City of Manitowoc

Final Pricing Summary

April 20, 2020

Bradley D. Viegut, Managing Director

bviegut@rwbaird.com

777 East Wisconsin Avenue

Milwaukee, WI 53202

Phone 414.765.3827

rwbaird.com/publicfinance

City of Manitowoc

Issue Summary		
Description:	General Obligation Refunding Bonds	Taxable General Obligation Promissory Notes
Amount:	$9,860,000	$2,000,000
Dated & Settlement Date:	May 5, 2020	May 5, 2020
Maturities:	February 1, 2021; February 1, 2023 - 2039	February 1, 2021 - 2030
First Interest Payment:	February 1, 2021	February 1, 2021
First Call Date:	February 1, 2028	February 1, 2028
Standard & Poor's Rating:	AA-/AA BAM Insured	AA-/AA BAM Insured
Interest Rate:	2.06%	2.51%

City of Manitowoc

Example Financing Plan

			New Debt Issued 2019-2022 = $23,805,000											
			2020 - FINAL	2020 - FINAL		2021 (B)			2022 (B)					
			$5,905,000 NAN Dated February 5, 2020 (Due 8/5/20)	$5,830,000 G.O. REFUNDING BONDS Dated May 5, 2020 (First interest 2/1/21)		$6,000,000 G.O. PROMISSORY NOTES Dated August 1, 2021 (First interest 2/1/22)			$6,000,000 G.O. PROMISSORY NOTES Dated August 1, 2022 (First interest 2/1/23)					
LEVY YEAR	YEAR DUE	EXISTING DEBT (Levy Supported) (A)	INTEREST (Callable 5/5/20) RATE= 2.06%	PRINCIPAL (2/1)	INTEREST (2/1 & 8/1) TIC= 1.82%	PRINCIPAL (2/1)	INTEREST (2/1 & 8/1) AVG= 3.00%	HYPOTHETICAL BID PREMIUM	PRINCIPAL (2/1)	INTEREST (2/1 & 8/1) AVG= 3.00%	FUTURE BORROWINGS (B) (C)	TOTAL DEBT PAYMENTS (Levy Supported)	YEAR DUE	TOTAL PRINCIPAL OUTSTANDING Year End (All G.O. Debt)
2019	2020	$7,005,670	$35,817									$7,005,670	2020	$55,234,617
2020	2021	$6,498,687		$330,000	$165,273							$6,993,960	2021	$54,411,615
2021	2022	$6,723,169			$127,500		$180,000	($40,000)				$6,990,669	2022	$53,868,181
2022	2023	$6,273,578			$127,500		$180,000		$235,000	$176,475		$6,992,553	2023	$52,249,310
2023	2024	$5,908,865			$127,500		$180,000		$460,000	$166,050	$150,000	$6,992,415	2024	$50,934,994
2024	2025	$5,076,373		$860,000	$114,600		$180,000		$305,000	$154,575	$300,000	$6,990,548	2025	$49,595,226
2025	2026	$4,155,687		$890,000	$88,350	$925,000	$166,125		$170,000	$147,450	$450,000	$6,992,612	2026	$48,060,000
2026	2027	$2,657,138		$910,000	$65,900	$955,000	$137,925		$750,000	$133,650	$1,383,075	$6,992,688	2027	$46,675,000
2027	2028	$1,943,625		$930,000	$47,500	$985,000	$108,825		$775,000	$110,775	$2,090,375	$6,991,100	2028	$45,255,000
2028	2029	$1,639,500		$945,000	$28,750	$1,020,000	$78,750		$795,000	$87,225	$2,395,825	$6,990,050	2029	$43,805,000
2029	2030	$547,200		$965,000	$9,650	$1,045,000	$47,775		$820,000	$63,000	$3,493,125	$6,990,750	2030	$42,455,000
2030	2031	$546,300				$1,070,000	$16,050		$835,000	$38,175	$4,486,250	$6,991,775	2031	$41,380,000
2031	2032	$544,800							$855,000	$12,825	$5,136,125	$6,548,750	2032	$40,720,000
2032	2033	$542,700									$6,003,950	$6,546,650	2033	$40,040,000
2033	2034	$544,900									$6,003,950	$6,548,850	2034	$39,335,000
2034	2035	$546,300									$6,003,950	$6,550,250	2035	$38,605,000
2035	2036	$546,900									$6,003,950	$6,550,850	2036	$37,845,000
2036	2037	$546,700									$6,003,950	$6,550,650	2037	$37,060,000
2037	2038	$545,700									$6,003,950	$6,549,650	2038	$36,250,000
2038	2039										$6,003,950	$6,003,950	2039	$35,965,000
		$52,793,791		$5,830,000	$902,523	$6,000,000	$1,275,450	($40,000)	$6,000,000	$1,090,200	$61,912,425	$135,764,389		

Assumes NAN principal and interest refinanced with Bonds on 5/21/2020 call date.

(A) Bid premium from 2019 issue applied to interest due in 2020 & 2021. Net of 2/1/20 BABs subsidy.

(B) This information is provided for information purposes only. It does not recommend any future issuances and is not intended to be, and should not be regarded as, advice.

(C) Assumes $5,000,000 issued annually. 10 year repayment at 3.00% interest rate.

City of Manitowoc

Tax Increment District No. 18

Cash Flow Proforma Analysis - Bayshore Development

BAIRD

Assumptions	
Annual Inflation During Life of TID	0.00%
2019 Gross Tax Rate (per $1000 Equalized Value)	$22.30
Annual Adjustment to tax rate	-0.50%
Investment rate	0.50%
Data above dashed line are actual	

New Issue - FINAL		*New Issue - FINAL*	
$4,000,000 Note Anticipation Note Dated February 5, 2020		$4,030,000 G.O. Refunding Bonds Dated May 5, 2020	
Amount for Projects	$4,000,000	Amount for Refunding	$4,024,262
Cost of Issuance (est.)	$0	Cost of Issuance	$70,746
Rounding	$0	Rounding	($609)
Less: Reoffering Premium	$0	Less: Reoffering Premium	$64,399

	Background Data					Revenues		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Year	TIF District Valuation	Inflation Increment	Construction Increment	TIF Increment Over Base	Tax Rate	Tax Revenue	Investment Proceeds	Total Revenues
	(January 1)		*(1)*					
	Base Value $0							
2019	$0		$7,111,000	$7,111,000	$22.30	$0	$0	$0
2020	$7,111,000	$0		$7,111,000	$22.19	$0	$0	$0
2021	$7,111,000	$0	$8,508,000	$15,619,000	$22.08	$157,816	$0	$157,816
2022	$15,619,000	$0	$2,836,000	$18,455,000	$21.97	$157,027	$0	$157,027
2023	$18,455,000	$0	$1,084,000	$19,539,000	$21.86	$343,179	$0	$343,179
2024	$19,539,000	$0	$500,000	$20,039,000	$21.75	$403,464	$0	$403,464
2025	$20,039,000	$0	$500,000	$20,539,000	$21.64	$425,026	$0	$425,026
2026	$20,539,000	$0	$500,000	$21,039,000	$21.54	$433,723	$0	$433,723
2027	$21,039,000	$0	$500,000	$21,539,000	$21.43	$442,322	$0	$442,322
2028	$21,539,000	$0	$500,000	$22,039,000	$21.32	$450,825	$0	$450,825
2029	$22,039,000	$0	$500,000	$22,539,000	$21.21	$459,231	$0	$459,231
2030	$22,539,000	$0	$500,000	$23,039,000	$21.11	$467,542	$0	$467,542
2031	$23,039,000	$0	$500,000	$23,539,000	$21.00	$475,758	$0	$475,758
2032	$23,539,000	$0	$500,000	$24,039,000	$20.90	$483,881	$0	$483,881
2033	$24,039,000	$0	$500,000	$24,539,000	$20.79	$491,910	$624	$492,535
2034	$24,539,000	$0		$24,539,000	$20.69	$499,847	$1,522	$501,370
2035	$24,539,000	$0		$24,539,000	$20.59	$507,693	$2,466	$510,159
2036	$24,539,000	$0		$24,539,000	$20.48	$505,154	$3,457	$508,612
2037	$24,539,000	$0		$24,539,000	$20.38	$502,629	$4,422	$507,050
2038	$24,539,000	$0		$24,539,000	$20.28	$500,115	$5,387	$505,502
2039	$24,539,000	$0		$24,539,000	$20.18	$497,615	$6,353	$503,968
		$0	$24,539,000			$8,204,759	$24,231	$8,228,990

Year	Expenditures							TID Status			Year
	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	
	Existing Debt Service	INTEREST	Principal	Interest	Debt Service	Sanitary Sewer PAYGO	Combined Expenditures	Annual Balance	Year End Cumulative Balance	Cost Recovery	
		(8/5) RATE= 2.06%	*(2/1)*	*(2/1 & 8/1) TIC= 2.28%*		*(2)*			*(December 31)*		
2019						$0	$0	$0	$0		2019
2020	$24,597	$24,262				$0	$24,597	($24,597)	($24,597)		2020
2021	$27,500			$119,413	$119,413	$26,667	$173,580	($15,764)	($40,361)		2021
2022	$140,775			$96,388	$96,388	$26,667	$263,829	($106,802)	($147,163)		2022
2023	$137,325		$195,000	$93,463	$288,463	$26,667	$452,454	($109,275)	($256,438)		2023
2024	$138,800		$200,000	$87,538	$287,538	$26,667	$453,004	($49,541)	($305,979)		2024
2025	$140,750		$205,000	$81,463	$286,463	$26,667	$453,879	($28,853)	($334,832)		2025
2026	$138,250		$215,000	$75,163	$290,163	$26,667	$455,079	($21,356)	($356,188)		2026
2027	$140,050		$220,000	$69,738	$289,738	$26,667	$456,454	($14,132)	($370,320)		2027
2028	$141,075		$220,000	$65,338	$285,338	$26,667	$453,079	($2,254)	($372,574)		2028
2029	$137,025		$225,000	$60,888	$285,888	$26,667	$449,579	$9,652	($362,922)		2029
2030			$230,000	$56,338	$286,338	$26,667	$313,004	$154,538	($208,385)		2030
2031			$235,000	$51,541	$286,541	$26,667	$313,207	$162,551	($45,833)		2031
2032			$240,000	$46,494	$286,494	$26,667	$313,160	$170,721	$124,887		2032
2033			$245,000	$41,341	$286,341	$26,667	$313,007	$179,528	$304,415		2033
2034			$250,000	$35,925	$285,925	$26,667	$312,592	$188,778	$493,193		2034
2035			$255,000	$30,244	$285,244	$26,667	$311,910	$198,248	$691,441		2035
2036			$265,000	$24,063	$289,063	$26,667	$315,729	$192,882	$884,323	Expenditures Recovered	2036
2037			$270,000	$17,375	$287,375	$26,667	$314,042	$193,009	$1,077,332	Expenditures Recovered	2037
2038			$275,000	$10,563	$285,563	$26,667	$312,229	$193,273	$1,270,605	Expenditures Recovered	2038
2039			$285,000	$3,563	$288,563	$26,667	$315,229	$188,739	$1,459,344	Expenditures Recovered	2039
	$1,166,147		$4,030,000	$1,066,832	$5,096,832	$506,667	$6,769,646				

Assumes NAN principal and interest refinanced with Bonds on 5/21/2020 call date.

Type of TID: Mixed Use

2015 TID Inception (9/21/15)

2030 Final Year to Incur TIF Related Costs

2038 Maximum Legal Life of TID (20 Years + Standard 3 Year Extension)

2039 Final Tax Collection Year

(1) Increment per City Estimates.

(2) Represents PAYGO for Sanitary Sewer Addition. Amount per City Estimates.

City of Manitowoc

FINAL FINANCING PLAN

	FUNDING AMOUNT: $1,957,916 $2,000,000 TAXABLE G.O. PROMISSORY NOTES *Dated May 5, 2020* *(First interest 2/1/21)*					
YEAR DUE	PRINCIPAL *(2/1)*	INTEREST *(2/1 & 8/1)* *TIC= 2.51%*	TOTAL	EST. ANNUAL REV. (a)	CUMULATIVE REV. - D/S	YEAR DUE
2020						2020
2021	$175,000	$51,977	$226,977	$456,000	$229,023	2021
2022	$185,000	$38,614	$223,614	$456,000	$461,409	2022
2023	$190,000	$35,238	$225,238	$456,000	$692,172	2023
2024	$195,000	$31,530	$226,530	$456,000	$921,642	2024
2025	$200,000	$27,480	$227,480	$456,000	$1,150,162	2025
2026	$200,000	$23,180	$223,180			2026
2027	$205,000	$18,623	$223,623			2027
2028	$210,000	$13,745	$223,745			2028
2029	$215,000	$8,538	$223,538			2029
2030	$225,000	$2,925	$227,925			2030
	$2,000,000	$251,848	$2,251,848	$2,280,000		

(a) $38,000 monthly revenue 1/1/2021 through 12/31/2025

S&P Global
Ratings

RatingsDirect®

Summary:

Manitowoc, Wisconsin; General Obligation

Primary Credit Analyst:
John A Kenward, Chicago (1) 312-233-7003; john.kenward@spglobal.com

Secondary Contact:
Scott Nees, Chicago (1) 312-233-7064; scott.nees@spglobal.com

Table Of Contents

Summary:

Manitowoc, Wisconsin; General Obligation

Credit Profile		
US$9.9 mil GO rfdg bnds dtd 05/05/2020 due 02/01/2039		
Long Term Rating	AA-/Stable	New
US$2.0 mil taxable GO prom nts dtd 05/05/2020 due 02/01/2030		
Long Term Rating	AA-/Stable	New
Manitowoc GO rfdg bnds		
Long Term Rating	AA-/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'AA-' rating and stable outlook to Manitowoc, Wis.' general obligation (GO) refunding bonds and taxable GO promissory notes, both dated May 5, 2020. We also affirmed our `AA-' rating on the city's GO debt outstanding.

The city's unlimited-tax GO pledge secures the bonds and promissory notes, which are payable from unlimited ad valorem property taxes.

Officials intend to use bond proceeds to take out an anticipation note recently issued to fund various capital improvements and to buy equipment. The city will use proceeds from the promissory notes to repay state community development block grant loans, so the city can apply for a state grant for street improvements.

Credit overview

The full scope of economic and financial challenges posed by COVID-19 remains to be seen. However, given the city's very strong operating reserves and very strong liquidity, in addition to its reliance on relatively stable property taxes and state revenue-sharing payments for general fund operations, we believe the city is currently well-positioned to navigate the economic and financial impacts of the pandemic over the near-to-medium term. However, if the duration of the developing economic recession turns out to be prolonged, the city's economy and the ability of the state to maintain revenue sharing at current levels could be affected. We will continue to monitor the impacts of the pandemic and recession on city revenues and expenses.

Manitowoc's economy centers on manufacturing and reflects its status as a regional service center. Although state law provides the city with little revenue flexibility, management has built and retained very strong reserves through careful fiscal planning and budgetary oversight. We view the city's weak debt profile as a credit concern. However, as a participant in Wisconsin Retirement System (WRS), one of the nation's best-funded pension plans, the city's pension liabilities and ability to keep up with employer contributions are not a concern. The stable rating outlook reflects our anticipation that, despite the developing economic recession, the city will likely maintain balanced operations in most years, with very strong budgetary flexibility and liquidity during the two-year outlook period.

The rating reflects our opinion of the city's:

- Weak economy, with projected per capita effective buying income (EBI) at 78.4% of the national level and market value per capita of $60,179;
- Strong management, with the ability to consistently maintain balanced operations and standard financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2018;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2018 of 27% of operating expenditures;
- Very strong liquidity, with total government available cash at 1.8x total governmental fund expenditures and 9.5x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability profile, with debt service carrying charges at 19.3% of expenditures and net direct debt that is 154.6% of total governmental fund revenue, but rapid amortization, with 83.5% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Two-Year Stable Outlook

Upside scenario

We could raise the rating if key economic indicators were to improve substantially to levels we consider comparable with those of higher-rated peers, while management maintains very strong budgetary flexibility and liquidity.

Downside scenario

We could lower the rating if management does not maintain balanced operations, resulting in substantially deteriorated budgetary flexibility.

Credit Opinion

Weak economy

We consider Manitowoc's economy weak. The city, with an estimated population of 33,772, is located in Manitowoc County. The city has a projected per capita EBI of 78.4% of the national level and per capita market value of $60,179. Overall, the city's market value grew by 4.2% over the past year, to $2.0 billion in 2020. The county unemployment rate was 3.1% in 2018.

Manitowoc, the county's seat, is on Lake Michigan, 80 miles north of Milwaukee and 40 miles southeast of Green Bay. The city's economy centers on manufacturing and reflects the city's status as a regional service center. The city's school district, with 900 employees, is the leading employer. The local employment base also includes two hospitals with a total employment of about 1,100. Some residents commute to Green Bay and Sheboygan, 30 miles to the south, for work.

The city is 66% residential, based on total equalized value (EV) and 24% commercial. EV, including incremental value associated with tax-increment districts, increased by 6% to $2 billion from tax years 2015-2019. The property tax base is very diverse, with the 10 leading taxpayers making up only 5% of total EV.

Although the city expects continued industrial development, we think the economy will likely remain weak during the next few years.

Strong management

We view the city's management as strong, with standard financial policies and practices under our FMA methodology, indicating the finance department maintains adequate policies in some, but not all, key areas. Our assessment of management indicates the city's consistent maintenance of balanced operations. Over the past three years, general fund operating results have ranged from 1.9% to 3.0%.

Highlights include management's:

- Use of two years of historical information, with updates from the state regarding revenue sharing and the annual levy limit when formulating each new budget;
- Three reports to the city council each year on budget exceptions, with the ability to amend the budget, as needed, at any council meeting with proper notice;
- Levy projections covering the budget and three future fiscal years;
- Capital plan that covers the budget year and five future years for streets, parks, equipment, and stormwater that it updates annually with costs but not sources; however, this does not cover buildings beyond the year after the budget year;
- Formal investment-management policy with quarterly reports to the council;
- Formal debt-management policy with GO debt that is not self-supporting limited to no more than 55% of statutory debt capacity; and
- Council-approved fund balance policy of maintaining unassigned general fund balance at 15%-30% of budgeted expenditures to cover cash flow and contingencies.

Strong budgetary performance

Manitowoc's budgetary performance is strong, in our opinion. The city had operating surpluses of 1.9% of expenditures in the general fund and of 7.5% across all governmental funds in fiscal 2018. General fund operating results of the city have been stable over the last three years, with a result of 1.9% in 2017 and a result of 3.0% in 2016.

For our analysis, we adjusted the data for routine transfers into the general fund, as well as bond-financed capital expenditures. The city operates under state restrictions for its revenue-raising ability, including annual operating levy-growth limits set by the state's biannual budget, coupled with an inability to impose sales or income taxes. Intergovernmental revenue, including state revenue sharing, accounted for 37% of fiscal 2018 general fund revenue, while property taxes generated 32% and licenses, permits, and charges generated 18%. Since the city receives no sales or income taxes, which are economically sensitive, we believe that its mix of operating revenue is relatively stable.

For fiscal 2019, management expects to report a general fund shortfall including transfers of $355,000 after spending $800,000 on land for redevelopment in one of the city's tax increment districts. Officials structured the fiscal 2020 general budget with break-even operations after transfers. The city does not expect any major additional expenditures in 2020 related to COVID-19, and management expects that property tax and state revenue sharing will come in as expected, despite the developing recession.

Based on management's expectations for fiscal years 2019 and 2020, we expect budgetary performance will likely be at least adequate over the near term.

Very strong budgetary flexibility

Manitowoc's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2018 of 27% of operating expenditures, or $6.9 million.

Available reserves consist of the assigned and unassigned general fund balance. Based on management's expectations for fiscal years 2019 and 2020, we expect budgetary flexibility will likely remain very strong over the near term.

Very strong liquidity

In our opinion, Manitowoc's liquidity is very strong, with total government available cash at 1.8x total governmental fund expenditures and 9.5x governmental debt service in 2018. In our view, the city has strong access to external liquidity, if necessary.

Officials reported $76.1 million of unrestricted cash and cash equivalents were available to support operational liquidity at fiscal year-end 2018. In our view, Manitowoc's recent debt issuance demonstrates its strong access to external liquidity.

Although the state allows cities to invest in a wide variety of instruments, Manitowoc holds most of its cash and short-term investments in bank deposits, U.S. treasuries, government agency obligations, and the state's local government investment pool; we do not consider these aggressive. The city issued $775,000 of GO promissory notes, with final payment due in 2027, to a single bank to refund GO debt for savings. Since the note structure does not contain acceleration provisions, we do not consider the notes a potential liquidity risk.

Because of management's expectations for fiscal years 2019 and 2020, we think liquidity will likely remain very strong during the next few fiscal years.

Weak debt but strong pension liability profile

In our view, Manitowoc's debt and contingent liability profile is weak. Total governmental fund debt service is 19.3% of total governmental fund expenditures and net direct debt is 154.6% of total governmental fund revenue. Approximately 83.5% of the direct debt is scheduled to be repaid within 10 years, which is in our view a positive credit factor.

Including the new GO debt, the city has $62.3 million of GO debt outstanding. Management currently plans to issue $6 million of GO debt annually over the next two years for various street, infrastructure, and other projects. The city may also issue a small amount of clean water debt through the state's revolving fund program in the near future.

Manitowoc's combined required pension and actual other postemployment benefits contributions totaled 5.0% of total governmental fund expenditures in 2018. The city made its full annual required pension contribution in 2018.

Manitowoc contributes to WRS, a cost-sharing, multiemployer, defined-benefit, public-employee pension plan. At Dec. 31, 2018, the statewide WRS was 96.5% funded. The city and its employees pay a combined 100% of the actuarially determined contribution annually; the city's share amounted to $2.1 million in fiscal 2018. Statewide WRS contributions exceeded static funding and minimum funding progress metrics in fiscal 2018. Although WRS assumes a single discount rate of 7.2%, higher than the 6.5% we consider more reasonable on a nationwide basis, we think WRS' design as a hybrid defined-benefit contribution plan with a shared-risk model positions it to maintain very healthy funding through a range of investment performance scenarios. Because of these features, we expect actuarially determined contributions will likely remain relatively stable and affordable. We understand that Manitowoc does not subsidize retiree health care, and that it contributes only a small amount for retiree life insurance.

Strong institutional framework

The institutional framework score for Wisconsin cities and villages with a population greater than 25,000 is strong.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- The COVID-19 Outbreak Weakens U.S. State And Local Government Credit Conditions, April 2, 2020
- It’s Game Over For The Record U.S. Run; The Timing Of A Restart Remains Uncertain, March 27, 2020