



## Office of the Finance Director/Treasurer

**To:** Milton Common Council, Mayor Anissa Welch  
**From:** Dan Nelson, Finance Director/Treasurer  
**Date:** September 1, 2020  
**Subject:** Discussion and Possible Action on Early Payoff of Blackhawk Credit Union Note

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### Discussion and Background

On February 6, 2018, the Common Council authorized a refinancing of TID #6 debt with Blackhawk Credit Union in the amount of \$730,000. As TID #6 winds down its allowable time period to incur new expenditures (expires on January 21, 2021), staff has been determining ways to mitigate future interest expenditures.

The only outstanding TID #6 debt issue that is eligible for early payoff is the note with Blackhawk Credit Union. The outstanding balance on the note is \$455,000. If the note is paid off right now (early September 2020), TID #6 will save approximately \$16,500 in future interest expenditures on the Blackhawk Credit Union note.

The chart below outlines projected TID #6 cash projections through 2021:

Projected cash balance 12/31/2020	\$	20,000
<b>Projections 2021</b>		
<b>Revenue</b>		
Tax increment	\$	950,000
State Aid	\$	124,000
<b>Available cash</b>	<b>\$</b>	<b>1,094,000</b>
<b>Expenses</b>		
Developer payment	\$	90,000
2016B GO bond payment	\$	313,013
2016A CDA bond payment	\$	183,743
Blackhawk Credit Union note	\$	455,000
Scheduled cash uses	\$	1,041,756

In order to pay the note off early, TID #6 will need an advance (loan) from the General Fund in the amount of \$455,000 which will be repaid to the General Fund in January 2021 at an interest rate of 1.00%. This will result in a TID #6 interest payment to the general fund in the amount of \$1,516 (revenue to the general fund). This rate of return is 5.5x times more than the City can earn on any allowable short-term investment which results in a financial benefit for TID #6 and the general fund. The City's general fund balance (\$1.47 million as of 12/31/2019) is healthy to handle the four month advance.



**Recommendation**

Authorize the early payoff of the note with Blackhawk Credit Union in the amount of \$455,000 plus accrued interest.

Authorize an advance in the amount of \$455,000 from the General Fund to TID #6 at interest rate of 1.00% that TID #6 will repay to the General Fund in January 2021.