



**Memorandum**

To: Administration Committee  
From: Greg Keil, CDD *GK*  
Date: July 11, 2012  
RE: Designation of Tax Incremental District #1 as a Distressed Tax Incremental District

It is proposed to declare TID #1 a "Distressed Tax Incremental District", thereby extending its life for a period of time to enable the recovery of unreimbursed project costs from TIF increment. The adoption of a resolution designating the district as "Distressed " is the first step in this process.

TID #1 has a statutory termination date of December 31, 2012. Per the city's audited financial statement dated December 31, 2010, TID # 1 had a balance of \$462,043 of net unreimbursed project costs. In 2011, \$169,560 in accrued tax increment was applied against this balance, and in 2012, the remaining TID #1 fund balance plus accrued increment, estimated to be \$150,000, will be applied against the balance. This leaves \$142,483 in expenses over revenues at the end of the district's life.

Resolution R-31- 12, if adopted and approved, will have the effect of extending the life of TID #1 a maximum of ten years. It is projected that all of TID 1 unreimbursed project costs will be met in 2014, at which point the district will be terminated.

If the life of TID #1 is not extended via declaring it a distressed district, the unreimbursed project costs will need to be placed on the general property tax levy.

Please note that the public hearing, referred to in the resolution, will take place before the Common Council at its August 6, 2012 meeting.

**CITY OF MENASHA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2010

**NOTE D - OTHER INFORMATION (Continued)**

Since creation of the above Districts, the City has provided various financing sources to each TID and has also recorded eligible TID project costs in other funds of the City. The foregoing amounts are not recorded as liabilities in the TID special revenue and capital projects funds but can be recovered by the City from future excess tax increment revenues. Detail of the amounts recoverable (surplus) by the City as of December 31, 2010 from future excess tax increment revenues follows:

Net Unreimbursed Project Costs	
Tax Incremental District No. 1	\$ 462,043
Tax Incremental District No. 2	(80,266)
Tax Incremental District No. 3	(16,798)
Tax Incremental District No. 4	963,853
Tax Incremental District No. 5	2,875,856
Tax Incremental District No. 6	3,136,677
Tax Incremental District No. 7	1,937,745
Tax Incremental District No. 8	984,341
Tax Incremental District No. 9	4,643,547
Tax Incremental District No. 10	259,530
Tax Incremental District No. 11	56,949
	<u>\$15,223,477</u>

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective Districts. The City has amended the project plan of District No. 3 to include transfers to Districts No. 1 and 2.

7. Major Customer  
During 2010, the electric utility billed SCA Tissue \$17,561,548. This represents 41% of electric utility operating revenue. No other utility customer accounted for more than 20% of operating revenue.
  
8. Property Tax Levy Limit  
Wisconsin Act 25, imposed a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period effective July 27, 2005. Subsequent legislation extended the levy limit through 2010. The current law limits the increase in the maximum allowable tax levy to the greater of the percentage change in the City's January 1 equalized value as a result of net new construction or 3.0% in both the 2009 and 2010 budget years. The actual limit for the City for the 2010 budget was 3.0%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, the Act allows the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.
  
9. Contingencies
  - a. The City contracts with Neenah-Menasha Sewerage Commission (the "Commission") for sewage treatment services and is contingently liable for costs incurred by the Commission. The following item has been identified by the Commission and the City as a potential liability not recorded on the financial statements:

The U.S. Fish & Wildlife Service and the Wisconsin Department of Natural Resources ("WDNR") acting on behalf of the Natural Resource Trustees have prepared Natural Resource Damage Assessments to determine the level of such damages to the Lower Fox River and Green Bay resulting from PCB contamination. The U.S. Environmental Protection Agency ("EPA") and the WDNR have conducted a Feasibility Study and issued two Records of Decision ("RODs") (which have been subsequently modified) selecting dredging and capping of PCB contaminated sediments in the Fox River together with long-term monitoring in the Fox River and Green Bay as remedies to

Resolution R-31-12

A RESOLUTION RELATING TO THE DESIGNATION OF  
CITY OF MENASHA TAX INCREMENTAL DISTRICT #1 AS A DISTRESSED TAX  
INCREMENTAL DISTRICT

Introduced by Mayor Merkes.

WHEREAS: The City of Menasha created Tax Incremental District #1 (TID #1) via Resolution R-41-85 in December of 1985, with an effective Date of January 1, 1986; and,

WHEREAS: There have been no amendments to TID #1's project plan after October 1, 2009; and

WHEREAS: The statutory termination date for TID #1 is December 31, 2012; and,

WHEREAS: City of Menasha December 31, 2010 financial statements note net unreimbursed project costs for TID #1 in the amount of \$463,043 of which \$320,560 will be paid off with TID revenues on or before December 31, 2012; and,

WHEREAS: On December 31, 2012, a balance of \$142,483 of net unreimbursed project costs will be remaining; and,

WHEREAS: Section 66.1105(4e) of the Wisconsin Statutes provides the authority and procedure for designating a tax incremental district created before October 1, 2008 as a distressed or severely distressed district, subject to certain criteria, allowing an extension of the termination date; and

WHEREAS: A public hearing has been held, after notices required by law, all pursuant to Wisconsin Statutes Section 66.1105(4e)(b)(1),

NOW THEREFORE, BE IT RESOLVED, The Common Council of the City of Menasha, Wisconsin:

- 1) Finds and determines that the project costs incurred, with regard to Tax Incremental District #1, exceed the amount of revenues from all sources that the city expects the district to generate to pay off such project costs during the life of the district.
- 2) Designates Tax Incremental District #1 as a Distressed Tax Incremental District.

BE IT FURTHER RESOLVED:

- 1) That the City Clerk forward a certified copy of this Resolution and the financial information utilized by the Common Council in making its determination to the City of Menasha-Winnebago County Joint Review Board and the Wisconsin Department of Revenue.

Passed and approved this \_\_\_\_ day of August, 2012

\_\_\_\_\_  
Donald Merkes, Mayor

\_\_\_\_\_  
Deborah Galleazi, City Clerk