



## Finance Department

David P. Schmiedicke, Finance Director

City-County Building, Room 406  
210 Martin Luther King, Jr. Boulevard  
Madison, Wisconsin 53703  
Phone (608) 266-4671  
Fax (608) 267-8705  
[finance@cityofmadison.com](mailto:finance@cityofmadison.com)  
[www.cityofmadison.com/finance](http://www.cityofmadison.com/finance)

September 27, 2016

Michael G. Barry  
Assistant Superintendent for Business Services  
Madison Metropolitan School District  
545 W. Dayton Street  
Madison, WI 53703-1967

Dear Michael:

A project plan amendment to Tax Increment District (TID) 25 has been adopted by the Madison Common Council, reviewed by the Joint Review Board and is now before the Madison School Board for its consideration. That amendment includes retroactive approval for expenditures that were incurred in excess of the original project plan adopted in 1995.

Those expenditures are related to two major downtown redevelopment projects – Block 89 and the Monona Terrace Convention Center Hotel. In both cases, structured parking was provided. The City does not have a record of the decisions made related to the need for a plan amendment to address those costs. At this point, we can only speculate that the financing approach changed as the projects proceeded and what had been originally portrayed in the project plan as non-TID funding became TID-supported. This might have been the case as the developers reviewed various financing options.

Over the last several years, in the required financial audits for TID 25, it has been noted that the expenditures exceeded the project plan. The audit has also included a footnote that developer payments associated with the two projects would offset those additional expenditures. Nevertheless, tax increment revenues would have to pay the costs if the developer payments were insufficient. As such, with the benefit of hindsight, a project plan amendment should have been pursued.

Since the late 1990's, the City has developed a more comprehensive approach to reviewing projects funded from tax increment revenues and a much more formal review and approval process for project plans and plan amendments. Over the last three years, the City has instituted its most recent update to its TID policies and procedures. Current policies require regular reporting to the City's Board of Estimates on the status of active TIDs. TIF staff also provides regular updates to the Joint Review Board. These policies and procedures help to ensure that plans are appropriately and adequately monitored and plan amendments are brought to the Joint Review Board in a timely manner.

The City recognizes that the TID 25 project plan should have been amended and has made that commitment as part of the process for amending the plan for the Judge Doyle project. The City and School District have worked cooperatively to understand the status of TID 25, the projected tax increment revenues, assisted the School District's financial goals by making an advance equal to its share of the balance in TID 25 and established a guarantee agreement that a sufficient balance will be available by the time TID 25 closes to fund that advance.

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The City looks forward to continued cooperation and progress on helping to sustain and strengthen the City's economic base in support of the success of its residents and children.

Please feel free to contact me with further questions.

Sincerely,

David Schmiedicke  
City Finance Director

CC: Mayor Soglin  
Natalie Erdman  
Matt Mikolajewski  
Kevin Ramakrishna