CITY OF MERRILL

COMMITTEE OF THE WHOLE

AGENDA ● TUESDAY OCTOBER 29, 2019

Budget Session	**City Hall Council Chambers**	**5:30 PM**

I. Call to Order

II. Pledge of Allegiance

III. Agenda Items for Consideration

1. Follow-up to Mayor Woellner's -email questions regarding S&P Bond Rating Report
2. Review, discussion, and decisions on tax Increment District (TID) 2020 Budget Requests
3. Follow-up to Committee of Whole requests for research information and Mayor's Potential Budget Reductions
4. Continued review, discussion, and decisions on 2020 Budget Requests

IV. Public Comment

V. The Committe of Whole may convene in closed session per Wis. Stats. Sec. 19.85(1)(e) - deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session to consider potential City purchase of properties to facilitate redevelopment adjacent to Tax Increment District No. 12 (Weinbrenner Factory area)

VI. Adjournment

Unertl, Kathy

From: Unertl, Kathy
Sent: Thursday, October 24, 2019 12:25 PM
To: Woellner, Derek; Aldermen
Cc: Johnson, David; Hayden, Tom
Subject: Responses - S&P Bond Rating Change
Attachments: Understanding Credit Rating - S&P Website.pdf; Merrill Bond Rating - Historical.pdf; Merrill TID Sharing History - TID No. 4 Projections.pdf; Merrill TID 3 Project Plan - Share - 2015-09-22.pdf

Mayor Woellner – Please see attached "A Credit Rating is an Informed Opinion" from the S&P Global website. In addition, I have provided historical bond rating reports for your information and review.

Responses highlighted below for your specific questions.

Additional attachments:

- Merrill TID Sharing Fiscal, as well as Ehlers & Associates TID Forecast for TID No. 4.
- Project Plan for TID No. 3 to Share Increment (9/22/2015)

Note: I have included Follow-up regarding the S&P Bond Rating Report on the Tuesday, 10/29th Committee of Whole meeting agenda.

Kathy Unertl, Finance Director
City of Merrill

From: Woellner, Derek
Sent: Thursday, October 17, 2019 12:55 PM
To: Johnson, David; Unertl, Kathy; Aldermen
Subject: Questions from sale day report for october 2019

I'd like to pull some direct quotes out of the "Sale Day Report" that we received last night, and ask questions regarding the report's findings so that the council can help improve the situation. I'm asking the city administrator, with assistance from the finance director, to provide answers to each question to myself and the alderpersons. I'll number them for convenience. Direct quotes and questions are below.

Thank you,
Derek

"The lower rating reflects our opinion that the city's TID funds have continued to pressure general fund performance, with continued negative fund balances in seven of the city's ten TID funds in 2018, and a significant amount of money due to the general fund from these TID funds ... According to management, there is no specific period established for repayment. While the city has indicated that it will likely be repaid within three-to-five years, we view the timing of full repayment to the general fund as uncertain … we believe that additional advances from the general fund could be required, which could lead to additional rating pressure."

1. Who exactly indicated that it is likely to repaid within three-to-five years? (I'll be frank, my concern is that responsibility isn't being taken to solve this issue.)

The City of Merrill has a TID No. 3 Tax Increment Share Plan (9/22/2015) that allows transfer of Tax Increment from TID No. 3 to TIDs No. 6, No. 7, and No. 8. In 2017, $485,000 was transferred and in 2018, $73,069 was transferred. The sudden deterioration of Center Ave. over the 2016-2017 winter required immediate reconstruction and changed past Common Council priorities to infrastructure investments.

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As of 12/31/2018, there was $14,529 positive fiscal status in TID No. 4 and about $125,000 should be available as of 12/31/2019. Ehlers & Associates will be assisting in preparation of TID No. 4 Share Plan to allow transfers to TIDs No. 6, 7, 8, and 9.

Ehlers & Associates has been requested to assist in reviewing fiscal status and projects for other TIDs to determine if other tax sharing might be possible (such as from TID No. 11 – Rock Ridge Apartments) in the future.

2. How can we establish a repayment plan? (We need "a credible plan to reduce the amount due to the general fund.")

See response to Question #1 on preparation of TID No. 4 Share Plan.

3. How can we assure that additional advances from the general fund to the TIDs will not be required, in order to protect our current rating from decline?

Only TIDs No. 9 (WI River/S. Center Ave.) and No. 10 (FoxPoint) will not be generating adequate 2019 tax increment (for 2020 expenses). There is pending development proposal from Impact Seven (TID No. 10). I will be requesting Ehlers & Associates to assist in evaluating TID No. 9 due to the major reduction in valuation for former Stark Automotive parcels.

"The council reviews a monthly budget-to-actual report, but based on 2019 projections versus actuals, the council did not make necessary adjustments, specifically in regard to various underperforming TID funds. Although Merrill does not perform long-term planning, it does have a detailed 10-year capital plan that includes funding sources. It follows state policy when investing funds, but does not report holdings and earning to the council throughout the year. It has a general fund unassigned fund balance of 12%-15% of expenditures, but has not historically achieved this goal. The city does not have a debt management policy."

4. How can the council do a better job at making necessary adjustments in the future based off the budget-to-actual reports, specifically in regard to underperforming TID funds?

The cash flow for the TIDs (except for TIDs No. 9 and No. 10) has significantly improved. Please see my response to #6 – Cash & Investment Report.

5. What type of long-term planning is being referenced here, (I'd expect our strategic and comprehensive plans should cover it, but apparently that isn't so), or to get to the point, what type of long-term plan do we need to implement?

Further refinement and prioritization of the City's ten-year Capital Plan would assist. Not all Departments have complete ten-year plans.

6. How can we report holdings and earnings to the council in a comprehensive way throughout the year?

Cash & Investment Report format has been provided for review, along with agenda request item, to the Personnel & Finance Committee (Tuesday, 10/29th meeting).

7. How can we better ensure that we meet the goal each and every year to achieve a general fund unassigned balance of 12-15%?

I have requested Brian Reilly from Ehlers & Associates check with S&P on their methodology to determine the point-in-time and what they are measuring. Based upon 2019 Budget, City of Merrill had 13.8% of 2019 Operations Budget in Undesignated General Fund balance as of 12/31/2018.

8. What would be a good debt management policy and how can we implement it?

Ehlers & Associates has been requested to provide example (if available) for comparable-sized community.

"Merrill's budgetary performance is weak, in our opinion. The city had operating deficits of negative 1.7% of expenditures in the general fund and negative 2.9% across all governmental funds in fiscal 2018 ... The budget for fiscal 2019 is calling for a $1.4 million deficit, prior to any transfers or bond proceeds ... we believe that budgetary performance will remain weak, as the TID funds' negative fund balances grew in the last audited year, and there is no repayment plans in place for these advances to the TID funds from the general fund."

9. Is it expected that we will have a negative operating deficit percentage again this year? (When it says "prior to any transfers or bond proceeds" I don't fully understand what that entails.)

The City adopted budget includes planned new borrowing for Capital equipment and infrastructure investments. I have requested Brian Reilly from Ehlers & Associates check with S&P on what exactly is being referenced.

10. Is it expected that we will have a negative deficit percentage across all government funds again this year, and what is the estimated percent?

I have requested Brian Reilly from Ehlers & Associates check with S&P on what exactly is being referenced.

"We could revise the outlook to stable if we were to see improvement in the city's budgetary performance, despite its stagnant revenue climate, in addition to a reduction in the questionable general fund receivables, coupled with a repayment plan for the full amount due."

The S&P analysts are looking for TID Sharing Plans and annual transfers to TIDs No. 6, No. 8, and No. 9.

Note: The outstanding Drycleaner Environmental Remediation Fund (DERF) payment to City of Merrill TID No. 7 is now scheduled for 2020.

UNDERSTANDING RATINGS

A Credit Rating is an Informed Opinion

A credit rating is an educated opinion about an issuer's likelihood to meet its financial obligations in full and on time. It can help you gain knowledge of—and access to—new markets, enhance transparency, serve as a universal benchmark, and assess and demonstrate creditworthiness. It's not a guarantee or absolute measure, but is a crucial tool for investors in the decision-making process.

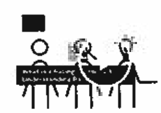
Watch:Why Get A Credit Rating From S&P Global Ratings?

Watch:Why Are Credit Ratings Useful?

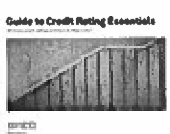
Watch:How Can A Credit Rating Help Access Additional Sources Of Funding

Watch:Credit Ratings: The Myths And The Facts

Watch:What Does A Credit Rating From S&P Global Ratings Look Like?



Watch:What Is A Rating?



Read: Guide To Credit Rating Essentials

Read: How We Rate Nonfinancial Corporate Entities

Read: How We Rate Insurers

Read: How We Rate Sovereigns

Read: How We Rate Banks

Why are credit ratings useful?

Credit ratings hold the key to an efficient capital marketplace. They provide transparent third-party information that's not only forward-looking, but standardized for consistency.

LEARN MORE ABOUT CREDIT RATINGS

Credit ratings can enable

People to start & grow businesses

Governments to improve infrastructure

Manufacturers to build factories & create jobs

Who Uses Credit Ratings?

Issuers

— Optimize the cost of funding
— Expand the pool of investors and available capital
— Lengthen the terms of financing
— Diversify funding sources

Intermediaries

— Benchmark the relative credit risk of different debt issues
— Set the initial pricing for individual debt issues they structure
— Determine the interest rate issues will pay
— Package assets into securities or structured finance instruments to market to investors

Investors

— A third-party opinion of credit quality
— A basis for comparison across asset classes, geographies, and peers
— Information and metrics to make informed decisions, such as supplementing their own credit analysis or establishing thresholds for credit risk and investment guideline

There are 8 Steps in our Ratings Process

1 **Contract :**
The issuer requests a rating and signs an engagement letter

2 **Pre-Evaluation :**
We assemble a team of analysts to review pertinent information.

3 **Management Meeting :**
Analysts meet with management team to review and discuss information.

4 **Analysis :**
Analysts evaluate information and propose the rating to a rating committee.

5 **Rating Committee :**
The committee reviews the lead analyst's rating recommendation then votes on the credit rating.

6 **Notification :**
We generally provide the issuer with a pre-publication rationale for its credit rating for fact-checking and accuracy purposes.

7 **Publication :**
We typically publish a press release announcing the public rating and post the rating on our website.

8 **Surveillance of Rated Issuers and Issues :**
The goal of this surveillance is to keep the rating current by identifying issues that may result in either an upgrade or a downgrade.

Our Ratings Scale

AAA

Investment Grade:
Extremely strong capacity to meet financial commitments

AA

Investment Grade:
Very strong capacity to meet financial commitments

A

Investment Grade:
Strong capacity to meet financial commitments, but somewhat susceptible to economic conditions and changes in circumstances

BBB

Investment Grade:
Adequate capacity to meet financial commitments, but more subject to adverse economic conditions

BB

Speculative Grade :
Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions

B

Speculative Grade :
More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments

CCC

Speculative Grade :
Currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments

CC

Speculative Grade :
Highly vulnerable; default has not yet occurred, but is expected to be a virtual certainty

C

Speculative Grade :
Currently highly vulnerable to non-payment, and ultimate recovery is expected to be lower than that of higher rated obligations

Speculative Grade :
Payment default on a financial commitment or breach of an imputed promise; also used when a bankruptcy petition has been filed

D

**We generally provide the issuer with a pre-publication rationale for its credit rating for fact-checking and accuracy purposes.*

How We Track Our Ratings

We continuously work to refine our ratings to uphold the highest level of excellence. To measure performance, we conduct studies that assess how much a rating has moved up or down over a given period of time, also known as its transition rate.

Predicting Stability

Transition rates can also be helpful to investors and credit professionals because they demonstrate relative stability and volatility. For example, investors who are obligated to purchase only highly rated securities may review the history of transitions and defaults as part of their research.

In addition, we conduct studies that track defaults across various industries, providing a fuller credit picture for analysts.

City of Merrill - Historical Bond Rating

	Rating Agency	Rating	Outlook	Action	Explanation	Pages
03/13/2001	Moody's	Baa2	Negative	Downgraded	Increasing payable to General Fund	1 - 2
From 2003 through 2012	All borrowing was **Unrated**					
08/12/2013	S&P Global	A	Stable	New Rating		3 -7
10/09/2017	S&P Global	A	Negative	Outlook change	Concern continued negative TID balances owed to General Fund	8 - 13
10/10/2019	S&P Global	A-	Negative	Downgraded From A to A-	Continued concern for negative TID balances owed to General Fund	14 - 20

Moody's Investors Service
Global Credit Research

Municipal Credit Research
New Issue
Published 12 Mar 2001

Merrill (City of) WI

Contacts

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Moody's Rating

Issue	Rating
General Obligation Promissory Notes & Refudning Bonds	Baa2
Sale Amount $3,920,000	
Expected Sale Date 03/13/01	
Rating Description General Obligation Unlimited Tax	

MOODY'S DOWNGRADES CITY OF MERRILL'S (WI) G.O. BONDS AND G.O. PROMISSORY NOTES TO Baa2 WITH NEGATIVE OUTLOOK FROM Baa1

$9.9 MILLION DEBT AFFECTED

Opinion

Moody's has assigned a Baa2 rating with a negative outlook to the City of Merrill's (WI) $2.9 million General Obligation Refunding Bonds and $1.04 million General Obligation Promissory Notes. The bonds and notes, which are secured by the city's unlimited general obligation tax pledge, will be used to refund outstanding BANs and finance capital improvement projects within a tax increment district, respectively. At this time, Moody's has also downgraded the city's $5.9 million in outstanding general obligation debt to Baa2 from Baa1 and assigned a negative outlook. The rating reflects the city's cash tight position, reflected with a negative fund balance in the debt service fund due to a large payable to the General Fund. In addition, the rating reflects an above average debt burden, and a small, but growing taxbase with below average wealth indices. The negative outlook is based on the city's trend of not levying sufficiently for debt service.

DEBT SERVICE FUND DETERIORATION DUE TO INCREASING PAYABLE TO GENERAL FUND

The city experienced a rapid deterioration of its financial position between 1994, when the General Fund balance equaled $3.3 million or almost 40% of General Fund revenues, through 1997, when the balance decreased to $569,000 (7.8% of General Fund Revenues). The drawdowns were reportedly a result of the city not levying the appropriate amounts for operating expenditures and debt service, rising costs of health care; as well as the city's unwillingness to raise tax rates. Actions taken to reverse this

Attachment: Bond Rating Follow-up (4642 : Follow-up to Mayor Woellner's -email questions) trend included the hiring of a finance director (the city's first) in 1996; a switch to a lower cost HMO for health insurance; and a $5,000 limit on capital expenditures undertaken without council approval.

Subsequently, in FY 1999, the General Fund balance increased to $1.7 million, or 17.5% of revenues, at the expense of the Debt Service Fund, whose balance deteriorated from -$208,118 in FY 1998 to - $498,190 in FY 1999 due to an increasing payable to the General Fund. General Fund cash was used to cover debt service in FY 1998 because the city did not levy for debt service and in FY 1999 because a portion of the debt service levy was commingled within the General Fund. This resulted in insufficient cash within the debt service fund for principal and interest payments due. It is important to note that as of FY 1999, 29% of the General Fund balance was a payable from the Debt Service Fund, which had no cash.

HIGH DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

Moody's expects the city's debt burden to remain manageable due to above average principal amortization, expectedly moderate tax base growth, and the lack of borrowing needs in the near future. The high debt burden of 7.0% reflects the limited size of the tax base, along with significant borrowing by the overlapping school district, which issued over $16 million in debt in 1998. The rate of principal amortization -- 67% over ten years -- is above average.

CITY EXPERIENCING MODERATE TAXBASE GROWTH

Moody's anticipates that the city's taxbase will continue to experience growth due to reassessment as well as some development in the tourism and service sectors. Located in Lincoln County (A3), the city's small taxbase, with a full valuation of $337 million, has been experiencing tax base growth averaging 5.1% annually over the last five years. The employment base includes wood manufacturing, insurance and health care enterprises. Additional employment opportunities are offered in Wausau (Aa3), 15 miles to the south, which serves as a regional service center. Wealth levels are below the state average and county unemployment rates remain above the state average, at 4.2% in December 2000.

Outlook

Moody's negative outlook is based on the absence of a strategy to address the large payable in the Debt Service Fund to the General Fund, while keeping the General Fund reserve at a satisfactory level.

KEY STATISTICS

2000 estimated population: 10,353

2000 full value: $337 million

Full value per capita: $32,597

Debt burden: 7.0%

Payout of debt (10 years): 66.9%

FY 1999 General Fund balance: $1.7 million (17.5% of General Fund revenues)

FY Debt Service Fund balance: -$498,190

STANDARD & POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:

Merrill, Wisconsin; General Obligation

Primary Credit Analyst:
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Summary:

Merrill, Wisconsin; General Obligation

Credit Profile		
US$4.29 mil GO corp purp bnds ser 2013A dtd 09/04/2013 due 06/01/2033		
Long Term Rating	A/Stable	New
US$2.89 mil GO promissory nts ser 2013B dtd 09/04/2013 due 05/01/2023		
Long Term Rating	A/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'A' long-term rating to Merrill, Wis.'s series 2013A general obligation (GO) corporate purpose bonds and series 2013B GO promissory notes. The outlook is stable.

The 'A' rating reflects our opinion of the city's credit quality, including:

- The city's status as county seat and access to a more diverse employment center in nearby Wausau;
- Strong available general fund reserves; and
- Moderate debt load as a percentage of the market value and low debt burden on a per capita basis.

The following factors offset the credit strengths above:

- Adequate, but below-average, income and wealth levels; and
- Unemployment that, despite recent improvements, remains well above the state and national rates.

The city's unlimited-tax GO pledge secures the series 2013A bonds and 2013B notes. Officials intend to use bond and note proceeds to finance several capital projects, including fire station construction, fire engine acquisition, street improvements, and various other projects. Furthermore, the 2013B note proceeds will be used to refund the city's series 2001 bonds for interest-cost savings only.

Merrill, with a population estimate of 9,618, is located by the Wisconsin and Prairie rivers approximately 16 miles north of Wausau.

As the seat of Lincoln County, the city is the business center of the county. Historically, the economy was primarily supported by logging and wood manufacturing industries; however, the economy has since diversified into the insurance, government services, health care and manufacturing sectors. Leading employers include:

- Church Mutual Insurance Co. (902 employees),
- Lincoln County (472);
- Merrill Area Public Schools (376),
- Lincoln Wood Products (window and doors manufacturers, 300), and
- Ministry Good Samaritan Health Center (252).

Some residents work in the nearby Wausau area. Despite the relative employment diversity, the city's and county's economic indicators are below average. The county's unemployment rate has historically tracked above the state and national averages and although it improved slightly in 2012 to 9.5% from 10.1% in 2011. We consider median household and per capita effective buying incomes adequate at 79% of national levels. The value of the city's primarily residential tax base has not changed during the last three years; it declined a mere 0.4% to $390 million in 2012. The tax base is very diverse, with the 10 leading taxpayers accounting for 10% of total assessed value (AV) in 2012. Equalized value totaled $395 million in 2012, or $41,094 per capita, which we consider adequate. Management indicates that new construction could increase the city's base by 1% in 2013.

We believe that despite some recent fluctuations in Merrill's ending reserve position, the city will maintain at least good general fund available reserves during the next two fiscal years. In fiscal 2012, the total available general fund balance declined to $321,000, or 2.4% of operating expenditures, from $1.7 million, or 13.4%, in 2011 mainly because the city chose to use some of its reserves to pay for the construction project upfront in anticipation of future debt issuance. The city's management expects to reimburse the general fund balance with the debt proceeds and aims to end the fiscal 2013 with nearly $1.4 million in available fund balance, or approximately 11% of operating expenditures, which we consider strong. The city's management expects to end fiscal 2014 with nearly break-even results.

Merrill's financial performance has fluctuated over the last several years and available reserves have been declining mostly because of growing capital outlays. The city has issued debt in three out of the past five years and the timing of the debt issuance has, to an extent, affected the city's finances. Excluding the volatile capital outlays, operating expenditures and revenues have remained fairly stable over the same time frame because of management's conservative spending and intent to maintain a stable tax rate. Management made cash advances to the tax increment districts (TIDs), weakening the city's cash position The city anticipates that some of the TID deficits could be covered with transfers from the more successful TIDs. However, the general fund will likely continue to make cash advances to the TIDs in the foreseeable future.

The availability of the cash reserves is an important credit determinant because of the city's limited capacity to raise additional operating revenue. The city's state-shared revenue accounted for about 42% of general fund receipts, followed by property taxes at 35%. The city is subject to a levy limitation that allows for growth in the operating property tax levy with new construction but does not allow for the inflationary growth. In addition, the state reduced shared revenue to local governments for the fiscal 2012-2013 biennium and maintained local funding levels in its fiscal 2014-2015 budget. While local governments were able to collect additional health care and pension contributions from employees beginning in 2012, those savings may be insufficient over the longer term as revenues remain relatively flat and other costs may rise. Minimal new construction over the past few years has constrained Merrill's levy growth, but management expects current new construction to lead to levy growth in the next few years.

Standard & Poor's considers Merrill's financial management practices "standard" under its Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some, but not all, key areas. Management provides monthly reports to the council on budget performance and strives to maintain a 12%-15% general fund reserve. In addition, the city's debt management policy dictates that general obligation bonds should not exceed 70% of the legal debt limit established by the state. The city does not conduct financial planning or capital planning.

Overall net debt is moderate, in our opinion, at 4.8% of equalized value, and low at $1,972 per capita. Net of capital outlay, debt service typically accounts for between 7% and 8% of total fund expenditures, which we consider low. Proposed debt obligations will likely increase the debt service charges to a moderate 11% of total fund expenditures on a pro forma basis. Debt amortization is rapid, with officials planning to retire 73% of GO debt principal over 10 years. There are no additional GO debt plans for 2013 and 2014.

Merrill participates in the Wisconsin Retirement System (WRS) and has historically met its annual required contribution. The total required WRS contribution was $924,000 in fiscal 2012. Of that amount, the city contributed 72%, and employees were responsible for 38%. The city's WRS contribution amounted to 4.2% of total governmental expenditures. The city does offer other postemployment benefits.

Outlook

The stable outlook reflects our expectation that Merrill's management will remain committed to maintaining at least good reserves. The city's status as county seat and proximity to employment opportunities in nearby Wausau lend stability to the rating. In our view, the city's growing advances to the TIDs and limited new construction could potentially strain finances in the long term. Should the TIDs' cash needs increase significantly and eat into reserves while revenue is stagnant, we could consider lowering the rating within the outlook's two-year period. We do not see upward rating potential at this time given the city's projected deficits, persistently high unemployment, stagnant tax base, and just-adequate incomes.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: Financial Management Assessment, June 27, 2006

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

S&P Global
Ratings

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Summary:
Merrill, Wisconsin; General Obligation

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Summary:

Merrill, Wisconsin; General Obligation

Credit Profile		
US$4.185 mil GO corp purp bnds ser 2016B dtd 10/06/2016 due 10/01/2036		
Long Term Rating	A/Stable	New
US$2.145 mil GO prom nts ser 2016A dtd 10/06/2016 due 10/01/2026		
Long Term Rating	A/Stable	New
Merrill GO prom nts		
Long Term Rating	A/Stable	Affirmed
Merrill GO (AGM)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

S&P Global Ratings has assigned its 'A' rating to Merrill, Wis.'s series 2016A general obligation (GO) promissory notes and series 2016B GO corporate purpose bonds. At the same time, S&P Global Ratings affirmed its 'A' rating on Merrill's outstanding GO bonds. The outlook is stable.

Merrill's unlimited-tax GO pledge secures the bonds. The city will use the series 2016A proceeds to refinance a portion of the series 2004 bonds for interest savings and to finance various capital projects. It will use the series 2016B bond proceeds to refinance a portion of the series 2006B bonds for interest savings and finance and reimbursement for various capital projects relating to Merrill's airport and tax increment financing districts (TIDs).

Merrill serves the citizens in Lincoln County and is about 16 miles north of Wausau.

The 'A' rating reflects our assessment of the city's:

- Very weak economy, with market value per capita of $37,977 and projected per capita effective buying income at 77.9% of the national level;
- Adequate management, with "standard" financial policies and practices under our Financial Management Assessment methodology;
- Adequate budgetary performance, with operating results that we expect could improve in the near term relative to fiscal 2015, which closed with operating deficits in the general fund and at the total governmental fund level in fiscal 2015;
- Weak budgetary flexibility, with a low nominal available fund balance ($8,000) that we expect will improve as a percent of expenditures in the near term from its fiscal 2015 level of 0.1%;
- Very strong liquidity, with total government available cash at 37.5% of total governmental fund expenditures and 5.3x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability profile, with debt service carrying charges at 7.0% of expenditures and net direct debt that is 90.9% of total governmental fund revenue, as well as rapid amortization, with 70.0% of debt scheduled to be retired in 10 years; and

- Adequate institutional framework score.

Very weak economy

We consider Merrill's economy very weak. The city, with an estimated population of 9,668, is located in Lincoln County. The city has a projected per capita effective buying income of 77.9% of the national level and per capita market value of $37,977. Overall, the city's market value fell by 1.2% over the past year to $367.2 million in 2017. The county unemployment rate was 5.2% in 2015.

The city is located by the Wisconsin and Prairie rivers approximately 16 miles north of Wausau. As the seat of Lincoln County, Merrill is the business center of the county. Historically, the economy was primarily supported by logging and wood manufacturing industries; however, it has since diversified into the insurance, government services, health care, and manufacturing sectors. Leading employers include: Church Mutual Insurance (465 employees), Lincoln County (445 employees), Merrill Public Schools (366 employees), Lincoln Wood Products (300 employees), and Hurd Windows & Doors (300 employees). Some residents work in the nearby Wausau area. Despite the relative employment diversity, the city's and county's economic indicators are below average.

Management reports that the NorTrax (John Deere Construction and Forestry dealer) is adding a $4 million expansion and that a newly constructed apartment complex (a $1 million development) will be added to the tax levy in 2017. The city will be reassessed for the first time since 2000, and management indicates that makes it difficult to gauge the coming year's assessed value. We believe that the drastic changes in the housing market since 2000 and the city's recent developments would make the reassessment unpredictable.

In efforts to assist the local economy in growing, the city established a redevelopment authority in 2004, which has established a number of TIDs. TID 3 has been successful and houses a Walmart. While some of the other TIDs are still developing, financially, Merrill has been improving some of its blighted areas by tearing down inoperative structures and restoring historic buildings. In addition, financed through private donations, the city has built an extensive aquatic center, additional trails along the river, and a seniors' center.

Adequate management

We view the city's management as adequate, with "standard" financial policies and practices under our Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some but not all key areas.

Management uses historical and outside information to project the revenues and expenditures for the yearly budget. The council reviews a monthly budget to actual report and can amend the budget as necessary. Although the city does not perform long-term planning, it does have detailed 10-year capital plan that includes funding sources. It follows state policy when investing funds, but does not report holdings and earning to the council throughout the year. Merrill does not have a debt management policy. It has a general fund unassigned fund balance policy of 12%-15% of expenditures, but it is currently not achieving that goal.

Adequate budgetary performance

Merrill's budgetary performance is adequate in our opinion. The city had operating deficits of 5.3% of expenditures in the general fund and of 7.4% across all governmental funds in fiscal 2015. Our assessment accounts for the fact that we expect budgetary results could improve from 2015 results in the near term.

The city's budgetary performance improved to adequate from weak due to our expectations that the fiscal 2016 performance will show improvement due to lower capital expenditures. We removed $1.9 million on general fund capital expenditures that will be reimbursed with the bond proceeds; these expenditures were unusually large and one-time in nature. Merrill's general fund has been subsidizing the capital expenditures for the various TID projects, but with the issuance of the bonds the TID funds will repay $1.8 million in general fund advances. The well-performing TID 3 is producing approximately $700,000 per year and will functionally pay the debt service associated with this portion of the bonds (maximum annual debt service is approximately $66,000).

The fiscal 2016 budget calls for breakeven general fund results, which the city is currently on track to accomplish. But it is expected that the total governmental funds will result in a deficit. We expect the budgetary performance to remain adequate. The city is not expecting the general fund to advance the TID funds money.

Weak budgetary flexibility

Merrill's budgetary flexibility is weak, in our view, with an available fund balance that we expect could improve in the near term from its fiscal 2015 level of 0.1% of operating expenditures. In addition, the city's reserves are low on a nominal basis at $8,000, which we view as vulnerably low and a negative credit factor.

We revised the city's budgetary flexibility score to weak from adequate due to spending of general fund reserves on capital outlay (33% of general fund expenditures). Management expects an increase of $1.944 million to the city's available fund balance in fiscal 2016 due to capital expenditures that will be reimbursed with the bonds. Based on the fiscal 2016 budget, we expect budgetary flexibility to improve. We no longer view the general fund's receivable from the TID funds as questionable because the city will reimburse the general fund shortly following the issuance of the bonds.

Very strong liquidity

In our opinion, Merrill's liquidity is very strong, with total government available cash at 37.5% of total governmental fund expenditures and 5.3x governmental debt service in 2015. In our view, the city has strong access to external liquidity if necessary.

The city's access to the capital markets in the past 20 years demonstrates its strong ability to access the capital markets. Merrill plans to enter into a direct purchase agreement with a bank in the amount of $1.08 million, but the provisions are not what we view as permissive and we do not view this as a liquidity risk. We expect liquidity to remain very strong.

Strong debt and contingent liability profile

In our view, Merrill's debt and contingent liability profile is strong. Total governmental fund debt service is 7.0% of total governmental fund expenditures, and net direct debt is 90.9% of total governmental fund revenue. Approximately 70.0% of direct debt is scheduled to be repaid within 10 years, which is in our view a positive credit factor.

We reduced the city's debt by $1.6 million to reflect the portion that is enterprise revenue supported. The city plans to issue a taxable note anticipation note (NAN) in the amount of $1.08 million concurrently with the bonds. The NAN will be used for further construction in the TIDs.

Merrill's pension contributions totaled 3.2% of total governmental fund expenditures in 2016. The city made its full annual required pension contribution in 2016.

Merrill participates in the Wisconsin Retirement System, a cost-sharing multiple-employer defined benefit pension plan. It has historically contributed 100% of the annual required contribution. The plan was funded over 100% as of Dec. 31, 2015. The city implemented Governmental Accounting Standards Board statement No. 68 in the fiscal 2015 audit.

Adequate institutional framework

The institutional framework score for Wisconsin cities and villages with a population less than 25,000 is adequate.

Outlook

The stable outlook reflects our view that Merrill has resolved the general fund receivables from the TID funds and that, with the issuance of the NAN, the TID funds will now be self-sustaining. In addition, the outlook reflects our expectation that the bond proceeds will reimburse the general fund capital expenditures, resulting in a strong general fund balance in fiscal 2016. We do not anticipate lowering or raising the rating in the two-year outlook period.

Upside scenario

We could consider raising the rating if the budgetary performance were to be sustained at an adequate level, resulting in stable, strong budgetary flexibility.

Downside scenario

We could consider lowering the rating if budgetary flexibility dropped to a level lower than very strong or if the city exhibited signs of long-term budgetary imbalance.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2015 Update Of Institutional Framework For U.S. Local Governments

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

S&P Global
Ratings

RatingsDirect®

Summary:
Merrill, Wisconsin; General Obligation

Primary Credit Analyst:
Emily Powers, Chicago + 1 (312) 233 7030; emily.powers@spglobal.com

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David H Smith, Chicago + 1 (312) 233 7029; david.smith@spglobal.com

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Summary:

Merrill, Wisconsin; General Obligation

Credit Profile		
US$1.945 mil GO corp purp bnds ser 2019A dtd 11/05/2019 due 10/01/2039		
Long Term Rating	A-/Negative	New
Merrill GO prom nts		
Long Term Rating	A-/Negative	Downgraded
Merrill GO (AGM)		
Unenhanced Rating	A-(SPUR)/Negative	Downgraded
Merrill GO (MAC)		
Unenhanced Rating	A-(SPUR)/Negative	Downgraded
Merrill GO (MAC)		
Unenhanced Rating	A-(SPUR)/Negative	Downgraded

Many issues are enhanced by bond insurance.

Rationale

S&P Global Ratings lowered its long-term rating on Merrill, Wis.' general obligation (GO) debt to 'A-' from 'A' and assigned its 'A-' rating to the city's series 2019A GO corporate purpose bonds. The outlook is negative.

The lower rating reflects our opinion that the city's tax-increment district (TID) funds have continued to pressure general fund performance, with continued negative fund balances in seven of the city's ten TID funds in 2018, and a significant amount of money due to the general fund from these TID funds. While the general fund receivables from these funds has seen decreases in the past, specifically from fiscal years 2016 to 2017, the amount remained essentially unchanged in 2018. According to management, there is no specific period established for repayment. While the city has indicated that it will likely be repaid within three-to-five years, we view the timing of full repayment to the general fund as uncertain. Additionally, overall budgetary performance has been weak, reflecting uneven performance in recent years, leading us to believe that the general fund may be more susceptible to pressure from the TID funds. As many of these TID funds continue to underperform, we believe that additional advances from the general fund could be required, which could lead to additional rating pressure.

The negative outlook reflects our uncertainty regarding management's expectations of the performance of these TID funds, as we have not seen a credible plan to reduce the amount due to the general fund. The size of these receivables represents a majority of total available general fund reserves, leaving a minimal amount that is not included in questionable receivables which, in our view, is concerning and creates additional budgetary pressure. Overall, this trend has gone on for at least three years and still has not been adequately addressed by management, raising questions about management's willingness and ability to address this problem. Additionally supporting the negative outlook is a historically weak and volatile operating environment, driven by a stagnant revenue climate that is creating budgetary pressure and leading to weak budgetary performance.

The bonds are secured by the city's full faith and credit pledge and ability to levy unlimited ad valorem property taxes. Proceeds will be used to finance various capital, infrastructure and street projects throughout the city.

The 'A' rating reflects our assessment of the city's creditworthiness, specifically its:

- Very weak economy, with projected per capita effective buying income (EBI) at 79.6% of the national level and market value per capita of $45,154;
- Adequate management, with standard financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Weak budgetary performance, with operating deficits in the general fund and at the total governmental fund level in fiscal 2018;
- Weak budgetary flexibility, with an available fund balance that we expect will decrease in the near term from its fiscal 2018 level of 13.0% of operating expenditures, as well as receivables included in the available fund balance that we do not expect to be collected in the near term;
- Very strong liquidity, with total government available cash at 42.9% of total governmental fund expenditures and 3.4x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability position, with debt service carrying charges at 12.8% of expenditures and net direct debt that is 154.7% of total governmental fund revenue, as well as rapid amortization, with 77.4% of debt scheduled to be retired in 10 years; and
- Adequate institutional framework score.

Very weak economy

We consider Merrill's economy very weak. The city, with an estimated population of 9,317, is the Lincoln County seat. It is approximately 16 miles north of Wausau. It has a projected per capita EBI of 79.6% of the national level and per capita market value of $45,154. Overall, market value grew by 4.6% over the past year to $420.7 million in 2019. The county unemployment rate was 3.2% in 2018.

Merrill acts as the county's business center. Historically, the economy was primarily based on logging and wood manufacturing industries; however, it has since diversified into the insurance, government services, health care, and manufacturing sectors. Leading employers include Church Mutual Insurance Co. (802 employees), Merrill Public Schools (640), and the county itself (484). Some residents work in the nearby Wausau area. Despite the relative employment diversity, the city's and county's economic indicators are below average.

To assist the local economy, the city established a redevelopment authority in 2004, which has established a number of TIDs. TID 3 has been successful and houses a Wal-Mart, and TID 11 has continuing residential development, with both apartments and single-family homes currently under construction. While other TIDs are still developing, Merrill has also seen continued expansion outside of these districts, with new retail and industrial development. Despite this growth, we anticipate the city's economic conditions will likely remain very weak over the medium term.

Adequate management

We view the city's management as adequate, with standard financial policies and practices under our FMA methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

Management uses historical and outside information to project revenue and expenditures for the yearly budget. The council reviews a monthly budget-to-actual report, but based on 2019 projections versus actuals, the council did not make necessary adjustments, specifically in regard to various underperforming TID funds. Although Merrill does not perform long-term planning, it does have a detailed 10-year capital plan that includes funding sources. It follows state policy when investing funds, but does not report holdings and earning to the council throughout the year. It has a general fund unassigned fund balance policy of 12%-15% of expenditures, but has not historically achieved this goal. The city does not have a debt management policy.

Weak budgetary performance

Merrill's budgetary performance is weak, in our opinion. The city had operating deficits of negative 1.7% of expenditures in the general fund and negative 2.9% across all governmental funds in fiscal 2018.

In analyzing the city's budgetary performance, we adjusted recurring transfers and capital expenditures funded by bond proceeds in the city's general fund and total governmental funds. Historically, the general fund has subsidized the capital expenditures for the various TID projects. In recent years, the well-performing TID funds have subsidized those with negative fund balance.

After adjustments, the general fund posted a slight deficit in 2018, differing slightly from the city's original break-even budget, although increasing the general fund available fund balance by roughly $1,200. Across governmental funds, the city saw a smaller deficit than in prior years, after removing one-time expenditures and the spending of bond proceeds. The budget for fiscal 2019 is calling for a $1.4 million deficit, prior to any transfers or bond proceeds. Management expects operations to end with break-even results, with a slight decrease in the unassigned fund balance due to a payoff of debt. Additionally, management expects total governmental performance to be at least in line with prior years, but possibly seeing more positive results, guided by management's view of higher-performing TID funds. While this is management's expectation, we believe that budgetary performance will remain weak, as the TID funds' negative fund balances grew in the last audited year, and there is no repayment plans in place for these advances to the TID funds from the general fund.

Weak budgetary flexibility

Merrill's budgetary flexibility is weak, in our view, with an available fund balance that we expect could decrease in the near term from its fiscal 2018 level of 13.0% of operating expenditures, or $1.7 million. Weakening budgetary flexibility, in our view, is inclusion of receivables in the available fund balance that we do not expect to be collected in the near term.

We view the significant amounts due to the general fund from various TID funds as questionable receivables. This amount, totaling $1.7 million in 2018, remained stagnant over the prior year, with no major reduction in the overall receivables. Management noted that many of the TIDs are generating tax-increment revenue, but in 2018, most TID funds posted fund deficits, increasing the respective fund balance deficits. Management additionally noted that there is no formal plan in place for repayment of these TID receivables to the general fund, and that transfers to the general fund are done based on fund performance in that year, and cannot be fully estimated. In our view, these underperforming TID funds remain a burden to the general fund, as the total receivables is nearly equal to the general unassigned fund balance. If the TID funds continue to underperform and require additional advances from the general fund, budgetary flexibility could worsen, which could lead to additional negative pressure on the rating.

Very strong liquidity

In our opinion, Merrill's liquidity is very strong, with total government available cash at 42.9% of total governmental fund expenditures and 3.4x governmental debt service in 2018. In our view, the city has strong access to external liquidity if necessary.

The city's available $6.8 million in cash and investments (after removing unspent bond proceeds) were held primarily in the Wisconsin local government investment pool and mutual bond funds, which we do not consider aggressive. Based on past issuance of debt, we believe the city has strong access to capital markets to provide for liquidity needs if necessary. Merrill has three direct-purchase loans outstanding, totaling $3.14 million. The city issued each through a resolution that does not contain acceleration or what we consider other permissive provisions, and we do not view this as a liquidity risk. We expect liquidity to remain very strong.

Adequate debt and contingent liability profile

In our view, Merrill's debt and contingent liability profile is adequate. Total governmental fund debt service is 12.8% of total governmental fund expenditures, and net direct debt is 154.7% of total governmental fund revenue. Approximately 77.4% of the direct debt is scheduled to be repaid within 10 years, which is, in our view, a positive credit factor.

We calculate total direct debt at about $25.6 million; when excluding revenue-supported debt, net direct debt amounts to roughly $24.4 million. The city is concurrently issuing $1.5 million in note anticipation notes.. Additionally, the city plans to issue up to $4.7 million in GO and tax-increment revenue debt within the next two years, for capital projects and equipment. Based on these additional issuances, we expect our view of the city's debt profile to remain adequate.

Merrill's pension contributions totaled 4.2% of total governmental fund expenditures in 2018. The city made its full annual required pension contribution in 2018. It does not offer any other postemployment benefits.

The city contributes to Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined-benefit plan for retiree pension benefits. The system is 103% funded on a statewide basis. The city's proportionate share of the net pension asset was $1.9 million in fiscal 2018. We do not expect pensions to be a pressure for the city in the near term due to its relatively low contribution requirements and the over-funded status of WRS.

Adequate institutional framework

The institutional framework score for Wisconsin cities and villages with a population less than 25,000 is adequate.

Outlook

The negative outlook reflects our view that there is at least a one-in-three chance of a lower rating within the two-year outlook horizon. The rating could be lowered if the city is unable to implement a credible repayment plan for the receivables due to the general fund, and if the city's TID funds continue to pressure general fund performance. We could also lower the rating if volatile budgetary performance continues and the city is not able to achieve a sustained period of balanced operations.

We could revise the outlook to stable if we were to see improvement in the city's budgetary performance, despite its stagnant revenue climate, in addition to a reduction in the questionable general fund receivables, coupled with a repayment plan for the full amount due.

Related Criteria And Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2018 Update Of Institutional Framework For U.S. Local Governments

City of Merrill - Tax Increment Districts (TID) Fiscal Status

TID Sharing - TID No. 3 transfers to following TIDs:

		2017	2018	2019 Pending	Total Transferred
No. 6	Downtown	$260,000	$0		**$260,000**
No. 7	N. Center Ave.	$84,326	$28,069		**$112,395**
No. 8	West Side	$140,674	$45,000		**$185,674**
No. 9*	WI River/S. Center Ave.	$0	$0		**$0**
	Total Transferred	**$485,000**	**$73,069**	**$0**	**$558,069**

*Planned TID Sharing Plan amendment to allow transfers to TID No. 9.
Also, planned new TID Sharing Plan from TID No. 4 to TIDs No. 6 - TID No. 9.

City of Merrill, WI

Tax Increment Forecast

TID No. 4

District Classification	Mixed-Use
Creation Year	2007
Creation Date	9/11/2007
End of Expenditure Period	9/11/2022
Maximum Life of District (Final Year)	9/11/2027
Final Revenue Year	2028

2018 Audit	
Cash Balance	14,529

YEAR			REVENUE						EXPENSES					BALANCE	
Construction Year	Valuation Year	Revenue Year	New Valuation	TID Value Increment	Tax Rate	Projected Tax Revenue	Other Revenues	Total Projected Revenue	2017B $579,000 Tax Inc. Rev. Bond	2017C $3,210,000 G.O. Bonds	Admin. Expenses	Other Expenses	Total Projected Expenses	Annual Balance	Cumulative Balance
2017	2018	2019	-	7,139,100	31.08	221,852		221,852	62,310	26,600	1,000		89,910	131,942	146,471
2018	2019	2020	-	6,942,100	31.08	215,730		215,730	62,902	31,000	1,000		94,902	120,828	267,300
2019	2020	2021	-	6,942,100	31.08	215,730		215,730	62,433	30,250	1,000		93,683	122,047	389,346
2020	2021	2022	-	6,942,100	31.08	215,730		215,730	62,934	29,500	1,000		93,434	122,296	511,643
2021	2022	2023	-	6,942,100	31.08	215,730		215,730	62,373	28,750	1,000		92,123	123,607	635,250
2022	2023	2024	-	6,942,100	31.08	215,730		215,730	62,782	33,000	1,000		96,782	118,948	754,198
2023	2024	2025	-	6,942,100	31.08	215,730		215,730	63,130	32,400	1,000		96,530	119,201	873,398
2024	2025	2026	-	6,942,100	31.08	215,730		215,730	62,416	31,800	1,000		95,216	120,514	993,912
2025	2026	2027	-	6,942,100	31.08	215,730		215,730	62,672	30,900	1,000		94,572	121,158	1,115,071
2026	2027	2028	-	6,942,100	31.08	215,730		215,730	62,867		1,000		63,867	151,864	1,266,934

Attachment: Bond Rating Follow-up (4642 : Follow-up to Mayor Woellner's -email questions)

Prepared by Ehlers and Associates, Inc.

10/7/2019

EHLERS
LEADERS IN PUBLIC FINANCE

September 8, 2015

Project Plan for the Project Plan Amendment of Tax Incremental District No. 3 In Order to Share Increment with Tax Incremental Districts No. 6, 7 & 8

CITY OF MERRILL, WISCONSIN

Organizational Joint Review Board Meeting Held:	September 2, 2015
Public Hearing Held:	September 2, 2015
Consideration for Adoption by Redevelopment Authority:	September 2, 2015
Consideration for Adoption by Common Council:	September 22, 2015
Consideration for Approval by the Joint Review Board:	October 6, 2015

Tax Incremental District No. 3 Project Plan Amendment

City of Merrill Officials

Common Council

William Bialecki	Mayor
Chris Malm	Alderperson
Pete Lokemoen	Alderperson
Ryan Schwartzman	Alderperson
Kandy Peterson	Alderperson
John Burgener	Alderperson
Dave Sukow	Alderperson
Rob Norton	Alderperson
Tim Meehean	Alderperson

City Staff

William Heideman	City Clerk
Kathy Unertl	City Finance Director/RDA Secretary
Dave Johnson	City Administrator
Thomas Hayden	City Attorney

Redevelopment Authority

Bill Bialecki, President	Jill Laufenberg
Karen Karow	Ryan Schwartzman
Amanda Kostman	Wally Smith
Tony Kusserow	

Joint Review Board

Mayor Bill Bialecki	City Representative
Bob Weaver	Lincoln County
Jane Kittel	Northcentral Technical College District
Brian Dasher & Wally Leipart	Merrill Area School District
Amanda Kostman	Public Member

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SECTION 1:
Executive Summary

Description of District

Type of District, Size and Location – Donor District
Tax Incremental District ("TID") No. 3 (the "TID" or "Donor District" or "District") is an existing mixed-use district, created by a resolution of the City of Merrill ("City") Common Council adopted on September 13, 2005 (the "Creation Resolution").

Type of District, Size and Location – Recipient Districts
Tax Incremental District ("TID") No.6 ("Recipient District No. 6") is an existing blighted area district, created by a resolution of the Common Council adopted on May 12, 2009.

Tax Incremental District ("TID") No.7 ("Recipient District No. 7") is an existing blighted area district, created by a resolution of the Common Council adopted on August 11, 2009.

Tax Incremental District ("TID") No.8 ("Recipient District No. 8") is an existing blighted area district, created by a resolution of the Common Council adopted on September 27, 2011

Amendments
The Donor District was previously amended on May 23, 2006, whereby a resolution was adopted to add additional territory to the District, and to amend the list of projects to be undertaken. This amendment was the first of four territory amendments permitted for this District.

The Donor District was previously amended on September 24, 2013 whereby a resolution was adopted to add additional territory to and remove territory from the District, and to amend the list of projects to be undertaken. This amendment was the second of four territory amendments permitted for this District.

Purpose of this Amendment
The purpose of this Amendment is to allow for the Donor District to share surplus increments with the Recipient Districts under the provisions of Wisconsin Statutes Section 66.1105(6)(f).

The Donor District is simultaneously being amended in a separate Amendment to add projects and territory to the District.

Estimated Total Project Expenditures.
The additional project costs to be incurred under this amendment are limited to the sharing of surplus increment with the Recipient Districts. It is expected that the Donor District will generate approximately $10,040,000 in increment that can be shared with the Recipient Districts during the eligible sharing period. Current projections indicate that approximately $4,763,000 in increment will be shared with the Recipient Districts. Actual sharing will depend on the amount of development and other project costs in the Donor and Recipient Districts.

Economic Development
Authorizing the Donor District to share increments with the Recipient Districts will provide additional resources needed to assist the Recipient Districts in accomplishing the economic development goals set forth in their Project Plans. Without this assistance, it is unlikely this will happen, or will happen within the timeframe, or at the levels projected. The application of the Donor District's surplus increment, as

permitted by Wisconsin Statutes, promotes the overall economic development of the City to the benefit of all overlapping taxing jurisdictions.

Expected Termination of District

The Donor District has a maximum statutory life of 20 years, and must close not later than September 13, 2025, resulting in a final collection of increment in budget year 2026. Pre-amendment cash flow projections indicate that the District currently has sufficient resources to retire all outstanding liabilities. However, the District has not completed the goals of its Project Plan and Amendments and is in a position to provide assistance to the Recipient Districts in the completion of the goals of their Project Plans. Based on the Economic Feasibility Study located in Section 10 of this Plan, amendment of the District would result in closure in 2025 with a final revenue collection in 2026.

Summary of Findings

As required by Wisconsin Statutes Section.66.1105, and as documented in this Project Plan Amendment and the exhibits contained and referenced herein, the following findings are made:

1. **That "but for" amendment of the Donor District's Project Plan, the remaining development projected to occur as detailed in this Project Plan: 1) would not occur; or 2) would not occur in the manner, at the values, or within the timeframe desired by the City.** In making this determination, the City has considered the following information:

    - Current and projected tax increment collections for the Recipient Districts will be insufficient to pay for project costs already incurred and the additional projects that need to be completed in those Districts to achieve the objectives of their Project Plans.

    - **That "but for" amendment of the Donor District's Project Plan, the economic development objectives of the Recipient District's Project Plan will not be achieved.** In evaluating the appropriateness of the proposed amendment, the Joint Review Board must consider "whether the development expected in the tax incremental district would occur without the use of tax incremental financing," customarily referred to as the "but for" test. Since the purpose of this amendment is solely to allow for the sharing of the Donor District's increment with the Recipient Districts, this test cannot be applied in the conventional way. The Joint Review Board has previously concluded, in the case of both the Donor District and the Recipient Districts, that the "but for" test was met. As demonstrated in the Economic Feasibility section of this Project Plan Amendment, the Recipient Districts are not likely to recover their Project Costs without the receipt of shared increment from the Donor District. This would create a significant financial burden for City taxpayers, and since all taxing jurisdictions will ultimately share in the benefit of the redevelopment projects and increased tax base, it is appropriate for all taxing jurisdictions to continue to share in the costs to implement them. Accordingly, the City finds that it is reasonable to conclude the "but for" test continues to be satisfied. *Finding Required by Wisconsin Statutes Section 66.1105(4m)(c)1.a.*

2. **The economic benefits of amending the Donor District, as measured by increased employment, business and personal income, and property value, are sufficient to compensate for the cost of the improvements.** In making this determination, the City has considered the following information:

    - As demonstrated in the Economic Feasibility Section of this Project Plan amendment, the tax increments projected to be collected are more than sufficient to pay for the remaining proposed project costs. On this basis alone, the finding is supported.

- Approval of the ability to share increment with the Recipient Districts is necessary to enable those Districts to fully realize the economic benefits projected in their Project Plans. Since the Donor District is generating sufficient increment to pay for its project costs, and has surplus increment available to pay for some of the project costs of the Recipient Districts, the economic benefits that have already been generated are more than sufficient to compensate for the cost of improvements in the Donor and Recipient Districts.

3. **The benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions.**

   - Given that it is likely that the Recipient Districts will not achieve all of the objectives of their Project Plans or in the same manner without the ability to share in the surplus increments of the Donor District (see finding # 1), and since the District is expected to generate additional economic benefits that are more than sufficient to compensate for the additional cost of the improvements (see Finding #2), the City reasonably concludes that the overall additional benefits of the District outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions. It is further concluded that since the "but for" test is satisfied, there would, in fact, be no foregone tax increments to be paid in the event the Project Plan is not amended. *Finding Required by Wisconsin Statutes Section 66.1105(4m)(c)1.c.*

4. The boundaries of the District are not being amended.[1] At the time of creation, and any subsequent additions of territory, not less than 50%, by area, of the real property within the District is suitable for a combination of industrial, commercial and residential uses, defined as "mixed-use development" within the meaning of Wisconsin Statutes Section 66.1105(2)(cm).

5. Based upon the findings as stated above, and the original findings as stated in the Creation Resolution and in any subsequent resolutions amending the boundaries of the District, the District remains declared a mixed-use district based on the identification and classification of the property included within the District.

6. The project costs will not change as a result of this amendment.

7. There are no additional improvements as a result of this amendment.

8. The amount of retail business will not change as a result of this amendment**.**

9. The Project Plan for the District, as amended, is feasible, and is in conformity with the Master Plan of the City.

[1] The boundaries are not being amended via this document. The District is simultaneously being amended through a separate Amendment to add territory.

SECTION 2:
Type and General Description of District

The District was created under the authority provided by Wisconsin Statutes Section 66.1105 on September 13, 2005 by resolution of the Common Council. The District's valuation date, for purposes of establishing base value, was January 1, 2005.

The existing District is a "Mixed Use District" based upon a finding that at least 50%, by area, of the real property within the District was suitable for a combination of industrial, commercial and residential uses within the meaning of Wisconsin Statutes Section 66.1105(2)(cm). Since this amendment does not add any territory to the District, the District remains in compliance with this provision. The District also remains in compliance with the prohibition that no more than 35% of the area of the District be allocated for newly-platted residential development.

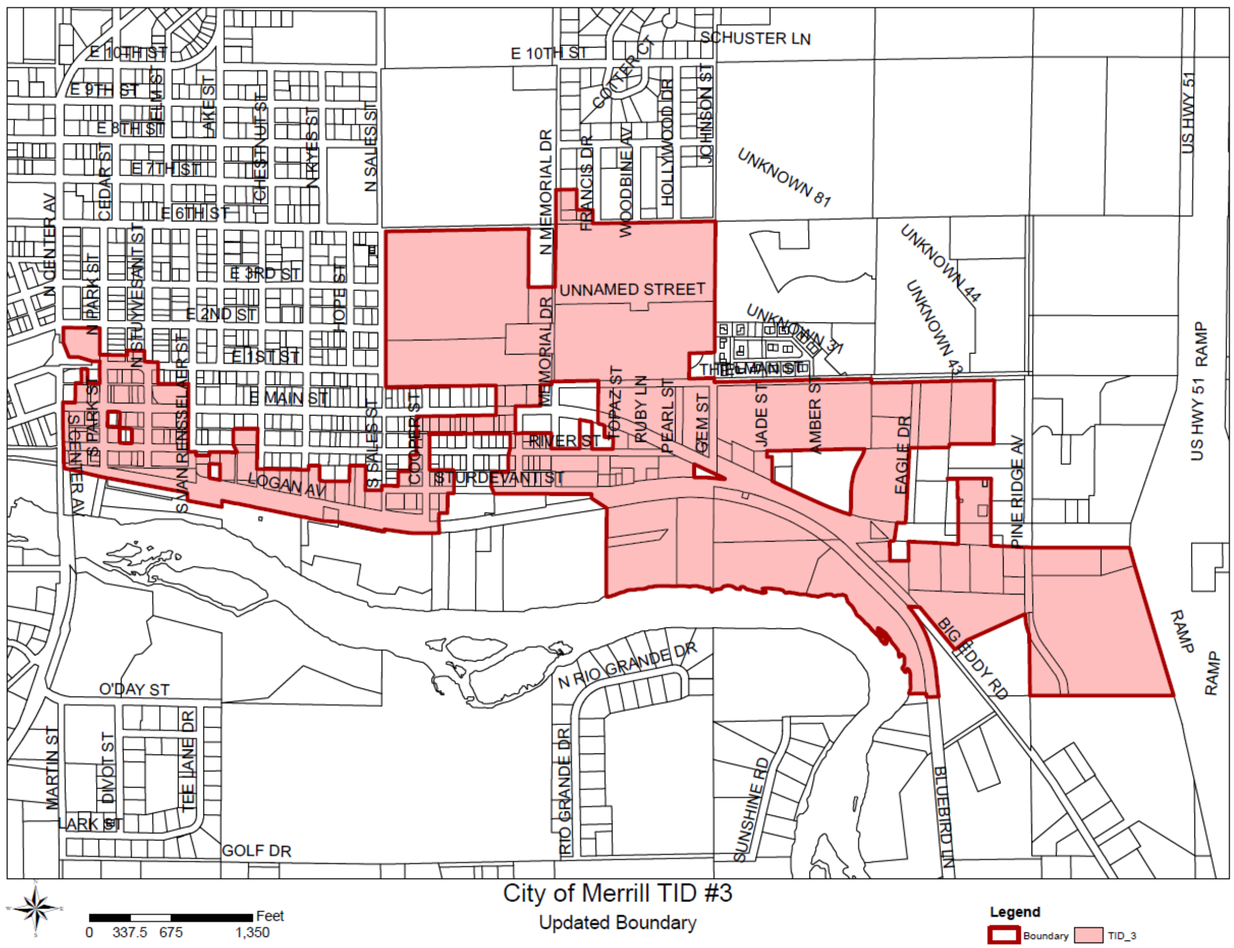
Wisconsin Statutes Section 66.1105(4)(h)2 provides authority for a City to amend the boundaries of an existing Tax Increment District for purposes of adding and/or subtracting territory up to a total of four times during the life of the District. The boundaries of the Donor District have been amended twice prior to this Amendment. Since this amendment does not involve the addition or subtraction of territory from the District, it is not counted against the number of available boundary amendments. The Donor District is simultaneously being amended to add projects and territory to the District, which will be the third boundary amendment.

This Project Plan Amendment supplements, and does not supersede or replace any component of the original Project Plan, or any component of previously adopted Project Plan Amendments, unless specifically stated. All components of the original Project Plan, and its previously adopted Project Plan Amendments, remain in effect.

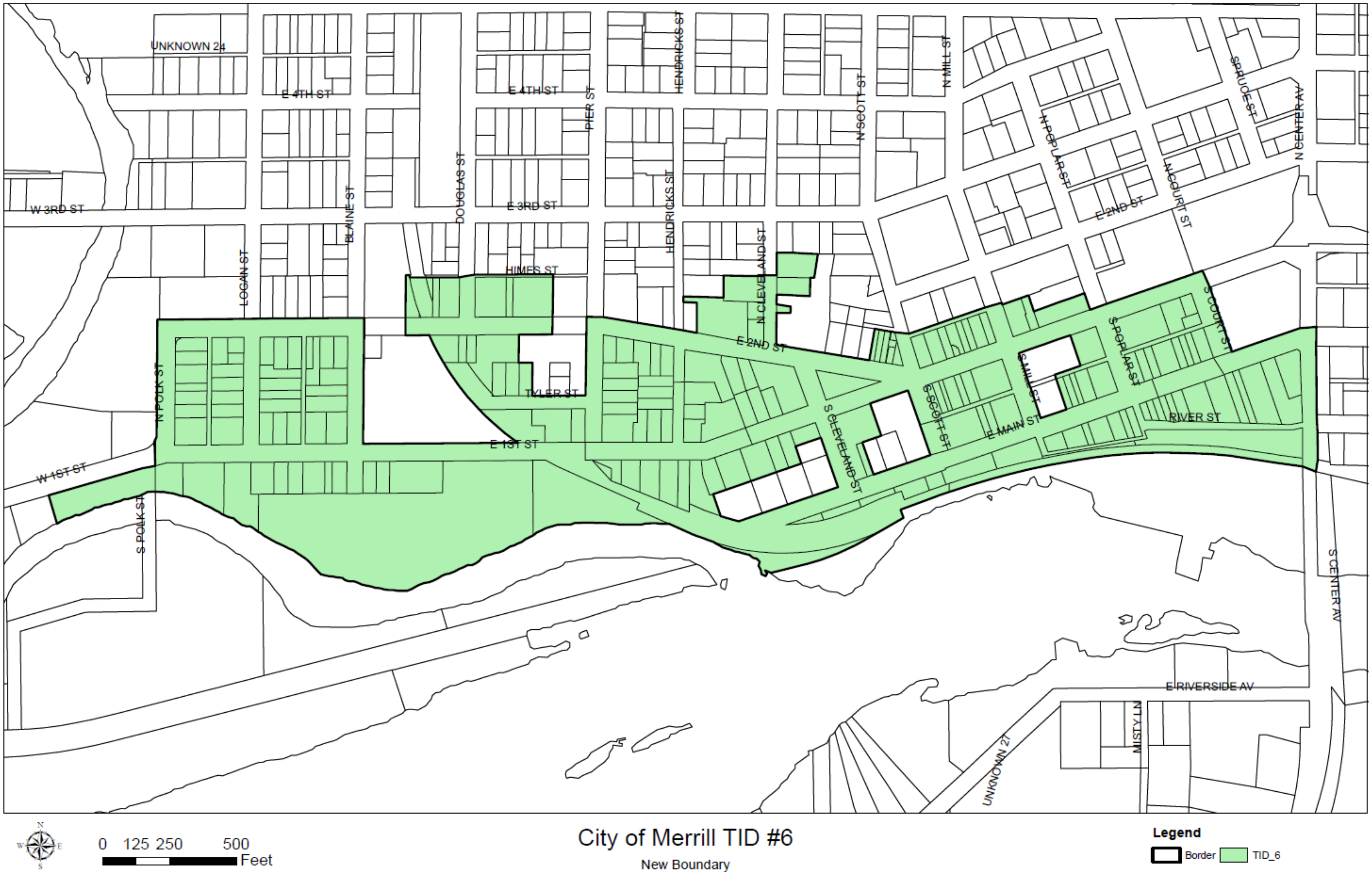
A map depicting the current boundaries of the District is found in Section 3 of this Plan. Based upon the findings stated above, the original findings stated in the Creation Resolution, and the findings contained in any subsequent resolution adding territory to the District, the District remains a mixed-use district based on the identification and classification of the property included within the District.

SECTION 3:
Maps of Current District Boundaries

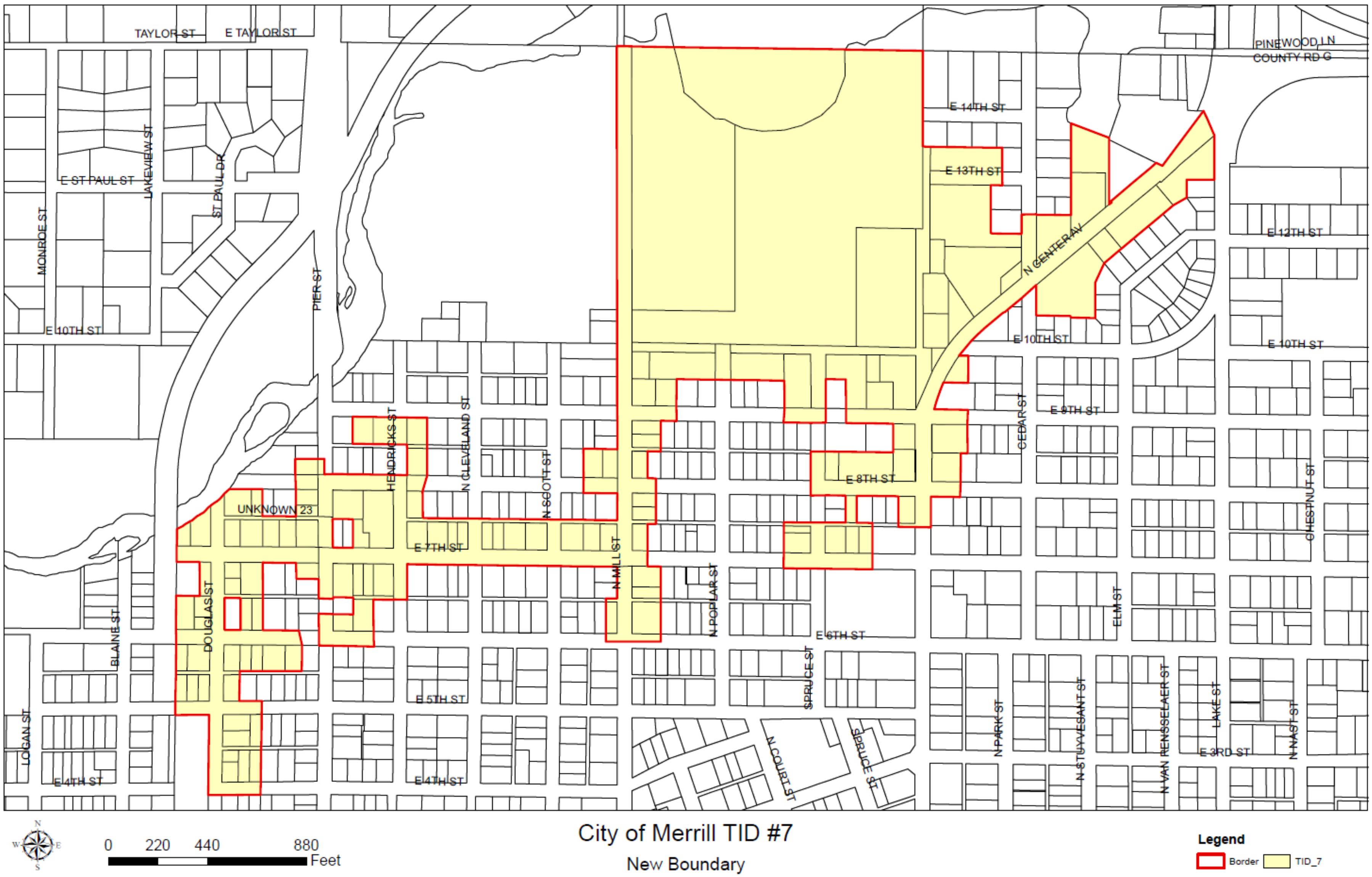
Donor District



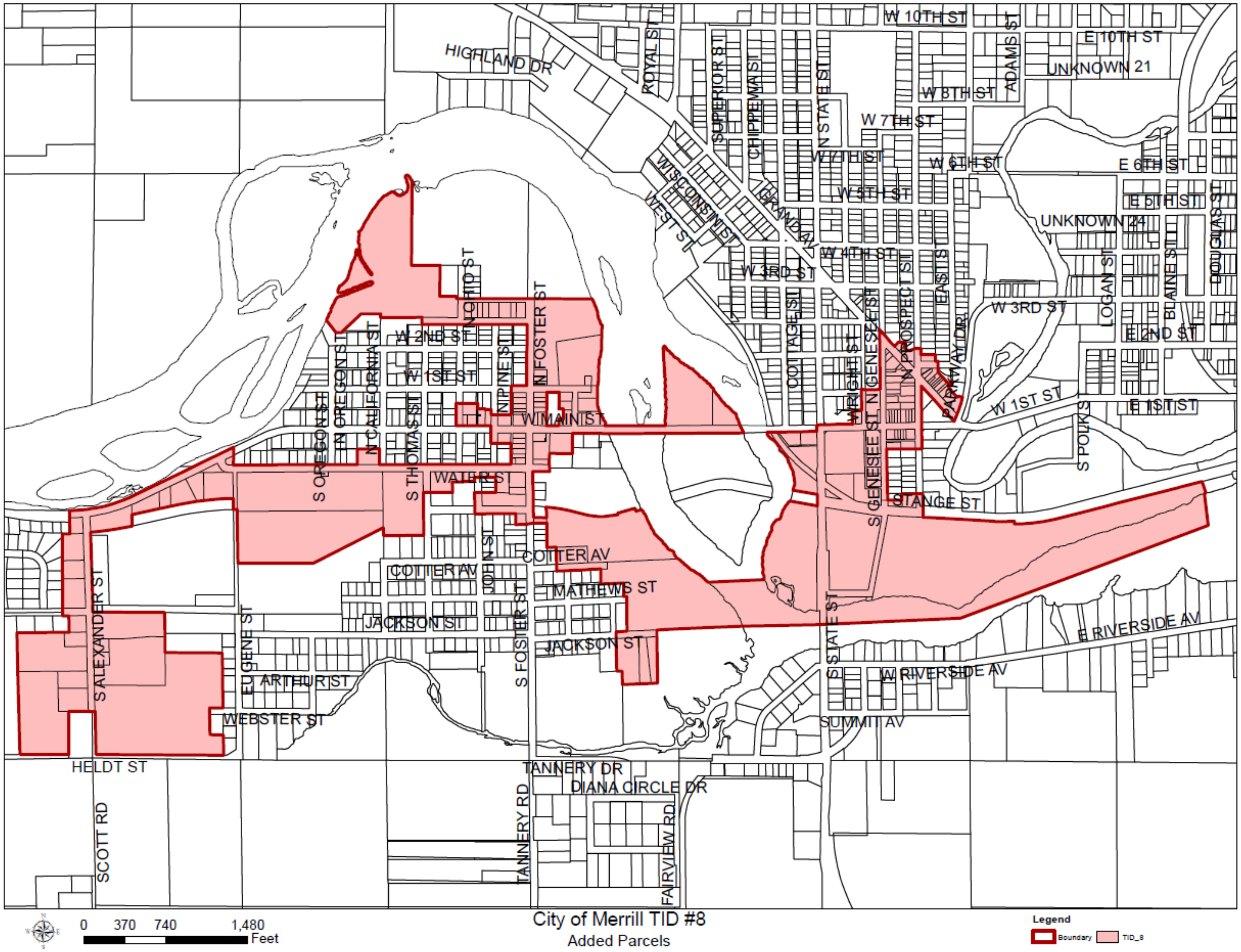
Recipient District No. 6



Recipient District No. 7



Recipient District No. 8



SECTION 4:
Map Showing Existing Uses and Conditions

There will be no change to District boundaries, nor any changes to the existing uses and conditions within the District as a result of this amendment. A copy of this map can be found in the Original and/or Amended Project Plan documents.

SECTION 5:
Equalized Value Test

No additional territory will be added to the District. Demonstration of compliance with the equalized value test is not required for this Amendment.

SECTION 6:
Statement of Kind, Number and Location of Proposed Public Works and Other Projects

This amendment provides the authority for the Donor District to allocate surplus increments with the Recipient Districts. No other additional project costs are involved, and the statement of kind, number and location of proposed public works and other projects as documented in the Original and/or Amended Project Plan documents remains in effect.

SECTION 7:
Map Showing Proposed Improvements and Uses

There will be no change to District boundaries, nor any changes to the proposed improvements or uses within the District as a result of this amendment.   A copy of this map can be found in the Original and/or Amended Project Plan documents.

SECTION 8:
Detailed List of Additional Project Costs

This amendment provides the authority for the Donor District to allocate surplus increments to the Recipient Districts. No other additional project costs are involved, and the statement of kind, number and location of proposed public works and other projects as documented in the Original and/or Amended Project Plan documents remains in effect.

SECTION 9:
Economic Feasibility Study, Financing Methods, and the Time When Related Costs or Monetary Obligations Are to Be Incurred

This Project Plan Amendment allows the Donor District to allocate positive tax increments to the Recipient Districts. The authority for this Amendment is Wisconsin Statutes Section 66.1105(6)(f), which provides for the allocation of increments providing that the following are true:

- The Donor District, the positive tax increments of which are to be allocated, and the Recipient Districts have the same overlying taxing jurisdictions.
- The allocation of tax increments is approved by the Joint Review Board.
- The Donor District is able to demonstrate, based on the positive tax increments that are currently generated, that it has sufficient revenues to pay for all project costs that have been incurred under the Project Plan for that District and sufficient surplus revenues to pay for some of the eligible costs of the Recipient Districts.
- The Recipient Districts were created upon a finding that not less than 50 percent, by area, of the real property within each District is blighted or in need of rehabilitation, or the project costs in the each District are used to create, provide, or rehabilitate low-cost housing or to remediate environmental contamination.

The Donor District and Recipient Districts have the same overlapping taxing jurisdictions, and the Recipient Districts were created on a finding that not less than 50 percent, by area, of the real property within the Districts are blighted.

The Exhibits following this section demonstrate that the Donor District is generating sufficient tax increments to pay for its project costs, and that surplus increments remain that can be allocated to pay some of the project costs of the Recipient Districts. Accordingly, the statutory criteria under which this amendment can be approved are met.

Increment Revenue Projections

City of Merrill, Wisconsin

Tax Increment District No. 3

Tax Increment Projection Worksheet

Type of District	Mixed Use		Base Value	13,403,200	
Creation Date	September 13, 2005		Appreciation Factor	0.00%	Apply to Base Value
Valuation Date	Jan 1,	2005	Base Tax Rate	$32.83	
Max Life (Years)	20		Rate Adjustment Factor	0.00%	
Expenditure Periods/Termination	15	9/13/2020			
Revenue Periods/Final Year	20	2026			
Extension Eligibility/Years	Yes	3	Tax Exempt Discount Rate	2.25%	
Recipient District	No		Taxable Discount Rate	3.75%	

	Construction Year	Value Added	Valuation Year	Inflation Increment	Total Increment	Revenue Year	Tax Rate	Tax Increment	Tax Exempt NPV Calculation	Taxable NPV Calculation
9	2013		2014	0	15,999,300	2015	$32.83	**525,218**	429,902	377,091
10	2014	2,939,500	2015	0	18,938,800	2016	$32.83	**621,714**	927,591	807,330
11	2015	1,600,000	2016	0	20,538,800	2017	$32.83	**674,238**	1,455,448	1,257,052
12	2016	500,000	2017	0	21,038,800	2018	$32.83	**690,652**	1,984,258	1,701,072
13	2017	1,500,000	2018	0	22,538,800	2019	$32.83	**739,893**	2,538,304	2,159,555
14	2018	2,000,000	2019	0	24,538,800	2020	$32.83	**805,548**	3,128,241	2,640,681
15	2019	2,000,000	2020	0	26,538,800	2021	$32.83	**871,204**	3,752,220	3,142,212
16	2020	1,500,000	2021	0	28,038,800	2022	$32.83	**920,445**	4,396,960	3,652,938
17	2021	1,500,000	2022	0	29,538,800	2023	$32.83	**969,686**	5,061,245	4,171,539
18	2022	1,500,000	2023	0	31,038,800	2024	$32.83	**1,018,927**	5,743,904	4,696,779
19	2023	1,850,000	2024	0	32,888,800	2025	$32.83	**1,079,658**	6,451,334	5,233,208
20	2024	1,400,000	2025	0	34,288,800	2026	$32.83	**1,125,617**	7,172,648	5,772,257
Totals		**34,288,800**		**0**			**Future Value of Increment**	**10,042,801**		

Notes:

Actual results will vary depending on development, inflation of overall tax rates.

NPV calculations represent estimated amount of funds that could be borrowed (including project cost, capitalized interest and issuance costs).

Cash Flow – Donor District – Prior to Amendment

City of Merrill, Wisconsin

Tax Increment District No. 3

Cash Flow Projection - Prior to Amendment

Year	Projected Revenues: Tax Increments	Projected Revenues: Other Revenue	Projected Revenues: Total Revenues	Expenditures: General Obligation Bonds 1,600,000, Dated Date: 12/28/06, Principal	Rate	Interest	Admin.	Total Expenditures	Balances: Annual	Balances: Cumulative	Balances: Principal Outstanding	Year
2015	525,218		525,218	10,000	3.80%	4,445	1,000	15,445	509,773	903,570	100,000	2015
2016	621,714		621,714	10,000	3.85%	4,065	1,000	15,065	606,649	1,510,219	90,000	2016
2017	621,714		621,714	10,000	3.90%	3,680	1,000	14,680	607,034	2,117,253	80,000	2017
2018	621,714		621,714	10,000	3.95%	3,290	1,000	14,290	607,424	2,724,677	70,000	2018
2019	621,714		621,714	10,000	4.00%	2,895	1,000	13,895	607,819	3,332,497	60,000	2019
2020	621,714		621,714	10,000	4.05%	2,495	1,000	13,495	608,219	3,940,716	50,000	2020
2021	621,714		621,714	10,000	4.10%	2,090	1,000	13,090	608,624	4,549,340	40,000	2021
2022	621,714		621,714	10,000	4.10%	1,680	1,000	12,680	609,034	5,158,374	30,000	2022
2023	621,714		621,714	10,000	4.20%	1,270	1,000	12,270	609,444	5,767,818	20,000	2023
2024	621,714		621,714	10,000	4.20%	850	1,000	11,850	609,864	6,377,683	10,000	2024
2025	621,714		621,714	10,000	4.30%	430	1,000	11,430	610,284	6,987,967	0	2025
2026	621,714		621,714					0	621,714	7,609,681	0	2026
Total	7,364,074	0	7,364,074	110,000		27,190	11,000	148,190				Total

Notes:
1. Had cumulative balance of $393,727 as of 12/31/2014
2. Assumes no growth in increment value

Cash Flow – Donor District – Following Amendment

City of Merrill, Wisconsin

Tax Increment District No. 3

Cash Flow Projection - Following Amendment

Year	Projected Revenues: Tax Increments	Other Revenue	Total Revenues	Expenditures: General Obligation Bonds 1,600,000 Dated Date: 12/28/06 Principal	Rate	Interest	Transfer to TID No. 6	Transfer to TID No. 7	Transfer to TID No. 8	Amendment	Admin.	Total Expenditures	Balances: Annual	Cumulative	Principal Outstanding	Year
2015	525,218		525,218	10,000	3.80%	4,445	51,000	74,000	24,000	10,000	1,000	174,445	350,773	744,570	100,000	2015
2016	621,714		621,714	10,000	3.85%	4,065	40,000	64,000	14,000		1,000	133,065	488,649	1,233,219	90,000	2016
2017	621,714		621,714	10,000	3.90%	3,680	122,000	94,000	86,000		1,000	316,680	305,034	1,538,253	80,000	2017
2018	621,714		621,714	10,000	3.95%	3,290	179,000	105,000	94,000		1,000	392,290	229,424	1,767,677	70,000	2018
2019	621,714		621,714	10,000	4.00%	2,895	34,000	86,000	69,000		1,000	202,895	418,819	2,186,497	60,000	2019
2020	621,714		621,714	10,000	4.05%	2,495	43,000	95,000	100,000		1,000	251,495	370,219	2,556,716	50,000	2020
2021	621,714		621,714	10,000	4.10%	2,090	83,000	104,000	58,000		1,000	258,090	363,624	2,920,340	40,000	2021
2022	621,714		621,714	10,000	4.10%	1,680	72,000	85,000	53,000		1,000	222,680	399,034	3,319,374	30,000	2022
2023	621,714		621,714	10,000	4.20%	1,270	76,000	94,000	53,000		1,000	235,270	386,444	3,705,818	20,000	2023
2024	621,714		621,714	10,000	4.20%	850	93,000	105,000	44,000		1,000	253,850	367,864	4,073,683	10,000	2024
2025	621,714		621,714	10,000	4.30%	430	80,000	85,000	79,000		1,000	255,430	366,284	4,439,967	0	2025
2026	621,714		621,714				1,400,000	400,000	425,000			2,225,000	(1,603,286)	2,836,681	0	2026
Total	7,364,074	0	7,364,074	110,000		27,190	2,273,000	1,391,000	1,099,000	10,000	11,000	4,921,190				Total

Notes:
1. Had cumulative balance of $393,727 as of 12/31/2014
2. Assumes no growth in increment value

Cash Flow – Recipient District No. 6 – Prior to Amendment

City of Merrill, Wisconsin

Tax Increment District No. 6

Cash Flow Projection - Prior to Sharing and Amendment

	Projected Revenues			Expenditures								Balances			
				State Trust Fund Loan 632,275			General Obligation Bonds 4,290,000								
				Dated Date:		12/21/10	Dated Date:		09/04/13						
Year	Tax Increments	Other Revenue	Total Revenues	Principal	Rate	Interest	Principal	Rate	Interest	Admin.	Total Expenditures	Annual	Cumulative	Principal Outstanding	Year
2015	0		0	3,203	5.00%	3,317	8,511	2.25%	6,474	1,000	22,505	(22,505)	(695,583)	246,117	2015
2016	0		0	3,321	5.00%	3,166	8,511	2.25%	6,283	1,000	22,281	(22,281)	(717,863)	234,285	2016
2017	0		0	3,440	5.00%	2,991	8,511	2.25%	6,091	1,000	22,033	(22,033)	(739,896)	222,334	2017
2018	0		0	3,559	5.00%	2,819	8,511	2.50%	5,900	1,000	21,788	(21,788)	(761,684)	210,265	2018
2019	0		0	3,677	5.00%	2,641	8,511	2.50%	5,687	1,000	21,516	(21,516)	(783,200)	198,077	2019
2020	0		0	3,796	5.00%	2,464	8,511	2.75%	5,474	1,000	21,245	(21,245)	(804,445)	185,771	2020
2021	0		0	3,914	5.00%	2,267	8,511	3.00%	5,240	1,000	20,933	(20,933)	(825,378)	173,346	2021
2022	0		0	4,033	5.00%	2,072	8,511	3.00%	4,985	1,000	20,600	(20,600)	(845,978)	160,802	2022
2023	0		0	4,152	5.00%	1,870	8,511	3.00%	4,730	1,000	20,262	(20,262)	(866,240)	148,140	2023
2024	0		0	4,270	5.00%	1,667	8,511	3.50%	4,474	1,000	19,922	(19,922)	(886,162)	135,359	2024
2025	0		0	4,508	5.00%	1,449	8,511	3.50%	4,177	1,000	19,644	(19,644)	(905,806)	122,341	2025
2026	0		0	4,626	5.00%	1,223	8,511	3.50%	3,879	1,000	19,239	(19,239)	(925,045)	109,204	2026
2027	0		0	4,745	5.00%	992	12,766	3.75%	3,581	1,000	23,084	(23,084)	(948,129)	91,693	2027
2028	0		0	4,863	5.00%	757	12,766	4.00%	3,102	1,000	22,488	(22,488)	(970,617)	74,064	2028
2029	0		0	5,101	5.00%	512	12,766	4.00%	2,591	1,000	21,970	(21,970)	(992,587)	56,197	2029
2030	0		0	5,133	5.00%	257	12,766	4.00%	2,081	1,000	21,237	(21,237)	(1,013,823)	38,298	2030
2031	0		0				12,766	4.00%	1,570	1,000	15,336	(15,336)	(1,029,160)	25,532	2031
2032	0		0				12,766	4.10%	1,060	1,000	14,826	(14,826)	(1,043,985)	12,766	2032
2033	0		0				12,766	4.20%	268	1,000	14,034	(14,034)	(1,058,019)	(0)	2033
2034	0		0							1,000	1,000	(1,000)	(1,059,019)	(0)	2034
2035	0		0							1,000	1,000	(1,000)	(1,060,019)	(0)	2035
2036	0		0							1,000	1,000	(1,000)	(1,061,019)	(0)	2036
Total	0	0	0	66,341		30,462	191,489		77,649	22,000	387,941				Total

Notes:
1. Had cumulative balance of ($673,078) as of 12/31/2014

Cash Flow – Recipient District No. 6 – With Sharing and Amendment

City of Merrill, Wisconsin

Tax Increment District No. 6

Cash Flow Projection - Following Amendment

Year	Projected Revenues: Tax Increments	Projected Revenues: Transfer from TID No. 3	Projected Revenues: Total Revenues	Expenditures: State Trust Fund Loan 632,275, Dated Date: 12/21/10 – Principal	Rate	Interest	General Obligation Bonds 4,290,000, Dated Date: 09/04/13 – Principal	Rate	Interest	State Trust Fund Loan 1,085,000, Dated Date: 06/01/16 – Principal	Est. Rate	Interest
2015	0	51,000	51,000	3,203	5.00%	3,317	8,511	2.25%	6,474			
2016	0	40,000	40,000	3,321	5.00%	3,166	8,511	2.25%	6,283			
2017	0	122,000	122,000	3,440	5.00%	2,991	8,511	2.25%	6,091	45,385	3.75%	32,098
2018	0	179,000	179,000	3,559	5.00%	2,819	8,511	2.50%	5,900	38,498	3.75%	38,986
2019	144,589	34,000	178,589	3,677	5.00%	2,641	8,511	2.50%	5,687	39,941	3.75%	37,542
2020	145,245	43,000	188,245	3,796	5.00%	2,464	8,511	2.75%	5,474	41,439	3.75%	36,044
2021	145,902	83,000	228,902	3,914	5.00%	2,267	8,511	3.00%	5,240	42,993	3.75%	34,490
2022	156,243	72,000	228,243	4,033	5.00%	2,072	8,511	3.00%	4,985	44,605	3.75%	32,878
2023	156,899	76,000	232,899	4,152	5.00%	1,870	8,511	3.00%	4,730	46,278	3.75%	31,205
2024	159,197	93,000	252,197	4,270	5.00%	1,667	8,511	3.50%	4,474	48,013	3.75%	29,470
2025	171,507	80,000	251,507	4,508	5.00%	1,449	8,511	3.50%	4,177	49,814	3.75%	27,669
2026	173,805	1,400,000	1,573,805	4,626	5.00%	1,223	8,511	3.50%	3,879	51,682	3.75%	25,801
2027	172,821		172,821	4,745	5.00%	992	12,766	3.75%	3,581	53,620	3.75%	23,863
2028	173,477		173,477	4,863	5.00%	757	12,766	4.00%	3,102	55,631	3.75%	21,852
2029	174,134		174,134	5,101	5.00%	512	12,766	4.00%	2,591	57,717	3.75%	19,766
2030	174,790		174,790	5,133	5.00%	257	12,766	4.00%	2,081	59,881	3.75%	17,602
2031	175,447		175,447				12,766	4.00%	1,570	62,127	3.75%	15,356
2032	176,103		176,103				12,766	4.10%	1,060	64,456	3.75%	13,027
2033	176,103		176,103				12,766	4.20%	268	66,874	3.75%	10,610
2034	176,103		176,103							69,381	3.75%	8,102
2035	176,103		176,103							71,983	3.75%	5,500
2036	176,103		176,103							74,683	3.75%	2,801
Total	3,004,573	2,273,000	5,277,573	66,341		30,462	191,489		77,649	1,085,000		464,662

Year	Expenditures: State Trust Fund Loan 915,000, Dated Date: 06/01/17 – Principal	Est. Rate	Interest	State Trust Fund Loan 600,000, Dated Date: 06/01/20 – Principal	Est. Rate	Interest	State Trust Fund Loan 305,000, Dated Date: 06/01/23 – Principal	Est. Rate	Interest	Roof Loans	Amendment	Admin.	Total Expenditures	Balances: Annual	Cumulative	Principal Outstanding	Year
2015										17,500	10,000	1,000	50,005	995	(672,083)	246,117	2015
2016										17,500		1,000	39,781	219	(671,863)	1,319,285	2016
2017										11,667	10,000	1,000	121,183	817	(671,046)	2,176,949	2017
2018	40,606	3.75%	27,069							11,667		1,000	178,613	387	(670,659)	2,085,776	2018
2019	34,885	3.75%	32,790							11,667		1,000	178,341	248	(670,411)	1,998,762	2019
2020	36,194	3.75%	31,482							11,667	10,000	1,000	188,070	176	(670,235)	2,508,823	2020
2021	37,551	3.75%	30,124	32,411	3.75%	17,750				11,667		1,000	227,919	983	(669,252)	2,383,443	2021
2022	38,959	3.75%	28,716	28,877	3.75%	21,285				11,667		1,000	227,586	656	(668,596)	2,258,458	2022
2023	40,420	3.75%	27,255	29,959	3.75%	20,202				6,667	10,000	1,000	232,248	651	(667,944)	2,434,138	2023
2024	41,936	3.75%	25,739	31,083	3.75%	19,078	20,820	3.75%	9,023	6,667		1,000	251,751	446	(667,498)	2,279,506	2024
2025	43,508	3.75%	24,167	32,249	3.75%	17,913	19,186	3.75%	10,657	6,667		1,000	251,472	35	(667,463)	2,121,732	2025
2026	45,140	3.75%	22,535	33,458	3.75%	16,703	19,905	3.75%	9,937			1,000	244,401	1,329,405	661,942	1,958,410	2026
2027	46,833	3.75%	20,843	34,713	3.75%	15,449	20,652	3.75%	9,191			1,000	248,246	(75,425)	586,517	1,785,083	2027
2028	48,589	3.75%	19,086	36,014	3.75%	14,147	21,426	3.75%	8,416			1,000	247,650	(74,173)	512,344	1,605,794	2028
2029	50,411	3.75%	17,264	37,365	3.75%	12,796	22,229	3.75%	7,613			1,000	247,132	(72,998)	439,346	1,420,205	2029
2030	52,301	3.75%	15,374	38,766	3.75%	11,395	23,063	3.75%	6,779			1,000	246,399	(71,608)	367,738	1,228,294	2030
2031	54,263	3.75%	13,413	40,220	3.75%	9,941	23,928	3.75%	5,914			1,000	240,498	(65,051)	302,686	1,034,991	2031
2032	56,297	3.75%	11,378	41,728	3.75%	8,433	24,825	3.75%	5,017			1,000	239,987	(63,884)	238,802	834,918	2032
2033	58,409	3.75%	9,267	43,293	3.75%	6,868	25,756	3.75%	4,086			1,000	239,196	(63,093)	175,710	627,821	2033
2034	60,599	3.75%	7,076	44,916	3.75%	5,245	26,722	3.75%	3,120			1,000	226,162	(50,059)	125,651	426,203	2034
2035	62,871	3.75%	4,804	46,601	3.75%	3,561	27,724	3.75%	2,118			1,000	226,162	(50,059)	75,593	217,023	2035
2036	65,229	3.75%	2,446	48,348	3.75%	1,813	28,764	3.75%	1,079			1,000	226,162	(50,059)	25,534	0	2036
Total	915,000		370,827	600,000		202,579	305,000		82,952	125,000	40,000	22,000	4,578,961				Total

Notes:
1. Had cumulative balance of ($673,078) as of 12/31/2014

Cash Flow – Recipient District No. 7 – Prior to Amendment

City of Merrill, Wisconsin

Tax Increment District No. 7

Cash Flow Projection - Prior to Sharing and Amendment

Year	Projected Revenues: Tax Increments	Other Revenue	Total Revenues	Expenditures: Admin.	Total Expenditures	Balances: Annual	Cumulative	Principal Outstanding	Year
2015	0		0	1,000	1,000	(1,000)	(57,548)	0	2015
2016	0		0	1,000	1,000	(1,000)	(58,548)	0	2016
2017	0		0	1,000	1,000	(1,000)	(59,548)	0	2017
2018	0		0	1,000	1,000	(1,000)	(60,548)	0	2018
2019	0		0	1,000	1,000	(1,000)	(61,548)	0	2019
2020	0		0	1,000	1,000	(1,000)	(62,548)	0	2020
2021	0		0	1,000	1,000	(1,000)	(63,548)	0	2021
2022	0		0	1,000	1,000	(1,000)	(64,548)	0	2022
2023	0		0	1,000	1,000	(1,000)	(65,548)	0	2023
2024	0		0	1,000	1,000	(1,000)	(66,548)	0	2024
2025	0		0	1,000	1,000	(1,000)	(67,548)	0	2025
2026	0		0	1,000	1,000	(1,000)	(68,548)	0	2026
2027	0		0	1,000	1,000	(1,000)	(69,548)	0	2027
2028	0		0	1,000	1,000	(1,000)	(70,548)	0	2028
2029	0		0	1,000	1,000	(1,000)	(71,548)	0	2029
2030	0		0	1,000	1,000	(1,000)	(72,548)	0	2030
2031	0		0	1,000	1,000	(1,000)	(73,548)	0	2031
2032	0		0	1,000	1,000	(1,000)	(74,548)	0	2032
2033	0		0	1,000	1,000	(1,000)	(75,548)	0	2033
2034	0		0	1,000	1,000	(1,000)	(76,548)	0	2034
2035	0		0	1,000	1,000	(1,000)	(77,548)	0	2035
2036	0		0	1,000	1,000	(1,000)	(78,548)	0	2036
2037	0		0		0	0	(78,548)	0	2037
Total	0	0	0	22,000	22,000				Total

Notes:
1. Had cumulative balance of ($56,548) as of 12/31/2014

Cash Flow – Recipient District No. 7 – With Sharing and Amendment

City of Merrill, Wisconsin

Tax Increment District No. 7

Cash Flow Projection - Following Amendment

	Projected Revenues			Expenditures																	Balances			
				State Trust Fund Loan 605,000			State Trust Fund Loan 255,000			State Trust Fund Loan 255,000			State Trust Fund Loan 255,000											
				Dated Date: 06/01/16			Dated Date: 06/01/17			Dated Date: 06/01/20			Dated Date: 06/01/23											
Year	Tax Increments	Transfer from TID No. 3	Total Revenues	Principal	Est. Rate	Interest	Principal	Est. Rate	Interest	Principal	Est. Rate	Interest	Principal	Est. Rate	Interest	Roof Loans	Development Incentives	Amendment	Admin.	Total Expenditures	Annual	Cumulative	Principal Outstanding	Year
2015	0	74,000	74,000													12,500	50,000	10,000	1,000	73,500	500	(56,048)	0	2015
2016	0	64,000	64,000													12,500	50,000		1,000	63,500	500	(55,548)	605,000	2016
2017	2,462	94,000	96,462	25,307	3.75%	17,898										8,333	33,333	10,000	1,000	95,872	591	(54,957)	834,693	2017
2018	0	105,000	105,000	21,466	3.75%	21,738	10,667	3.75%	7,544							8,333	33,333		1,000	104,082	918	(54,039)	802,560	2018
2019	18,219	86,000	104,219	22,271	3.75%	20,934	9,048	3.75%	9,163							8,333	33,333		1,000	104,082	137	(53,902)	771,241	2019
2020	19,532	95,000	114,532	23,107	3.75%	20,098	9,387	3.75%	8,823							8,333	33,333	10,000	1,000	114,082	451	(53,451)	993,747	2020
2021	20,845	104,000	124,845	23,973	3.75%	19,232	9,739	3.75%	8,471	12,856	3.75%	7,544				8,333	33,333		1,000	124,481	364	(53,087)	947,180	2021
2022	39,721	85,000	124,721	24,872	3.75%	18,333	10,104	3.75%	8,106	11,319	3.75%	9,080				8,333	33,333		1,000	124,481	240	(52,847)	900,884	2022
2023	41,034	94,000	135,034	25,805	3.75%	17,400	10,483	3.75%	7,727	11,743	3.75%	8,656				8,333	33,333	10,000	1,000	134,481	553	(52,294)	1,102,853	2023
2024	43,168	105,000	148,168	26,772	3.75%	16,432	10,876	3.75%	7,334	12,184	3.75%	8,216	15,705	3.75%	7,396	8,333	33,333		1,000	147,582	586	(51,707)	1,037,315	2024
2025	62,865	85,000	147,865	27,776	3.75%	15,429	11,284	3.75%	6,926	12,641	3.75%	7,759	14,315	3.75%	8,786	8,333	33,333		1,000	147,582	283	(51,425)	971,299	2025
2026	64,999	400,000	464,999	28,818	3.75%	14,387	11,707	3.75%	6,503	13,115	3.75%	7,285	14,851	3.75%	8,249				1,000	105,915	359,083	307,659	902,808	2026
2027	64,999		64,999	29,899	3.75%	13,306	12,146	3.75%	6,064	13,607	3.75%	6,793	15,408	3.75%	7,692				1,000	105,915	(40,917)	266,742	831,748	2027
2028	73,862		73,862	31,020	3.75%	12,185	12,602	3.75%	5,608	14,117	3.75%	6,283	15,986	3.75%	7,115				1,000	105,915	(32,053)	234,689	758,023	2028
2029	74,519		74,519	32,183	3.75%	11,022	13,074	3.75%	5,136	14,646	3.75%	5,753	16,586	3.75%	6,515				1,000	105,915	(31,397)	203,292	681,534	2029
2030	78,622		78,622	33,390	3.75%	9,815	13,565	3.75%	4,646	15,195	3.75%	5,204	17,208	3.75%	5,893				1,000	105,915	(27,293)	175,999	602,176	2030
2031	79,114		79,114	34,642	3.75%	8,563	14,073	3.75%	4,137	15,765	3.75%	4,634	17,853	3.75%	5,248				1,000	105,915	(26,801)	149,198	519,843	2031
2032	79,607		79,607	35,941	3.75%	7,264	14,601	3.75%	3,609	16,356	3.75%	4,043	18,522	3.75%	4,578				1,000	105,915	(26,308)	122,889	434,421	2032
2033	79,607		79,607	37,289	3.75%	5,916	15,149	3.75%	3,062	16,970	3.75%	3,430	19,217	3.75%	3,884				1,000	105,915	(26,308)	96,581	345,797	2033
2034	79,607		79,607	38,687	3.75%	4,518	15,717	3.75%	2,493	17,606	3.75%	2,793	19,938	3.75%	3,163				1,000	105,915	(26,308)	70,272	253,849	2034
2035	79,607		79,607	40,138	3.75%	3,067	16,306	3.75%	1,904	18,266	3.75%	2,133	20,685	3.75%	2,415				1,000	105,915	(26,308)	43,964	158,453	2035
2036	79,607		79,607	41,643	3.75%	1,562	16,918	3.75%	1,293	18,951	3.75%	1,448	21,461	3.75%	1,640				1,000	105,915	(26,308)	17,655	59,480	2036
2037	79,607		79,607				17,552	3.75%	658	19,662	3.75%	737	22,266	3.75%	835					61,710	17,896	35,552	0	2037
Total	1,161,603	1,391,000	2,552,603	605,000		259,097	255,000		109,206	255,000		91,790	250,000		73,409	100,000		40,000	22,000	2,460,503				Total

Notes:
1. Had cumulative balance of ($56,548) as of 12/31/2014

Cash Flow – Recipient District No. 8 – Prior to Amendment

City of Merrill, Wisconsin

Tax Increment District No. 8

Cash Flow Projection - Prior to Amendment

Year	Projected Revenues: Tax Increments	Other Revenue	Total Revenues	Expenditures: Admin.	Total Expenditures	Balances: Annual	Cumulative	Principal Outstanding	Year
2015	0		0	1,000	1,000	(1,000)	(623,709)		2015
2016	0		0	1,000	1,000	(1,000)	(624,709)		2016
2017	0		0	1,000	1,000	(1,000)	(625,709)		2017
2018	0		0	1,000	1,000	(1,000)	(626,709)		2018
2019	0		0	1,000	1,000	(1,000)	(627,709)		2019
2020	0		0	1,000	1,000	(1,000)	(628,709)		2020
2021	0		0	1,000	1,000	(1,000)	(629,709)		2021
2022	0		0	1,000	1,000	(1,000)	(630,709)		2022
2023	0		0	1,000	1,000	(1,000)	(631,709)		2023
2024	0		0	1,000	1,000	(1,000)	(632,709)		2024
2025	0		0	1,000	1,000	(1,000)	(633,709)		2025
2026	0		0	1,000	1,000	(1,000)	(634,709)		2026
2027	0		0	1,000	1,000	(1,000)	(635,709)		2027
2028	0		0	1,000	1,000	(1,000)	(636,709)		2028
2029	0		0	1,000	1,000	(1,000)	(637,709)		2029
2030	0		0	1,000	1,000	(1,000)	(638,709)		2030
2031	0		0	1,000	1,000	(1,000)	(639,709)		2031
2032	0		0	1,000	1,000	(1,000)	(640,709)		2032
2033	0		0	1,000	1,000	(1,000)	(641,709)		2033
2034	0		0	1,000	1,000	(1,000)	(642,709)		2034
2035	0		0	1,000	1,000	(1,000)	(643,709)		2035
2036	0		0	1,000	1,000	(1,000)	(644,709)		2036
2037	0		0	1,000	1,000	(1,000)	(645,709)		2037
2038	0		0	1,000	1,000	(1,000)	(646,709)		2038
2039	0		0		0	0	(646,709)		2039
Total	0	0	0	24,000	24,000				Total

Notes:
1. Had cumulative balance of ($622,709) as of 12/31/2014

Cash Flow – Recipient District No. 8 – With Sharing and Amendment

City of Merrill, Wisconsin

Tax Increment District No. 8

Cash Flow Projection - Following Amendment

Year	Projected Revenues			Expenditures																Balances			Year
				State Trust Fund Loan 865,000			State Trust Fund Loan 355,000			State Trust Fund Loan 550,000			State Trust Fund Loan 250,000										
				Dated Date:	06/01/16		Dated Date:	06/01/17		Dated Date:	06/01/20		Dated Date:	06/01/25									
	Tax Increments	Transfer from TID No. 3	Total Revenues	Principal	Est. Rate	Interest	Principal	Est. Rate	Interest	Principal	Est. Rate	Interest	Principal	Est. Rate	Interest	Roof Loans	Amendment	Admin.	Total Expenditures	Annual	Cumulative	Principal Outstanding	
2015	0	24,000	24,000													12,500	10,000	1,000	23,500	500	(622,209)	0	2015
2016	0	14,000	14,000													12,500		1,000	13,500	500	(621,709)	865,000	2016
2017	0	86,000	86,000	36,183	3.75%	25,590										12,500	10,000	1,000	85,272	728	(620,981)	1,183,817	2017
2018	6,868	94,000	100,868	30,692	3.75%	31,081	14,850	3.75%	10,502							12,500		1,000	100,624	244	(620,738)	1,138,276	2018
2019	19,178	69,000	88,178	31,843	3.75%	29,930	12,596	3.75%	12,756									1,000	88,124	54	(620,684)	1,093,838	2019
2020	23,281	100,000	123,281	33,037	3.75%	28,736	13,068	3.75%	12,283							25,000	10,000	1,000	123,124	157	(620,526)	1,597,733	2020
2021	71,702	58,000	129,702	34,275	3.75%	27,497	13,558	3.75%	11,793	24,408	3.75%	16,271						1,000	128,803	899	(619,627)	1,525,491	2021
2022	75,805	53,000	128,805	35,561	3.75%	26,211	14,067	3.75%	11,285	20,969	3.75%	19,710						1,000	128,803	2	(619,625)	1,454,894	2022
2023	75,805	53,000	128,805	36,894	3.75%	24,878	14,594	3.75%	10,757	21,756	3.75%	18,923						1,000	128,803	2	(619,622)	1,381,649	2023
2024	84,833	44,000	128,833	38,278	3.75%	23,494	15,142	3.75%	10,210	22,572	3.75%	18,108						1,000	128,803	30	(619,592)	1,305,658	2024
2025	84,833	79,000	163,833	39,713	3.75%	22,059	15,709	3.75%	9,642	23,418	3.75%	17,261				25,000	10,000	1,000	163,803	30	(619,562)	1,476,818	2025
2026	124,226	425,000	549,226	41,203	3.75%	20,570	16,299	3.75%	9,053	24,296	3.75%	16,383	15,705	3.75%	7,396			1,000	151,904	397,322	(222,240)	1,379,316	2026
2027	133,254		133,254	42,748	3.75%	19,025	16,910	3.75%	8,442	25,207	3.75%	15,472	14,315	3.75%	8,786			1,000	151,904	(18,650)	(240,890)	1,280,136	2027
2028	133,254		133,254	44,351	3.75%	17,422	17,544	3.75%	7,808	26,153	3.75%	14,527	14,851	3.75%	8,249			1,000	151,904	(18,650)	(259,540)	1,177,238	2028
2029	143,102		143,102	46,014	3.75%	15,758	18,202	3.75%	7,150	27,133	3.75%	13,546	15,408	3.75%	7,692			1,000	151,904	(8,802)	(268,341)	1,070,481	2029
2030	143,102		143,102	47,739	3.75%	14,033	18,884	3.75%	6,467	28,151	3.75%	12,528	15,986	3.75%	7,115			1,000	151,904	(8,802)	(277,143)	959,720	2030
2031	157,054		157,054	49,530	3.75%	12,243	19,592	3.75%	5,759	29,206	3.75%	11,473	16,586	3.75%	6,515			1,000	151,904	5,150	(271,993)	844,806	2031
2032	157,054		157,054	51,387	3.75%	10,385	20,327	3.75%	5,024	30,302	3.75%	10,377	17,208	3.75%	5,893			1,000	151,904	5,150	(266,843)	725,583	2032
2033	157,054		157,054	53,314	3.75%	8,458	21,089	3.75%	4,262	31,438	3.75%	9,241	17,853	3.75%	5,248			1,000	151,904	5,150	(261,693)	601,889	2033
2034	157,054		157,054	55,313	3.75%	6,459	21,880	3.75%	3,471	32,617	3.75%	8,062	18,522	3.75%	4,578			1,000	151,904	5,150	(256,543)	473,556	2034
2035	157,054		157,054	57,387	3.75%	4,385	22,701	3.75%	2,651	33,840	3.75%	6,839	19,217	3.75%	3,884			1,000	151,904	5,150	(251,393)	340,411	2035
2036	157,054		157,054	59,540	3.75%	2,233	23,552	3.75%	1,800	35,109	3.75%	5,570	19,938	3.75%	3,163			1,000	151,904	5,150	(246,243)	202,273	2036
2037	157,054		157,054				24,435	3.75%	916	36,426	3.75%	4,253	20,685	3.75%	2,415			1,000	90,131	66,922	(179,321)	120,727	2037
2038	157,054		157,054							37,792	3.75%	2,888	21,461	3.75%	1,640			1,000	64,780	92,274	(87,047)	61,474	2038
2039	157,054		157,054							39,209	3.75%	1,470	22,266	3.75%	835				63,780	93,274	6,227	(0)	2039
Total	2,532,723	1,099,000	3,631,723	865,000		370,445	355,000		152,032	550,000		222,902	250,000		73,409	100,000	40,000	24,000	3,002,788				Total

Notes:
1. Had cumulative balance of ($622,709) as of 12/31/2014

SECTION 10:
Annexed Property

No territory will be added or subtracted from the District as a result of this amendment.

SECTION 11:
Proposed Zoning Ordinance Changes

The City does not anticipate the need to change any of its zoning ordinances in conjunction with the implementation of this Project Plan amendment.

SECTION 12:
Proposed Changes in Master Plan, Map, Building Codes and City of Merrill Ordinances

It is expected that this Plan will be complementary to the City's Master Plan. There are no proposed changes to the Master Plan, map, building codes or other City ordinances for the implementation of this Plan.

SECTION 13:
Relocation

It is not anticipated there will be a need to relocate persons or businesses in conjunction with this Plan. In the event relocation or the acquisition of property by eminent domain becomes necessary at some time during the implementation period, the City will follow applicable Wisconsin Statutes chapter 32.

SECTION 14:
Orderly Development and/or Redevelopment of the City of Merrill

This Project Plan Amendment will have no impact on the viability of the original District Project Plan as it relates to the orderly development and/or redevelopment of the City.

SECTION 15:
List of Estimated Non-Project Costs

Non-Project Costs are public works projects that only partly benefit the District or are not eligible to be paid with tax increments, or costs not eligible to be paid with tax incremental finance funds. The City does not expect to incur any non-project costs in the implementation of this Project Plan.

SECTION 16:

Opinion of Attorney for the City of Merrill Advising Whether the Plan is Complete and Complies with Wisconsin Statutes 66.1105

CITY OF MERRILL
Office of the City Attorney

Thomas N. Hayden, City Attorney
1004 East First Street • Merrill, Wisconsin • 54452
Phone (715) 539-3510 • FAX (715) 536-0514
e-mail: tom.hayden@ci.merrill.wi.us

September 10, 2015

Mayor William Bialecki
City of Merrill
1004 E. First Street
Merrill, Wisconsin 54452

RE: City of Merrill, Wisconsin Tax Incremental District No. 3 Amendment
- To Share Increment with Tax Incremental Districts No. 6, 7 and 8

Dear Mayor:

As City Attorney for the City of Merrill, I have reviewed the Project Plan and, in my opinion, have determined that it is complete and complies with Section 66.1105(4)(f) of Wisconsin Statutes.

Very truly yours

CITY OF MERRILL

Thomas N. Hayden, City Attorney

TNH:ku

CC: Kathy Unertl, Finance Director/RDA Secretary

"Focusing on the Future"
An equal opportunity/affirmative action employer.

City of Merrill

Tax Incremental Districts (TIDs)

	TID Type	Created	Geographic Area
TID No. 3	Mixed Use	09/13/2005	East side to N. Center Ave.
TID No. 4	Mixed Use	09/11/2007	N. Pine Ridge/Thielman St. Area
TID No. 5	Mixed Use	09/11/2007	Hwy 107/Taylor St. Area **(See also TID No. 11)**
TID No. 6	"Blighted Area"	05/12/2009	Central Downtown to Prairie River Middle School
TID No. 7	"Blighted Area"	08/11/2009	N. Center Ave. to Douglas St. Area
TID No. 8	"Blighted Area"	09/27/2011	Westside Downtown to Alexander St.
TID No. 9	"Blighted Area"	09/24/2013	Wisconsin Riverfront/S. Center Ave. Area
TID No. 10	"Blighted Area"	09/22/2015	Highway G - former Fox Point Area
TID No. 11	Mixed Use	05/10/2016	Hwy 107/Industrial Park Area
TID No. 12	Mixed Use	08/23/2017	Weinbrenner Factory Area

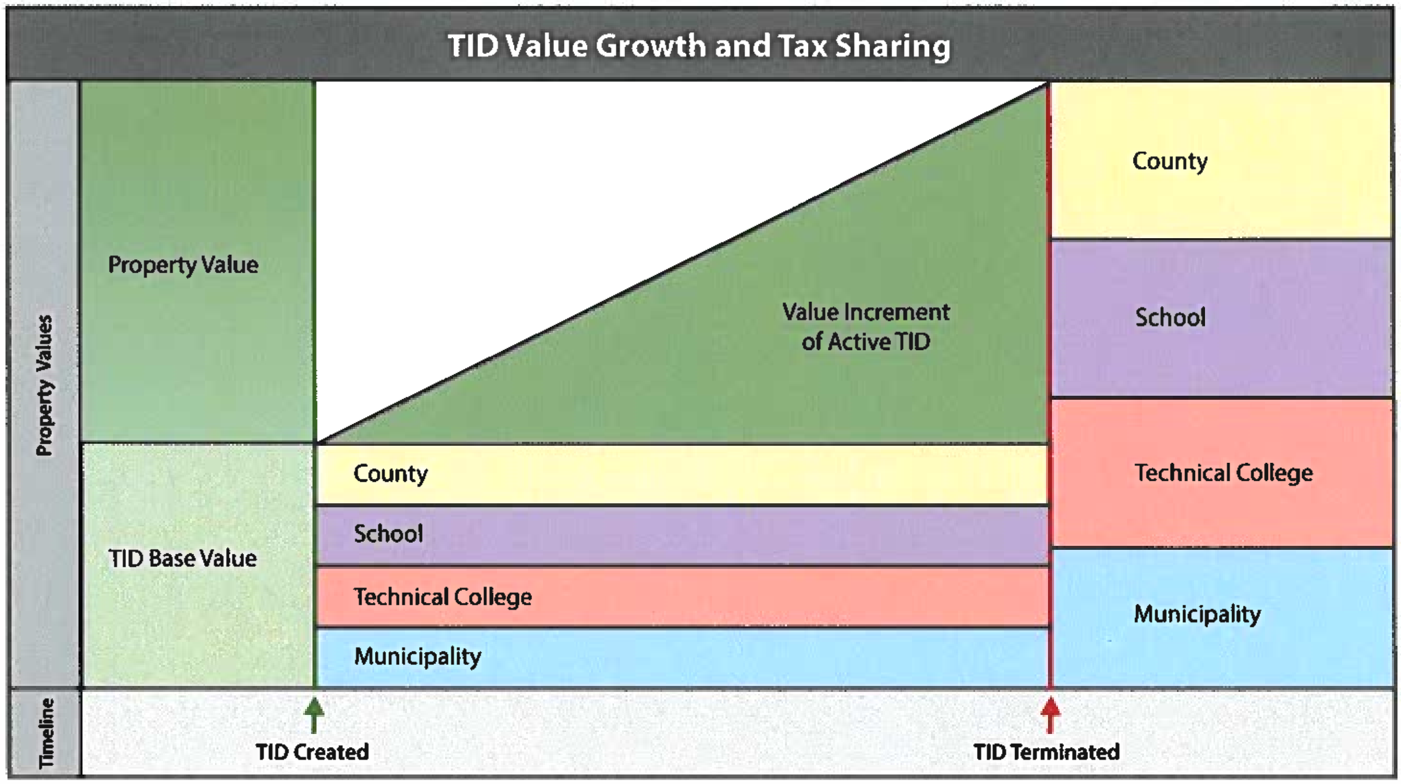
Note: Pending request to Redevelopment Authority (RDA) from Bryan Hoffman for potential new TID on South (

B. How TIF Works

TIF allows municipalities to promote tax base expansion. The municipality identifies an area for development; this is the TID. The municipality funds the necessary infrastructure and other projects to attract private development. Then as the property value increases, the municipality uses the taxes from that increase to pay the project costs. The municipality can only use TIF to fund infrastructure investment and other eligible projects that facilitate development.

When a municipality creates a TID, the municipality and other taxing entities agree to support their operation from the existing tax base within the TID. They agree the municipality will use the taxes on the value increase in the TID to pay for the investment.

1. Sharing the tax base



a. TID creation

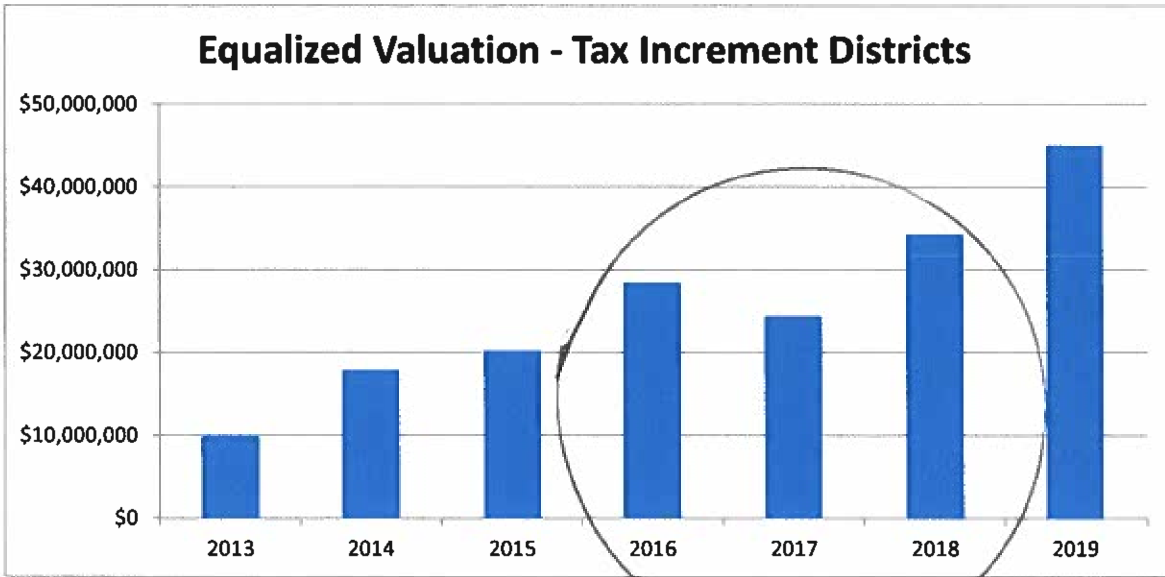
When the municipality creates a TID, it establishes the base value of all the taxable property within the defined boundaries. The county, school, technical college and municipality in the chart above, make up the overlying taxing jurisdictions for the parcels in the base value. The overlying taxing jurisdictions share the tax revenue collected on this portion of the property value. After the TID is created, this tax revenue is allocated the same way as before the TID was created. In the chart, the county, school, technical college and municipality collect taxes on the property in the TID base. In areas with special taxing districts (ex: sanitary district or lake rehabilitation district), this district would appear in a row below the municipality.

Any new construction or investment in the TID property increases the value. The municipality collects the taxes on the growth in value of the property (the Value increment) as Tax increment revenue. The municipality can only use this revenue to pay for the improvements it made to the property in the TID according to the approved project plan.

Any agreement to use TIF depends on the "but for" concept. Review But For Test for more details.

City of Merrill - Equalized Valuations

TID = Tax Increment Districts



Equalized Valuation - TIDs:

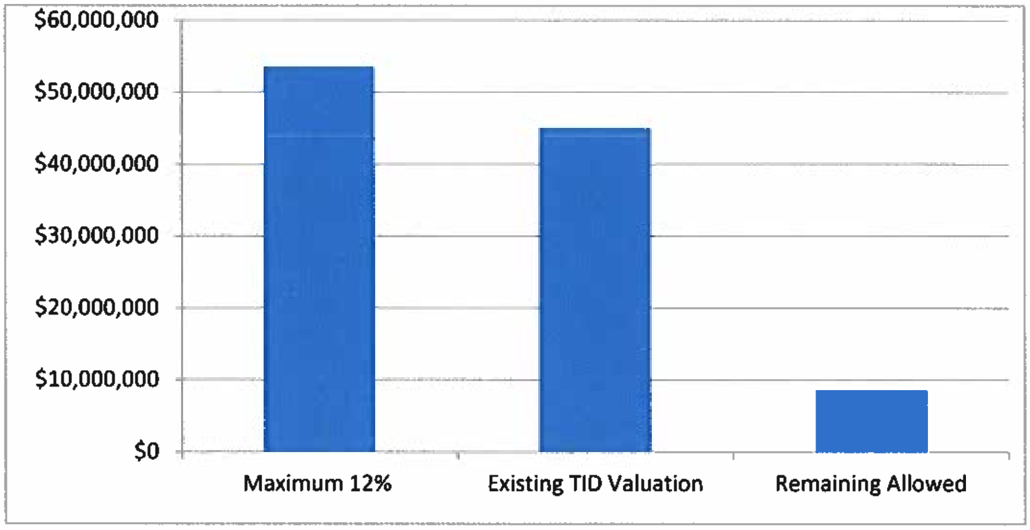
		Difference	% Change	
2013	$9,819,800	($320,200)	-3.16%	
2014	$17,890,400	$8,070,600	82.19%	
2015	$20,233,700	$2,343,300	13.10%	
2016	$28,426,400	$8,192,700	40.49%	Reassessment as of 1/1/2016
2017	$24,368,600	($4,057,800)	-14.27%	
2018	$34,294,400	$9,925,800	40.73%	
2019	$44,996,100	$10,701,700	31.21%	

Change 2013 to 2019 358.22%

Source: Wisconsin Department of Revenue

City of Merrill - Tax Incremental Districts

Equalized Valuation - 12% Test for Tax Incremental District Creation



	Valuation Amounts	
January 1, 2019 Equalized Value	$445,884,400	
Valuation Limit Based Upon 12% Test	**$53,506,128**	
Existing Districts - January 1, 2019		
TID No. 3	$29,654,200	
TID No. 4	$6,942,100	
TID No. 5	$577,400	
TID No. 6	$1,393,200	
TID No. 7	$616,700	
TID No. 8	$1,344,900	
TID No. 9	$0	
TID No. 10	$0	
TID No. 11	$3,768,600	
TID No. 12	$699,000	
Total Existing TID Valuation	**$44,996,100**	**84.1% Used**
Remaining Valuation Allowed in TID	**$8,510,028**	**15.9% Available**

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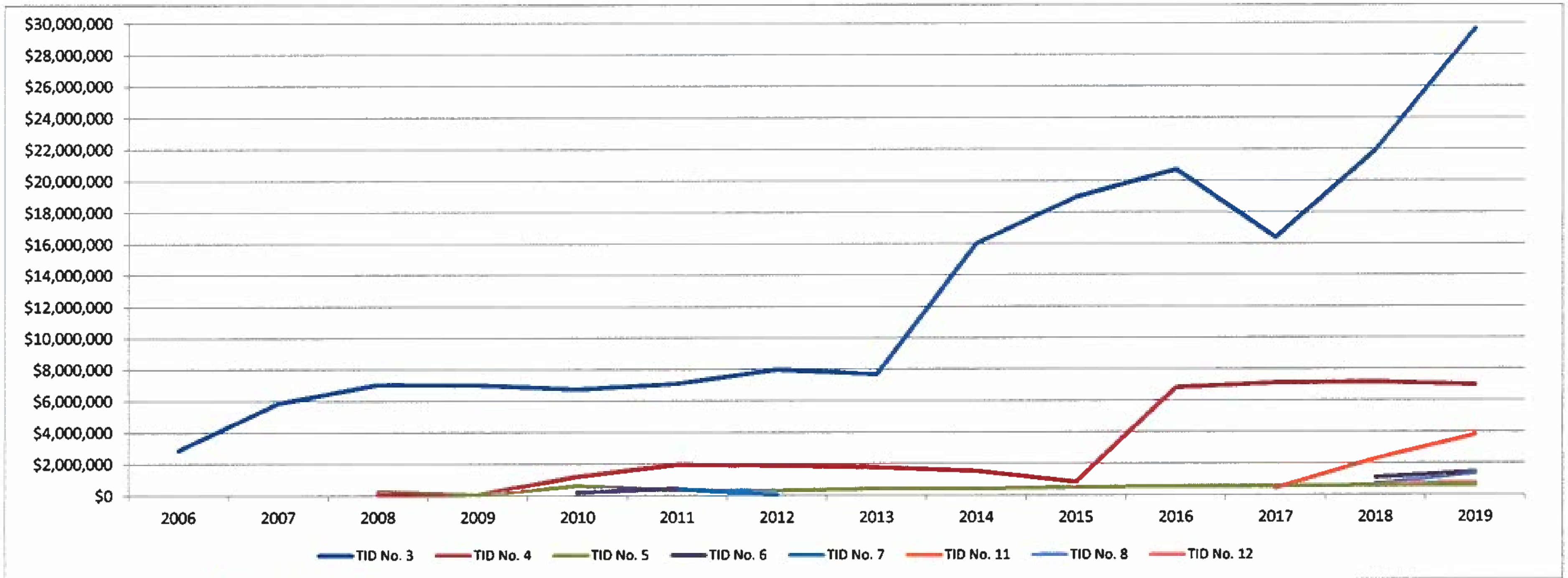
City of Merrill - Tax Increment District (TID) Value Increment by TID District



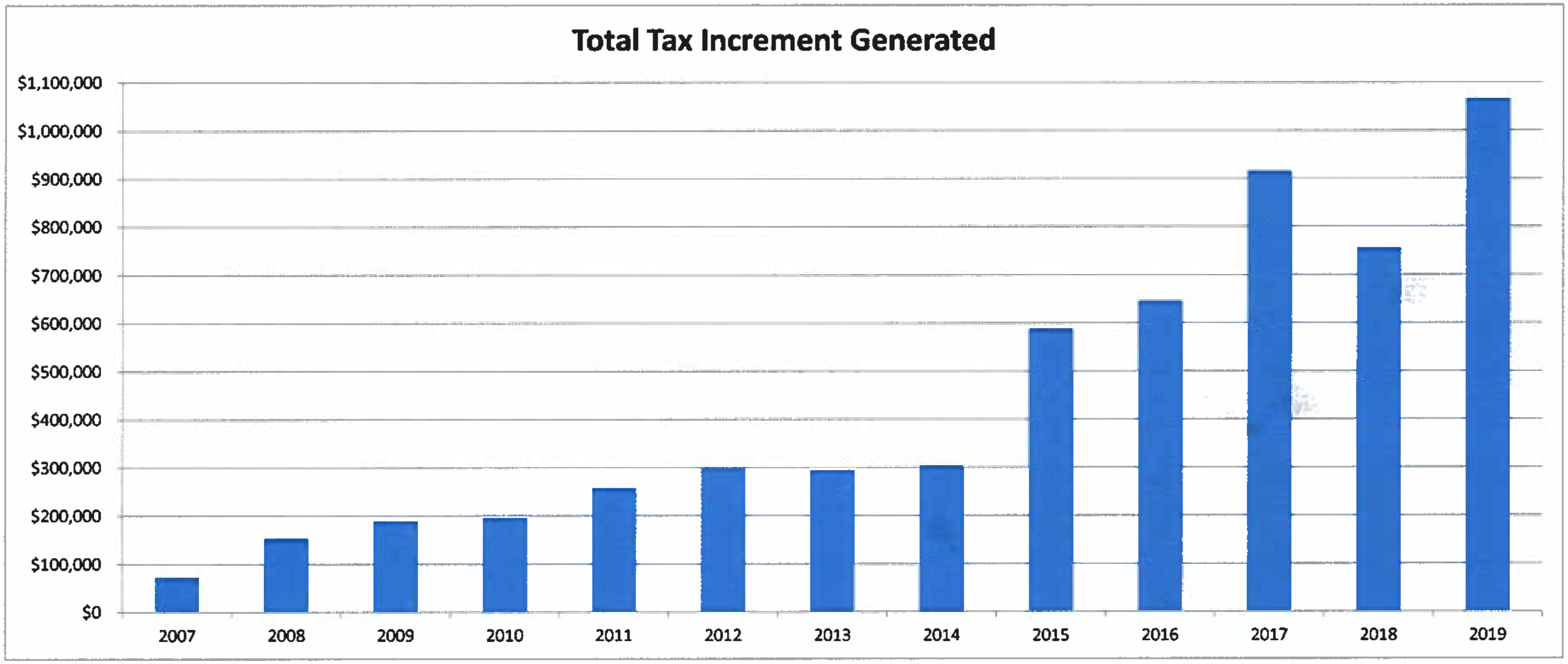
Assessment Year	Budget Year	TID Total Increment	TID No. 3 East Side	TID No. 4 Pine Ridge	TID No. 5 Hwy 107	TID No. 6 Downtown	TID No. 7 N. Center	TID No. 8 West Side	TID No. 9 River/ S. Center	TID No. 10 Fox Point	TID No. 11 Rock Ridge	TID No. 12 Weinbrenner
2005	2006	**$0**										
2006	2007	**$2,856,600**	$2,856,600									
2007	2008	**$5,853,400**	$5,853,400									
2008	2009	**$7,292,800**	$7,036,900	$5,200	$250,700							
2009	2010	**$7,045,600**	$7,000,100	$23,300	$22,200							
2010	2011	**$8,679,800**	$6,735,000	$1,163,600	$597,500	$183,700						
2011	2012	**$10,171,500**	$7,085,400	$1,916,500	$327,700	$442,700	$399,200					
2012	2013	**$10,140,000**	$7,968,500	$1,856,900	$306,300		$8,300					
2013	2014	**$9,819,800**	$7,658,800	$1,735,300	$425,700							
2014	2015	**$17,890,400**	$15,999,300	$1,495,300	$395,800							
2015	2016	**$20,233,700**	$18,938,800	$812,200	$482,700							
2016	2017	**$28,426,400** *	$20,691,100	$6,793,500	$537,300		$401,300			$3,200		
2017	2018	**$24,368,600**	$16,346,500	$7,077,700	$537,300						$407,100	
2018	2019	**$34,294,400**	$21,919,900	$7,139,100	$567,800	$1,057,500		$650,700			$2,251,300	$708,100
2019	2020	**$44,996,100**	$29,654,200	$6,942,100	$577,400	$1,393,200	$616,700	$1,344,900			$3,768,600	$699,000

TID No. 5 had missed 2009 TID valuation due to switch to WI DOR manufacturing assessment. There was double tax increment for 2010.

* Based upon City Assessor June 2016 estimates prior to completion of 1/1/2016 revaluation process. There were adjustments made for 1/1/2017 values.

City of Merrill - Tax Increment by Tax Year

Preliminary 2020 Budget Projections
-Need Tax Levies to calculate final amounts



Assessment Year	Budget Year	TID Total Increment		TID No. 3 East Side	TID No. 4 Pine Ridge	TID No. 5 Hwy 107	TID No. 6 Downtown	TID No. 7 N. Center	TID No. 8 West Side	TID No. 9 River/ S. Center	TID No. 10 Fox Point	TID No. 11 Rock Ridge	TID No. 12 Weinbrenner
2005	2006	**$0**											
2006	2007	**$71,932**		$71,932									
2007	2008	**$152,359**		$152,359									
2008	2009	**$189,122**		$182,486	$135	$6,501							
2009	2010	**$195,262**		$194,001	$646	$615							
2010	2011	**$257,181**		$199,557	$34,477	$17,704	$5,443						
2011	2012	**$298,127**		$207,673	$56,173	$9,605	$12,976	$11,701					
2012	2013	**$294,107**		$231,124	$53,859	$8,884		$241					
2013	2014	**$302,926**		$236,263	$53,531	$13,132							
2014	2015	**$587,297**		$525,217	$49,087	$12,993							
2015	2016	**$645,649**		$604,329	$25,917	$15,403							
2016	2017	**$915,335**	*	$666,257	$218,752	$17,301		$12,922			$103		
2017	2018	**$754,901**		$506,389	$219,256	$16,645						$12,611	
2018	2019	**$1,065,721**		$681,175	$221,852	$17,645	$32,863		$20,221			$69,961	$22,005
2019 Est	**2020**	**$1,320,000**		**$870,250**	**$203,500**	**$16,750**	**$41,000**	**$18,000**	**$39,500**			**$110,500**	**$20,500**

* Based upon City Assessor June 2016 estimates prior to completion of 1/1/2016 revaluation process. There were adjustments made for 1/1/2017.

City of Merrill - Tax Increment Districts (TIDs) | TID Cash Development Incentives - 2020

EXPENDITURES		TID No. 3	TID No. 6	TID No. 11	2019 Total	Final Year	Total TID Dev. Inc.
43 57100-04-50211	Gateway North - AmericInn	$40,000			$40,000	2021	$200,000
43 57100-04-50215	Cobblestone Inn & Suites	$30,000			$30,000	2021	$150,000
43 57100-04-55558	Zelich - 2213 E. Main St.				$0	**Completion?**	**$4,500**
43 57100-04-55562	Nelson's Power House (Lot 1)	$25,000			$25,000	2023	$125,000
43 57100-04-55565	One Way/Park City (Lot 2)	$25,000			$25,000	2020	$75,000
43 57100-04-55567	Golden Harvest (Lot 3)	$50,000			$50,000	2020	$200,000
43 57100-04-55577	United Dev. - 3201 E. Main St.	$30,000			$30,000	2022	$90,000
46 57100-04-52114	DJC, LLC (Dave Cooper Ins.)		$10,000		$10,000	2024	$60,000
48 57100-04-59400	1504 W. Main St. Facade				$0	**Pending?**	**$43,000**
41 57100-04-52577	Premier Apartments - Phase II			$100,000	$100,000	2024	$500,000
41 57100-04-52588	Ryan Ott Homes - Phase I			$30,000	$30,000	**Completion**	$30,000
	TOTAL EXPENDITURES	**$200,000**	**$10,000**	**$130,000**	**$340,000**		**$1,477,500**

Pending? - clarification of proposed development project and development agreement.

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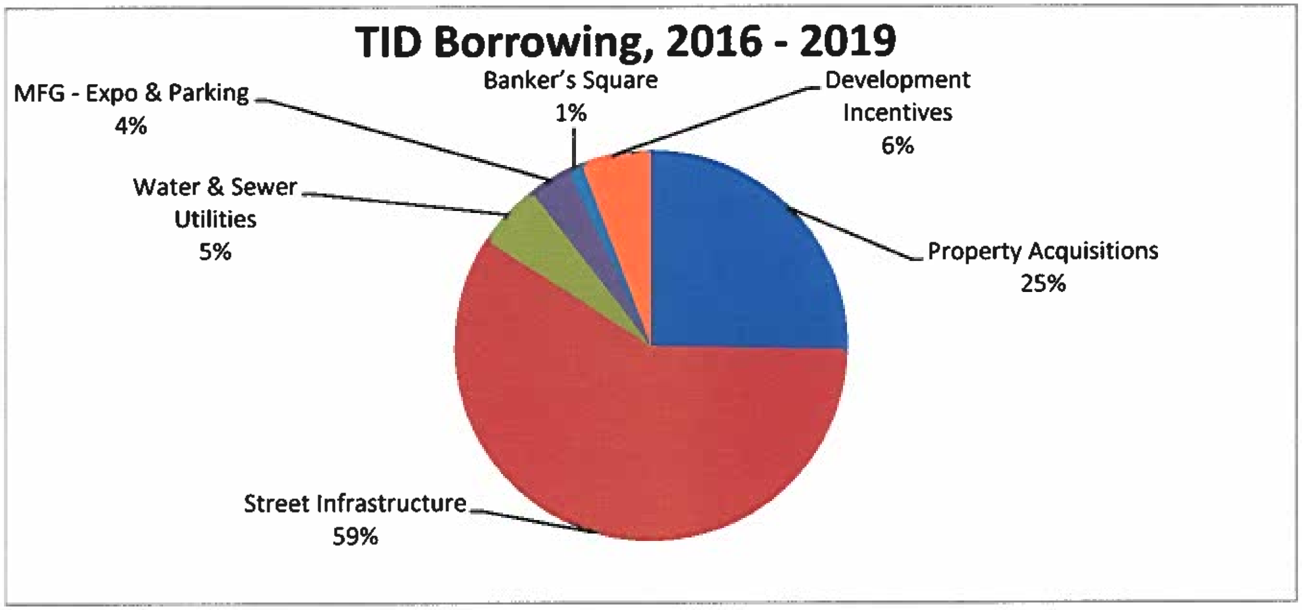
City of Merrill - Tax Increment District (TID) Borrowing



	2016	2017	2018	2019	Total
Property Acquisitions	$695,000	$1,499,000	$0	$0	$2,194,000
Street Infrastructure	$544,704	$1,081,000	$1,970,850	$1,500,000	$5,096,554
Water & Sewer Utilities	$119,500	$0	$228,150	$125,000	$472,650
MFG - Expo & Parking	$0	$300,000	$0	$0	$300,000
Banker's Square	$0	$0	$105,000	$0	$105,000
Development Incentives	$0	$500,000	$0	$0	$500,000
Total	**$1,359,204**	**$3,380,000**	**$2,304,000**	**$1,625,000**	**$8,668,204**

MFG = Merrill Festival Grounds

Principal and interest debt service being paid for by Tax Increment Districts (TIDs).

City of Merrill - Tax Increment District (TID) Debt Service - 2020

General Obligation = Series XXXX
NAN = Note Anticipation Notes
TID = Tax Increment District Revenue Bonds

										1885	
Principal	TID No.3	TID No.4	TID No.5	TID No.6	TID No.7	TID No.8	TID No.9	TID No.10	TID No.11	TID No.12	Total
Series 2013A			$1,489	$8,511							$10,000
Series 2016B	$54,025			$9,151		$5,000					$68,176
NAN 2016C					$0			$0	$0		$0
TID 2017A	$163,000										$163,000
TID 2017B		$48,000									$48,000
Series 2017C		$25,000			$5,000	$5,000	$10,000		$25,000		$70,000
Series 2018B				$5,000		$20,000					$25,000
TID 2018C	$197,000										$197,000
NAN 2019B	Anticipate refinancing by 12/31/2020 - $1,500,000										$0
Series 2019A										$6,117	$6,117
Total	**$414,025**	**$73,000**	**$1,489**	**$22,662**	**$5,000**	**$30,000**	**$10,000**	**$0**	**$25,000**	**$6,117**	**$587,293**

Interest	TID No.3	TID No.4	TID No.5	TID No.6	TID No.7	TID No.8	TID No.9	TID No.10	TID No.11	TID No.12	Total
Series 2013A			$959	$5,474							$6,434
Series 2016B	$7,579			$2,809		$1,825					$12,212
NAN 2016C					$3,236			$20,025	$20,429		$43,691
TID 2017A	$36,412										$36,412
TID 2017B		$14,902									$14,902
Series 2017C		$6,000			$5,025	$3,925	$8,650		$17,750		$41,350
Series 2018B				$3,040		$14,113					$17,153
TID 2018C	$53,585										$53,585
NAN 2019B	$30,954										$30,954
Series 2019A										$2,940	$2,940
Total	**$128,530**	**$20,902**	**$959**	**$11,323**	**$8,261**	**$19,863**	**$8,650**	**$20,025**	**$38,179**	**$2,940**	**$259,632**

Total DS	TID No.3	TID No.4	TID No.5	TID No.6	TID No.7	TID No.8	TID No.9	TID No.10	TID No.11	TID No.12	Total
Series 2013A			$2,448	$13,985							$16,434
Series 2016B	$61,604			$11,960		$6,825					$80,388
NAN 2016C					$3,236			$20,025	$20,429		$43,691
TID 2017A	$199,412										$199,412
TID 2017B		$62,902									$62,902
Series 2017C		$31,000			$10,025	$8,925	$18,650		$42,750		$111,350
Series 2018B				$8,040		$34,113					$42,153
TID 2018C	$250,585										$250,585
NAN 2019B	$30,954										$30,954
Series 2019A										$9,057	$9,057
Total	**$542,555**	**$93,902**	**$2,448**	**$33,985**	**$13,261**	**$49,863**	**$18,650**	**$20,025**	**$63,179**	**$9,057**	**$846,925** *

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*Plus $1,500,000 NAN 2019B refinancing

City of Merrill

Tax Incremental Districts (TIDs)

Detailed 2020 budget requests for

TIDs No. 3 through No. 9 and No. 11 through No. 12

will be provided the week of October 28th, 2019

TID No. 10 (Former Fox Point site) follows

10-25-2019 01:22 PM

CITY OF MERRILL
PROPOSED BUDGET WORKSHEET
AS OF: SEPTEMBER 30TH, 2019

40 -TID No. 10 - Fox Point
TID #10-Fox Point

	2017 ACTUAL	2018 ACTUAL	2019 CURRENT BUDGET	2019 Y-T-D ACTUAL	2019 PROJECTED YEAR END	2020 REQUESTED BUDEGT	2020 BUDGET CHANGE	2020 PROPOSED BUDGET
REVENUES								
Taxes (or Utility Rev.)								
47100-41110 Property Tax - TID #10	103	0	0	0	0	0	0	
47100-41113 Proceeds - Long Term Debt	49,495	0	0	0	0	0	0	
TOTAL Taxes (or Utility Rev.)	49,598	0	0	0	0	0	0	

47100-41113 Proceeds - Long Term Debt PERMANENT NOTES:
Series 2016C - Note Anticipation Note (NAN) total proceeds of $495,000. Ballon payment due 10/1/2021.

	2017 ACTUAL	2018 ACTUAL	2019 CURRENT BUDGET	2019 Y-T-D ACTUAL	2019 PROJECTED YEAR END	2020 REQUESTED BUDEGT	2020 BUDGET CHANGE	2020 PROPOSED BUDGET
Miscellaneous Revenues								
47100-48243 Land Sale	0	0	0	0	0	1	1	
TOTAL Miscellaneous Revenues	0	0	0	0	0	1	1	

47100-48243 Land Sale PERMANENT NOTES:
There is 9/23/2019 Purchase Option from Impact Seven. City of Merrill has received $25,000 in Earnest Money (which is posted to Balance Sheet account).

47100-48243 Land Sale CURRENT YEAR NOTES:
Potential terms of development agreement will be negotiated after Impact Seven submits additional plans and fiscal information.

	2017 ACTUAL	2018 ACTUAL	2019 CURRENT BUDGET	2019 Y-T-D ACTUAL	2019 PROJECTED YEAR END	2020 REQUESTED BUDEGT	2020 BUDGET CHANGE	2020 PROPOSED BUDGET
TOTAL REVENUES	49,598	0	0	0	0	1	1	
EXPENDITURES								
Personnel Services								
57100-01-11000 PW Director/Bldg Insp	119	0	0	0	0	0	0	
57100-01-21000 City Streets - Wages	34	0	0	0	0	0	0	
57100-01-51000 SS/Medicare	110	165	75	0	150	275	200	
57100-01-52000 WRS - Retirement	94	145	65	0	130	250	185	
57100-01-54000 Health Insurance	201	314	125	0	250	500	375	
57100-01-55000 Life Insurance	17	29	17	0	35	50	33	
57100-01-56000 Adm/Legal-City Wages	1,276	2,157	1,000	0	2,500	3,500	2,500	
TOTAL Personnel Services	1,850	2,810	1,282	0	3,065	4,575	3,293	

40 -TID No. 10 - Fox Point
TID #10-Fox Point

	2017 ACTUAL	2018 ACTUAL	2019 CURRENT BUDGET	2019 Y-T-D ACTUAL	2019 PROJECTED YEAR END	2020 REQUESTED BUDEGT	2020 BUDGET CHANGE	2020 PROPOSED BUDGET
Contractual Services								
57100-02-10000 Legal Notices/Letters	0	143	0	0	0	0	0	
57100-02-11750 Plan Develop-Consultant	0	50	0	0	0	10,000	10,000	
57100-02-11900 TID Fee-Wis DOR	150	150	150	150	150	150	0	
57100-02-13000 TIF Audit Fees	500	250	250	250	250	250	0	
TOTAL Contractual Services	650	593	400	400	400	10,400	10,000	

57100-02-1175Plan Develop-Consultant PERMANENT NOTES:
Potential Ehlers & Associates assistance in development agreement fiscal analysis and TID Plan amendment.

	2017 ACTUAL	2018 ACTUAL	2019 CURRENT BUDGET	2019 Y-T-D ACTUAL	2019 PROJECTED YEAR END	2020 REQUESTED BUDEGT	2020 BUDGET CHANGE	2020 PROPOSED BUDGET
Fixed Charges								
57100-05-11000 Transfer for Debt Service	16,094	20,025	20,025	20,025	20,025	20,025	0	
57100-05-12000 Borrowing Expense	0	0	0	0	0	0	0	
TOTAL Fixed Charges	16,094	20,025	20,025	20,025	20,025	20,025	0	
Capital Outlay								
57100-08-23566 Silt Fence-Erosion Contro	0	0	0	0	0	0	0	
57100-08-25750 Streetlight Improvements	0	0	0	0	0	0	0	
57100-08-31000 Marketing - Advertising	0	425	0	0	0	0	0	
TOTAL Capital Outlay	0	425	0	0	0	0	0	
TOTAL EXPENDITURES	18,595	23,852	21,707	20,425	23,490	35,000	13,293	
REVENUE OVER/(UNDER) EXPENDITURES	31,003	(23,852)	(21,707)	(20,425)	(23,490)	(34,999)	(13,292)	
FUND TOTAL REVENUES	49,598	0	0	0	0	1	1	
FUND TOTAL EXPENDITURES	18,595	23,852	21,707	20,425	23,490	35,000	13,293	
REVENUE OVER/(UNDER) EXPENDITURES	31,003	(23,852)	(21,707)	(20,425)	(23,490)	(34,999)	(13,292)	

September 23, 2019

Mr. Tom Hayden
Merrill City Hall
1004 E 1st Street
Merrill, WI 54462

Re: Purchase Option for 1905 E. 14th Street

Dear Attorney Hayden:

Please accept this purchase option proposal for the parcel at 1905 E. 14th Street. The proposal describes our preliminary intent to develop the property for multi-family housing. We expect that our plans for the development may change and improve as we investigate and explore the possibilities and opportunities for the site with our design and construction team.

Impact Seven is committed to practice transparency and to engage the community as a partner in our work. As a condition of this offer, we commit to communicate regularly and openly with City staff and other identified stakeholders as we develop plans for the property, as information and knowledge may affect the terms and intentions described in this offer.

For purposes of this Option, "Impact Seven" and "Developer" and "Buyer" shall refer to the same party, and "Seller" and "City" and "City of Merrill" shall refer to the same counterparty.

Property address: 1905 E. 14th Street, Merrill, Wisconsin

Option price: One dollar ($1.00)

Earnest money payment: $25,000 due within seven (7) days of binding acceptance

Option expiration date: 180 days after binding acceptance

Property size: Approx. 5.43 acres (per survey provided by City)

Proposed use: Multi-family housing

Unit count: No fewer than 60 units

Developer's due diligence: During the investigation period, Developer shall conduct such tests and enlist the counsel and advice of competent professionals so to:

- Conduct a thorough ALTA-compliant survey of the lot;
- Conduct a bona fide market study of the property with a service provider acceptable to Buyer's lender, and such market study shall support the rent and income levels projected in Developer's pro forma;
- Secure permanent financing on Buyer's preferred terms and in sufficient volume to pay fully for the cost of the development;
- Conduct soil borings and test digs on the site and to return site to good condition;
- Conduct a Phase I environmental analysis and other environmental analyses as recommended by Buyer's environmental service provider;
- Secure rezoning consistent with Buyer's proposed use for the property;
- Secure purchase approval of the Impact Seven Board of Directors as a precondition of sale.

Due diligence period: Buyer requests 180 days from the date of acceptance of this proposal to perform the tasks and due diligence investigation described above. Buyer commits to working deliberately and in earnest to investigate and to design the site within the 180-day due diligence period. Buyer may request extensions to the due diligence period in good faith and with sufficient and reasonable notice to the City.

Brokerage fees: None.

If the terms of this proposal are acceptable to the City, please sign below and return to me by any convenient means. Alternatively, please reply in writing or by phone with any proposed changes to the offer.

Thank you for your time and consideration. Please contact me with any question or concerns. I can be reached by phone at 608-405-9064 and by email at michael.carlson@impactseven.org.

Sincerely,

Michael Carlson
Vice President, Real Estate Development
Impact Seven, Inc.

ACCEPTANCE

The proposal set forth in this Purchase Option is acceptable to the City of Merrill. I further certify that I have the full authority to execute this purchase offer on behalf of the City.

For: The City of Merrill, Wisconsin

By: ____________________ Date: 9-24-19

Its: Mayor

City of Merrill - Fiscal Implications

Finance Director Kathy Unertl Information - 10/25/2019

List compiled by Mayor Woellner from suggestions - Dated 10/21/2019

1) Modify Wages

Separate spreadsheet will be provided on Monday, 10/28th

2) Alderperson Steve Sabatke spreadsheet list:

Committee of Whole on Wednesday, 10/23rd reviewed Capital items and proposed 2020 modifications.

Outside Agencies - Operations:

-Historical Society	$7,000 represents 11% of the Non-Profit Organization's annual expenses
-River Bend Trail Foundation	$1,000 organization has fund-raised over $1 million for River Bend Trail and AGRA Pavilion

3) Require ALL departments @ 0% 2020 budget increase:

Please see Personnel & Finance Committee 5/21/2019 and Common Council 6/11/2019 minutes for policy direction for preparation of 2020 budget: To propose a "best case scenario" of 0% change in the City budget and that the "worse scenario" would be a budget change equal to the change in Consumer Price Index (CPI).
The CPI for the State Expenditure Restraint Program is 1.85%.

Police Department (Without School Resource Officer):

Wages & Benefits	**$2,452,928**	**94.6%**
Dispatch - Lincoln County	$28,000	1.1%
Gas & Oil - Vehicles	$26,000	1.0%
Computers & Software	$13,000	0.5%
Rest of Police Budget	$72,000	2.8%
Total Expenses	$2,591,928	

Fire Department:

Wages & Benefits	**$1,509,328**	**94.9%**
Utilities - Fire Station	$14,800	0.9%
Operating Supplies	$32,500	2.0%
Computers & Software	$5,000	0.3%
Rest of Fire Budget	$29,000	1.8%
Total Expenses	$1,590,628 *	

*There is $230,174 in offsetting revenues.

Street Department:

Although there are proposed changes in Sidewalk/Concrete and Resurfacing Streets, Potential automation for Garbage and Recycling would first occur in 2021 if approved.

Due to reduction in Sidewalk/Concrete from $85,000 to $75,000 for 2020, this fiscal projection uses new employee start date of 4/6/2020.

Wages (Starting 4/6/2019)	$28,197
SS/Medicare	$2,157
WRS - Retirement	$1,903
Health Insurance - Individua	$8,690
Life Insurance	$75
Total New Position	$41,022

R-1

Board or Committee: Committee of Whole

Date of Meeting: Tuesday – October 29th, 2019

Request by: Finance Director Kathy Unertl

1) Review and discuss potential modify wages:

As was shown via P-5, the existing Non-Union Compensation grid is balanced between longer-term and newer employees.

No Steps	22 Employees	31.9%
Steps	47 Employees	68.1%

Almost 25% of the proposed 2020 wage adjustments are for Police and Fire Non-Union management employees.

Twenty-one (21 of 35) of the City employees participating in the Health Incentive Program (i.e. for waiving City group health insurance coverage) are Non-Union – **60% of the program participants**.

Any potential wage modifications would significantly impact the City of Merrill's ability to attract and retain employees.

Signed: Kathy Unertl Date: 10/28/2019

R-1-A

City of Merrill - Non-Union Compensation | APPENDIX B | Effective: 6/24/2019

Annual Equivalent

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Grade
21	$94,972.80	$97,406.40	$99,923.20	$102,460.80	$105,102.40	$107,806.40	$110,572.80	$113,422.40	$116,334.40	$119,308.80	$122,366.40	21
20	$89,211.20	$91,478.40	$93,828.80	$96,220.80	$98,675.20	$101,192.00	$103,771.20	$106,454.40	$109,220.80	$111,987.20	$114,878.40	20
19	$83,699.20	$85,841.60	$88,046.40	$90,292.80	$92,601.60	$94,972.80	$97,406.40	$99,923.20	$102,502.40	$105,123.20	$107,806.40	19
18	$78,249.60	$80,246.40	$82,305.60	$84,406.40	$86,569.60	$88,795.20	$91,062.40	$93,392.00	$95,804.80	$98,259.20	$100,755.20	18
17	$73,216.00	$75,088.00	$77,022.40	$78,977.60	$80,995.20	$83,075.20	$85,196.80	$87,380.80	$89,648.00	$91,936.00	$94,286.40	17
16	$68,515.20	$70,262.40	$72,072.00	$73,923.20	$75,816.00	$77,771.20	$79,768.00	$81,806.40	$83,907.20	$86,049.60	$88,254.40	16
15	$64,209.60	$65,852.80	$67,558.40	$69,284.80	$71,052.80	$72,883.20	$74,755.20	$76,648.00	$78,624.00	$80,641.60	$82,721.60	15
14	$60,320.00	$61,859.20	$63,440.00	$65,062.40	$66,726.40	$68,432.00	$70,179.20	$71,968.00	$73,819.20	$75,712.00	$77,667.20	14
13	$56,555.20	$58,011.20	$59,488.00	$61,006.40	$62,566.40	$64,188.80	$65,832.00	$67,516.80	$69,243.20	$71,011.20	$72,820.80	13
12	$52,998.40	$54,371.20	$55,764.80	$57,183.78	$58,656.00	$60,153.60	$61,692.80	$63,252.80	$64,875.20	$66,539.20	$68,224.00	12
11	$49,816.00	$51,105.60	$52,416.00	$53,768.00	$55,140.80	$56,534.40	$57,990.40	$59,488.00	$61,027.20	$62,587.20	$64,188.80	11
10	$46,779.20	$47,985.60	$49,233.60	$50,502.40	$51,792.00	$53,102.40	$54,475.20	$55,868.80	$57,304.00	$58,760.80	$60,320.00	10
9	$43,992.00	$45,115.20	$46,280.00	$47,465.60	$48,692.80	$49,940.80	$51,230.40	$52,561.60	$53,913.60	$55,286.40	$56,721.60	9
8	$41,371.20	$42,452.80	$43,534.40	$44,636.80	$45,780.80	$46,945.60	$48,152.00	$49,379.20	$50,648.00	$51,937.60	$53,268.80	8
7	$38,896.00	$39,915.20	$40,934.40	$41,995.20	$43,076.80	$44,179.20	$45,323.20	$46,488.00	$47,673.60	$48,880.00	$50,148.80	7
6	$36,712.00	$37,648.00	$38,604.80	$39,603.20	$40,622.40	$41,662.40	$42,723.20	$43,825.60	$44,948.80	$46,113.60	$47,299.20	6
5	$34,652.80	$35,547.20	$36,462.40	$37,398.40	$38,355.20	$39,332.80	$40,331.20	$41,371.20	$42,432.00	$43,513.60	$44,636.80	5
4	$32,801.60	$33,633.60	$34,486.40	$35,380.80	$36,275.20	$37,211.20	$38,168.00	$39,145.60	$40,144.00	$41,163.20	$42,224.00	4
3	$30,368.00	$31,137.60	$31,928.00	$32,739.20	$33,571.20	$34,424.00	$35,318.40	$36,212.80	$37,148.80	$38,105.60	$39,083.20	3
2	$28,100.80	$28,828.80	$29,577.60	$30,326.40	$31,096.00	$31,886.40	$32,697.60	$33,529.60	$34,382.40	$35,256.00	$36,171.20	2
1	$26,000.00	$26,665.60	$27,352.00	$28,059.20	$28,787.20	$29,536.00	$30,284.80	$31,054.40	$31,844.80	$32,656.00	$33,488.00	1
Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Grade

Fire Battalion - 2,912 Hrs
Grade 14 - Step 8 One
Grade 14 - Step 9 One
Grade 14 - Step 10 Two

P-5

Full-Time

Non-Union 2019-July Grid

Revised: 6/20/2019

City of Merrill - Non-Union			Fiscal Impacts of Steps and Cost-of-Living % Increases			
Steps are based upon anniversary date in City position. So, employee whom started 9/3/2019 would only have Step increase four months in 2020 (i.e. $216). If an employee anniversary date was January 1st, the Step would be effective the entire 2020 year.						
				1.0% - Effective 12/23/2019 1.0% - Effective 06/22/2020		
Department	Employees - No Steps	Employees With Steps	Non-Union Total	**2020** 1%+1%	**2020** Steps	**2020** Total
City Clerk	1	N/A	Full-Time Elected	$1,213		$1,213
Joint Municipal Court		1	1	$527	$422	$949
City Attorney	1		1	$1,729		$1,729
City Attorney - Admin. Assistant		1	1	$625	$432	$1,057
City Administrator	1		1	$1,842		$1,842
Public Works Director		1	1	$1,578	$2,766	$4,344
Information Technology		1	1	$1,726	$420	$2,146
Clerk/Treasurer Staff	2	2	4	$1,929	$873	$2,802
Finance Director		1	1	$1,536	$2,579	$4,115
City Maintenance Manager - 63.5%*		1	1	$415	$528	$943
City Maintenance Worker		1	1	$381	$790	$1,171
Building Inspector/Zoning Admin.		1	1	$1,179	$2,323	$3,502
Community Dev. Program Manager		1	1	$795	$1,538	$2,333
Parks & Rec Director		1	1	$1,203	$692	$1,895
Parks Laborers & Adm. Assistant	3		3	$2,265		$2,265
Police Chief		1	1	$1,426	$1,915	$3,341
Police Captains & Lieutenants	2	3	5	$3,419	$5,739	$9,158
Police - Administrative Assistants	2	1	3	$1,969	$813	$2,782
Fire Chief		1	1	$1,384	$1,472	$2,856
Fire Battalion Chiefs		4	4	$4,426	$5,812	$10,238
Street Superintendent		1	1	$1,117	$1,456	$2,573
Street - Public Works & Adm Asst.	8	9	17	$10,067	$4,612	$14,679
Enrichment Center - Director 80%		1	1	$763	$2,595	$3,358
Enrichment Center - Part-Time		2	2	$871	$1,298	$2,169
Transit Administrator		1	1	$985	$640	$1,625
Transit Coordinator & Drivers	1	3	4	$2,223	$344	$2,567
Utility Operations Manager		1	1	$866	$171	$1,037
Utility - Public Works & Adm Asst.	2	7	9	$6,008	$7,933	$13,941
Totals - Non-Union (Except Library)	22	47	69	$54,466	$48,163	**$102,629**
	31.9%	**68.1%**	100.0%	53.1%	46.9%	100.0%
	No Steps	**Steps**		1%+1%	Steps	

*Position shared with T. B. Scott Library

R-1-B

City of Merrill - Non-Union   Fiscal Impacts of Steps and Cost-of-Living % Increases

Almost 25% of the 2020 proposed compensation adjustments are for Police and Fire management employees.
Both Steps and Cost-of-Living % increases are important to encourage employee promotions.

	Employees - No Steps	**Employees With Steps**	Non-Union Total	**2020** 1%+1%	**2020** Steps	**2020** Total
Police Chief		**1**	1	$1,426	$1,915	$3,341
Police Captains & Lieutenants	2	**3**	5	$3,419	$5,739	$9,158
Fire Chief		**1**	1	$1,384	$1,472	$2,856
Fire Battalion Chiefs		**4**	4	$4,426	$5,812	$10,238
	2	**9**	11	**$10,655**	**$14,938**	**$25,593**
				10.4%	**14.6%**	**24.9%**
Total Non-Union (Except Library)				$54,466	$48,163	$102,629

Potential Compression between Police/Fire Management and Union Employees:

	2019	2020	
Police Lieutenant	$35.49	$35.49	Without Steps or Cost-of-Living
Police Investigator	$31.57	$31.89	
Difference - Lieutenant vs. Union	$3.92	$3.60	
	12.4%	**10.2%**	

	2019	2020	
Fire Battalion Chiefs	$24.67	$24.67	Without Steps or Cost-of-Living
Paramedic	$22.27	$22.49	
Difference - Battalion vs. Union	$2.40	$2.18	
	10.8%	**8.8%**	

R-1-C

City of Merrill - Fiscal Implications
Finance Director Kathy Unertl Information - 10/25/2019

List compiled by Mayor Woellner from suggestions - Dated 10/21/2019

4) <u>Elimination of City Administrator position</u>:

Employment contract has six month severance - projected at about $140,000 — Potential for litigation?

5) Contracting for City Attorney:

Medford does not have a Municipal Court
City would still need full-time Administrative Assistant or there would be additional outside charges

Total City Attorney 2020 - Wages & Benefits (2,080 Hours) $155,856
Per Hour $75

No savings and less responsive to City legal needs -
Outside legal counsel is charging **$275 per hour in 2019**

if 10 hours per week (520 Hours) = **$143,000** Plus no Tomahawk revenue of $11,000

if 15 hours per week (780 Hours) = **$214,500** Increase of $58,644

6) 32-hour work week - volunteer basis

If Administrative Assistant
at Grade 6 - Step 11 — $22.74 per hour

Wages (Reduced 416 Hours)	($9,460)
SS/Medicare	($724)
WRS - Retirement	($639)
Increased 20% Health Ins.	($2,100)
Reduced Wages/Benefits	($12,922) **

Also reduced leave accruals. Part-time employees are **not eligible for Health Incentive Program.

R-2

Motion (Meehean/Russell) to propose a "best case scenario" of a 0% change in the City budget for next year, and that the "worst case scenario" would be a budget change equal to the change in the Consumer Price Index.

RESULT:	APPROVED & SENT TO COUNCIL	Next: 6/11/2019 7:00 PM

IV. Monthly Reports:

1. Municipal Court

The monthly report was in the meeting packet.

2. Finance Director Unertl

The monthly report was in the meeting packet.

3. City Attorney Hayden

The monthly report was in the meeting packet.

City Attorney Hayden reported that a new Administrative Assistant in the City Attorney's office has been hired.

4. City Clerk Heideman

The monthly report was in the meeting packet.

City Clerk Heideman reported that, on either May 23rd or May 24th, he would be issuing certificates of sufficiency/insufficiency for the five aldermanic districts included in the recall.

5. City Administrator Johnson

The monthly report was in the meeting packet.

Two Development Agreements are pending.

The Committee stated that they thought the tax levy information recently shared with the public was beneficial.

A request was received to land a Blackhawk helicopter on the Festival Grounds, in conjunction with an event at the Armory.

6. Consider placing monthly reports on file

Motion (Meehean/Osness) to place on file.

RESULT:	PLACED ON FILE

V. Establish date, time and location of next meeting

Tuesday, June 25th, 2019 at 5:00 P.M. in the City Hall Common Council Chambers.

RESULT:	APPROVED

13. Personnel and Finance Committee:

    1. Discuss 2020 budget target/goals. The Personnel and Finance Committee proposes a "best case scenario" of a 0% change in the City budget for next year, and that the "worst case scenario" would be a budget change equal to the change in the Consumer Price Index.

    This item was for discussion purposes only, and no action was neceeary, requested or taken.

14. Placing Committee Reports on File:

    1. Consider placing the following committee reports on file: Airport Commission, Board of Public Works, City Plan Commission, Community Development Committee, Health & Safety Committee, Library Board, Merrill Enrichment Center Committee, Parks & Recreation Commission, Personnel & Finance Committee, Redevelopment Authority, Water & Sewage Committee and Zoning Board of Appeals.

    Motion (Sukow/Norton) to place on file.

RESULT:	PLACED ON FILE

15. Mayor's Appointments

    Mike Geisler to the Library Board, term to expire June 30, 2022

    Ken Maule to the Redevelopment Authority, term to expire September, 2021

    Elizabeth McCrank to the Historic Preservation Committee, term to expire May 1, 2022

    Pastor Lucas Willams to the Merrill Enrichment Center Commiittee, term to expire May 1, 2020

    Motion (Meehean/Norton) to consider and act on each of the proposed appointments individually. Motion failed.

    Motion (Russell/Osness) to approve all appointments as submitted.

RESULT:	APPROVED

16. Ordinances:

    None.

17. Resolutions:

    1. A Resolution for a Conditional Use Permit for storage buildings on Highland Drive, for Lokemoen Development Company.

Compiled by Mayor Derek Woellner from suggestions

- 1) Modify Wages
  - Freeze non-union wages (Has the effect of compressing the wage gap between union and management personnel).
  - Freeze step increases and do across the board increases only (causes inconsistency with past practice and policy).
  - Give step increases only, no across the board increases (selective in nature favoring newer employees).
  - Increase wages across the Board by only 1% rather than January and July 1% as in past years (impacts all non-union employees equally but still adds wage compression in Police and Fire but to a lesser degree).
  - Spread steps over more years (decreases annual increase and takes longer to top out, but is inconsistent with past policy).

- 2) Departmental Line-item Eliminations/Modifications (see attached spreadsheet for more info)
  - Street- new garbage/recycling trucks, city garage parking lot, paint truck, sidewalks
  - Parks- one zero-turn mower, drag, office carpet, ott's dock, Smith LEDs, dump truck, disc golf, parking lots, solar panels
  - Fire- UTV Rescue Vehicle, Utility Trailer
  - General grants- Riverbend Trail, Historical Society
  - Festival Grounds- cattle barn rehab
  - Library- roof repair
  - Transit- buses
  - Airport- hanger, plow truck
  - City Hall- carpet, roof replacement, a/c units

- 3) Require ALL departments to propose a 0% budget (operating budget has grown $243,798)
  - Police has a $101,665 increase from wages and benefits
  - Fire has a $47,826 increase from wages and benefits
  - Streets has a net increase of $41,219
  - Various other departments have increases in the thousands

- 4) Elimination or modification of City Administrator position
  - Duties are already covered by department heads, the mayor, and LCEDC
  - Medford's budget is $25,000 for salary and benefits

- 5) Contracting for City Attorney
  - Medford contracts their regular legal service for $25,000 per year

- 6) 32-hour work week for select positions or on volunteer basis
  - The benefits of a 32-hour work week are well researched
  - Employees would retain their benefits
  - Would reduce salary and wage costs by 20% for selected positions

City of Merrill - 2020 Budget (From Alderperson Steve Sabatke)

DEPARTMENT	ITEM	PAGE	YES	NO	
Police	Police Car	134	$ 60,000.00		
Street	Garbage Truck/Containers	29		$ 472,500.00	Getting Grant?
Street	Streets Loader Tractor	32	$ 95,000.00		Much needed
Street	City Garage Parking Lot	34	$ 15,000.00	$ 85,000.00	Good patch job only
Street	One ton dump truck	38	$ 50,000.00		Existing truck to park Dept
Street	Streets Paint Truck	40		$ 50,000.00	
Street	Recycling Truck/Containers	43		$ 472,500.00	Getting Grant?
Street	Lawn Trees	44	$ 10,000.00		
Street	Seal Coat	45	$ 52,385.00		
Street	Sidewalk	43	$ 80,000.00	$ 10,000.00	Savings on new program
Street	Black Dirt	46	$ 25,000.00		
Street	M-1 Street Projects	48	$ 150,000.00		
Street	Strorm Water Detention	50	$ 137,710.00		
Sewer/Water	Pipe Lining	U-CAP-2	$ 50,000.00		
Sewer/Water	Roof Replacement	U-CAP-3		$ 20,000.00	Pending inspection
Sewer/Water	Effluent Pump	U-CAP-4	$ 20,000.00		
Sewer/Water	WI St Lift pump	U-CAP-5	$ 35,000.00		Already voted on
Sewer/Water	Filter Rehab	U-CAP-7		$ 30,000.00	What is this?
Sewer/Water	Water Tower	U-CAP-8		$ 1,750,000.00	
Park Dept	Zero Turn	65	$ 20,000.00	$ 20,000.00	one mower only
Park Dept	Drag	67		$ 25,000.00	
Park Dept	Office Carpet	69	$ 5,000.00	$ 10,000.00	Get estimate
Park Dept	Ott's Dock	71		$ 15,000.00	
Park Dept	Smith CNTR LED	72		$ 15,000.00	
Park Dept	Dump Truck	75		$ 50,000.00	Get old truck from Street Dept
Park Dept	Disc Golf	77		$ 10,000.00	
Park Dept	Parking Lots	78	$ 20,000.00	$ 100,000.00	Repairs only
Park Dept	MARC Solar panels	Insert page		$ 140,456.00	
Fire dept	UTV Rescue Vehicle	140		$ 27,000.00	
Fire dept	Utility Trailer	143		$ 10,000.00	

R-6

Alderperson Sabatke List - 2019-10-21

Provided: 10/21/2019

City of Merrill - 2020 Budget (From Alderperson Steve Sabatke)

DEPARTMENT	ITEM	PAGE	YES	NO	
Fetival Grounds	Pavement Replacement	I-1		$ 150,000.00	
Inrastructure	Mill Street Replacement	I-1		$ 60,000.00	Street looks good
Inrastructure	Grand Ave	I-1	$ 650,000.00		Lead issues being corrected
Inrastructure	N. Prospect	I-1	$ 130,000.00		
Inrastructure	Stange St	I-1	$ 220,000.00		
Inrastructure	LED Hwy 107	I-1		$ 35,000.00	
Inrastructure	W. St Paul	I-1	$ 150,000.00		
Inrastructure	Extend Superior St	I-1		$ 245,000.00	2021 Budget if homes are built
Inrastructure	Extend Pine Ridge	I-9		$ 1,580,000.00	Pending grants and client in Ind. Park
General	Park City Gardens	106	$ 1,000.00		
General	River Bend Trail	106		$ 1,000.00	Under Park Department budget
General	City band	106	$ 15,000.00		
General	Historical Society	106		$ 7,000.00	They have good cash flow right now
General	Humane Society	106	$ 15,000.00		
General	HAVEN	106	$ 6,000.00		
General	Chamber Membership	106	$ 1,500.00		
Festaval Grounds	Cattle barn rehab	102	$ 5,000.00	$ 35,000.00	repair only
Library	Roof Repair	182	$ 40,000.00	$ 25,000.00	try to patch?
Transit	Busses	156		$ 288,000.00	Our loan after grants
Air Port	Plow Truck	165		$ 60,000.00	Old one runs well
Air Port	Hanger	168		$ 300,000.00	not need yet, get rental study for poayback
City Hall	carpet	235		$ 3,500.00	
	Roof Replacement	236	$ 5,000.00	$ 75,000.00	patch only
	A/C Units	241	$ 5,000.00	$ 25,000.00	Old Libray A/C?
			$ 2,068,595.00	$ 6,201,956.00	

R-7