

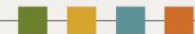


EHLERS
LEADERS IN PUBLIC FINANCE

Planning for a TID Closure

Greg Johnson, Ehlers Senior Municipal Advisor
Dawn Gunderson, Ehlers Senior Municipal Advisor

10/26/2018



Key Messages

- Project plan amendments prior to expenditure period.
 - Technique can be used to incur project costs after period ends if sufficient cash is available.
- One-time levy limit adjustment year after closure.
 - A base building adjustment that can increase your allowable levy going forward.
- Plan for benefit of Increment value added to the tax base.
 - Provides an opportunity for potential tax rate reduction even if expenditures increase.



TID Expenditure Periods

- Ends five years prior to the end of a TID's maximum life.
- An extension does not change the expenditure period.
- Existing projects may be finished, but no additional improvements can be started during last five years
 - Existing project costs have established financing; or signed contract, or a signed developer's agreement.
- Debt service, repayment of advances or other liabilities allowed after expenditure period.



Consider final project plan amendment

- If cash is available in the TID fund, cash can be deposited into an escrow account to fund specific projects until maximum life ends.
- Deposit to escrow fund is considered the “expenditure” if made prior to expenditure period ending.
- Project plan amendment must specify how funds will be used.



Remaining Project Costs From City of Cudahy
2016-2021

<u>Map ID</u>	<u>Administrative</u>	
	Audit Fees	25,000
	TID Amendment Fees	13,000
	 <u>Projects/Capital</u>	
	Economic Development Fund	600,000
1	Retail Incentive Program	250,000
2	Farmers Market	25,000
3	Squire Avenue parking Lot	150,000
4	Barnard Avenue Extension	350,000
5	Haven Sweet Applewood Additions	50,000
6	Audi Development	250,000
7	Downtown Streetscape Improvements	280,000
	Contingency	120,000
	Subtotal	<u>2,075,000</u>
	 <u>Municipal Revenue Obligations</u>	
	Cudahy Self Storage	2,340
	New Meadows	396,107
	Subtotal	<u>398,447</u>
	 TOTAL COSTS 2016-2021	2,511,447
	ESTIMATED COSTS AS OF 12/31/2015	<u>77,431,459</u>
	TOTAL PROJECT COSTS	<u>79,942,906</u>
	 Deposit to Escrow (excludes MRO, administrative, & audit costs)	2,075,000
	 Neighborhood Loan Program*	200,000
	Neighborhood Preservation Program*	582,000
		<u>782,000</u>

Notes:

* Project costs identified above in the amount of \$782,000 could support affordable housing and housing stock could be paid from additional year of increment in 2022 if Council adopts a Resolution in 2021.

Cudahy: Infrastructure and programs included

- Economic development fund
 - Cost of staff required to administer the outstanding contract management and administrative requirements associated with approved development agreements
- Retail incentive program
 - Incentives are available for all new retail or existing, relocated retail taking occupancy in new construction, mixed-use projects sponsored or approved by the CDA and located within the Lakeside Commons district.



Project Plan Amendment & Administration

- Include specific narrative describing what future costs will be permitted.
- Need to find a financial institution to hold the funds in escrow and approve expenditures from escrow account.
- Consider internal controls.
 - Staff not involved in project management submit invoices to escrow agent for payment.



When does a TID close/terminate? (1 of 3 occurs)

1. Municipality receives aggregate tax increments in an amount equal to the aggregate of all project costs under the project plan and any amendments to the project plan.
 2. TID reaches its maximum life. Maximum life varies and is determined by the TID type and resolution date.
 3. Municipality chooses to dissolve the district early.
- Municipality Governing Body must then approve termination resolution



Importance of April 15th

Tax Incremental District (TID) Termination Timeframes						
Municipal Termination Resolution Adoption Date	Termination Year	TID Removed from Tax/Assessment Roll	Last Year Tax Collection for Increment	Last Year Administrative Fee Due	Last TID Equalized Values Established	Last Annual Report Due to DOR
May 16, 2016 – May 15, 2017	2017	2017	2017 (for 2016 taxes)	May 15, 2016	August 15, 2016	July 1, 2017 (for 2016)
May 16, 2017 – *April 15, 2018	2018	2018	2018 (for 2017 taxes)	May 15, 2017	August 15, 2017	July 1, 2018 (for 2017)
April 16, 2018 – April 15, 2019	2019	2019	2019 (for 2018 taxes)	*April 15, 2018	August 15, 2018	July 1, 2019 (for 2018)
April 16, 2019 – April 15, 2020	2020	2020	2020 (for 2019 taxes)	April 15, 2019	August 15, 2019	July 1, 2020 (for 2019)
April 16, 2020 – April 15, 2021	2021	2021	2021 (for 2020 taxes)	April 15, 2020	August 15, 2020	July 1, 2021 (for 2020)
April 16, 2021 – April 15, 2022	2022	2022	2022 (for 2021 taxes)	April 15, 2021	August 15, 2021	July 1, 2022 (for 2021)

**2017 Act 15 – Effective January 1, 2018 TID termination deadline changes from May 15 to April 15.
(r. 11/17)*

Source: Wisconsin DOR



Documents provided to DOR upon closure

- Written notice within 60 days of the termination resolution - complete Form PE-223 (final accounting and termination agreement) and send a copy along with the resolution to:
 - DOR
 - County Property Lister
 - Municipal Assessor
 - Overlying taxing jurisdictions
- On or before the agreed upon submission date, the municipality must e-file the PE-110 (TID Final Accounting Report) and e-mail DOR the TID Final Accounting Excel spreadsheet or Final Audit Report/Financial Statements.



Levy Limit Adjustment



Village of Butler

Levy Limit Worksheet Forecast Model

Levy Year	2017	2018
Calendar/Budget Year	2018	2019
Line	Actual	Projected
1 Prior Year's Actual Levy	1,840,204	1,863,491
2 Exclude Prior Year Levy for Unreimbursed Emergency Expenses	0	0
3 Exclude Prior Year Levy for G.O. Debt Authorized After July 1, 2005	(284,937)	(296,575)
4 Adjusted Actual Levy	1,555,267	1,566,916

TID Closure Calculations

Line 5 - 6 Adjustments

	No	Yes
I Will Close a TID Before April 15 in This Calendar Year		
Enter Projected TID Increment Value in Shaded Cell		34,001,300
Enter Projected Total TID OUT EV in Closure Year in Shaded Cell		219,511,400
Terminated TID % (50% of increment value as a percentage of TID OUT EV)	0.00%	7.74%
Applied to Prior Year Adjusted Actual Levy	0	121,354

Net New Construction

Enter Assumed Net New Construction Percentage	0.75%	0.00%
Applied to Prior Year Adjusted Actual Levy	11,649	0



Considerations for levy limit adjustment

- It is base building, is not subtracted out the next year.
- Use it or lose it: only appears on worksheet year after closure.
- Only claim if needed, but use it before adjustments that are subtracted out the following year (like adjustment E for debt service).



Planning for capital items and operational costs

- Are there larger road, equipment, park, or facility improvements that could be introduced when TID closes?
- Multiple funding sources evaluated:
 - Introduction of capital levy upon TID closure to cash finance some items.
 - Debt financing with payments structured to take into account TD closure.
- Inventory operational costs paid by TID that will be absorbed elsewhere.



Sample multi-year analysis

Summary Tax Rate & Levy Projection

	2018 Budget	2019 Budget	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected
TID OUT EQUALIZED VALUE (2018-2021) TID IN (2022 - 2025)	331,336,000	304,597,500	295,459,575	289,550,384	489,974,998	494,874,748	499,823,495	504,821,730
GENERAL FUND								
Tax Levy - For Existing General Fund Expenses (2% annual increase)	2,030,675	2,071,289	2,112,714	2,154,969	2,198,068	2,242,029	2,286,870	2,332,607
Tax Levy - TID Expenditures Upon Closure (2% annual increase)	0	0	0	0	180,766	184,381	188,069	191,831
Total Tax Levy	2,030,675	2,071,289	2,112,714	2,154,969	2,378,834	2,426,411	2,474,939	2,524,438
RATE/\$1,000 EQUALIZED	6.13	6.80	7.15	7.44	4.86	4.90	4.95	5.00
DEBT SERVICE								
Principal and Interest	2,171,823	2,412,451	2,300,168	2,322,404	2,540,051	2,569,169	2,596,159	2,661,630
Contingency		8,424	0	0	0	0	0	0
Less Abatement Sources	(1,540,318)	(1,776,740)	(1,640,075)	(1,620,396)	(1,650,156)	(1,362,523)	(1,389,700)	(1,400,036)
Net Tax Levy	631,504	644,135	660,093	702,008	889,894	1,206,647	1,206,459	1,261,594
RATE/\$1,000 EQUALIZED	1.91	2.11	2.23	2.42	1.82	2.44	2.41	2.50
CAPITAL PROJECTS								
Levy for capital projects less than \$50,000	0	0	0	0	433,626	171,888	133,530	0
TOTAL LEVY	2,662,179	2,715,424	2,772,807	2,856,977	3,702,354	3,804,946	3,814,928	3,786,032
TOTAL RATE	8.03	8.91	9.38	9.87	7.56	7.69	7.63	7.50
PERCENT LEVY INCREASE								
PERCENT RATE INCREASE		2.00%	2.11%	3.04%	29.59%	2.77%	0.26%	-0.76%
		10.95%	5.27%	5.14%	-23.42%	1.75%	-0.73%	-1.74%



TID Extensions

- If TID is successful and funds remain, there is a one year extension for affordable housing.
 - At least 75% of the final increment must benefit affordable housing.
 - Remaining 25% must be used to improve housing stock.
- Governing Body must adopt a resolution describing programs. Only approval required.



TIF extensions: underperforming TID's

- Standard Extension
 - Blight and rehabilitation/conservation TID's created between 10/1/1995 and 9/20/2004 eligible for a 4 year extension.
 - 3 year extension for TID's created after 10/1/2004 that are blight, rehab/conservation, industrial, and mixed use.
- Exclusions for standard extension
 - TID created before 10/1/1995.
 - Industrial TID created from 10/1/1995 to 9/30/2004.
 - Environmental TID created under 66.1106 before 11/29/2017.
 - Any donor industrial or mixed use TID created after 10/1/2004.



Standard TID Extension

- Required Approvals

- Documents show TID cannot repay the project costs within maximum life, extension at discretion of Joint Review Board (“JRB”).
- If an independent audit is provided JRB must grant extension.



Technical College Extension – 3 years

- Any TID created before 10/1/2014 under Statutes 66.1105 (does not include environmental TID's).
 - 3 year extension if adversely impacted by reduction in statewide tax rates for technical colleges (occurred in 2013).
- Required Approvals
 - Documents show TID increments were negatively impacted by technical college tax rate change, extension at discretion of Joint Review Board (“JRB”).
 - If an independent audit is provided JRB must grant extension.



Final TID closeout

- Municipality is responsible for making up the shortfall.
- Any surplus funds distributed to all taxing jurisdiction proportionally based on most recent apportionment of taxes.
- Consider celebrating your TID closure!





Key Messages

- Project plan amendments prior to expenditure period.
 - Technique can be used to incur project costs after period ends if sufficient cash is available.
- One-time levy limit adjustment year after closure.
 - A base building adjustment that can increase your allowable levy going forward.
- Plan for benefit of Increment value added to the tax base.
 - Provides an opportunity for potential tax rate reduction even if expenditures increase.





EHLERS

LEADERS IN PUBLIC FINANCE

Greg Johnson
Senior Municipal Advisor

262-796-6168

gjohnson@ehlers-inc.com

Dawn Gunderson
Senior Municipal Advisor

262-796-6166

dgunderson@ehlers-inc.com

