

CITY OF STOUGHTON, 381 E. Main Street, Stoughton, WI 53589

RESOLUTION OF THE COMMON COUNCIL- AMENDED

Approving a Memorandum of Understanding and other matters relating to the implementation of the Kettle Park West Development Agreement.

File Number: R-86-2015

Date Introduced: June 9, 2015

The City Council of the City of Stoughton, Dane County, Wisconsin, resolves as follows:

RECITALS

- A. The City of Stoughton (the “City”) and Kettle Park West, LLC (the “Developer”) are parties to the Amended and Restated Agreement to Undertake Development (Kettle Park West Development) entered into as of November 13, 2014, which may be replaced and superseded by a Second Amended and Restated Agreement to Undertake Development (Kettle Park West Development) entered into as of June 9, 2015 (collectively the “Agreement”).
- B. Section D. 4. of the Agreement requires Developer to provide a letter of credit (the “Letter of Credit”) to the City, and allows for the amount of the Letter of Credit to be reduced under certain circumstances. The City and Developer have prepared the Memorandum of Understanding attached as Exhibit A to set forth in greater detail the parties’ understanding and agreement regarding the amount of the Letter of Credit required by Section D.4. of the Agreement, and the procedure that will apply to calculating reductions of the Letter of Credit, in order to implement the Agreement.

RESOLUTION

The Memorandum of Understanding attached as Exhibit A is approved, and the Mayor and City Clerk are hereby authorized to execute the Memorandum of Understanding on the City's behalf.

The foregoing Resolution was adopted by the Common Council of the City of Stoughton at a meeting held on June 9, 2015.

Council Action: ☒ Adopted ☐ Failed Vote 7-6 mayor voted

Mayoral Action: ☒ Accept ☐ Veto

Donna Olson 6-9-15
Donna Olson, Mayor Date

Council Action: _____ ☐ Override Vote _____

Exhibit A

Memorandum of Understanding

Memorandum of Understanding
Kettle Park West Development
Tax Increment Guarantee Letter of Credit
June 9, 2015

1. *Background Information.* The City of Stoughton (the “City”) and Kettle Park West, LLC (the “Developer”) are parties to the Amended and Restated Agreement to Undertake Development (Kettle Park West Development) entered into as of November 13, 2014 (the “Agreement”), which may be replaced and superseded by a Second Amended and Restated Agreement to Undertake Development (Kettle Park West Development) entered into as of June 9, 2015 (Collectively the “Agreement”). Section D. 4. of the Agreement requires the Developer to provide a letter of credit (the “Letter of Credit”) to the City, and allows for the amount of the Letter of Credit to be reduced under certain circumstances.
2. *Purpose.* The purpose of this Memorandum of Understanding is to set forth in greater detail the parties’ understanding and agreement regarding the amount of the Letter of Credit required by Section D.4. of the Agreement, and the procedure that will apply to calculating reductions of the Letter of Credit, in order to implement the Agreement.
3. *Definitions.* The terms used in this Memorandum of Understanding that are defined in the Agreement shall have the meaning set forth in the Agreement.
4. *Amount and form of Initial Letter of Credit.*
 - A. Under section D.4.(b) of the Agreement, the amount of the initial and each renewed or replacement Letter of Credit is required to equal the total principal and interest payments on all remaining Annual Debt Service payments on City Borrowing. The City intends to sell Note Anticipation Notes on or about September 22, 2015. The City intends to pay the Note Anticipation Notes in approximately October 2018, using a combination of Actual Tax Increment held by the City at that time, and the proceeds of a Refunding Obligation to be issued by the City. The City Borrowing shall initially be the Note Anticipation Notes, and shall subsequently be the Refunding Obligations. The planned City Borrowing is described in Attachment A to this Memorandum of Understanding.
 - B. The City and Developer agree that, before the City sells the Note Anticipation Notes, and in order to satisfy the condition in Section E. 6 of the Agreement, Developer shall provide an initial Letter of Credit in the amount of \$4,848,705.00, which is the estimated total amount the City will need to pay the Note Anticipation Notes in 2018. The initial letter of credit shall be in the form attached as Attachment B to this Memorandum of Understanding. The City and Developer agree that \$4,848,705.00 is based on certain estimates, including an estimate of the interest rate that will apply to the Note Anticipation Notes. Developer agrees that when the Note Anticipation Notes are actually sold, and before the City finally approves the sale, the City may require Developer to

provide either a replacement Letter of Credit or a supplemental Letter of Credit, such that the City has one or more Letters of Credit in the aggregate amount the City determines is actually needed to pay the Note Anticipation Notes in 2018.

5. *Letter of Credit Recalculation Prior to Sale of Refunding Obligations.* The City intends to pay the Note Anticipation Notes in 2018 using a combination of Actual Tax Increment held by the City at that time, and the proceeds of a Refunding Obligation to be issued by the City. Before the City sells the Refunding Obligation, the City will calculate the amount of the Letter of Credit required to secure repayment of the Refunding Obligation. The amount of the Letter of Credit required to secure repayment of the Refunding Obligation shall be equal to the total principal and interest payments on the Refunding Obligation, less the amount of that principal and interest that will be paid using Actual Tax Increment that has been created in the District and will be allocated to pay Annual Debt Service pursuant to Section D.3 of the Agreement. The amount of Actual Tax Increment that has been created in the District shall be calculated as described in Section 6 of this Memorandum of Understanding. The amount of the recalculated Letter of Credit shall not be less than \$1,000,000.00 unless the Actual Tax Increment that has been created within the District is projected to generate an amount equal to or greater than 110 percent of the total principal and interest payments on the Refunding Obligations. If Developer does not provide the City with an amended or replacement Letter of Credit in the amount the City has calculated as needed to secure repayment of the Refunding Obligation, the City may draw upon the existing Letter of Credit, in an amount not to exceed the amount the City has calculated for the amended or replacement letter of credit, and may either use the proceeds to pay the Note Anticipation Notes, or use the proceeds to make debt service payments on the Refunding Obligation.
6. *Reductions to Letter of Credit.* Under Section D.4.(b) of the Agreement, the amount of the Letter of Credit may be reduced by the amount of the Annual Debt Service that will be paid by Actual Tax Increment that has been created within the District, and will be allocated to pay Annual Debt Service as provided in Section D.3 of the Agreement. Section D.4(b) of the Agreement further provides that the Annual Debt Service payments that will be paid by Actual Tax Increment that has been created within the District shall be calculated by the City, using the actual Value Increment that has been created within the District at the time the required amount of the Letter of Credit is calculated, using the mil rate effective at that time. Developer and the City agree that the Value Increment that has been created within the District at a given point in time will be the equalized value of the District that has most recently been certified by the Wisconsin Department of Revenue, minus the base value of the District as certified by the Wisconsin Department of Revenue. Developer and the City agree that Actual Tax Increment that has been created within the District, and that will be available to pay Annual Debt Service, will be the Value Increment, multiplied by the most recently established mil rate at which taxable property in the City is taxed to levy taxes for all taxing jurisdictions in which the District is located, multiplied by the number of years that Actual Tax Increment may lawfully be allocated to pay Annual Debt Service. Developer and the City agree that, for purposes of calculating reductions in the Letter of Credit, the Annual Debt Service to be paid by Actual Tax Increment shall be calculated based upon the Refunding Obligation. Before

the Refunding Obligation is sold, the Annual Debt Service shall be the estimated total principal and interest on the planned Refunding Obligation, as determined by the City. After the Refunding Obligation is issued, the Annual Debt Service shall be the actual unpaid principal and interest on the Refunding Obligation. Developer agrees that the Letter of Credit shall not be reduced below \$1,000,000.00 until the Actual Tax Increment that has been created within the District is projected to generate an amount equal to or greater than 110 percent of the remaining Annual Debt Service Payments on City Borrowing. The first opportunity for a reduction in the Letter of Credit shall come on September 1, 2016, and subsequent opportunities for reduction will be evaluated each anniversary thereafter.

7. *Agreement.* The City and Developer agree that this Memorandum of Understanding accurately describes their understanding and agreement regarding the amount of the Letter of Credit required by Section D.4. of the Agreement, and the procedure that will apply to calculating reductions of the Letter of Credit, in order to implement the Agreement.

DEVELOPER:

KETTLE PARK WEST LLC

By _____
David Jenkins, Managing Partner

Dated: June _____, 2015.

CITY:

CITY OF STOUGHTON
Dane County, Wisconsin

By _____
Donna Olson, Mayor

ATTEST:

Lana C. Kropf, City Clerk

Dated: June _____, 2015.

\$4,815,000
City of Stoughton, Wisconsin
Note Anticipation Notes, Series 2015
Kettle Park West Project

Sources & Uses

Dated 10/01/2015 | Delivered 10/01/2015

Sources Of Funds	
Par Amount of Bonds.....	\$4,815,000.00
Total Sources.....	\$4,815,000.00
 Uses Of Funds	
Deposit to Project Construction Fund.....	4,577,264.00
Deposit to Capitalized Interest (CIF) Fund.....	168,525.00
Costs of Issuance.....	45,000.00
Total Underwriter's Discount (0.500%).....	24,075.00
Rounding Amount.....	136.00
Total Uses.....	\$4,815,000.00

Attachment A



\$4,815,000

City of Stoughton, Wisconsin
Note Anticipation Notes, Series 2015
Kettle Park West Project

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
10/01/2015	-	-	-	-	-	-	-
10/01/2016	-	-	67,410.00	67,410.00	(67,410.00)	-	-
04/01/2017	-	-	33,705.00	33,705.00	(33,705.00)	-	-
10/01/2017	-	-	33,705.00	33,705.00	(33,705.00)	-	-
04/01/2018	-	-	33,705.00	33,705.00	(33,705.00)	-	-
10/01/2018	4,815,000.00	1.400%	33,705.00	4,848,705.00	-	4,848,705.00	4,848,705.00
Total	\$4,815,000.00	-	\$202,230.00	\$5,017,230.00	(168,525.00)	\$4,848,705.00	-

SIGNIFICANT DATES

Dated Date..... 10/01/2015
Delivery Date..... 10/01/2015
First Coupon Date..... 10/01/2016

Yield Statistics

Bond Year Dollars..... \$14,445.00
Average Life..... 3.000 Years
Average Coupon..... 1.4000000%

Net Interest Cost (NIC)..... 1.5666667%
True Interest Cost (TIC)..... 1.5694215%
Bond Yield for Arbitrage Purposes..... 1.3983516%
All Inclusive Cost (AIC)..... 1.8919113%

IRS Form 8038
Net Interest Cost..... 1.4000000%
Weighted Average Maturity..... 3.000 Years

\$4,315,000

City of Stoughton, Wisconsin
General Obligation Bonds, Series 2018
Kettle Park West Project - Takeout of the 2015 NANS

Sources & Uses

Dated 06/01/2018 | Delivered 06/01/2018

Sources Of Funds

Par Amount of Bonds.....	\$4,315,000.00
Additional source of funds.....	619,879.00
Total Sources.....	\$4,934,879.00

Uses Of Funds

Deposit to Current Refunding Fund.....	4,837,470.00
Costs of Issuance.....	50,000.00
Total Underwriter's Discount (1.000%).....	43,150.00
Rounding Amount.....	4,259.00
Total Uses.....	\$4,934,879.00



\$4,815,000

City of Stoughton, Wisconsin
Note Anticipation Notes, Series 2015
Kettle Park West Project

Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
06/01/2018	-	-	-	-	-	-	-
08/01/2018	4,815,000.00	22,470.00	4,837,470.00	-	-	-	-
10/01/2018	-	-	-	4,815,000.00	1.400%	33,705.00	4,848,705.00
Total	\$4,815,000.00	\$22,470.00	\$4,837,470.00	\$4,815,000.00	-	\$33,705.00	\$4,848,705.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	6/01/2018
Average Life.....	0.333 Years
Average Coupon.....	1.4000000%
Weighted Average Maturity (Par Basis).....	0.333 Years

Refunding Bond Information

Refunding Dated Date.....	6/01/2018
Refunding Delivery Date.....	6/01/2018

\$4,315,000

City of Stoughton, Wisconsin
General Obligation Bonds, Series 2018
Kettle Park West Project - Takeout of the 2015 NANS

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	Net New D/S	Revenue	Surplus(Deficit)	Fiscal Total
06/01/2018	-	-	-	-	-	-	-	-
04/01/2019	185,000.00	1.450%	100,352.08	285,352.08	285,352.08	382,991.00	97,638.92	-
10/01/2019	-	-	58,870.00	58,870.00	58,870.00	-	(58,870.00)	38,768.92
04/01/2020	230,000.00	1.750%	58,870.00	288,870.00	288,870.00	382,991.00	94,121.00	-
10/01/2020	-	-	56,857.50	56,857.50	56,857.50	-	(56,857.50)	37,263.50
04/01/2021	235,000.00	1.900%	56,857.50	291,857.50	291,857.50	382,991.00	91,133.50	-
10/01/2021	-	-	54,625.00	54,625.00	54,625.00	-	(54,625.00)	36,508.50
04/01/2022	240,000.00	2.100%	54,625.00	294,625.00	294,625.00	382,991.00	88,366.00	-
10/01/2022	-	-	52,105.00	52,105.00	52,105.00	-	(52,105.00)	36,261.00
04/01/2023	245,000.00	2.300%	52,105.00	297,105.00	297,105.00	382,991.00	85,886.00	-
10/01/2023	-	-	49,287.50	49,287.50	49,287.50	-	(49,287.50)	36,598.50
04/01/2024	250,000.00	2.400%	49,287.50	299,287.50	299,287.50	382,991.00	83,703.50	-
10/01/2024	-	-	46,287.50	46,287.50	46,287.50	-	(46,287.50)	37,416.00
04/01/2025	255,000.00	2.500%	46,287.50	301,287.50	301,287.50	382,991.00	81,703.50	-
10/01/2025	-	-	43,100.00	43,100.00	43,100.00	-	(43,100.00)	38,603.50
04/01/2026	260,000.00	2.650%	43,100.00	303,100.00	303,100.00	382,991.00	79,891.00	-
10/01/2026	-	-	39,655.00	39,655.00	39,655.00	-	(39,655.00)	40,236.00
04/01/2027	270,000.00	2.850%	39,655.00	309,655.00	309,655.00	382,991.00	73,336.00	-
10/01/2027	-	-	35,807.50	35,807.50	35,807.50	-	(35,807.50)	37,528.50
04/01/2028	280,000.00	2.950%	35,807.50	315,807.50	315,807.50	382,991.00	67,183.50	-
10/01/2028	-	-	31,677.50	31,677.50	31,677.50	-	(31,677.50)	35,506.00
04/01/2029	285,000.00	3.000%	31,677.50	316,677.50	316,677.50	382,991.00	66,313.50	-
10/01/2029	-	-	27,402.50	27,402.50	27,402.50	-	(27,402.50)	38,911.00
04/01/2030	295,000.00	3.200%	27,402.50	322,402.50	322,402.50	382,991.00	60,588.50	-
10/01/2030	-	-	22,682.50	22,682.50	22,682.50	-	(22,682.50)	37,906.00
04/01/2031	305,000.00	3.350%	22,682.50	327,682.50	327,682.50	382,991.00	55,308.50	-
10/01/2031	-	-	17,573.75	17,573.75	17,573.75	-	(17,573.75)	37,734.75
04/01/2032	315,000.00	3.450%	17,573.75	332,573.75	332,573.75	382,991.00	50,417.25	-
10/01/2032	-	-	12,140.00	12,140.00	12,140.00	-	(12,140.00)	38,277.25
04/01/2033	325,000.00	3.600%	12,140.00	337,140.00	337,140.00	382,991.00	45,851.00	-
10/01/2033	-	-	6,290.00	6,290.00	6,290.00	-	(6,290.00)	39,561.00
04/01/2034	340,000.00	3.700%	6,290.00	346,290.00	346,290.00	382,991.00	36,701.00	-
10/01/2034	-	-	-	-	-	-	-	36,701.00
Total	\$4,315,000.00	-	\$1,209,074.58	\$5,524,074.58	\$5,524,074.58	\$6,127,856.00	\$603,781.42	-

SIGNIFICANT DATES

Dated..... 6/01/2018
Delivery Date..... 6/01/2018
First Coupon Date..... 4/01/2019

Yield Statistics

Bond Year Dollars.....\$38,775.83
Average Life..... 8.986 Years
Average Coupon.....3.1181137%

Net Interest Cost (NIC).....3.2293944%
True Interest Cost (TIC).....3.2211094%
Bond Yield for Arbitrage Purposes..... 3.0889451%
All Inclusive Cost (AIC).....3.3766362%

Net Interest Cost in Dollars.....1,209,074.58
Weighted Average Maturity..... 8.986 Years

2018 GO Bonds (Take out 2 | SINGLE PURPOSE | 5/12/2015 | 2:31 PM



Springsted

[Sample Letter of Credit relating to TIF Guarantee]

IRREVOCABLE STANDBY LETTER OF CREDIT

Letter of Credit Number: _____

Dated: _____

Applicant: Kettle Park West, LLC

Beneficiary: The City of Stoughton, a Wisconsin municipal corporation.

Amount: \$ _____ U.S. Dollars

Expiration Date: [Not less than three years after initial issuance]

To the City of Stoughton:

We hereby issue in favor of the City of Stoughton (the "City") our Irrevocable Letter of Credit No. _____, for an amount or amounts not to exceed in the aggregate \$ _____ U. S. Dollars.

This letter of credit shall be payable to the City at any time upon presentation of the following: (1) a sight draft drawn on _____ in an amount to which the City is entitled under Section D of the Amended and Restated Agreement to Undertake Development (Kettle Park West Development) entered into as of the 13th day of November, 2014 (the "Development Agreement"); (2) an affidavit executed by a person authorized by the City stating that monies are due from Kettle Park West, LLC pursuant to Section D.2(b) of the Development Agreement, or because this letter of credit will not be extended, or will be extended, renewed or replaced in an amount that is less than the amount required by Section D of the Development Agreement; and (3) this Letter of Credit.

This letter of credit is issued to secure certain guarantee obligations of Kettle Park West, LLC under the Development Agreement. The City intends to issue Note Anticipation Notes in 2015, and to pay the Note Anticipation Notes in 2018 by issuing a Refunding Obligation. The amount of this letter of credit has been calculated based on the expected amount needed to pay the Note Anticipation Notes. The amount of the Refunding Obligation will exceed the amount of the Note Anticipation Note. Before issuing the Refunding Obligation, the City will require Kettle Park West, LLC to provide a letter of credit in the amount needed to secure repayment of the Refunding Obligation, which amount may exceed the amount of this letter of credit. We recognize that if Kettle Park West, LLC fails to provide a letter of credit in the amount needed to secure repayment of

the Refunding Obligation, this letter of credit shall be payable to the City, and the City may use the proceeds of this letter of credit to pay the Note Anticipation Notes when due.

Partial drawings are permitted.

This Letter of Credit and each extended, renewed or replacement letter of credit shall be automatically extended without amendment for a period of one year from its expiration date, unless at least 45 days before such expiration date we notify the City in writing that the letter of credit will not be extended for an additional one-year period, or that the letter of credit will be renewed or replaced by a letter of credit in an amount that is less than the amount required by Section D of the Development Agreement, which amount shall be specified in such written notice. Upon receipt of notice that this Letter of Credit or any extended, renewed or replacement letter of credit will not be renewed, or will be replaced by a letter of credit in an amount that is less than the amount required by Section D of the Development Agreement, the City may draw upon this or any extended, renewed, or replacement letter of credit an amount equal to the total principal and interest payments that remain unpaid on all remaining Annual Debt Service Payments on City Borrowing, as those terms are defined in the Development Agreement.

We hereby engage with you to honor all drafts drawn in compliance with the terms and conditions of this Letter of Credit if presented together with the required documents at _____, no later than the close of business on _____, the date on which this Letter of Credit Expires.