

City of Manitowoc Financial Plan Framework

April 7, 2014

City of Manitowoc Financial Plan

Current State

- Current city tax levy allocation
 - Operations (52%) and Debt Service (48%)
 - Highest Debt repayment ratio was in 2013
- Borrow for capital outlay (including normal annual maintenance items)
 - High debt burden (\$75.6 million)
 - Roads, Capital Equipment, Vehicles, etc.
- Lack of fund balance reserves
 - Transfers from other non-operating funds to balance general fund budget
 - Waste Water Treatment Facility (\$14.95 million 2002 to \$2.4 million 2012)
 - TIF Districts
- Lack of asset replacement funds
 - (vehicles, fuel handling charge, equipment, facilities, Marina, etc)
- Normal inflationary increases absorbed
 - Fuel, contractor increases, purchased materials, equipment costs, labor agreements

City of Manitowoc Financial Plan

Current State (con't)

Initiatives

- Business Process Improvement
 - Incremental cost containment & savings through efficiency gains
 - Improved service reliability and adaptability to new resources
 - Long-term cultural change and engagement
- People Development
 - Development of Compensation Plan - needs financial support
 - Accountability and goal oriented focus
- Achieve and Maintain Financial Stability

City of Manitowoc Financial Plan

Future State

- Only borrow for large capital items
 - Low debt burden (\$20-40 million)
 - Major new building and street projects (materials and contractor costs)
- Restore Unassigned General Fund Balance to comply with policy
- Most normal inflationary increases absorbed
 - Fuel, contractor increases, purchased materials, equipment costs
- Sustainable funds for City Compensation Plan and labor agreements
- Establishment and maintenance of asset replacement funds within the operating budget
 - Building and street repair, vehicles, equipment, etc
- No transfers from other non-operating funds are required to balance the budget

City of Manitowoc Financial Plan

Future State (con't)

Initiatives

- Business Process Improvement
 - Continuous improvement will offset some or most of the normal price escalation through efficiencies
- People Development
 - Goal oriented compensation plan
- PAY-AS-YOU-GO (PAYGO) Financial Plan
 - Tax levy for operations and normal reoccurring capital outlay items including normal replacement of equipment, vehicles, road repair and reconstruction.
 - Reduce amount of interest payments by \$57,500 to \$115,000 per year.

City of Manitowoc Financial Plan Gap Analysis

2002

- Tax levy for operations was \$7,222,748 (75%) and debt service at \$2,438,837 (25%)

2013

- Tax levy for operations was \$7,281,581 (52%) and debt service at \$6,793,819 (48%)

Past 12 years

- Operational tax levy increased .81% or \$58,833
- Debt service tax levy increased 178% or \$4,354,982

City of Manitowoc Financial Plan Approach

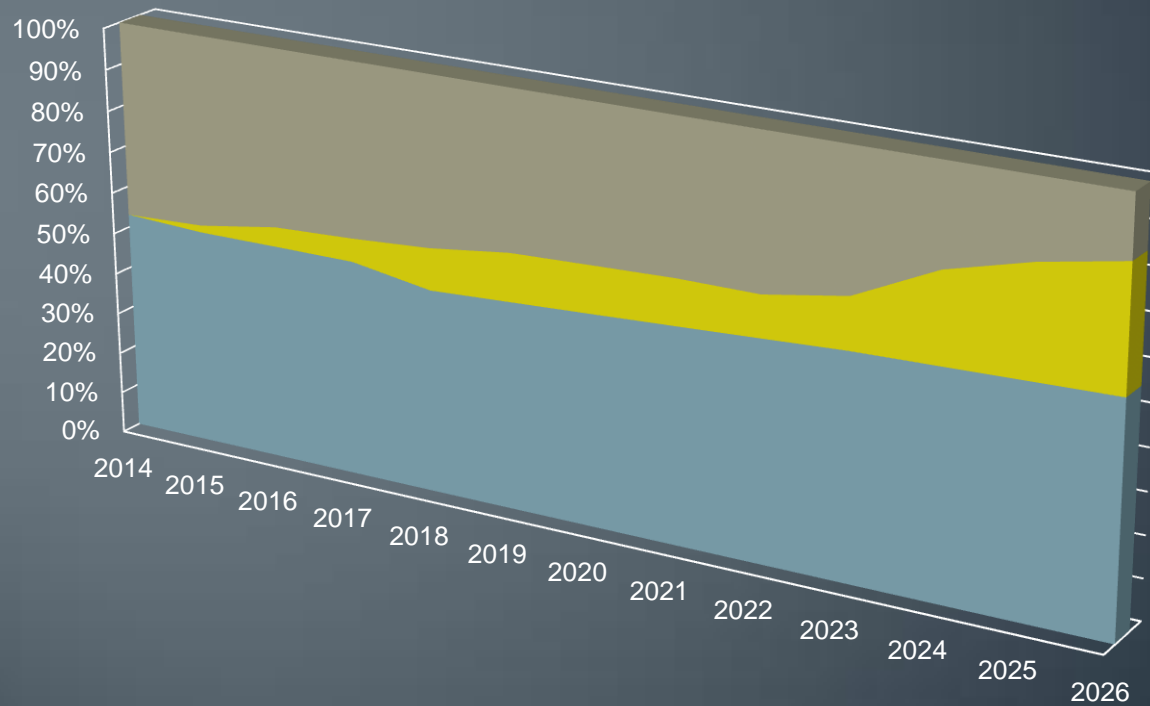
PAY-AS-YOU-GO (PAYGO) Financial Plan

- Phased-in approach to establish a model for capital spending and toward establishment of Asset Replacement Non Lapsing Funds (Marina, Ambulance)
 - Transfer of a portion of the current debt service levy to operations levy over the next 10-15 years
- Assumes absorption of normal economic cost escalation
- Assumes incremental enhancements through business process improvements
- Allows for adoption of a City Compensation Plan
- Simulates closing of TIF Districts and illustrates the impact of the added tax base on the Plan

City of Manitowoc Financial Plan Approach

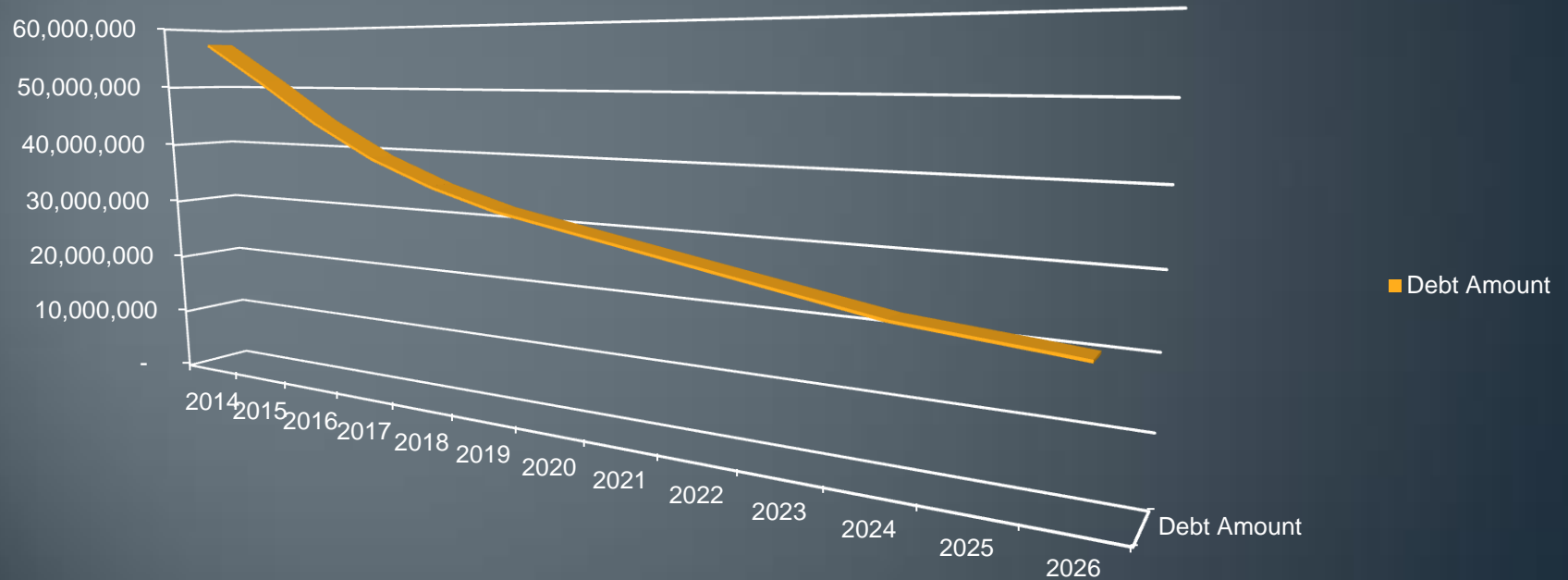
Proforma City Levy 2014 thru 2026 Under the PAY-AS-U-GO Plan

■ Operations ■ PAYASUGO ■ Debt Service



City of Manitowoc Financial Plan Approach

Total Debt at Year End



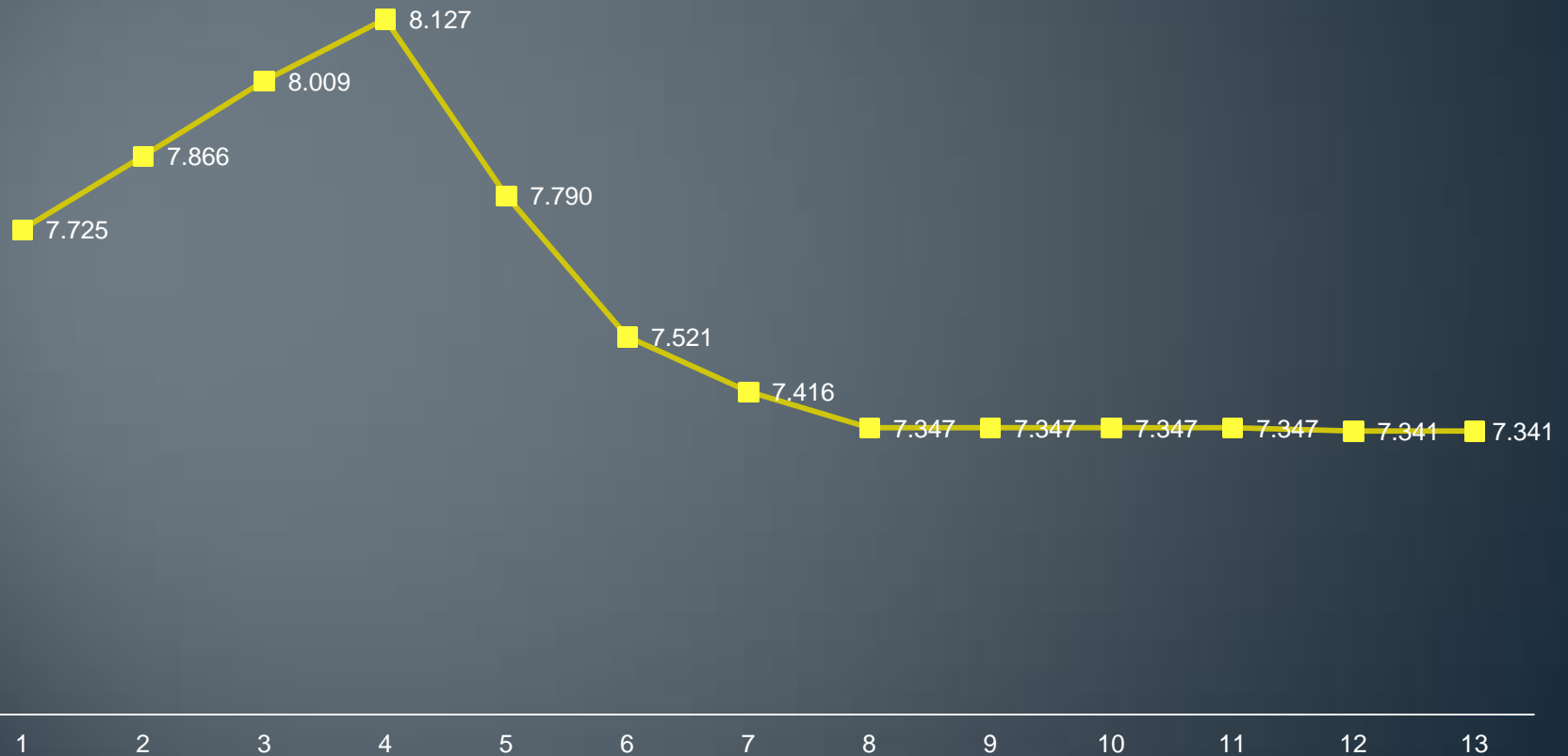
City of Manitowoc Financial Plan Action Plan

PAY-AS-YOU-GO (PAYGO) Financial Plan

- Utilizes a series of four small tax levy increases (under 2%)
 - Allows for the total levy to stabilize while diverting levy to the PAYGO approach for changes in capital spending and establishing non-lapsing asset replacement funds

City of Manitowoc Financial Plan Approach

Analysis of Projected Tax Rates



City of Manitowoc Financial Plan Leading Measures

- Things to do:
 - Capital Allocation Working Group will develop a comprehensive plan to quantify the total amount required to maintain the city's assets in good working order
 - Metrics- to support
 - Assign the Achieve and Maintain Financial Stability Committee to develop metrics to measure success (examples)
 - Compliance with unassigned fund balance policy
 - Debt per capita
 - % of allowable debt carrying capacity

City of Manitowoc Financial Recovery Framework

- Questions?