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Executive Summary of 2015 TID Analysis & Recommendations

Presenters

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Background

- In 2015, Ehlers was engaged to assist the City with a comprehensive analysis of the City TIDs
- The intent was to seek an outside viewpoint as to the following:
 - The City's Overall Use of TIDs
 - Better understand options available to the City and how the City's use of TIDs compares to other municipalities
 - Using information from the City re-create a baseline financial profile for each TID, beginning 1/1/2014
 - Offer recommendations related to specific TIDs based on facts and circumstances
 - Offer suggestions/recommendations on how best to administer/implement TIF
- Jointly present findings to the standing JRB, Plan Commission and City Council



Goals and Objectives

- Establishing a base-line for each TID would enable the City to present the following:
 - The Financial status of each TID
 - Opportunities and/or constraints for each TID
 - Potential dates for TIDs to close
 - Potential future amendments or creations
 - Potential future revenue sharing or use of the ½ mile radius amendment
- The report makes recommendations on establishing best practices on the use of TID including
 - Offer recommendations based on best practices which will lead to effective administration of TIDs
 - Leverage existing staff resources and build off what is currently being done
 - Establish procedures that can be implemented and repeated from year-to-year
 - Best practice regarding charging administrative costs for staff time



Goals and Objectives - (cont.)

- Additional Objectives - Treat TIDs much like the City's enterprise funds (i.e. a "development" utility)
 - Long-term planning
 - Multi-department coordination
 - Prepare an annual budget based on planning that has occurred throughout the year
 - Annual report to the overlapping taxing jurisdictions
- The final report and presentation will allow the Plan Commission, Council and other Taxing Jurisdictions to better understand the City's use of TIDs with the attempt to foster a more unified working relationship



TIF 101 & Misconceptions

- History and use of the Tax Increment Financing Program
 - Greater detail from in final report (Pages 1 – 7)
 - Established in 1975, 1st TID created in 1976
 - Promote development & redevelopment (The State's most powerful economic development tool)
 - Various types of TIDs can be created, each with their own sets of rules and timelines
 - Since the program's inception, approximately 1,800 TIDs have been created and 700 dissolved
 - Summary of Proposed changes to the TID Law can be found in the final report (Appendix B)
- Misconceptions of the TIF Program
 - Tax rate differential
 - Corporate welfare
 - Impact on other taxing jurisdictions (but for test)



City of Manitowoc TID Use

- City of Manitowoc – TID Use

- The City currently has 10 active TIDs all created prior to 2008, with TID 8 closing in 2015.
- That compares with 11 active TIDs including ER TIDs in Sheboygan, 7 active TIDs in Two Rivers, and 13 in Green Bay.
- The City is currently at 52% of it's TID capacity (based on the currently 12% test). This is slightly higher than Sheboygan, Two Rivers and Green Bay.
- The City has significant capacity to create new TIDs and/or amend the boundaries of existing TIDs.
- Currently the City doesn't charge administrative costs directly related to the TIDs to the TIDs. This wasn't the previous practice.
- Initial observation – due in part to the revenue sharing/donor amendments completed in 2012, the City TID's are in decent financial position compared to what we see state-wide. Additionally, all of the City's TIDs have a positive increment value.



Summary of the City's TIDs

- TID 8
 - Created in 1994 as an industrial TID – Distressed in 2012 and a recipient TID
 - Current Increment Value \$1,007,400
 - Scheduled to close in 2015, 8-years earlier than the maximum life
- TID 9
 - Created in 1995, the type of TID is undeclared.
 - The expenditure period ends in May 2017, TID life is 2022
 - Current Increment Value \$8,756,300
 - There is additional land for development, no planned expenditures at this time
 - Positive cash flow and a projected early closure.
- TID 10
 - Created in 1997 as in industrial TID – Became a donor TID in 2012.
 - The expenditure period ends in June 2015, TID life is 2020
 - Current Increment Value \$4,479,600
 - There is additional land for development, no planned expenditures at this time
 - Positive cash flow and a projected early closure.



Summary of TIDs – (cont.)

- TID 11
 - Created in 1997 as a Rehabilitation TID – Distressed in 2012 and a recipient TID
 - The expenditure period ends in 2019 and the TID life was extended to 2034
 - Current Increment Value \$3,760,700
 - No additional development or expenditures projected
 - With revenue sharing the TID is scheduled to close in the next 2 to 3 years
- TID 12
 - Created in 1999 as an Industrial TID – Distressed in 2012 and a recipient TID
 - The expenditure period ends in May 2017 and the TID life was extended to 2032
 - Current Increment Value \$7,202,400, not including the Jagemann expansion
 - There is additional land for development, no planned expenditure at this time
 - With revenue sharing the TID is scheduled to close in the next 3 to 4 years
- TID 13
 - Created in 2000 as in industrial TID – Became a donor TID in 2012.
 - The expenditure period ends in June 2018, TID life is 2023
 - Current Increment Value \$7,657,300
 - There is additional land for development, no planned expenditures at this time
 - Positive cash flow and a projected early closure



Summary of TIDs – (cont.)

- TID 14
 - Created in 2001 as a Rehabilitation TID
 - The expenditure period ends in 2023 and the TID life is 2028
 - Current Increment Value \$95,500 down from \$1,663,800 due to revaluation
 - Potential for development but future expenditures may be required
 - Negative cash flow may require a future revenue sharing amendment
- TID 15
 - Created in 2002 as an Blight Removal TID – Became a Donor TID in 2012
 - The expenditure period ends in May 2024 and the TID life is 2029
 - Current Increment Value \$65,404,800, not including the Dialysis Center
 - There is additional land for development
 - Possible ½ mile radius amendment to pay for a portion of Dewey Street improvement
 - Positive cash flow and a projected early closure



Summary of TIDs – (cont.)

- TID 16
 - Created in 2003 as a Rehabilitation TID
 - The expenditure period ends in 2025 and the TID life is 2030
 - Current Increment Value \$12,564,300
 - Potential for development but future expenditures will be required to promote additional development
 - Negative cash flow may require a future revenue sharing amendment
- TID 17
 - Created in 2007 as an Industrial TID – Became a Donor TID in 2012
 - The expenditure period ends in May 2022 and the TID life is 2027
 - Current Increment Value \$7,666,200, not including a new \$1M development
 - There is additional land for development
 - Future expenditures forthcoming to promote new development
 - Positive cash flow and a projected early closure



Recommendations – Action Items

- “Parallel” Capital Planning and Budgeting Process
 - TID capital projects should be evaluated under separate criteria vs. general CIP efforts
 - TID capital borrowing fit within the City’s policy regarding borrowing capacity
- Annual Staff Report on Status of TIDs
 - Separate work sessions with City Staff and appropriate Committee(s) to deal with these issues exclusively
 - Detailed annual reports to the overlapping taxing jurisdictions
- Allocation of Administrative Costs
 - Costs that are “directly” attributed to supporting TID activities be charged back to the appropriate TIDs
- Closure of Distressed TIDs
 - Close TID 8 this year and TIDs 11 & 12 within the next 2 to 3-years or as soon as practical



Recommendations – Action Items – (cont.)

- Donor TIDs
 - TIDs 10, 13, 15, & 17 which are currently donors could be amended to share increment with TIDs 14 & 16
 - Close the Donor TIDs as soon as practical
- TID Amendments
 - Possible amendment of donor TIDs to share revenue with TIDs 14 & 16
 - Amend TID 15 to include a portion of the Dewey Street improvements
- TID Creation
 - The City will be creating TID 18 to assist in the redevelopment of the Lakeview Mall area





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