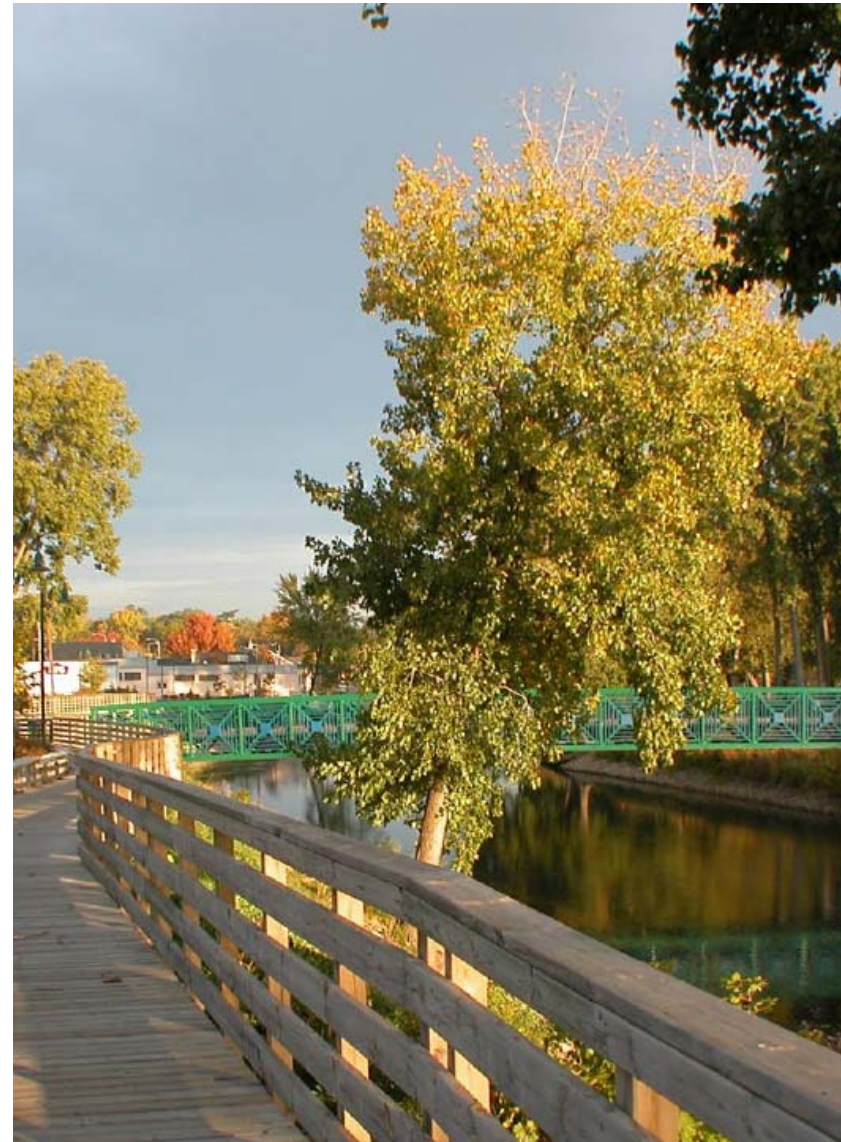

City of Elkhart, Indiana

Comprehensive Financial Plan

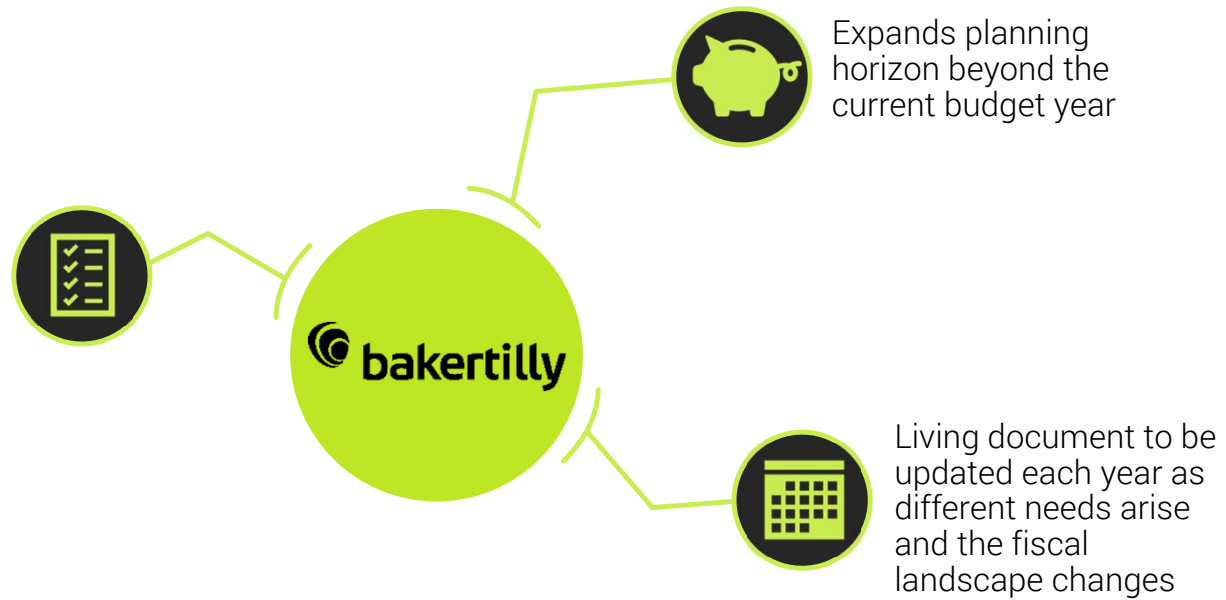
April 19, 2021



COMPREHENSIVE FINANCIAL PLAN

Introduction

Purpose – Plan provides a financial roadmap to accomplish the City's priorities and preserve the standard of fiscal and operational accountability to the citizens of Elkhart



YEAR IN REVIEW

2020 Pandemic



A year where public safety was highest priority



A year with so many unknowns such as potential revenue reductions, COVID-19 related expenses, staffing and operational concerns.



Financial impacts to area residents and local businesses and economic impact to the City's largest industries such as the RV industry

YEAR IN REVIEW

2020 Pandemic (continued)



Yet the City remained resilient and finished the year in a strong financial position.



Levy funds (General, MVH, Park, Cemetery, Aviation, Central Garage, and Cumulative Funds) exceeded budgeted revenues by \$1.09 million dollars



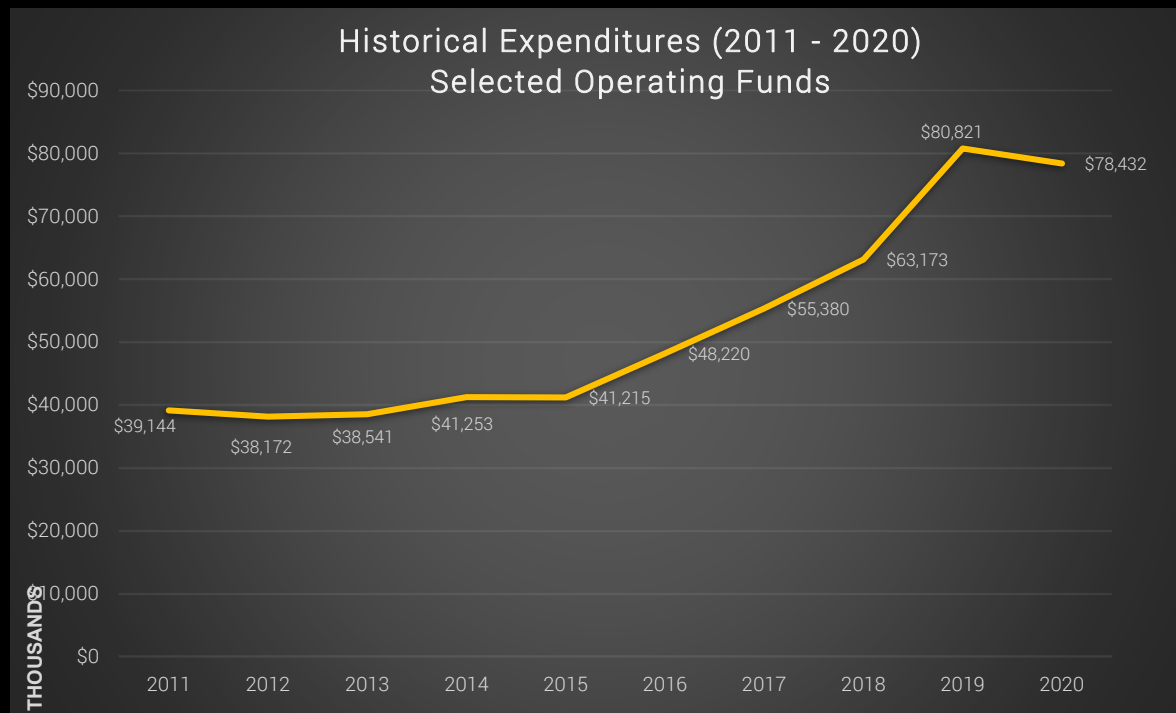
\$122 million of cash within the City's major civil funds



General Fund – \$41.5 million which equated to 93% of annual operating expenses

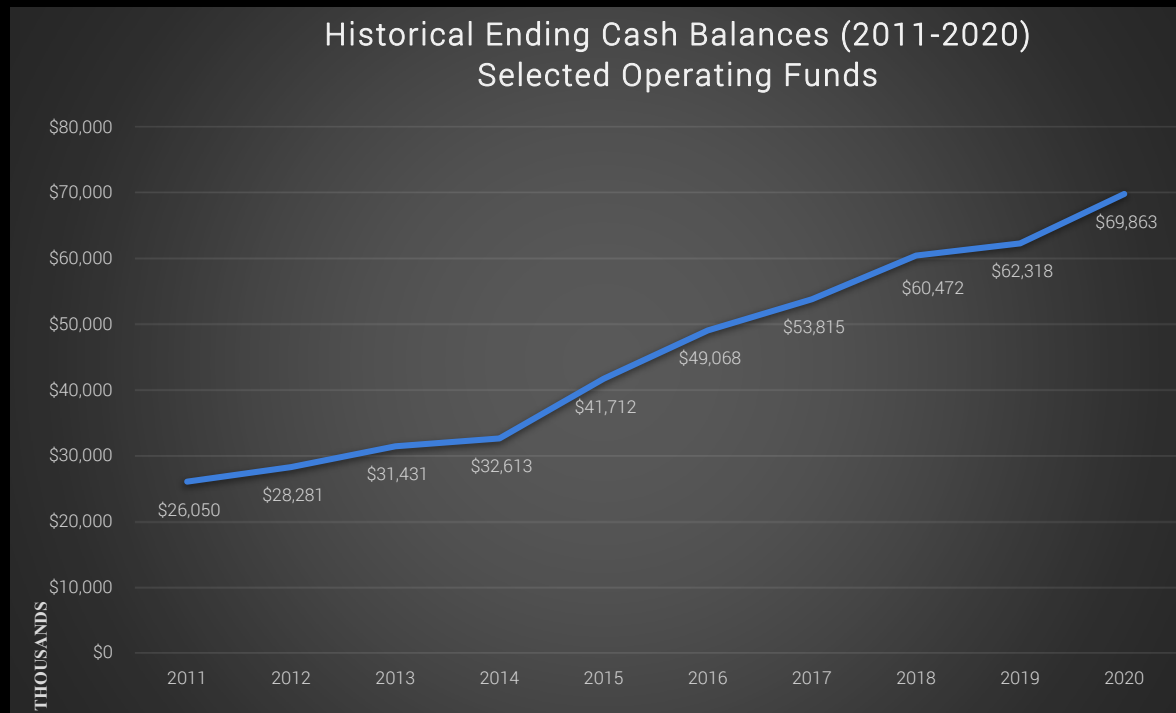
2020 Pandemic (continued)

Through disciplined spending the City's expenditures in major operating funds were \$2.4 Million less than 2019



2020 Pandemic (continued)

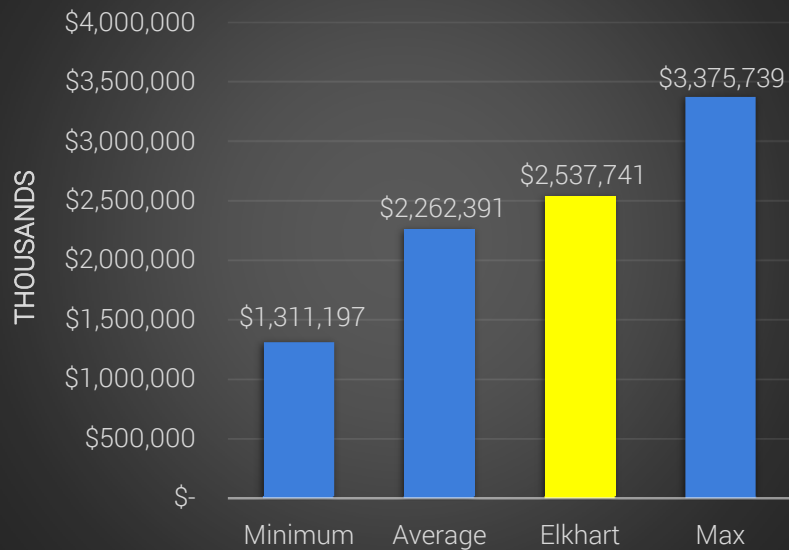
Cash reserves increased by \$7.5 Million dollars for major operating funds



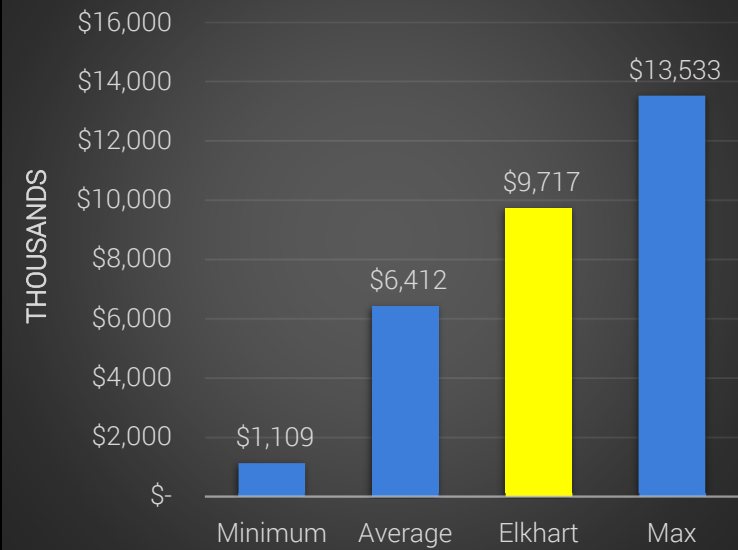
Performance Indicators

(Based on 7 similar sized communities)

Assessed Value - 2020

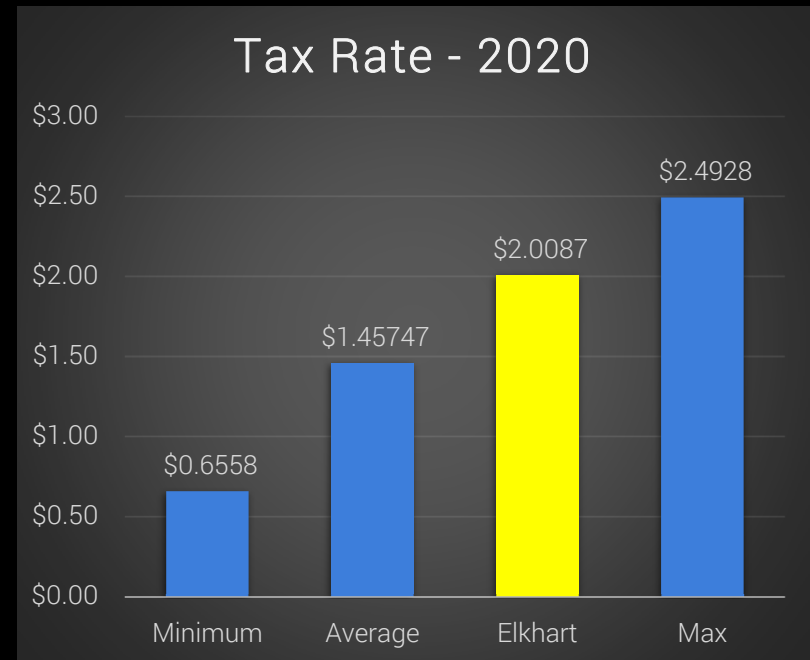


Circuit Breaker - 2020



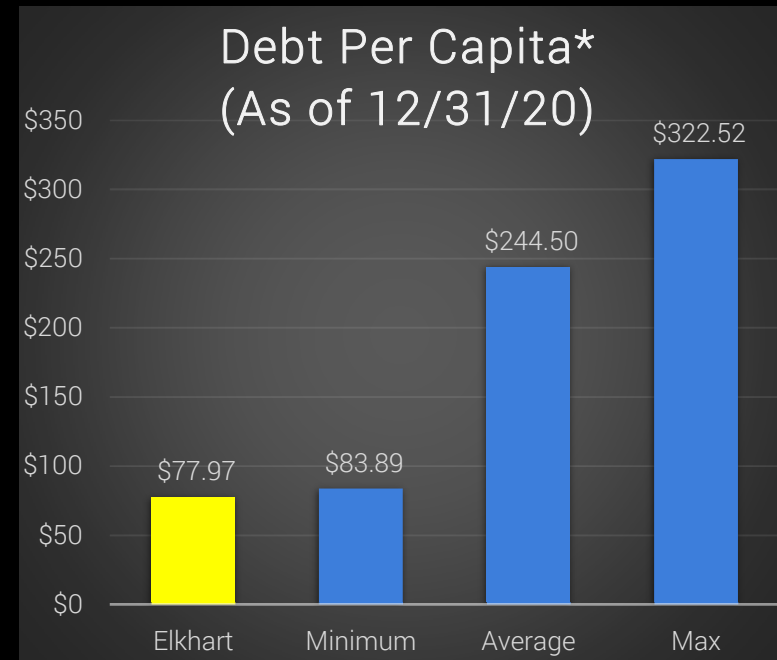
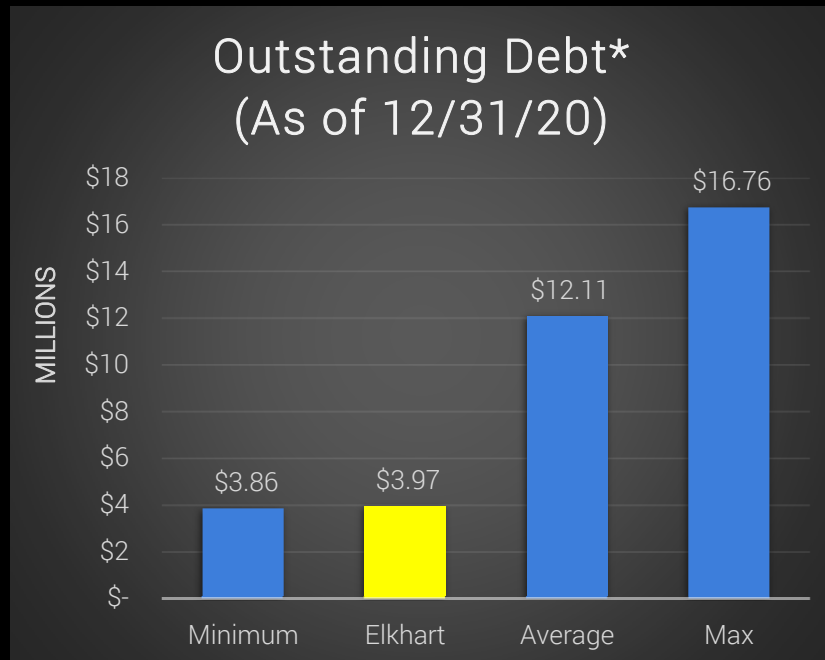
Performance Indicators

(Based on 7 similar sized communities)



Performance Indicators

(Based on 7 similar sized communities)



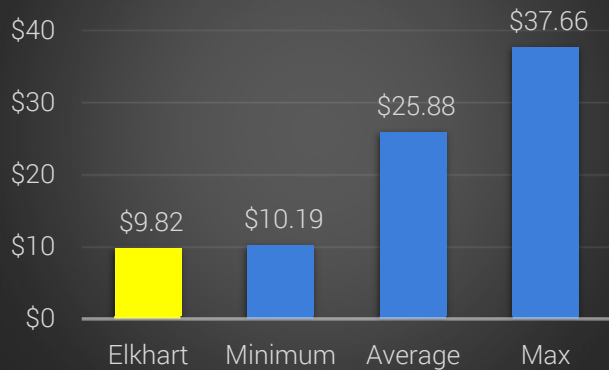
*Includes all direct tax-supported and Utility revenue supported debt of the City. Excludes debt from overlapping taxing units.

Performance Indicators

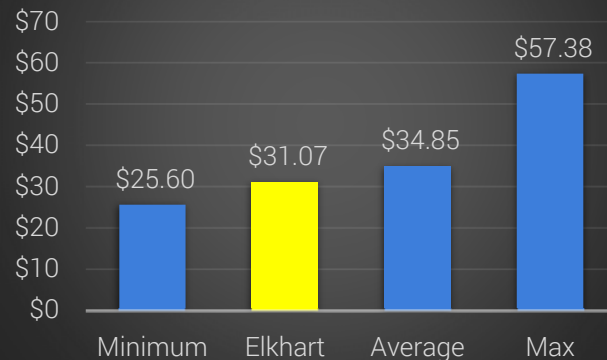
(Based on 7 similar sized communities)



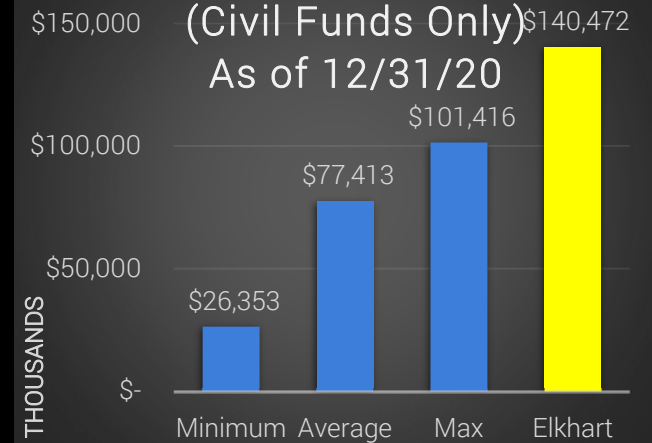
Water Rates (For 4,000 Gallons)



Sewer Rates (For 4,000 Gallons)

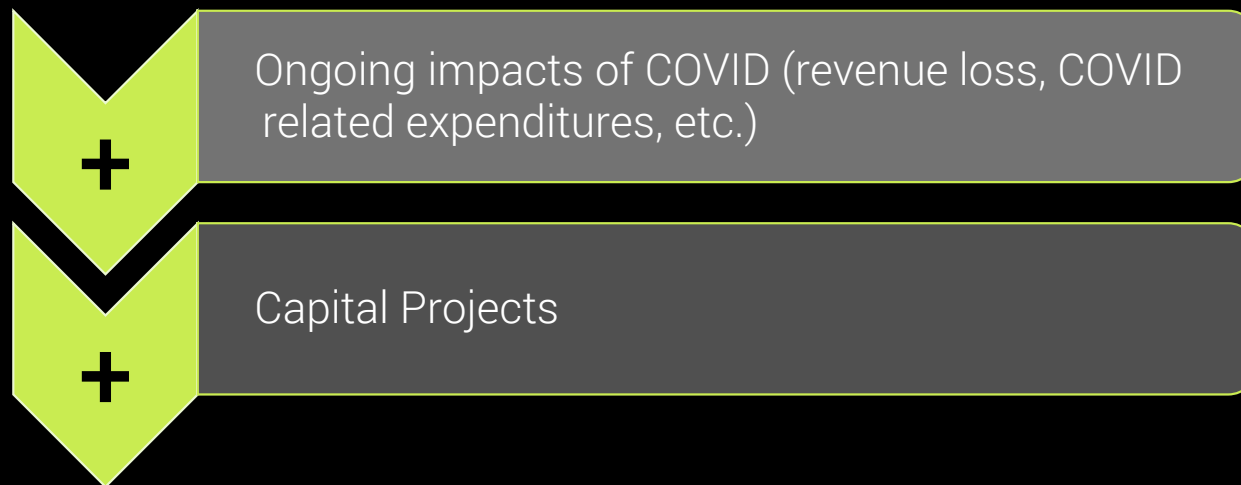


Cash Balances (Civil Funds Only) As of 12/31/20



Accelerating out of the pandemic

Driving factors:



5-Year Capital Improvement Plan

Notable projects include:

Total Plan - \$135 Million Dollars

1 | Tolson Center

\$5 million forgivable loan
\$700k/year lease payment over 10 years

2 | Public Safety Facility

\$40 million (lease rental bond issue)

3 | Fire Stations 5, 6 and 8

\$15 million (lease rental bond issue)

4 | Hively Overpass

\$9 million local share (cash on hand and general obligation bonds)

5 | 3rd Street (Sycamore to Harrison)

\$6 million (cash on hand)

6 | South Main Street

\$3.6 million (cash on hand)

Utility Capital Improvements

Notable projects include:

Total Bond Funded Plan ~
\$120.5 M

1 | WWTP Capacity Expansion

Total estimated cost - \$30 million
Funded by:
Future revenue bonds

3 | St. Joseph Control Projects

Total estimated cost - \$16 million
Funded by:
Future revenue bonds

2 | Oakland Design and Construction

Total estimated cost - \$47.5 million
Funded by:
Future revenue bonds

4 | Riverside CSO Project

Total estimated cost - \$27 million
Funded by:
Future revenue bonds

Historical and Projected Ending Cash Balances



Projected decrease in cash reserves of approximately \$5.8 million for years 2021-2025.

Refer to page 8 for detail of proposed action plan alternatives and recommendation

FUND		ACTUAL		BUDGET		PROJECTED			
Name	#	2019	2020	2021	2022	2023	2024	2025	
General	101	\$ 42,129,553	\$ 41,464,192	\$ 44,680,796	\$ 45,872,700	\$47,437,400	\$48,555,900	49,192,200	
MVH	201	1,369,116	1,813,234	2,308,300	2,267,400	1,059,600	(195,300)	(1,502,500)	
LRS	202	817,420	928,574	701,874	815,300	815,300	815,300	815,300	
Park	204	1,600,182	2,521,823	2,187,229	2,158,300	732,600	1,146,800	1,583,300	
Cemetery	205	91,426	250,970	299,251	338,600	374,000	405,500	432,700	
Aviation	206	289,797	443,616	386,388	498,700	64,900	235,500	409,900	
Central Garage	227	810,049	1,034,876	1,066,087	1,132,700	1,208,800	1,295,300	1,390,800	
PS LIT	249	2,556,719	3,236,067	2,355,467	857,600	1,149,500	1,439,800	1,225,000	
Riverboat	242	740,119	938,491	1,240,309	1,542,100	1,843,900	2,145,700	2,447,500	
Rainy Day	245	9,550,664	9,905,772	10,260,972	10,281,300	10,353,700	10,427,800	10,506,000	
LIT Special Distribution	257	2,011,148	1,883,908	1,483,908	1,393,900	1,393,900	1,393,900	1,393,900	
CCI	401	388,824	333,176	258,122	263,900	269,700	275,500	281,300	
CCD	402	382,806	603,847	447,910	543,300	644,700	752,600	866,000	
Cumulative Sewer	429	486,354	548,374	527,220	512,000	505,300	507,300	518,000	
Cumulative Fire	433	1,603,284	1,614,239	1,467,505	132,500	132,500	132,500	132,500	
EDIT	444	8,005,191	8,062,712	3,241,083	3,188,600	2,652,000	2,020,000	1,294,400	
Major Moves	455	4,776,264	4,801,068	5,044,282	5,426,500	5,905,400	6,336,100	6,841,200	
Elkhart Capital Outlay	460	12,653,321	18,169,568	16,916,054	13,977,000	6,037,600	3,949,300	4,205,200	

Historical and Projected Ending Cash Balances

(continued)



FUND		ACTUAL		BUDGETED	PROJECTED			
Name	#	2019	2020	2021	2022	2023	2024	2025
TIF Downtown Alloc.	482	2,338,550	2,069,228	3,299,108	4,522,400	5,978,600	6,549,800	7,990,700
TIF Downtown Capital	486	2,243,154	263,204	263,204	263,200	263,200	263,200	263,200
TIF Aeroplex Alloc.	490	700,088	785,700	785,700	785,700	785,700	785,700	785,700
TIF Allocation Cass St	496	8,137,368	9,005,858	10,923,751	4,717,340	6,349,540	7,934,040	9,470,340
TIF Bayer/Tech Park	498	622,875	648,431	648,431	648,400	648,400	648,400	648,400
TIF Consolidated Alloc.	502	4,681,582	5,949,279	4,654,027	6,196,300	7,725,700	9,241,900	10,744,500
Fire Pension	702	2,734,948	2,410,224	2,086,157	2,086,200	2,086,200	2,086,200	2,086,200
Police Pension	703	1,570,051	1,370,442	1,348,086	1,348,100	1,348,100	1,348,100	1,348,100
Park Bond	303	549,876	461,958	378,655	391,000	391,100	392,300	390,900
American Rescue Plan	999	-	-	4,745,000	9,490,000	4,745,000	-	-
Totals		<u>\$ 113,840,729</u>	<u>\$ 121,518,831</u>	<u>\$ 124,004,876</u>	<u>\$ 121,651,040</u>	<u>\$ 112,902,340</u>	<u>\$ 110,889,140</u>	<u>\$ 115,760,740</u>
Increase (decrease) - \$			<u>\$7,678,102</u>	<u>\$2,486,045</u>	<u>\$ (2,353,836)</u>	<u>\$ (8,748,700)</u>	<u>\$ (2,013,200)</u>	<u>\$ 4,871,600</u>
Increase (decrease) - %			<u>6.7%</u>	<u>2.0%</u>	<u>-1.9%</u>	<u>-7.2%</u>	<u>-1.8%</u>	<u>4.4%</u>

Findings and Proposed Action Plan Alternatives

At the end of 2020 the City had a strong cash position with just under \$122 million of cash within the City's major Civil funds.

Of this amount, \$41.5 million represented funds held within the General Fund which equated to 93% of annual operating expenses, well above the 20% minimum threshold. It should be noted, the City transferred \$29.5 million to the Capital Outlay fund in 2018 and another \$6 million in 2019 to fund the River District project.

For projected years 2021 through 2025, we project a decrease in overall cash reserves of approximately \$5.8 million over the five-year period. Included in this amount is the spend-down of the American Rescue Plan funds which have not yet been earmarked in this report for any project or purpose. Of note, there are capital needs of approximately \$135 Million excluding utility projects.

Individual funds that are projected to experience significant reductions or shortfalls in cash include Parks, MVH, Aviation, EDIT, and Cumulative Fire. The City may need to rely on other City funds or consider the issuance of General Obligation Bonds to fund capital expenditures within these funds.

Findings and Proposed Action Plan Alternatives

Motor Vehicle Highway: Findings: Capital spending outpaces fund balances in projected years leading to negative fund balances primarily due to the scope of capital expenditures estimated to occur.

Solutions: Reduce or delay budgeted capital expenditures, fund some of the capital expenditures from alternative funds i.e. EDIT or Capital Outlays Fund or through Bonding

Parks and Recreation: Findings: Capital spending outpaces revenues and leads to a steady decline in cash reserves.

Solutions: Re-allocate levy to Parks, reduce or delay budgeted capital expenditures, fund a portion of the capital expenditures from alternative funds or through Bonding

Findings and Proposed Action Plan Alternatives



Aviation: Findings: Capital spending outpaces fund balances in projected years leading to cash reserves falling below recommended levels in 2023.

Solutions: Pursue grant funding for the airport runway broom or pay for a portion of the capital expenditure from alternative funds (i.e. EDIT or Elkhart Capital).



Findings and Proposed Action Plan Alternatives

Other recommendations:

-  Establish written cash reserve, investment policies, and debt management policies to help maintain adequate cash reserves during economic downturns and strengthen the City's bond rating.
-  Issuance of general obligation bonds to help ease pressure on cash reserves for certain funds. The City capacity is \$18.1 M, the Redevelopment is \$17.6 M, and the Park is \$12.7 M.

Findings and Proposed Action Plan Alternatives

Other recommendations:

- Review the City's cash and investment strategy that will maximize earnings and provide for additional sources of funds. Baker Tilly is contracted with the City to help develop an overall investment strategy.
- Undertake a review of all City fees to ensure that they are adequate to recover the costs of providing services which would help to generate revenues that are adequate to support various services provided by the City (i.e., licensing, permitting, parks).
- Undergo a City-wide operational review to explore areas of process improvement and increased efficiency for City Departments. The process has two primary outcomes related to process re-engineering and resource optimization.

American Rescue Plan (ARP Fund)

On March 11, 2021, the President signed into law the American Rescue Plan (ARP) that provides for more than \$130 billion in direct funding to local governments.

The direct allocation to the City is estimated at \$18.98 Million. Eligible uses of those funds include the following:

- 1 | Costs associated with responding to the COVID-19 public health emergency or its negative economic effects including aid to households, small businesses, nonprofits and industries such as tourism and hospitality. May transfer funds to private nonprofit groups, public benefit corporations involved in passenger or cargo transportation, and special-purpose units of state or local governments.
- 2 | Support of workers performing essential work during the COVID-19 public health emergency including pay to essential employees or grants to their employers.
- 3 | Recover revenue losses caused by COVID-19.
- 4 | Necessary investments in water, sewer or broadband infrastructure.




Other provisions of the bill:

<p>\$350 billion of non-competitive funding for states, counties, cities, Tribes and territories. Of this funding:</p> <p>\$195.3 billion to states and Washington, D.C.</p> <p>\$130.2 billion to local governments</p> <p>\$20 billion to Tribal governments</p>	Other provisions of the bill include:		
	Recovery \$10 billion Coronavirus Capital Projects Fund	Schools nearly \$170 billion	Housing \$25 billion in emergency rental assistance
	Small business \$22 billion in EIDL and PPP	Transportation and infrastructure \$58.2 billion	Energy and water \$4.5 billion in household assistance
	Restaurants and bars \$25 billion	Emergency Connectivity Fund \$7.6 billion for internet access for distance learning	Public health \$72 billion for COVID-19 testing, contact tracing and vaccine distribution

State and local governments should act now to assess community priorities and create strategic funding plans. Some of these funding provisions have quick turnarounds. **The time to act is now.**

Contact a Baker Tilly public sector specialist to discuss how your community may be impacted and how you can prepare.

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-  Baker_Tilly_US
-  bakertilly.com

- We recommend the City develop a spending plan that allows for those funds to be spent down and properly accounted for by the Federal deadline of December 31, 2024.
- The City is currently monitoring the President’s proposed infrastructure plan for opportunities to utilize funds for eligible projects when and if the plan is passed and funds are made available.



Questions and Discussion

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