



Legislation Text

File #: 17-0370, **Version:** 1

DATE: July 25, 2017

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Kristine Tallent, Assistant City Administrator/CFO

SUBJECT:

*Consideration of Resolution 2017-64 Authorizing and Directing the Industrial Development Board of the City of Franklin to Prepay a Portion of its Taxable Rate Tax Increment Revenue Refunding Bonds, Series 2015A (Variable Rate)

Purpose

In FY 2017, Property Taxes Collected Net of Appeals and Uncollected Taxes within the Tax Increment Financing District were \$1,782,968. Debt Service paid was \$969,717 resulting in additional proceeds of \$813,251. Of this amount, staff recommends prepayment of a portion of the outstanding bonds.

Background

In 2015, the Industrial Development Board issued the \$12,350,000 Taxable Rate Tax Increment Revenue Refunding Bonds, Series 2015A (Variable Rate) and Series 2015B (Fixed Rate) for the purposes of refinancing bonds issued in 2005 (Series 2005 Bonds). The Fixed Rate Bonds have final maturity in 2020. Variable Rate Bonds mature in 2025. Total Principal outstanding as of 7/1/2017 is \$9,920,550,

In prior years, the City transferred to the Industrial Board a total of \$2,447,702 (including accrued interest) for payment of debt service when property taxes assessed within the district were less than principal and interest due.

Financial Impact

Prepayment of the 2025 maturity (\$474,758) in full and the 2024 maturity (\$225,242) in part will reduce total interest expense for the Series 2015A Bonds by approximately \$100,000, assuming a variable interest rate of 1.8125%.

Recommendation

Staff recommends allocating net property taxes of \$813,251 in the manner of \$700,000 towards early payment of Bonds with the remainder (\$113,251) as a reduction to the amount due to the City from prior year transfers.