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FINANCE DEPARTMENT

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To: Finance Committee
From: Tony Saucerman, Finance Director
Date: December 29, 2017
Re: Short-term Loan to Appleton Redevelopment Authority

To date, the financing package for the construction of the Fox Cities Exhibition Center has yet to be completed. Due to this unanticipated delay, and the decision to proceed with the construction in 2016, the City has been paying the construction costs as bills have come due. This arrangement was initially meant to be a short-term solution while the long-term financing package was put together. It is not unusual for the City to advance funds for capital projects, as the City has routinely borrowed for our annual capital needs in the fall while costs are often incurred throughout the year. Once the borrowed funds are received, the City is then reimbursed for all costs incurred. With the Exhibition Center project, although it will be funded with a borrowing by the Appleton Redevelopment Authority (ARA) rather than general obligation debt, the Center will be owned by the City of Appleton and the construction is considered a City capital project.

However, due to the fact that the eventual funding will come from the ARA, which is a legally separate entity from the City, in essence, the City is providing a short-term loan to the ARA while the long-term funding plan is being finalized. In recognition of this fact, and as recommended by the City's auditors since the loan will appear on the both the City and ARA's December 31, 2017 audited financial statements, approval of this short-term financing arrangement between the City and ARA is being requested.

It is not without recognition that this request is being made after the majority of the construction costs have already been paid by the City and for that I apologize and ask for your understanding. I realize the uncomfortable position for which you are being placed. However, as noted previously, it was never anticipated that the ARA borrowing would be outstanding at the end of 2017.

As a result, I am requesting approval of a short-term loan to the Appleton Redevelopment Authority for an amount not to exceed \$31,000,000 for the construction of the Fox Cities Exhibition Center. The loan will be repaid upon the closing of long-term financing by the Appleton Redevelopment Authority which is anticipated in early 2018.