



Financial Management Planning

WCTFO Conference: June 10, 2021

Poll Question!

What say you?



Session Overview

- Benefits of a financial management plan
- Strategy & goal setting
- Operating & capital needs identification
- Building consensus
- Implementation & annual budget integration
- Cash flow planning
- Investment strategies



Benefits of a Financial Management Plan

Provides opportunity to:

Review past performance

Prioritize future activities & projects

Develop “what if” scenarios

Provide a financial road map

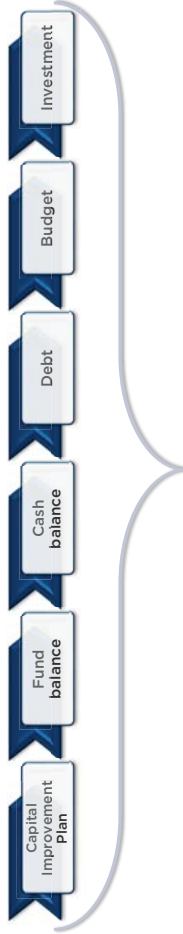
Foster inter-department collaboration

Dovetail with budgeting process



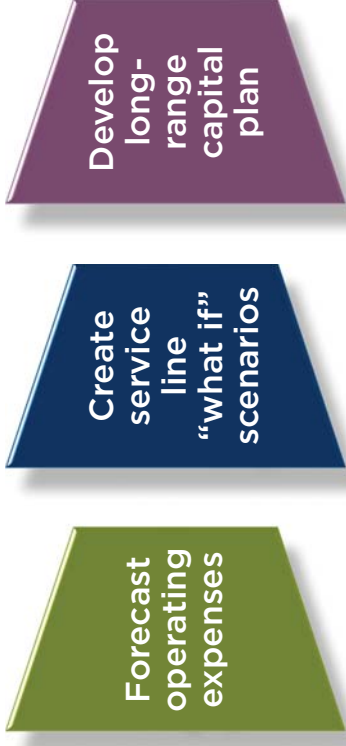
Establish Strategy & Set Goals

- Focus on moving government forward
- Develop policies to steer key indicators:



Your Financial Management Policy

Define Operational & Capital Needs



Build consensus!

General Fund Forecast Codes

CODE	DEFINITION	EXPLANATION	2020 INCREASE	2021 INCREASE	2022 INCREASE	2023 INCREASE
A	Average	Sets the value in all five years of the forecast period to the average of the prior five year's values.				
C	Commodities	Operating supplies	2.00%	2.00%	2.00%	2.00%
E	Employee Fringes	Health, life, and disability insurance	5.00%	5.00%	5.00%	5.00%
G	Gas & Oil	Motor Fuel	-2.00%	-2.00%	-2.00%	-2.00%
I	Insurance	Property, liability, Worker's Compensation	3.00%	3.00%	3.00%	3.00%
L	Last	Sets the value in all five years of the forecast period to the value in the most recent budget or actual column.				
M	Manual	Manual Entry				
RL	Revenue 1	Decrease of revenue by	-1.00%	-1.00%	-1.00%	-1.00%
S	Services	Professional services, training & travel, dues and subscriptions	2.00%	2.00%	2.00%	2.00%
U	Utilities	Utilities	5.00%	5.00%	5.00%	5.00%
W	Wages	Salaries, wages, payroll taxes, retirement	2.00%	2.00%	2.00%	2.00%
Z	Zero	Sets the value in the forecast period to zero.				

Financial Management Plan: General Fund

Key Terms:

Tax Levy: Total amount of property taxes collected by municipality



Tax Rate: Representation of tax levy \$1/\$1,000 of assessed value

Calculate tax levy by netting revenues & expenses to achieve balanced budget

Revenue	Amount
Property Tax	?
Building Permits	\$100,000
Licenses and Fees	\$50,000
Local Government Aid	\$200,000
Total-Without Property Tax	\$350,000
Expenses	Amount
General Government	\$350,000
Planning and Building	\$200,000
Public Works	\$800,000
Public Safety	\$550,000
Total	\$1,900,000

Poll Question!

What say you?



Building Beyond Operations: Capital Plan

Identify financing options

- Option 1
- Option 2
- Option 3



Determine impact

- Tax rate
- Debt limit

Building Beyond Operations: Capital Plan

Original Plan Year	Project	Cost
2017	Center Street Sewer Portion	157,885
2017	Church Street	190,808
2017	Misc. Street Projects	75,000
2017	Center Street Water Portion	139,750
2017	Church Street Water Portion	303,150
2017	RR Water Replacement	66,014
2017	Center Street Sewer Portion	91,760
2017	Church Street Sewer Portion	114,257
2017	Center Relay Phase 1	190,226
2017	Equipment Acquisition	159,410
2017	Misc. Street Projects	75,000
2018	Phosphorus Removal	800,000
2018	Reconstruction of Tennis Courts	100,000
2019	Tanker	675,000
2019	Clay Street	250,000
2020	Tower/Backtrout	150,000
2018	Quade Concession/Restroom Facility	225,000
2018	Quade Spanish Pad	200,000
2019	Paint Standpipe (Quade)	150,000
2021	SCADA Upgrades	125,000
TOTAL PROJECT COSTS		4,507,740

Original Requests:

Consensus List:

Proposed Funding Year	Original Planning Year	Project	Cost
2017	2017	Center Street Sewer Portion	157,885
2017	2017	Church Street	190,808
2017	2017	Misc. Street Projects	75,000
2017	2017	Center Street Water Portion	139,750
2017	2017	Church Street Water Portion	303,150
2017	2017	RR Water Replacement	66,014
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2019	2017	Tanker	675,000
2019	2019	Clay Street	250,000
2021	2019	Tower/Backtrout	150,000
2021	2018	Quade Concession/Restroom Facility	225,000
N/A	2018	Quade Spanish Pad	200,000
N/A	2019	Paint Standpipe (Quade)	150,000
2021	2021	SCADA Upgrades	125,000
TOTAL PROJECT COSTS			4,552,760

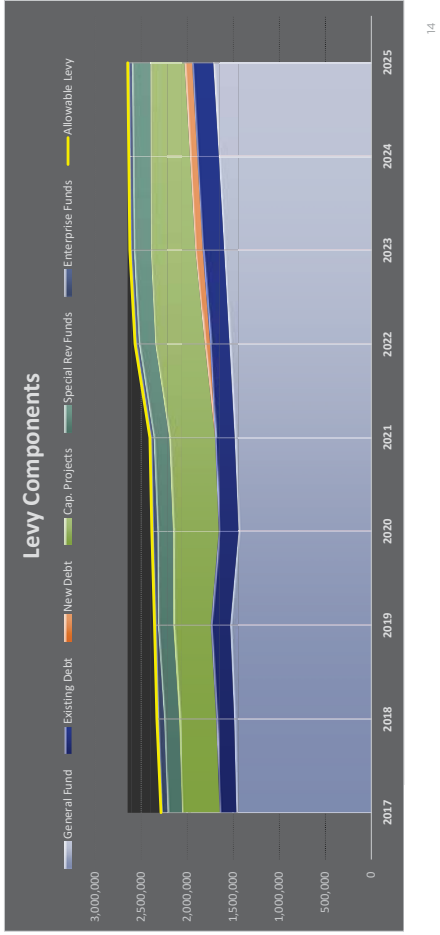
Building Beyond Operations: Capital Plan

Year Ending	Equalized Value		Tax Rate per \$1,000	2021 G.O. Bonds Dated 6/1/2021		2020 G.O. Bonds Dated 6/6/2022		2021 G.O. Bonds Dated 6/9/2023		2021 Revenue Bonds Dated 6-4/31/21		Abatement		Levy and Tax Rate	
	Net Tax Levy	Value - ITC/OUT		Total Principal and Interest	Total Principal and Interest	Total Principal and Interest	Total Principal and Interest	Less: Water	Less: TID #5	Net Debt	Rate for Debt Service	Levy Change from Prior Year	Annual Tax	Home	
2020	215,213	366,316,997	59.60	0	0	0	0	0	0	0	215,213	0	0	50.59	51.47
2021	213,492	373,773,672	59.58	0	0	0	0	60,518	60,518	(17,475)	(60,518)	213,492	0	50.57	51.48
2022	211,009	415,226,561	59.56	76,698	0	0	0	60,518	60,518	(13,339)	(60,518)	270,267	0	50.65	51.82
2023	214,211	425,213,267	59.56	79,946	0	0	18,724	38,653	38,653	(13,339)	(60,518)	314,945	0	50.74	51.85
2024	223,546	442,207,138	59.53	73,145	0	0	27,662	22,860	22,860	(14,684)	(147,668)	313,413	0	50.71	51.77
2025	243,999	451,718,787	59.55	72,730	0	0	27,520	37,358	37,358	(15,438)	(150,528)	327,169	0	50.72	51.81
2026	253,824	463,813,886	59.56	50,080	0	0	27,123	91,256	91,256	(132,934)	(133,188)	388,329	0	50.72	51.89
2027	252,884	470,296,155	59.50	165,289	0	0	92,780	89,290	89,290	(135,623)	(135,623)	313,313	0	50.67	51.87
2028	253,179	476,150,205	59.50	159,746	0	0	86,130	88,179	88,179	(117,331)	(117,331)	304,809	0	50.62	51.86
2029	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2030	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2031	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2032	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2033	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2034	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2035	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2036	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2037	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2038	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2039	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2040	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
2041	249,486	486,637,536	59.19	159,746	0	0	86,130	83,050	83,050	(118,696)	(118,696)	302,491	0	50.61	51.81
Total	2,516,531	2,684,278	59.815	2,684,278	0	0	2,684,278	3,072,263	3,072,263	(1,682,977)	(2,241,094)	2,241,094	0	50.00	50

Building Beyond Operations: Capital Plan

Year	Existing Debt			Proposed Debt			Combined/Principal Existing & Proposed	Residual Capacity	Year Ending
	Projected Equalized Value (TID/MI)	Principal Outstanding	% of Limit	Proposed 2021 G.O. Bonds	Proposed 2022 G.O. Notes	Proposed 2023 G.O. Bonds			
2019	35,046,400	19,752,320	38%	0	0	0	\$7,445,000	38%	2019
2020	415,729,400	20,786,470	32%	0	0	0	\$6,570,000	32%	2020
2021	425,489,894	21,271,980	27%	1,935,000	0	0	\$9,385,000	48%	2021
2022	435,376,889	21,768,829	22%	455,000	455,000	0	\$9,105,000	42%	2022
2023	445,595,882	22,277,284	19%	0	0	810,000	\$9,485,000	48%	2023
2024	455,562,895	22,791,615	17%	1,950,000	445,000	810,000	\$8,935,000	39%	2024
2025	466,601,975	23,310,059	15%	1,900,000	430,000	810,000	\$8,375,000	36%	2025
2026	477,500,899	23,825,020	12%	1,800,000	415,000	800,000	\$7,740,000	32%	2026
2027	488,653,879	24,403,669	11%	1,800,000	400,000	785,000	\$7,155,000	29%	2027
2028	500,066,899	25,033,346	10%	1,750,000	320,000	670,000	\$6,555,000	26%	2028
2029	512,069,898	25,718,455	9%	1,640,000	240,000	605,000	\$5,940,000	23%	2029
2030	524,689,898	26,464,098	8%	1,355,000	160,000	440,000	\$5,315,000	20%	2030
2031	538,931,857	27,269,159	7%	1,300,000	140,000	415,000	\$4,690,000	17%	2031
2032	554,299,857	28,124,881	6%	1,250,000	120,000	390,000	\$4,065,000	14%	2032
2033	569,809,857	28,062,988	5%	1,150,000	0	345,000	\$3,450,000	11%	2033
2034	574,869,108	28,718,455	4%	965,000	0	280,000	\$2,755,000	10%	2034
2035	587,784,650	29,389,232	3%	775,000	0	690,000	\$2,215,000	8%	2035
2036	601,513,519	30,075,677	3%	585,000	0	575,000	\$1,670,000	6%	2036
2037	615,563,894	30,778,155	3%	395,000	0	460,000	\$1,120,000	4%	2037
2038	629,940,894	31,497,040	0%	205,000	0	345,000	\$570,000	2%	2038
2039	644,654,835	32,232,717	0%	0	0	240,000	\$240,000	1%	2039
2040	659,711,530	32,985,576	0%	0	0	115,000	\$115,000	0%	2040

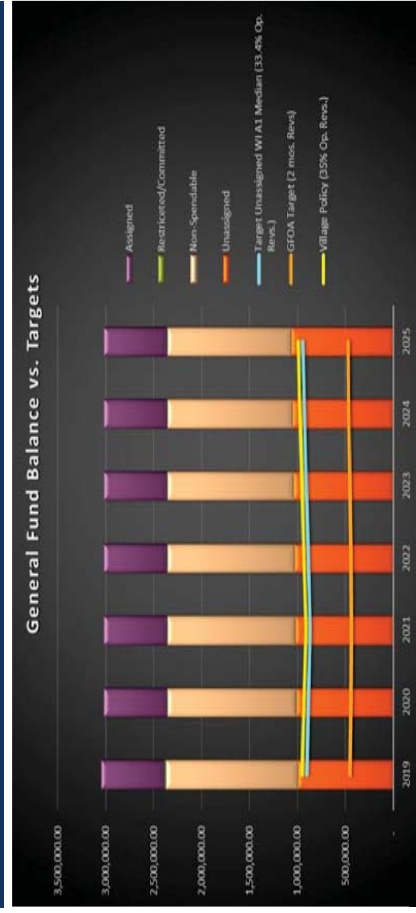
The Full Picture: Levy Impact & Limits



The Full Picture: Levy Impact & Tax Rates



The Full Picture: Policy Impact



The Full Picture: ERP Impact

Budget Year	2021	2022	2023	2024	2025	2026
Payment Year	2022	2023	2024	2025	2026	2026
Forecasted Net New Construction (60%) [^]	0.54%	0.38%	0.38%	0.38%	0.38%	0.38%
Forecasted CPI-U Increase	1.40%	1.60%	1.80%	2.00%	2.20%	2.20%
Maximum Increase to Qualify	1.94%	1.98%	2.18%	2.38%	2.58%	2.58%
Projected Increase	-1.78%	2.04%	2.04%	2.05%	2.06%	2.06%
Qualify	YES	NO	YES	YES	YES	YES

[^]NNC Capped @ 2% Under Current Law

Additional Strategies

- Let long-term financial plan drive budgets
- Don't use surpluses or reserves to fund operating deficits
- Consider budgeting contingency
- Focus on stability: Don't ride the "roller coaster!"
- Consider cash or "near cash" financing for certain equipment
- Manage debt wisely



Financial Management Planning

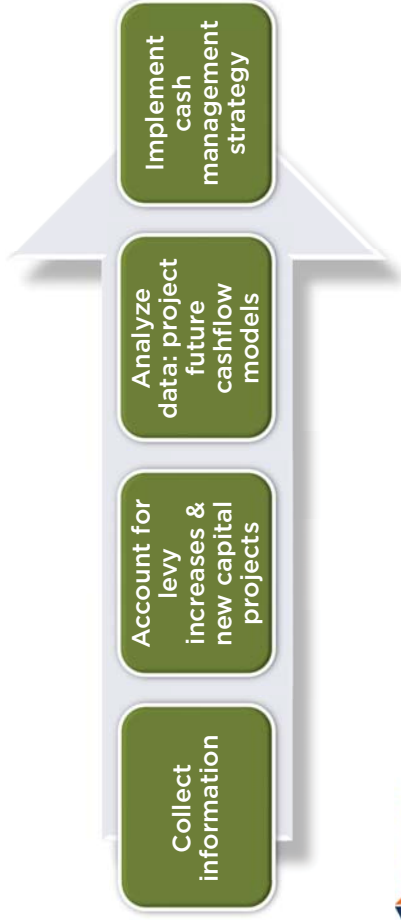
CASHFLOW FORECASTING & MANAGEMENT

Poll Question!

What say you?



Cashflow Forecasting & Cash Management



Cashflow Forecasting & Management Plans

Key Benefits:



Cashflow Forecasting & Management Plan

Gives you the opportunity to:

- Review operations, capital assets, capital projects & financing options
- Look forward, not backwards
- Prioritize projects & future activities
- Develop “what if” scenarios
- Provide basis for annual budgeting process



Develop a Cashflow Forecast

Gather 2-3 years of monthly:

- ✓ Bank statements
- ✓ Receipts
- ✓ Disbursements
- Identify your “perfect storm”

Lowest 24-36 Month Bank Balance	\$8,000,000
Lowest Revenue Collection Month	\$1,000,000
Highest Expenditure Total Month	\$2,000,000
Worst Case Liquidity Scenario	\$7,000,000

Develop a Cashflow Forecast

- Map out timing of revenue & expenditures
- Identify peaks & valleys
- Verify estimate accuracy upon completion



Follow GFOA best practices!

Develop a Cashflow Forecast

- Forecast receipts & disbursements
 - ✓ Limit sources to 4 or 5 “buckets”
- Calculate 2- to 3-year monthly average for each source
- Use current fiscal year budget to create monthly forecast, then adjust for:
 - ✓ Anticipated variations & trends
 - ✓ Trends identified from past financial statement reviews



Cashflow Forecasting: Evaluate for accuracy

Your budget is already “in the can.”

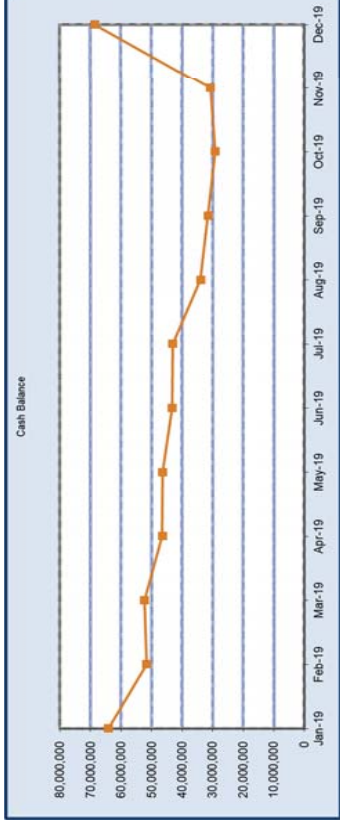
At the end of a period, if...	Then:
Cash balance > forecast	<ul style="list-style-type: none"> • Revenue collected not forecasted or collected earlier • Forecast disbursement delayed • Combination of both
Cash balance < forecast	<ul style="list-style-type: none"> • Forecasted revenue not collected • Disbursements not forecasted or made earlier • Combination of both

Variances impact both liquidity & investment returns.

Cashflow Forecast: Government Funds Example

Gov. Fund	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019 Total	2018 Total	2017 Total	2016 Total	2015 Total
Operating Cash Balance	1,184,102	5,125,714	5,717,735	52,424,254	60,263,011	63,023,861	63,023,861	63,023,861	30,718,119	3,120,950	2,921,173	3,202,527	510,252	6,963,911	5,000,000	4,713,727	4,713,727
Total Cash Inflows	25,413,476	4,191,958	5,069,249	3,068,705	5,542,277	3,068,704	4,819,964	4,803,292	2,296,480	1,709,984	5,081,119	4,232,718	113,022,816	26,471,698	4,000,921	5,815,430	5,815,430
Taxes	2,094,478	1,064,408	2,103,549	2,084,929	1,263,326	1,726,837	2,018,878	2,441,668	1,837,761	1,729,901	1,814,968	1,536,369	22,236,858	2,091,837	1,068,861	2,103,549	2,103,549
Grants	2,050,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	15,000,000	1,500,000	1,500,000	1,500,000	1,500,000
Other Disbursements	13,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	15,000,000	1,500,000	1,500,000	1,500,000	1,500,000
Total Cash Outflows	13,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	15,000,000	1,500,000	1,500,000	1,500,000	1,500,000
Operating Cash Inflow/Outflow	12,413,476	2,691,958	3,569,249	1,568,705	4,042,277	1,568,704	3,319,964	3,303,292	796,480	238,984	3,581,119	2,732,718	98,202,816	24,971,698	2,500,921	4,315,430	4,315,430
Investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase/Revol	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment (Cash/Inv)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Investment (Manufacture/Personal/Nonpersonal)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Source/Using	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Finance Source/Used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Starting Cash Balance	64,184,314	51,727,595	52,424,254	46,528,811	46,528,811	43,306,919	43,114,450	30,918,189	31,896,598	29,227,733	30,837,457	68,490,174	59,806,002	47,131,732	47,598,174	47,598,174	

Cashflow Forecast: Government Funds Example



Cash Management: Cash Flow Analysis

- Put your cashflow forecast to work
- Budget for:
 - ✓ Peaks & valleys
 - ✓ Worst-case scenarios
 - ✓ Fixed income investments

Cash Management: Develop a Plan

- Create multi-year projections (3-5 years)
 - ✓ Leverage financial management & capital improvement plans
 - ✓ Invest idle funds with maturities matching shortfalls & project schedules
- Monitor forecast regularly, adjust as needed
- Seek professional guidance!
 - ✓ Auditor
 - ✓ Municipal advisor
 - ✓ Investment advisor

Poll Question!

What say you?



Remember This...

1. Develop cashflow forecasting & management plans
2. Plan ahead for budget & capital improvement projects
3. Set contract & debt payment dates conducive to your needs
4. Establish controls & policies

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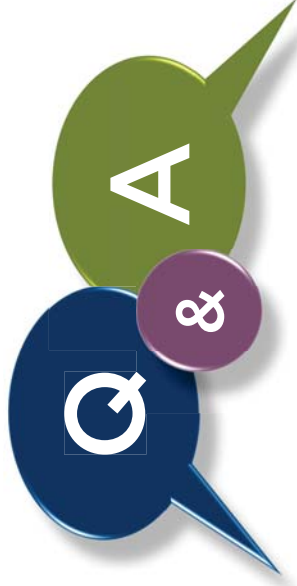
Final Thoughts

- Create integrated, multi-year operational & capital forecasts
 - ✓ Understand taxpayer impacts
 - ✓ Conduct sensitivity analysis
- Leverage inter-departmental planning to coalesce around long-term community goals
- Review & approve financial polices annually
 - ✓ Update as priorities, economic circumstances dictate
- Incorporate into annual budget: focus on cash flow & investing opportunities



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Let's Talk!



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Your Presenters



Brian Roemer
Municipal Advisor
broemer@ehlers-inc.com
(262) 796-6178



Tami Olszewski, CPFIM, CIPMA
Senior Investment Advisor
tolszewski@ehlers-inc.com
(262) 796-6189



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