RESOLUTION OF THE COMMON COUNCIL

Authorizing a reduction in the amount of the TIF Guarantee Letter of Credit provided by McFarland State Bank (relating to the Kettle Park West commercial center).

Committee Action: Finance Committee meets February 13, 2018

Fiscal Impact: None

File Number:	R-14-2018	**Date Introduced:**	February 13, 2018

RECITALS

WHEREAS the City is holding Letter of Credit No. 50365, in the amount of $2,263,968.37, issued by McFarland State Bank (the Letter of Credit), to secure certain tax increment guarantee obligations of Kettle Park West, LLC under the Second Amended and Restated Agreement to Undertake Development (Kettle Park West Development) entered into as of the 9th day of June, 2015; and

WHEREAS the Memorandum of Understanding between the City and Kettle Park West, LLC, dated June 9, 2015 (the "MOU"), sets forth the methodology required for reducing the Letter of Credit; and

WHEREAS City staff has determined that new construction in the Kettle Park West Commercial Center has generated a valuation increase, as of January 1, 2017, that will generate tax increment totaling $413,298.98 each year (See Exhibit A). After deducting $7,000 for administrative expenses, the City will receive tax increment of $406,298.98 each year, based on the January 1, 2017 assessed value alone (See Exhibit A); and

WHEREAS the City has used a two-step process to finance TIF funded public improvements for the Kettle Park West Commercial Center. The first step was the issuance of Note Anticipation Notes. The second step will be the issuance of a refunding obligation in 2018, to convert the short-term Note Anticipation Notes to a longer-term obligation. The Note Anticipation Notes will be repaid using a combination of tax increment received by the City in 2017 and 2018, and the proceeds of the Refunding Obligation. The City will have net increment in the amount of $603,211.92 available in 2018 to apply toward payment of the Note Anticipation Notes; and

WHEREAS Springstead has determined that, after applying available tax increment, and adding issuance costs, the amount of the refunding proceeds to be borrowed in 2018 will be $4,295,000.00. (See Exhibit A). Springstead has further estimated that the total principal and interest to be paid on the refunding obligation will be $5,896,193.33. (See

Exhibit A); and

WHEREAS based on the January 1, 2017 valuation increment alone, and crediting the City with $7,000 per year in Administrative Expenses, the Kettle Park West Commercial Center will generate $406,298.98 per year, or $6,500,783.68, that will be available to pay debt service on the refunding obligation. Consequently, pursuant to the MOU, the Letter of Credit may now be reduced to zero. Now therefore,

BE IT RESOLVED, by the City of Stoughton Common Council that the amount of Letter of Credit No. 50365, issued by McFarland State Bank, may be reduced to zero, and the original Letter of Credit may be returned to McFarland State Bank.

Council Action: ☐ **Adopted** ☐ **Failed** **Vote** _____

Mayoral Action: ☐ **Accept** ☐ **Veto**

_____

Donna Olson, Mayor Date

Council Action: _____ ☐ **Override** **Vote** _____

EXHIBIT A

City of Stoughton, WI
KPW Phase I Letter of Credit Resizing
25-Jan-18

2017 Increment	$ 413,298.98
Less City Admin Expenses	$ (7,000.00)
2017 Net Increment	$ 406,298.98
Assume 2018 Net Increment Same	$ 406,298.98
Total Net TID Incement Available to Reduce 2018 Refunding	$ 603,211.92
2015 NAN Refunding Proceeds Needed	$ 4,794,895.83
Plus Cost of Issuance	$ 103,316.09
Sub-Total	$ 4,898,211.92
Less TID Increment Available	$ (603,211.92)
2018 Refunding Issue	$ 4,295,000.00

LOC Test 1	
Projected Total 2018 Refunding Debt Service	$ 5,896,193.33
Less Projected Net TID Increment (2019-2024)	$ (6,500,783.68)
Projected Net TID Increment Deficit/(Surplus)	**$ (604,590.35)**

LOC Test 2	
If Surplus, does it meet 110% Coverage Yes or No?	Yes
110% Required Coverage Deficit/(Surplus)	$ (14,971.02)
Annual Net TID Increment Needed for 110%	$ 405,363.29
If No LOC @ $1.0 M	**LOC Eliminated**

History

2016 Increment	$ 242,012.94
2017 Increment	$ 413,298.98
TOTAL Increment	$ 655,311.92
2016 City Admin Expenses	$ 15,900.00
2017 City Admin Expenses	$ 18,200.00
2018 City Admin Expenses	$ 18,000.00
TOTAL City Admin Expenses	$ 52,100.00

Projected 2018 Refunding

Fiscal Year	Annual Debt Service	Annual Net TID Increment	Annual Surplus/(Deficit)	110% Required Coverage	Coverage Met
2019	$ 369,243.33	$ 406,298.98	$ 37,055.65	$ 406,167.66	Yes
2020	$ 367,380.00	$ 406,298.98	$ 38,918.98	$ 404,118.00	Yes
2021	$ 367,380.00	$ 406,298.98	$ 38,918.98	$ 404,118.00	Yes
2022	$ 366,975.00	$ 406,298.98	$ 39,323.98	$ 403,672.50	Yes
2023	$ 371,092.50	$ 406,298.98	$ 35,206.48	$ 408,201.75	No
2024	$ 369,715.00	$ 406,298.98	$ 36,583.98	$ 406,686.50	No
2025	$ 367,890.00	$ 406,298.98	$ 38,408.98	$ 404,679.00	Yes
2026	$ 370,465.00	$ 406,298.98	$ 35,833.98	$ 407,511.50	No
2027	$ 367,287.50	$ 406,298.98	$ 39,011.48	$ 404,016.25	Yes
2028	$ 368,180.00	$ 406,298.98	$ 38,118.98	$ 404,998.00	Yes
2029	$ 368,025.00	$ 406,298.98	$ 38,273.98	$ 404,827.50	Yes
2030	$ 366,843.75	$ 406,298.98	$ 39,455.23	$ 403,528.13	Yes
2031	$ 369,572.50	$ 406,298.98	$ 36,726.48	$ 406,529.75	No
2032	$ 371,305.00	$ 406,298.98	$ 34,993.98	$ 408,435.50	No
2033	$ 367,278.75	$ 406,298.98	$ 39,020.23	$ 404,006.63	Yes
2034	$ 367,560.00	$ 406,298.98	$ 38,738.98	$ 404,316.00	Yes
TOTAL	$ 5,896,193.33	$ 6,500,783.68	$ 604,590.35	$ 6,485,812.66	Yes