,000	-	365,947	365,947
2008	700,000	6,300,000	216,253	10,000,000	-	-	800,000	600,000	15,127	615,127	10,600,000	9,500,000	11,300,000	9,500,000	281,873	9,781,873
2009	-	700,000	5,311	9,800,000	200,000	334,118	-	800,000	1,841	801,841	1,500,000	1,600,000	10,600,000	1,500,000	354,556	1,854,556
2010	-	-	-	9,000,000	800,000	314,500	1,114,500	-	-	-	801,841	1,600,000	1,600,000	9,000,000	316,341	1,916,341
2011	-	-	-	8,000,000	1,000,000	287,500	1,287,500	-	-	-	-	1,000,000	1,000,000	8,000,000	287,500	1,287,500
2012	-	-	-	6,000,000	2,000,000	240,000	2,240,000	-	-	-	-	2,000,000	2,000,000	6,000,000	240,000	2,240,000
2013	-	-	-	3,500,000	2,500,000	165,000	2,665,000	1,150,000	-	33,743	33,743	2,500,000	2,500,000	4,650,000	198,743	2,848,743
2014	3,330,000	-	(166,080)	-	3,500,000	107,091	3,607,091	3,350,000	-	110,710	110,710	3,500,000	3,500,000	6,680,000	51,721	3,551,721
2015	3,310,000	20,000	65,299	-	-	-	-	1,700,000	64,406	1,714,406	1,650,000	1,670,000	5,010,000	1,670,000	129,705	1,799,705
2016	2,660,000	650,000	86,519	-	-	-	-	550,000	22,670	1,172,670	1,150,000	1,800,000	3,210,000	1,800,000	109,189	1,909,189
2017	985,000	1,675,000	54,902	-	-	-	-	50,000	19,250	519,250	500,000	2,175,000	1,035,000	2,175,000	74,152	2,249,152
2018	-	985,000	14,775	-	-	-	-	-	148	50,148	50,000	1,035,000	-	1,035,000	14,923	1,049,923
2019	-	-	-	3,500,000	-	61,250	61,250	-	-	-	-	-	3,500,000	-	61,250	61,250
2020	-	-	-	2,000,000	1,500,000	96,250	1,596,250	-	-	-	-	-	2,000,000	1,500,000	96,250	1,596,250
2021	-	-	-	300,000	1,700,000	40,250	1,740,250	-	-	-	-	-	300,000	1,700,000	40,250	1,740,250
2022	-	-	-	-	300,000	5,250	305,250	-	-	-	-	-	-	300,000	5,250	305,250
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		10,330,000	818,584	11,148,584	13,500,000	1,651,209	15,151,209	7,950,000	403,536	8,353,536	31,780,000	2,873,329	34,653,329			

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
	37,628

City of Franklin
TIF #3 Projection
Projected Revenue
December 31, 2017

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)	(8,734,800)	63,917,800	24.22	1,547,835
2012	2013	2014	63,917,800	-	387,900	387,900	64,305,700	24.45	1,572,197
2013	2014	2015	64,305,700	-	8,479,300	8,479,300	72,785,000	23.10	1,681,578
2014	2015	2016	72,785,000	-	44,900	44,900	72,829,900	23.76	1,730,642
2015	2016	2017	72,829,900	-	(19,479,681)	1,905,981	55,256,200	22.69	1,253,573
2016	2017	2018	55,256,200	-		6,792,900	62,049,100	22.26	1,381,189
2017	2018	2019	62,049,100	(261,000)		1,798,173	63,586,273	22.04	1,401,252
2018	2019	2020	63,586,273	5,000,000		1,813,545	70,399,818	21.82	1,535,888
2019	2020	2021	70,399,818	20,000,000		1,881,680	92,281,498	21.60	1,993,140
2020	2021	2022	92,281,498	-		2,100,497	94,381,995	21.38	2,018,123
2021	2022	2023	94,381,995	-		2,121,502	96,503,497	21.17	2,042,851
2022	2023	2024	96,503,497	-		2,142,717	98,646,214	20.96	2,067,327
2023	2024	2025	98,646,214	-		2,164,144	100,810,358	20.75	2,091,554
2024	2025	2026	100,810,358	-		2,185,786	102,996,144	20.54	2,115,535
				105,069,000			Reported		32,076,945

	Amend # 1
Base Value	\$ 53,939,000
Increment	\$ 171,707,200
Equalized Value	63,317,000
Assessed Value	\$ 53,939,000
Ratio	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 31, 2017

Const Year	Project Plan (Memo)	Development										Difference from Plan	
		Franklin Oaks	Johnson Bank	31st Office Bldg	Land N of NM	27th Street	Zilber Dev	Add NM 2	DOR Adjustments	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												-25,073,800	
2016												0	
2017												(261,000)	
2018								5,000,000				5,000,000	
2019								20,000,000				20,000,000	
2020												0	
2021												0	
2022												0	
		95,930,000	1,200,000	-	-	778,000	25,000,000	51,095,000	1,752,000	79,995,200	(15,600,000)		

Assumptions:

1. Construction includes \$5 million in non taxable computers
 2. Project Estimate
- Met with Mike King 2/26, construction sched such that all the bldg come on line in 2019, only 20-30% com

