



CITY OF FRANKLIN

Community Development Department

Memorandum

To: City of Franklin Economic Development Commission
From: Krista Linke, Director of Community Development
Date: March 31, 2015
Re: Case C 2015-04: Caterpillar Reman Powertrain Indiana LLC

Summary:

1. On September 20th, 2010, the Franklin Common Council passed Resolution No. 2010-15, approving a 10-year tax abatement with a 5% economic development fee on personal property for Caterpillar Reman Powertrain Indiana, LLC, located at 751 International Drive.
2. Actual and estimated benefits, as projected for 2014:

	Estimated on SB-1	Actual in 2014	Difference
Employees Retained	338	338	0
Salaries	\$10,278,445	\$10,658,086	\$379,641
New Employees	0	0	0
Salaries	\$0	\$0	\$0
Total Employees	338	338	0
Total Salaries	\$10,278,445	\$10,658,086	\$379,641
Average Hourly Salaries	\$14.62	\$15.16	\$0.54
Personal Property Improvements	\$13,568,000	\$10,577,840	-\$2,990,160

3. The company estimated in their original application that they would spend \$4,700,000 on equipment in 2010, \$2,242,000 on equipment in 2011, and \$3,276,000 in 2012. The total for all three years is \$10,068,000. They reported spending \$7,762,540 total at the end of 2012. They were given until the end of 2013 to purchase all of the equipment. They indicated in their application that they would purchase \$3,276,000 in 2012 but only purchased \$1,907,869. They indicated on their original application they would purchase an additional \$3,500,000 in 2013 but only purchased \$932,163. In a letter dated April 2, 2014, Accounting Manager Lee Anspaugh reported that \$2.3 million of purchases included in the original tax abatement application were in process at the end of 2013. They were not purchased before the 12/31/2013 completion date.
4. The company has met the number of employees retained with higher than estimated average hourly salaries.
5. The tax abatement is scheduled to expire in tax year 2023 payable 2024. The final compliance review should take place in 2023.

Staff Recommendation: Approval



COMPLIANCE WITH STATEMENT OF BENEFITS PERSONAL PROPERTY

State Form 51765 (R2 / 5-13)

Prescribed by the Department of Local Government Finance

FORM CF-1 / PP

- INSTRUCTIONS:**
1. Property owners whose Statement of Benefits was approved must file this form with the local Designating Body to show the extent to which there has been compliance with the Statement of Benefits. (IC 6-1.1-12.1-5.6)
 2. This form must be filed with the Form 103-ERA Schedule of Deduction from Assessed Value between March 1, and May 15, of each year, unless a filing extension under IC 6-1.1-3.7 has been granted. A person who obtains a filing extension must file between March 1, and the extended due date of each year.
 3. With the approval of the designating body, compliance information for multiple projects may be consolidated on one (1) compliance (CF-1).

SECTION 1 TAXPAYER INFORMATION

Name of taxpayer Caterpillar Reman Powertrain Indiana LLC	
Address of taxpayer (number and street, city, state, and ZIP code) 751 International Drive Franklin, IN 46131	
Name of contact person Lee A. Anspaugh	Telephone number (317) 346-3211

SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body Franklin Common Council	Resolution number 2010-15
Location of property same as above	County Johnson
DLGF taxing district number 41009	Estimated starting date (month, day, year) 06/10/2010
Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired.	Estimated completion date (month, day, year) 12/31/13

SECTION 3 EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees	338.00	338.00
Salaries	10,278,445.00	10,658,086.00
Number of employees retained	338.00	338.00
Salaries	10,278,445.00	10,658,086.00
Number of additional employees	0.00	69.00
Salaries	0.00	2,175,763.00

SECTION 4 COST AND VALUES

	MANUFACTURING EQUIPMENT		R & D EQUIPMENT		LOGIST DIST EQUIPMENT		IT EQUIPMENT	
	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
AS ESTIMATED ON SB-1								
Values before project	12,613,870.	4,946,825.0						
Plus: Values of proposed project	13,568,000.	5,427,200.0						
Less: Values of any property being replaced								
Net values upon completion of project	26,181,870.	10,374,025.						
ACTUAL								
Values before project	12,613,870.	2,694,562.0						
Plus: Values of proposed project	10,577,849.	3,455,057.4						
Less: Values of any property being replaced								
Net values upon completion of project	12,719,649.	6,149,619.4						

NOTE: The COST of the property is confidential pursuant to IC 6-1.1-12.1-5.6 (d).

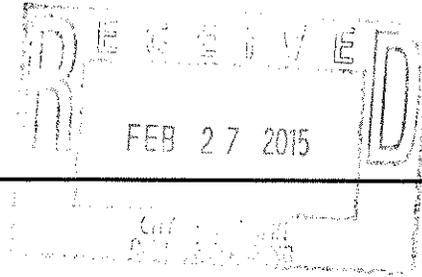
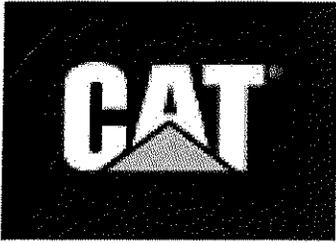
SECTION 5 WASTE CONVERTED AND OTHER BENEFITS PROMISED BY THE TAXPAYER

WASTE CONVERTED AND OTHER BENEFITS	AS ESTIMATED ON SB-1	ACTUAL
Amount of solid waste converted		
Amount of hazardous waste converted		
Other benefits:		

SECTION 6 TAXPAYER CERTIFICATION

I hereby certify that the representations in this statement are true.

Signature of authorized representative 	Title Accounting Supervisor	Date signed (month, day, year) 02/27/15
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February 27, 2015

Ms. Krista Linke, AICP
Department of Planning & Economic Development
70 E. Monroe Street
Franklin, Indiana 46131

Re: Tax Abatement Compliance for Caterpillar Reman Powertrain Indiana LLC

Dear Ms. Linke:

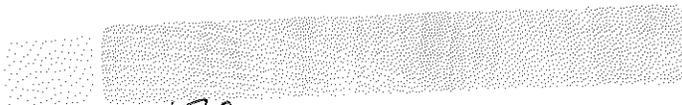
Enclosed please find Form CF-1 (Compliance with Statement of Benefits) regarding compliance with the personal property tax abatements which were granted to Caterpillar Reman Powertrain Indiana LLC in 2010 under Franklin Common Council Resolution No. 2010-15.

As can be seen from reviewing the enclosed documents, our company has been highly successful in a) making capital investment which had been projected for the past year, and b) retaining the full complement of jobs which had been proposed in the Statement of Benefits (From SB-1) which was approved on October 4, 2010.

Please review all of the enclosed documents, and if you have any questions or concerns regarding this matter, please feel free to contact me.

Sincerely,

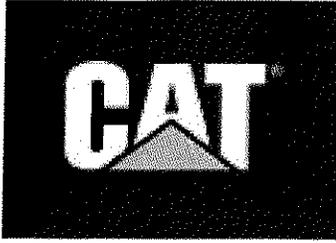
Lee Anspaugh
Accounting Supervisor
Caterpillar Reman Powertrain Indiana



170
200 addtl.
* agency / temp

Enclosures





Copy of last year inquiry.

April 2, 2014

Ms. Krista Linke, AICP
Department of Planning & Economic Development
70 E. Monroe Street
Franklin, Indiana 46131

Re: Tax Abatement Compliance for Caterpillar Reman Powertrain Indiana LLC

Dear Ms. Linke:

Thank you for your inquiry regarding Caterpillar Reman Powertrain Indiana LLC's capital spending as related to the approved tax abatement which was granted to Caterpillar Reman Powertrain Indiana LLC in 2010 under Franklin Common Council Resolution No. 2010-15.

As we discussed, the Statement of Benefits lists the estimated completion date for the project to be 12/31/2013 (see Exhibit A below). Since there was no specific reference to indicate the completion date being firm, we were unaware that the Economic Development Council considered the completion date to be firm. Previous experience with tax abatements in other Indiana counties also led to our assumption.

Given our misunderstanding, we had already approved nearly \$2.3 million of qualified purchases that were in process at the end of the year (see Exhibit B below). Since these assets were still in process, we were unable to claim them in this year's tax abatement process.

We respectfully ask that the Council grant Caterpillar Reman Powertrain Indiana to be able to include these projects in the next tax year as qualified under the current tax abatement 2010-15. Caterpillar will then apply for additional tax abatements related to our planned growth beyond the projects listed.

Please review all of the enclosed documents, and if you have any questions or concerns regarding this matter, please feel free to contact me.

Sincerely,

Lee Anspaugh
Accounting Manager
Caterpillar Reman Powertrain Indiana

Caterpillar Reman Powertrain Indiana

Resolution 2010-15

Machinery Investment Schedule

	Actual Amount of Investment (From SB-1) as of 06/2010	Proposed Amount of total Investment	Prior Period Investment	3/31/2014	6/30/2014	9/30/2014	12/31/2014	Actual Total Amount of Investment as of 12/31/13	Difference Between Actual and Proposed Amount of Investment
M&E	\$ 12,613,870	\$ 13,568,000	\$ 8,326,968	\$ 791,147	\$ 1,064,298	\$ -	\$ 395,426	\$ 10,577,840	\$ 2,990,160

Headcount Addition Schedule

	Actual Number of Employees (From SB-1)	Proposed Total No. of Employees	3/31/2014	6/30/2014	9/30/2014	12/31/2014	Actual total No. of Employees Added for Project	Difference Between Actual and Proposed Number of Employees
Headcount	338	0	18	21	20	10	69	69