VILLAGE OF MCFARLAND

NOTICE OF PUBLIC MEETING

Joint Review Board

Tuesday, June 25, 2019 **3:00 PM** **McFarland Municipal Center**

Conference Room C

AGENDA

1. CALL TO ORDER.
2. ATTENDANCE/ROLL CALL.
3. PUBLIC APPEARANCES.
4. BUSINESS.
   a. Discussion and action regarding minutes of the meeting held June 21, 2018.

   b. Discussion and action to accept the 2018 Annual Report for Tax Increment District #3.

   c. Discussion and action to accept the 2018 Annual Report for Tax Increment District #4.

   d. Discussion regarding the 2018 Annual Report for Tax Increment District #5.

   e. Discussion and presentation regarding the conceptual plan to create TID #6 as an overlay district.
5. ADJOURNMENT.

VILLAGE OF MCFARLAND

Joint Review Board Minutes

Thursday, June 21, 2018 - 4:00 PM

1. **CALL TO ORDER.**
   Brad Czebotar called the regular meeting of the Joint Board of Review to order at 4:04 PM in Conference Room A at the McFarland Municipal Center.

2. **ATTENDANCE/ROLL CALL.**
   Members present:
   Brad Czebotar (Village President), Adam Gallagher (Dane County), Jeff Mahoney (McFarland School District), and Erik Thoreson (McFarland Resident, arrived at 4:12 pm)

   Members not present:
   Laurie Grigg (Madison Area Technical College)

   Staff Present:
   Village Administrator Matt Schuenke

3. **PUBLIC APPEARANCES.**
   None.

4. **BUSINESS.**

   a. *Discussion and action regarding minutes of the meeting held December 18, 2017.*
   A motion was made by Czebotar, seconded by Gallagher, and unanimously carried by the Joint Review Board to approve the minutes of the meeting held December 18, 2017.

   b. *Discussion and action to accept the 2017 Annual Report for Tax Increment District #3.*
   A motion was made by Czebotar, seconded by Gallagher, and unanimously carried by the Joint Review Board to accept the 2017 Annual Report for Tax Increment District #3.

   c. *Discussion and action to accept the 2017 Annual Report for Tax Increment District #4.*
   A motion was made by Gallagher, seconded by Czebotar, and unanimously carried by the Joint Review Board to accept the 2017 Annual Report for Tax Increment District #4.

5. ADJOURNMENT.

Motion by Czebotar, second by Gallagher, to adjourn at 4:14 pm.

Pursuant to law, written notice of this meeting was given to the public and posted on the public bulletin boards in accordance with Open Meetings Law.

Respectfully submitted,
Matthew G. Schuenke
Village Administrator

www.mcfarland.wi.us | 5915 Milwaukee St, McFarland, WI 53558 | 608.838.3153

Memorandum

To: Joint Review Board

From: Matthew G. Schuenke, Village Administrator *mgs*

Cc: Dane County
Madison Area Technical College
School District of McFarland

Date: June 14, 2019

Re: 2018 Annual Report – *Tax Incremental District #3*

Executive Summary

ACT 257 was created by the State of Wisconsin as a means to require municipalities to hold annual Joint Review Board meetings with the express purpose to review an annual report with the other overlying taxing jurisdictions. Several financial metrics are required to be provided in order to demonstrate the TID's performance over time. The Village is fortunate that it has been preparing this type of annual report voluntarily through its annual auditing process since at least 2006. This cover memorandum is provided as a summary of the year in review and an introduction to the financial statements prepared for the year.

Annual Review

TID #3 was created as a post 1995 Industrial TID on August 9, 2004. It is scheduled to expire on August 9, 2027 and not presently forecasted for closure prior to this date. TID #3 has done very well with a positive fund balance of $1,227,304 at the end of 2018. It has also served as a donor to TID #4 as authorized by the JRB on July 14, 2015. A subsidy was provided to TID #4 in 2018 of $245,470 which offset public improvements related to the County Highway MN (Farwell Street) project. There remains an outstanding obligation from TID #4 to #3 for the repayment of the economic development incentive for Farwell Place Apartments. TID #4 made it first payment back to TID #3 for this purpose and is on track to fulfill this obligation before closure as intended.

TID #3 did experience a deficit in 2018. There were several large projects contributing to this that lined up in the same year. The subsidy previously mentioned to TID #4 followed by TID #3's share of repaving of Siggelkow Road that was completed last year. Finally the second phase of Waubesa Village approved in 2017 was paid out in 2018.

There was some activity in the district in 2018. The second phase of Waubesa Village was completed and all final payments made as a result of that agreement. The full value for this development was achieved as of January 1, 2019. The first part of 2019 has been spent on evaluating a four phase project at 4703 Terminal Drive. The first phase of this project has been approved as Apartments but the second and third phases will bring forth a three and four story office building, respectively. The last phase will add a final apartment building to the site. This property has had many challenges and sat idle for many years, but it appears as if significant new value will be added to it in the near future. The Village is also reviewing plans that will finally occupy the vacant half of what was formerly 84 Lumber with a construction supply business. Finally a Hotel Feasibility Study was completed in the Fall/Winter that suggested a hotel within this district could be supported.

The district still has about $8.9 million in unexpended funds authorized in its project plan that could be pursued in future years including public improvements, economic development, and marketing initiatives. Also included is draft form PE 300 which is submitted to the DOR to convey the data from the financial statements.

Exhibits

Exhibit A – Compiled Financial Statements of TID #3 prepared by Baker Tilly

Exhibit B – Draft Form PE 300

Exhibit A

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 3

McFarland, Wisconsin

COMPILED
FINANCIAL STATEMENTS

Including Accountants' Compilation Report

As of and for the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 3

TABLE OF CONTENTS
As of and for the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

ACCOUNTANTS' COMPILATION REPORT

To the Village Board
Village of McFarland
McFarland, Wisconsin

Management is responsible for the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses, and Status of Funds of the Village of McFarland's 's Tax Incremental District No. 3 ("district") as of and for the year ended December 31, 2018 and from the date of creation through December 31, 2018, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the *Accounting and Review Services Committee* of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As discussed in Note 1, the financial statements present only the transactions of the district and do not purport to, and do not, present fairly the financial position of the Village of McFarland as of December 31, 2018, the changes in its financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economical, or historical context.

Madison, Wisconsin
June 7, 2019

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 3

COMPILED
BALANCE SHEET
As of December 31, 2018

	Capital Projects Fund
ASSETS	
Cash and investments	$ 602,352
Taxes receivable	871,381
Advances to village funds	624,981
TOTAL ASSETS	$ 2,098,714
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Accounts payable	$ 29
Total Liabilities	29
Deferred Inflows of Resources	
Unearned revenue	871,381
Total Deferred Inflows of Resources	871,381
Fund Balance	
Restricted	1,227,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 2,098,714

DRAFT

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 3

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2018
and From the Date of Creation Through December 31, 2018

	Year Ended	From Date of Creation
PROJECT COSTS		
Capital expenditures	$ 358,000	$ 2,477,747
Developer payments	350,800	3,295,670
Administration (in-house)	35,833	462,955
Professional services	14,079	191,502
Subsidy to TIF No. 4	245,470	1,089,128
Interest on advance	-	38,446
Interest and fiscal charges	66,406	2,071,261
Total Project Costs	1,070,588	9,626,709
PROJECT REVENUES		
Tax increments	821,442	8,633,717
Developer guarantees	-	504,201
Exempt computer aid	5,547	95,912
Licenses and permits	-	8,152
Investment income	15,418	52,288
Interest on advances	-	10,198
Rent	-	85,849
Miscellaneous	-	4,917
Debt premium	-	43,779
Total Project Revenues	842,407	9,439,013
NET COST RECOVERABLE (RECOVERED) THROUGH TIF INCREMENTS - DECEMBER 31, 2018	$ 228,181	$ 187,696
RECONCILIATION OF RECOVERABLE COSTS		
G.O. debt outstanding		$ 1,415,000
Less: Fund balance		(1,227,304)
NET COST RECOVERABLE THROUGH TIF INCREMENTS - DECEMBER 31, 2018		$ 187,696

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 3

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2018
and From the Date of Creation Through December 31, 2018

	Year Ended	From Date of Creation
SOURCES OF FUNDS		
Tax increments	$ 821,442	$ 8,633,717
Developer guarantees	-	504,201
Exempt computer aid	5,547	95,912
Licenses and permits	-	8,152
Investment income	15,418	52,288
Interest on advances	-	10,198
Rent	-	85,849
Miscellaneous	-	4,917
Debt premium	-	43,779
Long-term debt issued	-	7,355,000
Total Sources of Funds	842,407	16,794,013
USES OF FUNDS		
Capital expenditures	358,000	2,477,747
Developer payments	350,800	3,295,670
Administration (in-house)	35,833	462,955
Professional services	14,079	191,502
Subsidy to TIF No. 4	245,470	1,089,128
Interest on advance	-	38,446
Interest and fiscal charges	66,406	2,071,261
Principal on long-term debt	-	5,940,000
Total Uses of Funds	1,070,588	15,566,709
Excess (deficiency) of sources of funds over uses of funds	(228,181)	1,227,304
FUND BALANCE - Beginning of Period	1,455,485	-
FUND BALANCE - DECEMBER 31, 2018	$ 1,227,304	$ 1,227,304

DRAFT

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 3

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of McFarland's Tax Incremental District No. 3 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The Village of McFarland has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of Tax Incremental District No. 3. The accompanying financial statements reflect all the significant operations of the Village of McFarland's Tax Incremental District No. 3. The accompanying financial statements do not include the full presentation of the Village of McFarland.

A. Description of Fund Structure and Long-Term Debt

This report contains the financial information of the Village of McFarland's Tax Incremental District No. 3. The summary statements were prepared from data recorded in the following funds and the village's long-term debt:

General Fund
Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the Village of McFarland's basic financial statements.

The data was consolidated for purposes of this report. Therefore, the amounts shown in the accompanying statements will not directly correlate with amounts shown in the basic financial statements.

The district was created under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the district. The tax on the increased value is called a tax increment.

The statutes allow the district to collect tax increments until the net project cost has been fully recovered, or until 23 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the Village of McFarland. Project costs may be incurred up to five years before the unextended termination date of the district.

Original Project Plan	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 3	08/09/04	08/09/22	2028

Plan Amendment	Adoption Date	Last Date to Incur Project Costs
TID No. 3	12/10/07	08/09/22

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. Description of Fund Structure and Long-Term Debt (cont.)

Plan Amendment	Adoption Date	Last Date to Incur Project Costs
TID No. 3	06/22/15	08/09/22

B. Basis of Accounting

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Project costs, other than interest on long-term debt, are recorded when the related fund liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the village is entitled to the aids.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Measurement Focus

The measurement focus of all governmental funds is the funds flow concept. Under the funds flow concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unavailable or unearned revenue or nonspendable fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the long-term debt footnote disclosure. The related expenditures are recognized when the liabilities are liquidated.

E. Project Plan Budget

The estimated revenues and expenditures of the district are adopted in the project plan. Those estimates are for the entire life of the district, and may not be comparable to interim results presented in this report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Long-Term Debt

Short-term liabilities are recorded as fund liabilities. All other long-term liabilities are shown in the long-term debt footnote disclosure.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Sources of Funds" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

G. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are disclosed in the long-term debt footnote when the related liabilities are incurred.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

The district invests its funds in accordance with the provisions of the Wisconsin Statutes 66.0603(1m) and 67.11(2).

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The district, as a fund of the Village of McFarland, maintains common cash and investment accounts at the same financial institutions utilized by the Village of McFarland. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the Village of McFarland as an individual municipality, and, accordingly, the amount of insured funds is not determinable for the district.

NOTE 3 – LONG-TERM DEBT

A. General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the Village of McFarland. Notes and bonds borrowed to finance the district's expenditures will be retired by tax increments accumulated by the TIF District No. 3 fund. If those revenues are not sufficient, payments will be made by future tax levies.

NOTE 3 – LONG-TERM DEBT (cont.)

A. *General Obligation Debt* (cont.)

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Repaid	Balance 12-31-18
2004 BANS	12/28/04	12/31/09	4.50%	$ 1,535,000	$ 1,535,000	$ -
2005 BANS	05/15/05	09/01/09	3.50%	1,420,000	1,420,000	-
2008 Taxable G.O. Promissory Notes	12/15/08	12/01/17	4.50-6.15%	2,635,000	2,635,000	-
2008 G.O. Refunding Bonds	12/15/08	12/01/23	4.50-4.75%	1,415,000	-	1,415,000
2008 State Trust Fund Loan	03/25/08	03/15/23	4.75%	140,000	140,000	-
2008 G.O. Promissory Notes	12/15/08	12/01/18	4.00-4.25%	210,000	210,000	-
				$ 7,355,000	$ 5,940,000	$ 1,415,000

Aggregate maturities of all long-term debt relating to the district are as follows:

	Principal	Interest	Total
2019	$ 260,000	$ 66,406	$ 326,406
2020	270,000	54,056	324,056
2021	285,000	40,894	325,894
2022	295,000	27,000	322,000
2023	305,000	13,725	318,725
Totals	$ 1,415,000	$ 202,081	$ 1,617,081

NOTE 4 – ADVANCES TO VILLAGE FUNDS

In 2016, the TIF District No.3 advanced $500,000 to TIF District No. 4. The amount advanced was determined by the deficiency of revenues over expenditures and other financing sources since the District's inception. Repayment for this advance began in 2018 with interest. TIF District No. 3 is charging TIF District No. 4 interest on the advance based on the average outstanding advance balance during the year at a floating interest rate. The outstanding portion of this advance was $453,040 as of December 31, 2018. In 2018, TIF No. 3 advanced an additional $43,763. TIF No. 3 also advanced $128,178 to TIF No. 5 in 2018. No interest was charged on the additional advance to TIF No. 4 and the advance to TIF No. 5.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 3

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

NOTE 4 – ADVANCES TO VILLAGE FUNDS (cont.)

Below is a table showing the cumulative results of the advance:

	Advance (including interest)	Cumulative
2007*	$ 14,650	$ 14,650
2008*	77,419	92,069
2009	145,224	237,293
2010	54,344	291,637
2011	46,231	337,868
2012	72,340	410,208
2013	69,909	480,117
2014	79,358	559,475
2015	94,684	654,159
2016	(154,159)	500,000
2017	-	500,000
Total	$ 500,000	

*In 2007 and 2008, the advance to TIF District No. 4 was from the General Fund.

The following is the advance repayment schedule.

Years	Principal	Interest
2018	$ 46,960	$ 4,519
2019	49,437	2,043
2020	49,660	1,820
2021	49,883	1,596
2022	50,108	1,371
2023-2027	253,952	3,446
Totals	$ 500,000	$ 14,795

NOTE 5 – GUARANTEED REVENUE

High Track, LLC

During 2004, the Village of McFarland entered into a development agreement with High Track, LLC. The agreement guarantees that the developer will pay the difference between the guaranteed tax increment and the tax increment actually levied on an annual basis.

NOTE 5 – GUARANTEED REVENUE (cont.)

HIGH TRACK, LLC (cont.)

The developer agreed to construct the cold storage facility in TIF District No. 3 so that the fair market value on January 1, 2005 would generate a tax increment of $150,000. If the development generated less than $150,000, the developer would owe the village the difference. The payment would be made by the developer to the village. One-half of the payment was due on or before January 31, 2006 with the balance due on or before July 31, 2006. The actual property taxes for 2005 totaled $137,832, thus triggering a supplemental increment requirement of $12,167. Consistent with the terms of the agreement, half of the supplemental payment was due January 31, 2006 and the remaining half due July 31, 2006.

By January 1, 2006, the developer agreed that the fair market value of the facility would generate a tax increment of $225,000. If the development generates less than this amount, the developer is required to annually, thereafter, pay the village a sum which is the difference between the increment generated and $225,000. This payment will be made semi-annually by developer to village on or before January 31 and July 31 of each succeeding year.

In May 2010, the High Track refrigerated warehousing business located at 4704 Terminal Drive was sold by High Track, LLC to Midwest Refrigerated Services, Inc. As a result of the sale and reduced demand for warehousing space due to the weak economy, the assessed valuation of the real estate decreased from $15,785,900 in 2009 to $13,600,000 in 2010. The current loan was assumed by the new owners and the annual property taxes exceeds the guaranteed annual tax increment of $225,000.

During 2007 - 2018, the fair market value of the facility generated enough increment that no supplemental increment payment was required to be made by High Track.

SPARTAN PROPERTIES AND 84 LUMBER

The Village of McFarland also entered into development agreements with Spartan Properties and 84 Lumber under which TIF District No. 3 provided loans to facilitate two separate redevelopment projects. Both of these development agreements guarantee certain minimum assessed valuations for the properties in the year following the completion of construction. If the actual assessed values fall short of the guaranteed assessment amounts, the developers are obligated to make additional payments to the village equivalent to the property taxes that would have been due on the shortfall in valuation.

The 84 Lumber wholesale building products business located at 4414 Terminal Drive was sold in 2016. The existing loan ($29,552) from TIF District No. 3 to 84 Lumber was due upon sale and was paid in early 2017.

Partial construction on the Spartan Properties redevelopment project located at 4915 Voges Road commenced in 2012, but challenging market conditions and tight real estate lending practices make uncertain the timetable for completing full redevelopment of the site. It is anticipated, therefore, that TIF District No. 3 will remain heavily reliant on developer make-up payments in 2016 and 2017. These make-up payments are secured by a bank letter of credit and by a mortgage to the property. The village received $68,653 in make-up payments from Spartan Properties in 2016. As of 1/1/17, Spartan Properties had generated enough increment to no longer require any extra make-up payments.

NOTE 5 – GUARANTEED REVENUE (cont.)

Waubesa Village

In 2015, the Village of McFarland entered into a development agreement with Waubesa Village, LLC. The agreement guarantees that Waubesa Village, LLC shall pay the difference between the guaranteed tax increment and the tax increment actually levied. A makeup payment of $41,432 was made in 2017.

NOTE 6 – INCREMENT SHARING

As allowable under TIF statutes, the Village of McFarland may share positive TIF increments. In 2015, the Village of McFarland and the joint review board approved sharing increments from TIF District No. 3 (donor district) to TIF District No. 4 (donee district). Transfers are reflected as recoverable costs in the donor district, and as project revenues in the donee district. Transfers were approved to begin in 2015. Transfers to date total $1,089,128. TIF increment sharing is valid for the life of the donor district or the recipient district, whichever date comes first, and the life of the donor district may not be extended. Transfers between districts are subject to various conditions in the statutes.

NOTE 7 – DEVELOPER PAYMENTS

Developer	Description	Year of Payment	Amount
High Track, LLC	Forgivable loan related to the construction of a cold storage facility and offices with a final completion value of approximately $9,000,000	2004	$ 1,500,000
Spartan Properties	Economic development assistance	2008	476,250
84 Lumber	Forgivable loan	2006	265,443
		2007	142,730
		2009	4,768
		2011	10,095
Waubesa Village, LLC	Economic development assistance	2016	545,584
		2018	350,800

SUPLEMENTAL INFORMATION

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 3

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2018

	2004	2005	2006	2007	2008	2009	2010	2011
SOURCES								
Tax increments	$ -	$ -	$ 164,170	$ 331,293	$ 462,568	$ 712,470	$ 829,770	$ 802,316
Developer guarantee	-	-	-	-	-	16,346	28,278	33,804
Exempt compter aid	-	-	3,244	8,725	6,345	3,339	7,832	15,273
Licenses and permits	-	-	8,152	-	-	-	-	-
Investment income	-	25,513	-	-	420	1,077	41	32
Interest on advance	-	-	-	-	-	2,457	555	440
Rent	-	-	4,500	10,800	10,800	10,800	10,974	11,100
Miscellaneous	-	-	-	-	-	-	-	-
Debt premium	-	1,545	-	-	42,234	-	-	-
Long-term debt issued	1,535,000	1,420,000	-	-	4,400,000	-	-	-
Total Sources	1,535,000	1,447,058	180,066	350,818	4,922,367	746,489	877,450	862,965
USES								
Capital expenditures	464,250	627,599	245,447	19,416	216,851	21,820	134,363	1,000
Developer payments	1,500,000	-	265,443	142,730	476,250	4,768	-	10,095
Administration (in-house)	16,865	36,080	23,175	29,072	25,652	28,614	32,072	32,753
Professional services	13,301	6,560	17,175	7,744	14,711	4,728	24,836	5,398
Subsidy to TIF No. 4	-	-	-	-	-	-	-	-
Interest on advance	5,749	4,089	7,531	14,149	6,928	-	-	-
Interest and fiscal charges	28,100	32,359	173,727	115,091	212,218	270,964	208,986	194,449
Principal on long-term debt	-	-	-	-	-	3,250,000	325,000	345,000
Total Uses	2,028,265	706,687	732,498	328,202	952,610	3,580,894	725,257	588,695
Excess (deficiency) of sources of funds over uses of funds	(493,265)	740,371	(552,432)	22,616	3,969,757	(2,834,405)	152,193	274,270
FUND BALANCE - Beginning of Period (Deficit)	-	(493,265)	247,106	(305,326)	(282,710)	3,687,047	852,642	1,004,835
FUND BALANCE - END OF PERIOD (DEFICIT)	$ (493,265)	$ 247,106	$ (305,326)	$ (282,710)	$ 3,687,047	$ 852,642	$ 1,004,835	$ 1,279,105

	2012	2013	2014	2015	2016	2017	2018	Totals	Project Plan Estimate
SOURCES									
Tax increments	$ 753,774	$ 710,116	$ 704,314	$ 778,000	$ 767,184	$ 796,300	$ 821,442	$ 8,633,717	$ 26,865,307
Developer guarantee	-	80,104	94,120	90,966	119,151	41,432	-	504,201	-
Exempt compter aid	13,760	10,495	7,114	4,784	3,988	5,466	5,547	95,912	-
Licenses and permits	-	-	-	-	-	-	-	8,152	-
Investment income	33	-	-	-	4,936	4,818	15,418	52,288	36,185
Interest on advance	598	445	416	802	4,485	-	-	10,198	-
Rent	11,100	11,100	4,675	-	-	-	-	85,849	-
Miscellaneous	238	4,679	-	-	-	-	-	4,917	447,337
Debt premium	-	-	-	-	-	-	-	43,779	43,779
Long-term debt issued	-	-	-	-	-	-	-	7,355,000	16,925,785
Total Sources	779,503	816,939	810,639	874,552	899,744	848,016	842,407	16,794,013	44,318,393
USES									
Capital expenditures	143,530	239,332	6,139	-	-	-	358,000	2,477,747	9,639,818
Developer payments	-	-	-	-	545,584	-	350,800	3,295,670	5,000,000
Administration (in-house)	31,983	32,790	32,958	33,715	35,971	35,422	35,833	462,955	975,201
Professional services	10,687	2,819	11,769	10,623	29,958	17,114	14,079	191,502	-
Subsidy to TIF No. 4	-	-	-	-	843,658	-	245,470	1,089,128	4,373,416
Interest on advance	-	-	-	-	-	-	-	38,446	38,466
Interest and fiscal charges	178,311	160,376	140,728	122,064	101,076	66,406	66,406	2,071,261	3,538,049
Principal on long-term debt	360,000	380,000	345,000	365,000	570,000	-	-	5,940,000	16,925,785
Total Uses	724,511	815,317	536,594	531,402	2,126,247	118,942	1,070,588	15,566,709	40,490,735
Excess (deficiency) of sources of funds over uses of funds	54,992	1,622	274,045	343,150	(1,226,503)	729,074	(228,181)	1,227,304	
FUND BALANCE - Beginning of Period (Deficit)	1,279,105	1,334,097	1,335,719	1,609,764	$ 1,952,914	$ 726,411	$ 1,455,485	-	
FUND BALANCE - END OF PERIOD (DEFICIT)	$ 1,334,097	$ 1,335,719	$ 1,609,764	$ 1,952,914	$ 726,411	$ 1,455,485	$ 1,227,304	$ 1,227,304	

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 3

COMPILED
DETAILED SCHEDULE OF CAPITAL EXPENDITURES
AND DEVELOPER PAYMENTS
From the Date of Creation Through December 31, 2018

	Actual	Project Plan Estimate
CAPITAL EXPENDITURES		
Ivywood Trail improvements	$ 408,153	$ 408,153
Siggelkow Road improvements	358,000	420,000
Sanitary sewer - Terminal Drive	816,318	1,000,000
Street improvements - Terminal Drive (urban)	127,136	1,846,000
Storm water improvements - Terminal Drive/Triangle St	242,020	513,665
Triangle Street improvements	230,303	1,070,000
Meinders Road improvements	19,690	232,000
USH 51 landscaping	-	250,000
Planning and engineering redevelopment plan	136,077	400,000
Marketing and business recruitment incentives	500,000	1,000,000
Economic development	2,795,670	5,000,000
Land acquisition, relocation, demolition	140,050	2,500,000
TOTAL CAPITAL EXPENDITURES	$ 5,773,417	$ 14,639,818

Exhibit B

Form PE-300	TID Annual Report	2018 WI Dept of Revenue

Municipality/TID

Co-muni code	Municipality		County	Due date	Report type
13154	MCFARLAND		DANE	07-01-2019	ORIGINAL
TID number	TID type	TID name	Creation date	Mandatory termination date	Expected termination date
003	4	TID 3	08-09-2004	08-09-2027	N/A

Section 1 : Beginning Balance	
TID fund balance at beginning of fiscal year	$1,455,485

Section 2. Revenue	
Does this TID receive allocated funds from another TID?	No
Allocation from another TID	Allocation amount
N/A	$0
Subtotal allocation from another TID amount	$0
Developer guarantee name	Developer guarantee amount
Subtotal developer guarantee amount	$0
Transfer from other fund source	Transfer from other fund amount
Subtotal transfer from other fund amount	$0
Other grant sources	Other grant amount
Subtotal other grant source amount	$0
Other revenue sources	Other revenue amount
Subtotal other revenue source amount	$0
Tax increment	$821,442
Investment income	$15,418
Debt proceeds	$0
Special assessments	$0
Exempt computer aid	$5,547
Sale of property	$0
Total Revenue (deposits)	$842,407

Section 3. Expenditures	
Developer grant name	**Developer grant amount**
Waubesa Village Phase 2	$350,800
Subtotal developer grant amount	**$350,800**
Does this TID allocate funds to another TID?	Yes
Allocation to another TID	**Allocation amount**
004	$245,470
Subtotal allocation to another TID	**$245,470**
Transfer to other fund name	**Transfer to other fund amount**
Subtotal transfer to other fund amount	**$0**
Other expenditure name	**Other expenditure amount**
Subtotal other expenditures amount	**$0**
Capital expenditures	**$358,000**
Administration	**$35,833**
Professional services	**$14,079**
Interest and fiscal charges	**$66,406**
DOR fees	**$0**
Discount on long-term debt	**$0**
Debt issuance costs	**$0**
Principal on long-term debt	**$0**
Environmental costs	**$0**
Real property assembly costs	**$0**
Total Expenditures	**$1,070,588**

Section 4. Ending Balance	
TID fund balance at end of fiscal year	**$1,227,304**
Future costs	**$24,924,026**
Future revenue	**$27,524,380**
Surplus or deficit	**$3,827,658**

Form PE-300	TID Annual Report	2018 WI Dept of Revenue

Preparer/Contact Information

Preparer name **Matt Schuenke**	Preparer title **Village Administrator**
Preparer email **matt.schuenke@mcfarland.wi.us**	Preparer phone **(608) 838-3153**
Contact name **Matt Schuenke**	Contact title **Village Administrator**
Contact email **matt.schuenke@mcfarland.wi.us**	Contact phone **(608) 838-3153**

www.mcfarland.wi.us | 5915 Milwaukee St, McFarland, WI 53558 | 608.838.3153

Memorandum

To: Joint Review Board

From: Matthew G. Schuenke, Village Administrator *mgs*

Cc: Dane County
Madison Area Technical College
School District of McFarland

Date: June 14, 2019

Re: 2018 Annual Report – *Tax Incremental District #4*

Executive Summary

ACT 257 was created by the State of Wisconsin as a means to require municipalities to hold annual Joint Review Board meetings with the express purpose to review an annual report with the other overlying taxing jurisdictions. Several financial metrics are required to be provided in order to demonstrate the TID's performance over time. The Village is fortunate that it has been preparing this type of annual report voluntarily through its annual auditing process since this TID was created. This cover memorandum is provided as a summary of the year in review and an introduction to the financial statements prepared for the year.

Annual Review

TID #4 was created as a post 1995 Blight TID on January 14, 2008. It is scheduled to expire on January 14, 2035 and not presently forecasted for closure prior to this date. TID #4 first began collecting increment in 2017 after not having collected any since its inception. This has contributed to its financial health as it has historically had very little revenue to offset operating costs from year to year. The expenses for this TID to date have been supported by advances from TID #3 and debt service (which was paid by the advances). Its current fund balance is at ($433,303) which is a gain following a surplus last year. Second year in a row the District generated a surplus. All of the remaining outstanding deficit is related to its obligation to pay back TID #3 for the advance to fund the Farwell Place incentive. 2018 is the first year of ten as a payment back to TID #3 for that purpose.

Other than changes in market conditions affecting property values, the District was low on activity with respect to new construction. Staff continues to evaluate and work with property owners within this District in three areas: 1) second phase of Farwell Place Apartments; 2) Addition/renovation to the McFarland House Café property; and 3) sale of the land acquired at Bashford and Johnson streets. Most of the expense associated with 2018 was centered around capital improvements for the repaving of County Highway MN (Farwell Street) and general operations. The district still has about $5.9 million in unexpended funds authorized in its project plan that could be pursued in future years including streetscaping, land acquisition, public improvements, economic development, and marketing initiatives. Also included is draft form PE 300 which is submitted to the DOR to convey the data from the financial statements.

Exhibits

Exhibit A – Compiled Financial Statements of TID #4 prepared by Baker Tilly

Exhibit B – Draft Form PE 300

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4

McFarland, Wisconsin

COMPILED
FINANCIAL STATEMENTS

Including Accountants' Compilation Report

As of and For the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4

TABLE OF CONTENTS
As of and For the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

ACCOUNTANTS' COMPILATION REPORT

To the Village Board
Village of McFarland
McFarland, Wisconsin

Management is responsible for the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses, and Status of Funds of the Village of McFarland's Tax Incremental District No. 4 ("district") as of and for the year ended December 31, 2018 and from the date of creation through December 31, 2018, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the *Accounting and Review Services Committee* of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As discussed in Note 1, the financial statements present only the transactions of the district and do not purport to, and do not, present fairly the financial position of the Village of McFarland as of December 31, 2018, the changes in its financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economical, or historical context.

Madison, Wisconsin
June 7, 2019

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4

COMPILED
BALANCE SHEET
As of December 31, 2018

	Capital Projects Fund
ASSETS	
Tax receivable	$ 93,135
Loans receivable	63,500
TOTAL ASSETS	$ 156,635
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Advances from village funds (TIF District No. 3)	$ 496,803
Total Liabilities	496,803
Deferred Inflows of Resources	
Unearned revenue	93,135
Total Deferred Inflows of Resources	93,135
Fund Balance	
Unassigned (deficit)	(433,303)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 156,635

DRAFT

See accompanying notes to financial statement.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2018
and From the Date of Creation Through December 31, 2018

	Year Ended	From Date of Creation
PROJECT COSTS		
Capital expenditures	$ 206,019	$ 809,638
Developer payments	-	592,500
Administration (in-house)	16,247	313,170
Professional services	21,848	109,133
Interest on advance	4,519	14,717
Interest and fiscal charges	7,576	95,566
Total Project Costs	256,209	1,934,724
PROJECT REVENUES		
Tax increments	84,834	120,356
Exempt computer aid	1,374	9,778
Subsidy from TIF No. 3	245,470	1,089,128
Investment Income	-	323
Loan payments	8,750	26,250
Miscellaneous	1,300	1,300
Debt premium	-	9,286
Total Project Revenues	341,728	1,256,421
NET COSTS RECOVERABLE THROUGH TAX INCREMENTS – DECEMBER 31, 2018	$ (85,519)	$ 678,303
RECONCILIATION OF RECOVERABLE COSTS		
G.O. debt outstanding		$ 245,000
Add: Deficit fund balance		433,303
NET COSTS RECOVERABLE THROUGH TAX INCREMENTS – DECEMBER 31, 2018		$ 678,303

DRAFT

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2018
and From the Date of Creation Through December 31, 2018

	Year Ended	From Date of Creation
SOURCES OF FUNDS		
Tax increments	$ 84,834	$ 120,356
Exempt computer aid	1,374	9,778
Subsidy from TIF No. 3	245,470	1,089,128
Investment Income	-	323
Loan payments	8,750	26,250
Miscellaneous	1,300	1,300
Debt premium	-	9,286
Long-term debt issued	-	545,000
Total Sources of Funds	341,728	1,801,421
USES OF FUNDS		
Capital expenditures	206,019	809,638
Developer payments	-	592,500
Administration (in-house)	16,247	313,170
Professional services	21,848	109,133
Interest on advance	4,519	14,717
Interest and fiscal charges	7,576	95,566
Principal on long term debt	30,000	300,000
Total Uses of Funds	286,209	2,234,724
Excess (deficiency) of sources of funds over uses of funds	55,519	(433,303)
FUND BALANCE (DEFICIT) - Beginning of Period	(488,822)	-
FUND BALANCE (DEFICIT) - DECEMBER 31, 2018	$ (433,303)	$ (433,303)

DRAFT

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended December 31, 2018
From the Date of Creation Through December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of McFarland's Tax Incremental District No. 4 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The Village of McFarland has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of Tax Incremental District No. 4. The accompanying financial statements reflect all the significant operations of Village of McFarland's Tax Incremental District No.4. The accompanying financial statements do not include the full presentation of the Village of McFarland.

A. Description of Fund Structure and Long-Term Debt

This report contains the financial information of the Village of McFarland's Tax Incremental District No. 4. The summary statements were prepared from data recorded in the following funds and the village's long-term debt:

General Fund
Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the Village of McFarland's basic financial statements.

The data was consolidated for purposes of this report. Therefore, the amounts shown in the accompanying statements will not directly correlate with amounts shown in the basic financial statements.

The district was created under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the district. The tax on the increased value is called a tax increment.

The statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or until 27 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the Village of McFarland. Project costs may be incurred up to five years before the unextended termination date of the district.

Original Project Plan	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 4	01/14/08	01/14/30	2035

Plan Amendment	Adoption Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 4	06/22/15	01/14/30	2035

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. *Basis of Accounting*

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Project costs, other than interest on long-term debt, are recorded when the related fund liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the village is entitled to the aids.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

C. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. *Measurement Focus*

The measurement focus of all governmental funds is the funds flow concept. Under the funds flow concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unavailable or unearned revenue or nonspendable fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the long-term debt footnote disclosure. The related expenditures are recognized when the liabilities are liquidated.

E. *Project Plan Budget*

The estimated revenues and expenditures of the district are adopted in the project plan. Those estimates are for the entire life of the district, and may not be comparable to interim results presented in this report.

F. *Long-Term Debt*

Short-term liabilities are recorded as fund liabilities. All other long-term liabilities are shown in the long-term debt footnote disclosure.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Sources of Funds" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. *Claims and Judgments*

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are disclosed in the long-term debt footnote when the related liabilities are incurred.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

The district invests its funds in accordance with the provisions of the Wisconsin Statutes 66.0603(1m) and 67.11(2).

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The district, as a fund of the Village of McFarland, maintains common cash and investment accounts at the same financial institutions utilized by the Village of McFarland. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the Village of McFarland as an individual municipality and, accordingly, the amount of insured funds is not determinable for the district.

NOTE 3 – LONG TERM DEBT

A. *General Obligation Debt*

All general obligation notes and bonds payable are backed by the full faith and credit of the Village of McFarland. Notes and bonds borrowed to finance the district's expenditures will be retired by tax increments accumulated by the Tax Incremental District No. 4 fund. If those revenues are not sufficient, payments will be made by future tax levies.

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Repaid	Balance 12-31-18
2008 G.O. Promissory Notes	12/15/08	12/01/18	4.00 - 4.25%	$ 270,000	$ 270,000	$ -
2017 G.O. Promissory Notes	07/20/17	12/01/26	1.2% - 2.2%	275,000	30,000	245,000
Totals				$ 545,000	$ 300,000	$ 245,000

NOTE 3 – LONG TERM DEBT (cont.)

A. *General Obligation Debt* (cont.)

Aggregate maturities of all long-term debt relating to the district are as follows:

Year	Principal	Interest	Total
2019	$ 30,000	$ 5,195	$ 35,195
2020	30,000	4,595	34,595
2021	30,000	3,920	33,920
2022	30,000	3,245	33,245
2023	30,000	2,570	32,570
2024	30,000	1,970	31,970
2025	30,000	1,370	31,370
2026	35,000	770	35,770
Totals	$ 245,000	$ 23,635	$ 268,635

NOTE 4 – ADVANCES FROM VILLAGE FUNDS

TIF District No. 3 is advancing funds to TIF District No. 4. As of December 31, 2016 the village forgave all advances to TIF No. 4 (see Note 6) with the exception of $500,000. The $500,000 represents the 2016 developer payment made for Farwell Place. In 2017, a repayment schedule was established for the advance. Payments began in 2018 with interest. TIF District No. 3 is charging the TIF District interest on the advance based on the average outstanding advance balance during the year at a floating interest rate. $4,519 in interest was charged in 2018.

The following is the advance repayment schedule.

Year	Principal	Interest
2018	$ 46,960	$ 4,519
2019	49,437	2,043
2020	49,660	1,820
2021	49,883	1,596
2022	50,108	1,371
2023	50,334	1,145
2024	50,561	918
2025	50,789	690
2026	51,018	461
2027	51,250	232
Totals	$ 500,000	$ 14,795

The outstanding portion of this advance was $453,040 as of December 31, 2018. In 2018, TIF No. 3 advanced an additional $43,763. No interest was charged on the additional advance to TIF No. 4.

NOTE 5 – GUARANTEED REVENUE

In 2015, the Village of McFarland has entered into a development agreement with Farwell Place, LLC. The agreement guarantees that Farwell Place, LLC shall pay the difference between the guaranteed tax increment and the tax increment actually levied starting in 2017. The fair market value of the development generated enough increment that no supplemental increment payment was required to be made by the developer in 2017.

NOTE 6 – INCREMENT SHARING

As allowable under TIF statutes, the Village of McFarland may share positive TIF increments. In 2015, the Village of McFarland and the joint review board approved sharing increments from TIF District No. 3 (donor district) to TIF District No. 4 (donee district). Transfers are reflected as recoverable costs in the donor district, and as project revenues in the donee district. Transfers were approved to begin in 2015. A transfer of $843,658 was made in 2016 from TIF No. 3 to TIF No. 4 to forgive a portion of the advances from TIF No. 3 to TIF No. 4 (see Note 4). TIF increment sharing is valid for the life of the donor district or the recipient district, whichever date comes first, and the life of the donor district may not be extended. Transfers between districts are subject to various conditions in the statutes. Total transfers to date total $1,089,128.

NOTE 7 – DEVELOPER PAYMENTS

Developer	Description	Year of Payment	Amount
Washa Construction	Economic development loan/forgivable loan	2009	$ 67,500
Farwell	Economic development	2016	500,000
Hillcrest Rentals, LLC	Grant to permit the installation of an automatic fire sprinkler system	2017	25,000

SUPPLEMENTALINFORMATION

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2018

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Totals	Project Plan Estimate
SOURCES OF FUNDS														
Tax increments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,522	$ 84,834	$ 120,356	$ 7,758,702
Exempt computer aid	-	-	-	730	511	822	789	1,018	1,595	1,585	1,354	1,374	9,778	-
Subsidy from TIF No. 3	-	-	-	-	-	-	-	-	-	843,658	-	245,470	1,089,128	4,373,416
Investment income	-	-	-	-	-	-	-	-	323	-	-	-	323	-
Loan payments	-	-	-	-	-	-	-	4,375	4,375	4,375	4,375	8,750	26,250	58,576
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	1,300	1,300	-
Debt premium	-	5,534	-	-	-	-	-	-	-	-	3,752	-	9,286	5,534
Long-term debt issued	-	270,000	-	-	-	-	-	-	-	-	275,000	-	545,000	7,159,068
Total Sources of Funds	-	275,534	-	730	511	822	789	5,393	6,293	849,618	320,003	341,728	1,801,421	19,355,296
USES OF FUNDS														
Capital expenditures	14,472	318,700	30,260	-	-	-	-	-	-	-	240,187	206,019	809,638	1,720,000
Developer payments	-	-	67,500	-	-	-	-	-	-	500,000	25,000	-	592,500	5,600,000
Administration (in-house)	-	-	29,385	32,026	32,709	31,954	32,415	32,958	37,942	35,971	31,563	16,247	313,170	929,883
Professional services	178	22,003	11,309	11,018	2,118	4,135	2,425	2,027	10,208	7,454	14,410	21,848	109,133	-
Interest on advance	-	1,668	789	555	440	598	445	416	802	4,485	-	4,519	14,717	4,911
Interest and fiscal charges	-	5,534	11,029	11,475	11,475	11,475	10,413	9,350	7,650	5,950	3,639	7,576	95,566	1,376,436
Principal on long-term debt	-	-	-	-	-	25,000	25,000	40,000	40,000	140,000	-	30,000	300,000	7,159,068
Total Uses of Funds	14,650	347,905	150,272	55,074	46,742	73,162	70,698	84,751	96,602	693,860	314,799	286,209	2,234,724	16,790,298
Excess (deficiency) of sources of funds over uses of funds	(14,650)	(72,371)	(150,272)	(54,344)	(46,231)	(72,340)	(69,909)	(79,358)	(90,309)	155,758	5,204	55,519	(433,303)	
FUND BALANCE - Beginning of Period (Deficit)	-	(14,650)	(87,021)	(237,293)	(291,637)	(337,868)	(410,208)	(480,117)	(559,475)	(649,784)	(494,026)	(488,822)	-	
FUND BALANCE – END OF PERIOD (DEFICIT)	$ (14,650)	$ (87,021)	$ (237,293)	$ (291,637)	$ (337,868)	$ (410,208)	$ (480,117)	$ (559,475)	$ (649,784)	$ (494,026)	$ (488,822)	$ (433,303)	$ (433,303)	

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4

COMPILED
DETAILED SCHEDULE OF CAPITAL EXPENDITURES AND DEVELOPER PAYMENTS
From the Date of Creation Through December 31, 2018

	Actual	Project Plan Estimate
Anthony Street improvements	$ -	$ 70,000
Bashford/Exchange Street intersection improvements (rail improvements)	140,139	300,000
Traffic signals Bashford and Exchange	-	150,000
Farwell Street water main improvements	210,676	100,000
Stormwater improvements/engineering	-	200,000
District-wide specialty landscaping, lighting, pedestrian amenities	406,019	500,000
Contingency	-	250,000
Redevelopment funding	592,500	5,600,000
Administration, planning and legal	52,804	150,000
TOTAL CAPITAL EXPENDITURES	$ 1,402,138	$ 7,320,000

Exhibit B

Form PE-300	TID Annual Report	2018 WI Dept of Revenue

Municipality/TID

Co-muni code	Municipality		County	Due date	Report type
13154	MCFARLAND		DANE	07-01-2019	ORIGINAL
TID number	TID type	TID name	Creation date	Mandatory termination date	Expected termination date
004	2	TID 4	01-14-2008	01-14-2035	N/A

Section 1 : Beginning Balance	
TID fund balance at beginning of fiscal year	$-488,822

Section 2. Revenue	
Does this TID receive allocated funds from another TID?	Yes
Allocation from another TID	**Allocation amount**
003	$245,470
Subtotal allocation from another TID amount	**$245,470**
Developer guarantee name	**Developer guarantee amount**
McFarland House Loan Repayment	$8,750
Subtotal developer guarantee amount	**$8,750**
Transfer from other fund source	**Transfer from other fund amount**
Subtotal transfer from other fund amount	**$0**
Other grant sources	**Other grant amount**
Subtotal other grant source amount	**$0**
Other revenue sources	**Other revenue amount**
Miscellaneous	$1,300
Subtotal other revenue source amount	**$1,300**
Tax increment	**$84,834**
Investment income	**$0**
Debt proceeds	**$0**
Special assessments	**$0**
Exempt computer aid	**$1,374**
Sale of property	**$0**
Total Revenue (deposits)	**$341,728**

Form PE-300	TID Annual Report	2018 WI Dept of Revenue

Section 3. Expenditures	
Developer grant name	**Developer grant amount**
None	$0
Subtotal developer grant amount	**$0**
Does this TID allocate funds to another TID?	**No**
Allocation to another TID	**Allocation amount**
N/A	$0
Subtotal allocation to another TID	**$0**
Transfer to other fund name	**Transfer to other fund amount**
Subtotal transfer to other fund amount	**$0**
Other expenditure name	**Other expenditure amount**
Subtotal other expenditures amount	**$0**
Capital expenditures	**$206,019**
Administration	**$16,247**
Professional services	**$21,848**
Interest and fiscal charges	**$12,095**
DOR fees	**$0**
Discount on long-term debt	**$0**
Debt issuance costs	**$0**
Principal on long-term debt	**$30,000**
Environmental costs	**$0**
Real property assembly costs	**$0**
Total Expenditures	**$286,209**

Section 4. Ending Balance	
TID fund balance at end of fiscal year	**$-433,303**
Future costs	**$14,555,574**
Future revenue	**$17,553,875**
Surplus or deficit	**$2,564,998**

Form PE-300	TID Annual Report	2018 WI Dept of Revenue

Preparer/Contact Information

Preparer name **Matt Schuenke**	Preparer title **Village Administrator**
Preparer email **matt.schuenke@mcfarland.wi.us**	Preparer phone **(608) 838-3153**
Contact name **Matt Schuenke**	Contact title **Village Administrator**
Contact email **matt.schuenke@mcfarland.wi.us**	Contact phone **(608) 838-3153**

VILLAGE OF McFarland

www.mcfarland.wi.us | 5915 Milwaukee St, McFarland, WI 53558 | 608.838.3153

Memorandum

To: Joint Review Board

From: Matthew G. Schuenke, Village Administrator *mgs*

Cc: Dane County
Madison Area Technical College
School District of McFarland

Date: June 14, 2019

Re: 2018 Annual Report – *Tax Incremental District #5*

Executive Summary

ACT 257 was created by the State of Wisconsin as a means to require municipalities to hold annual Joint Review Board meetings with the express purpose to review an annual report with the other overlying taxing jurisdictions. Several financial metrics are required to be provided in order to demonstrate the TID's performance over time. The Village is fortunate that it has been preparing this type of annual report voluntarily through its annual auditing process since this TID was created. This cover memorandum is provided as a summary of the year in review and an introduction to the financial statements prepared for the year. Filing this report for TID #5 with the DOR is not required for fiscal year 2018 since this was its first year of operation (i.e. – it has not created any increment yet). However, it did generate expenses in its first year of operations and these will still be shared as an update on the work that's been done.

Annual Review

TID #5 was created on December 11, 2017. It is scheduled to expire in 2045 and not presently forecasted for closure prior to this date. TID #5 expects to begin to create increment in fiscal operating year 2020 once values established as of January 1, 2019 are first applied and compared against base year values from January 1, 2018. This is a very new district and very much in its infancy after getting through its first year of operations in 2018.

There were two major things to happen within this new district last year. The first of which is the acquisition of 4719 Farwell Street. This purchase had the district acquire three parcels that included a small office building and two properties that were vacant. Borrowed money was used to acquire the land which the Village to go through an RFP process to select a developer to redevelop the site. Those plans are presently being reviewed as a mixed use development and its likely the first phase will break ground before the end of this year. All revenue gained last year is from the money borrowed to acquire the property and rental income from the office building that we retained for the time being.

The second major activity was the District's share of expenses related to the County Highway MN (Farwell Street) Project. The District paid for a portion of the streetscaping work and in the future will reimburse for the decorative street lighting and utility undergrounding project that took place last year. There was some additional administrative costs associated with a few of these projects also realized last year. After the first year it did fall into a deficit as a result of the road project; however, new increment gained beginning next year is anticipated to absorb this through new construction and strong market conditions.

Exhibits

Exhibit A – Compiled Financial Statements of TID #5 prepared by Baker Tilly

Exhibit A

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 5

McFarland, Wisconsin

COMPILED
FINANCIAL STATEMENTS

Including Accountants' Compilation Report

As of and For the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 5

TABLE OF CONTENTS
As of and For the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

ACCOUNTANTS' COMPILATION REPORT

To the Village Board
Village of McFarland
McFarland, Wisconsin

Management is responsible for the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses, and Status of Funds of the Village of McFarland's Tax Incremental District No. 5 ("district") as of and for the year ended December 31, 2018 and from the date of creation through December 31, 2018, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the *Accounting and Review Services Committee* of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As discussed in Note 1, the financial statements present only the transactions of the district and do not purport to, and do not, present fairly the financial position of the Village of McFarland as of December 31, 2018, the changes in its financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economical, or historical context.

Madison, Wisconsin
June 7, 2019

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 5

COMPILED
BALANCE SHEET
As of December 31, 2018

	Capital Projects Fund
ASSETS	
Cash and investments	$ -
TOTAL ASSETS	$ -
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	$ 8,584
Advance from other fund	128,178
Total Liabilities	136,762
Fund Balance	
Restricted	9,191
Unrestricted	(145,953)
Total Fund Balances	(136,762)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ -

DRAFT

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 5

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2018
and From the Date of Creation Through December 31, 2018

	Year Ended	From Date of Creation
PROJECT COSTS		
Capital expenditures	$ 1,056,783	$ 1,056,783
Administration (in-house)	900	900
Professional services	25,862	25,862
Interest and fiscal charges	3,500	3,500
Total Project Costs	1,087,045	1,087,045
PROJECT REVENUES		
Rent	20,283	20,283
Total Project Revenues	20,283	20,283
NET COST RECOVERABLE (RECOVERED) THROUGH TIF INCREMENTS - DECEMBER 31, 2018	$ 1,066,762	$ 1,066,762
RECONCILIATION OF RECOVERABLE COSTS		
G.O. debt outstanding		$ 930,000
Less: Fund balance		136,762
NET COST RECOVERABLE THROUGH TIF INCREMENTS - DECEMBER 31, 2018		$ 1,066,762

DRAFT

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 5

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2018
and From the Date of Creation Through December 31, 2018

	Year Ended	From Date of Creation
SOURCES OF FUNDS		
Tax increments	$ -	$ -
Rent	20,283	20,283
Long-term debt issued	930,000	930,000
Total Sources of Funds	950,283	950,283
USES OF FUNDS		
Capital expenditures	1,056,783	1,056,783
Administration (in-house)	900	900
Professional services	25,862	25,862
Interest and fiscal charges	3,500	3,500
Total Uses of Funds	1,087,045	1,087,045
Excess of sources of funds over uses of funds	(136,762)	(136,762)
FUND BALANCE - Beginning of Period	-	-
FUND BALANCE - DECEMBER 31, 2018	$ (136,762)	$ (136,762)

DRAFT

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended December 31, 2018
From the Date of Creation Through December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of McFarland's Tax Incremental District No. 5 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The Village of McFarland has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of Tax Incremental District No. 5. The accompanying financial statements reflect all the significant operations of Village of McFarland's Tax Incremental District No.5. The accompanying financial statements do not include the full presentation of the Village of McFarland.

A. *Description of Fund Structure and Long-Term Debt*

This report contains the financial information of the Village of McFarland's Tax Incremental District No. 5. The summary statements were prepared from data recorded in the following funds and the village's long-term debt:

Capital Projects Fund

Detailed descriptions of the purpose of this fund and long-term debt can be found in the Village of McFarland's basic financial statements.

The data was consolidated for purposes of this report. Therefore, the amounts shown in the accompanying statements will not directly correlate with amounts shown in the basic financial statements.

The district was created under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the district. The tax on the increased value is called a tax increment.

The statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or until 27 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the Village of McFarland. Project costs may be incurred up to five years before the unextended termination date of the district.

Original Project Plan	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 5	12/11/17	12/11/39	2045

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Basis of Accounting

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Project costs, other than interest on long-term debt, are recorded when the related fund liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the village is entitled to the aids.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Measurement Focus

The measurement focus of all governmental funds is the funds flow concept. Under the funds flow concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unavailable or unearned revenue or nonspendable fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the long-term debt footnote disclosure. The related expenditures are recognized when the liabilities are liquidated.

E. Project Plan Budget

The estimated revenues and expenditures of the district are adopted in the project plan. Those estimates are for the entire life of the district, and may not be comparable to interim results presented in this report.

F. Long-Term Debt

Short-term liabilities are recorded as fund liabilities. All other long-term liabilities are shown in the long-term debt footnote disclosure.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Sources of Funds" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are disclosed in the long-term debt footnote when the related liabilities are incurred.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

The district invests its funds in accordance with the provisions of the Wisconsin Statutes 66.0603(1m) and 67.11(2).

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The district, as a fund of the Village of McFarland, maintains common cash and investment accounts at the same financial institutions utilized by the Village of McFarland. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the Village of McFarland as an individual municipality and, accordingly, the amount of insured funds is not determinable for the district.

NOTE 3 – LONG TERM DEBT

A. General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the Village of McFarland. Notes and bonds borrowed to finance the district's expenditures will be retired by tax increments accumulated by the Tax Incremental District No. 4 fund. If those revenues are not sufficient, payments will be made by future tax levies.

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebted-ness	Repaid	Balance 12-31-18
2018 STFL Notes	12/11/18	03/15/38	4.75%	$ 930,000	$ -	$ 930,000
Totals				$ 930,000	$ -	$ 930,000

NOTE 3 – LONG TERM DEBT (cont.)

A. *General Obligation Debt* (cont.)

Aggregate maturities of all long-term debt relating to the district are as follows:

Year	Principal	Interest	Total
2020	$ -	$ 55,673	$ 55,673
2021	33,853	44,175	78,027
2022	35,461	42,567	78,028
2023	37,145	40,883	78,028
2024	38,803	39,225	78,028
2025-2029	223,974	166,166	390,140
2030-2034	282,492	107,648	390,140
2035-2038	278,272	33,839	312,112
Totals	$ 930,000	$ 530,176	$ 1,460,176

SUPPLEMENTAL INFORMATION

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 5

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2018

	2018	Totals	Project Plan Estimate
SOURCES OF FUNDS			
Tax increments	$ -	$ -	$ 23,564,637
Investment income	-	-	40,439
Rent	20,283	20,283	-
Long-term debt issued	930,000	930,000	13,741,389
Total Sources	950,283	950,283	37,346,465
USES OF FUNDS			
Capital expenditures	1,056,783	1,056,783	854,500
Developer payments	-	-	12,782,389
Administration (in-house)	900	900	-
Professional services	25,862	25,862	104,500
Interest on advance	-	-	-
Interest and fiscal charges	3,500	3,500	9,863,687
Principal on long-term debt	-	-	13,741,389
Total Uses	1,087,045	1,087,045	37,346,465
Excess (deficiency) of sources of funds over uses of funds	(136,762)	(136,762)	
FUND BALANCE - Beginning of Period (Deficit)	-	-	
FUND BALANCE - END OF PERIOD (DEFICIT)	$ (136,762)	$ (136,762)	

VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 5

COMPILED
DETAILED SCHEDULE OF CAPITAL EXPENDITURES
AND DEVELOPER PAYMENTS
From the Date of Creation Through December 31, 2018

	Actual	Project Plan Estimate
CAPITAL EXPENDITURES		
Infrastructure - Farwell, Retention Pond, Blackwater Channel	$ 920,809	$ 350,000
Streetscaping improvements	135,974	400,000
Development funds / incentives	-	12,782,389
Planning, promotion and development	-	104,500
TOTAL CAPITAL EXPENDITURES	$ 1,056,783	$ 13,636,889

COMMUNITY DEVELOPMENT AUTHORITY SUMMARY SHEET

MEETING DATE: **Tuesday, June 25, 2019**

SECTION: **Business**

DEPARTMENT: **Administration**

CONTACT: **Matt Schuenke, Village Administrator, Pauline Boness, Director**

AGENDA ITEM: **Discussion and presentation regarding the conceptual plan to create TID #6 as an overlay district.**

PREVIOUS ACTION:
The Community Development Authority reviewed this concept at its meeting on June 5, 2019 and is supportive of this effort.

ISSUE SUMMARY:
This concept explores creating TID #6 as an overlay district on top of TID #3 to help provide flexibility for some projects. Earlier this year the Village had been discussing this concept with respect to a development that was proposed on Terminal Drive. It was a four phased development that added both apartments and office uses on the property, but would do so over time. Evaluating the first phase bumped the estimation on payback for the increment against the closing of the district. The first phase was able to cash flow before the district closed but that left nothing to incentivize the future phases where it was desired to add new commercial spaces lacking in the Village. Creating an overlay district as we talked about would help provide additional years for the project to capture and also allow other projects not yet realized in the district possibly come to fruition. Enclosed within your packet is a memo summarizing this concept. This concept is being presented to the Joint Review Board to gather feedback on its feasibility before a decision is made whether or not to formally pursue it.

FINANCIAL/BUDGET IMPACT:
None.

VILLAGE PLAN REFERENCE:
None.

ORDINANCE REFERENCE:
None.

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:
No action is needed at the present, just gathering feedback from the JRB on the concept.

ATTACHMENTS:
1. 9361012_McFarland TID 6 Memo_05292019

Village of McFarland

Memo

To:	Matt Schuenke, McFarland Village Administrator Pauline Boness, McFarland Community Development Director
From:	Andrew Bremer, AICP, Senior Planner
Subject:	Preliminary TID #6 Planning
Date:	May 29, 2019

Background

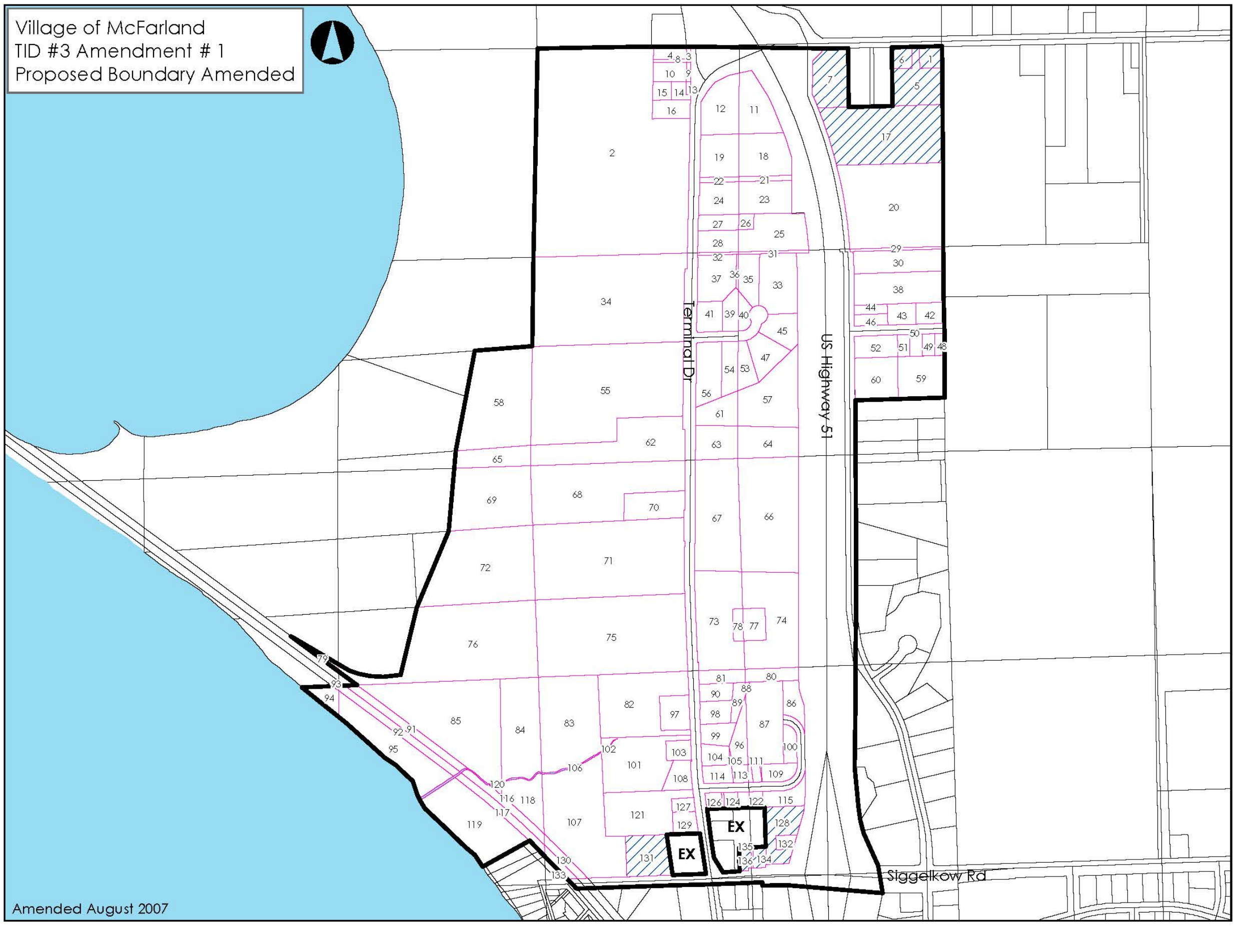
As part of the review of the TIF development incentives request for Ezra Properties this past February, MSA discussed the possibility of creating a new TID #6, which would be an overlay of TID #3. The context of this discussion related to creating a new TID for Phases 2-4 of the Ezra development site to allow a longer payback period to cash flow requested development incentives. TID #3's expenditure period ends on August 9, 2022, and terminates five years later. Under state statute communities can create a new TID on top of an existing TID. All tax increment from development created after the date the new TID is approved is funneled to the new TID, thus allowing a longer tax increment collection period (e.g. through 2039) to pay for new project expenditures. In addition to potential development incentive requests, the Village has also expressed interest in other potential projects within TID #3 including land acquisition for the development of a hotel and the reconstruction of Terminal Drive from Siggelkow Road to USH 51. Both of these projects are eligible expenditures within TID #3; however, they also need to be started prior to August 9, 2022 and the Village only has nine remaining years to collect tax increment to pay for these projects. An additional benefit of creating an overlay TID is that the Village will have the flexibility to allocate a portion of the costs of these projects to TID #3 and the remaining portion to TID #6, if it so desires. This option allows the Village better certainty in ensuring both districts cash flow upon completion of all desired public and private development projects.

12% TID Limitation

Per Wisconsin State Statute 66.1105(4)(gm)4.c., municipalities are restrained in their use of TIF such that the equalized value of taxable property of a new district plus the value increment of all existing districts does not exceed 12 percent of the total equalized value of taxable property within the municipality. The total municipal equalized value as of January 1, 2018 for the Village was $936,011,100; therefore, $112,321,332 is the 12% limit. The Village has three active TIDs (#3-5), with a combined value increment as of January 1, 2018 of $42,538,800. Therefore, as of January 1, 2018 the Village's maximum capacity for the value of any new TID is $69,782,532. *Note certified 2019 values were not yet available at the time of this memo but likely don't impact the Village's ability to create a new TID.*

Preliminary TID #6 Boundary & TID Type

A map of the existing TID #3 boundary is provided on the following page. The current value of all property in TID #3 as of January 1, 2018 was $65,428,600; therefore in theory, the Village could overlay the entire existing TID #3 boundary based on the 12% value limitation analysis. However, this is an unlikely scenario as the boundary of any new TID would be determined based on the location of planned public works projects and private (re)development opportunities. A preliminary idea is to limit TID #6 to the parcels within TID #3 that are east of USH 51. The new TID would either be an Industrial or Mixed-Use TID based on the type of land that makes up 50% of the area in the TID. In either case, the expenditure period would be 15 years and the total life span would be 20 years.



TID #3 Territory Subtraction

Based on a more in-depth analysis of the proposed TID #6, and an updated cash flow projection for TID #3, it may be possible to simultaneously create a new TID #6 overlay of a portion of TID #3 and amend the territory of TID #3 to subtract parcels out of the TID (e.g. those east of USH 51). The removal of territory from TID #3 would allow all the taxing entities to benefit from any tax increment from the subtracted properties sooner than the 2027 termination date. This might also make the creation of TID #6 more palatable to the Joint Review Board members. This idea will have to be carefully considered to ensure that there is no need to complete project expenditures in the subtracted area (e.g. public works or development incentives) and that sufficient tax increment value remains in TID #3 to pay remaining debt obligations.

Next Steps

After initial discussion by the CDA and Village Board, the potential TID #6 creation and TID #3 territory subtraction will be discussed with the Joint Review Board members at their annual meeting on June 24th. If there is initial support for these projects the Village will move forward with more in-depth analysis and creation of the required Project Plans. MSA suggests these activities occur in two phases with the first phase consisting of (1) an updated proforma for TID #3 to determine the ability to fund remaining and new project expenditures; (2) a determination of the general boundary, projects and proforma analysis for TID #6; and (3) an analysis of the impacts to the cash flow projections for TID #3 if certain territories are subtracted. Once this analysis has been completed the Village can proceed with the formal process to create TID #6 and subtract territory for TID #3 if these are still viable and desired projects. This initial analysis could be vetted by the CDA to provide a recommendation to the Village Board. Any creation and subtraction amendment project that moves forward will require the standard adoption process, including a CDA review, public hearing, Plan Commission recommendation, Village Board approval, and approval by the Joint Review Board. The entire process would likely take 3-5 months to complete.