

RESOLUTION NO. 2021-__

A RESOLUTION TO ESTABLISH A PAYMENT IN LIEU OF TAXES PROGRAM WITH APPLETON AREA HEALTH

WHEREAS the City of Appleton is the owner of the Appleton Area Health Pursuant to [Minn. Stat. §412.221 Subd. 16](#); and

WHEREAS, Appleton Area Health is an enterprise of the City of Appleton; and

WHEREAS, it is in the interest of the City of Appleton to offset tax burdens associated with providing Appleton Area Health Access to the City of Appleton Ad Valorem Tax Levies; and

WHEREAS, the City of Appleton is the lawful guarantor for Appleton Area Health Debt Service, Lines of Credits, and all legal applications for credit associated to capital and operational functions; and

WHEREAS, the City of Appleton credit Rating and Bond Rating is directly impacted by Appleton Area Health's financial performance; and

WHEREAS, Appleton Area Health's access to credit and debt issuance is impacted by the City of Appleton Credit Rating and Bond Rating;

NOW THEREFORE, BE IT RESOLVED that the City Council of Appleton, Minnesota hereby Establishes a Payment In Lieu Of Taxes (P.I.L.O.T) with Appleton Area Health.

Effective January 1st, 2022 Appleton Area Health shall pay a percentage of not less than 50% of the assessed property taxes that would be due were Appleton Area Health classified as a for profit hospital, as assessed by the County Assessor and not less than 15% of debt service for all outstanding debt guaranteed by the City of Appleton Ad Valorem Taxing Authority, or the equivalent of one day of cash on hand whichever is lessor. The City Council Shall vote every year end, not later than the December deadline for the submission of the final Tax Levy, to Establish what percentage of the assessed property taxes the P.I.L.O.T shall collect for the ensuing year. The City Council shall seek a recommendation from the Hospital Board for any P.I.L.O.T amounts greater than 100% of the property taxes that would be due as presented by the County Assessor or any amounts equal to greater than 15% of outstanding debt service that is guaranteed by the City of Appleton Taxing Authority. P.I.L.O.T disbursements shall be due to the City of Appleton on a quarterly basis.

Passed by the City Council of Appleton, Minnesota this ___ day of ___, 2021.

Dan L. Tosel, Mayor

Attested: _____
Emma R. Haugen, City Clerk/Treasurer

Commented [w1]: The hospital would be paying \$91,237 in taxes to the City if it was privately owned.

An average of the most recent figures for a single day of cash on hand was equal to \$42,106 or 46% of the taxes that would be due.

The City is currently securing an annual debt service of \$339,824.01 with its credit and taxing authority for the hospital. A day of cash on hand represents 12.1% of the securitized annual debt service.

Commented [w2]: This language makes it necessary for the City Council to get input in the form of a formal recommendation from the hospital board prior to increasing PILOT amounts.

Commented [w3]: The goal is for the PILOT to capture enough funds to show creditors financial independence and strength without causing the hospital any disproportional budgetary impact.

Commented [w4]: A quarterly disbursement would cause the least impact to the hospital's budget in terms of cashflow.