

To: Finance Committee
From: Mark Stevens
Date: December 8, 2025
RE: TID #4 Closure

The final step in the closure of TID #4 was to complete an external audit by Baker Tilly. I have attached the audit where you will see the total refund payable to the taxing entities is \$4,364,662 (audit page 6). The amounts to be refunded to each entity are shown on page 10 of the audit; Watertown's portion is \$1,854,322.

During the closing audit, it was determined that the shared-expense agreement made with Clasen in 2024 to resurface the road that runs near their plant was beyond the acceptable expenditure period. To prevent any citation by the WI Department of Revenue (DOR), the audit team suggested that we reassign the expense of \$101,294 to another fund. I sought the input of Vandewalle and they agreed; they have no experience with DOR issuing citations and didn't suggest that Watertown test the system. The Annual Streets account in Capital Funds was the most appropriate relocation. This reassignment of this expense, along with interest earnings this year, raised the city's portion of the TID #4 closure by \$105,816. Because of these alterations, I recommend that the Annual Streets account be provided with an allocation of \$101,294 from the city's portion of the TID #4 closure. I have updated the closure spreadsheet with these changes.

The spreadsheet shows the assignment of an \$840,000 allocation to the Annual Streets account as approved by a prior Council when the development agreement for Rock River Ridge was approved. Green highlights indicate allocations of the city portion approved by the Finance Committee earlier this year. The remainder of the city's unallocated funds is \$269,243. Additional modifications since the last review of this task is the elimination of the Wilbur St extension (to be paid by Dodge County grant and Annual Streets account) and the additional contemplation of the Church St. Transport Alt Program (adequate funding to be covered by other funds).

With the completion of the audit, I will process the payments of refunds to the other three taxing entities. I also want to move the city's portion to the appropriate funds. An option not yet discussed is to move a portion or all the remaining unallocated funds of \$269,243 to the Capital Fund account for a future decision or need. For instance, we had an opportunity to purchase a used truck with plow from a county that would have been substantially cheaper than purchasing a new truck, but the approximate cost of \$75,000 was beyond the reach of available budgets. Our Capital Fund's source of funds is through the annual borrowing that's planned a year in advance in the budget cycle; an unallocated sum of funds could allow for opportunistic purchases to be accomplished or become a capital expenditure contingency fund.

Requested action: determine assignment of remaining unallocated city refunds.