

Popular Annual Financial Report

City of Grosse Pointe Woods



Fiscal Year Ended June 30, 2013



Popular Annual Financial Report City of Grosse Pointe Woods, Michigan As of June 30, 2013

A Message to the City of Grosse Pointe Woods

Elected Officials

Robert E. Novitke, Mayor
Arthur W. Bryant
Victoria A. Granger
Kevin Ketels
Michael Koester
Todd A. McConaghy
Richard Shetler, Jr.

Administrative Staff

City Administrator
Alfred John Fincham, III
City Clerk
Lisa Hathaway
Treasurer/Comptroller
Dee Ann Irby

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On behalf of our City Council and Administration, I am pleased to present you with the City of Grosse Pointe Woods Popular Annual Financial Report (PAFR) for the year ended June 30, 2013. The financial data included in this report is derived from the 2013 CAFR that was audited by Plante & Moran, PLLC. The PAFR is an unaudited document that provides an analysis of our annual financial and operating information in a clear and easy to understand format. The financial data for the General Fund and Proprietary Funds are included in this report.

The City received its 44th consecutive Certificate of Achievement for Excellence in Financial Reporting, from the Government Finance Officers Association of the United States and Canada (GFOA), for fiscal year ended June 30, 2012. The Certificate of Achievement is considered the highest form of recognition in the area of governmental accounting and financial reporting. As a result of maintaining strong financial management, sound finances and low debt levels; the City retained an "AA" bond rating from Standard & Poor's. This bond rating confirms the stability of our Community.

Grosse Pointe Woods is one of the most desired areas to live in the State of Michigan. Today, with a population of 16,135, the City offers excellence in public safety, public works and recreational opportunities. We are proud of our Lake Front Park which provides the largest outdoor swimming complex in the Midwest. We consider these "core" services essential to maintain a stable and vibrant community for current and future generations.

We are proud to serve the citizens of Grosse Pointe Woods and to provide this report to our residents.

Sincerely,

Robert E. Novitke
Mayor

The City of Grosse Pointe Woods

Originally incorporated in 1927, Grosse Pointe Woods was known as the Village of Lochmoor. In 1939, the Village of Lochmoor became the Village of Grosse Pointe Woods and on December 11, 1950 it was incorporated as the City of Grosse Pointe Woods, a Home Rule City. The city covers an area of 3.28 square miles. The City is located approximately 10 miles northeast of downtown Detroit and is over 97 percent residential.

Grosse Pointe Woods operates under a Council-Manager form of government, established by the City Charter and adopted by voters in 1950. This efficient format divides government into policy-making and administrative functions, and has an organizational structure similar to a business.

The residents of the city are the highest government authority. They delegate this authority to representatives they elect every four years. Similar to a board of directors of a corporation, the City Council, composed of the mayor and six council members, is responsible for determining policies and adopting ordinances needed to maintain the health, safety, and welfare of the citizens.

Input provided by various advisory boards and commissions is a valuable resource. Citizens show interest in the community not only by voting, but also by taking an active part in the policy-making process. More than 100 volunteers dedicate their time and talents to the City's boards, commissions, and committees that support a true "sense of community."

City of Grosse Pointe Woods

Numbers at a Glance

Area: 3.28 Square Miles
Population: 16,135 (2010 Census)
Median Household Income: \$ 85,986
Median Age: 45
Median Home Value: \$236,600
Equalized Assessed Value: 2013
\$601,362,400
Total Housing Units: 6,819
Total Full-Time Employees: 84

Sources: SEMCOG Community Profiles, 2013 CAFR

Fiscal Policies and Major Initiatives

The City's long-term financial stability is the result of a strong and continuous commitment to fundamental principles of fiscal integrity. The City's current administration continues to be proactive in improved budgeting, cost containment, and improved efficiencies which have helped to address the current economic conditions. The City has developed the following strategies that have resulted in the following changes:

- ✓ The City remains vigilant with property maintenance enforcement to ensure properties are maintained.
- ✓ The City will continue with cost containment initiatives as reflected in the current budget approved by City Council.
- ✓ Since 2007, the City has reduced its workforce by 19 full-time positions currently; Grosse Pointe Woods employs 84 full-time employees. This is the lowest staffing level in the history of the City.
- ✓ The City has implemented significant labor concessions resulting in cost savings for health care and wages. Retiree healthcare benefits have also been reduced, thereby lowering our legacy costs.
- ✓ The City implemented a two-tier system of wages, benefits, and pension for new hires, which will result in future savings.
- ✓ The City has secured grants for Public Safety equipment and Public Works vehicles, which reduces the cost to the City taxpayers.
- ✓ The City continues to work with the surrounding communities on service sharing agreements.
- ✓ The City has qualified for low-cost loans from the State of Michigan Drinking Water Revolving Fund (DWRP) and Sewer Revolving Fund (SRF). This loan program made it possible for the City to make significant repairs and replace sections of the City's water and sewer lines.

General Fund Revenue

The following chart shows the dollar amounts collected for each of the City of Grosse Pointe Woods sources of revenue. The table also gives 2012 data and displays the change in revenue from fiscal year 2012 to fiscal year 2013.

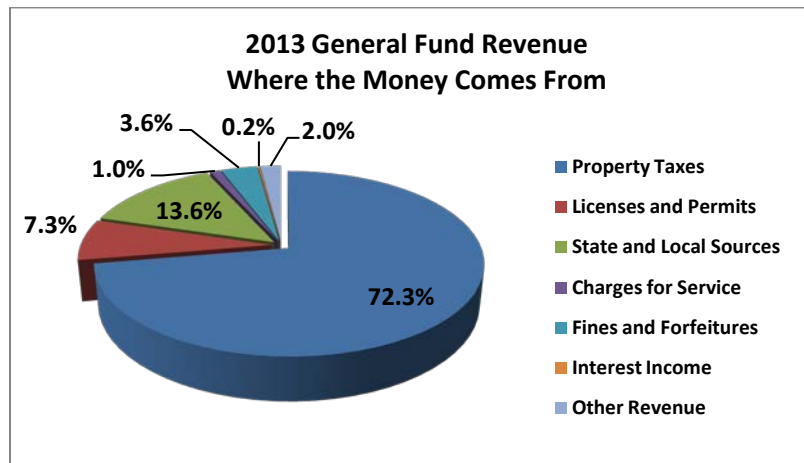
Total fiscal year 2012-2013 General Fund Revenue decreased by approximately \$175,000 from fiscal year 2011-2012 revenue. Property taxes are the City’s largest source of revenue. Like most communities in Michigan, the taxable value has been declining since 2007.

State-shared revenue remains our second largest revenue source. During the City’s 2012-2013 fiscal years state-shared revenue increased \$38,000 from fiscal year 2011-2012

License and permit revenue increased \$228,000 from fiscal year 2011-2012. Building license and permit revenues increased \$101,000. This is the result of the development on Cook Road and an increase in minor home improvement permits. In addition, cable franchise fees increased \$118,000.

Revenue from District Court fees and fines decreased by \$219,000 as compared to fiscal year 2011-2012. The previous year revenue was high due to the collection of aged receivables.

| Revenue | 2013 | 2012 | Change |
|-------------------------|----------------------|----------------------|---------------------|
| Property Taxes | \$ 8,672,989 | \$ 8,708,877 | \$ (35,888) |
| Licenses and Permits | 875,743 | 647,537 | 228,206 |
| State and Local Sources | 1,627,768 | 1,589,634 | 38,134 |
| Charges for Service | 121,379 | 124,203 | (2,824) |
| Fines and Forfeitures | 431,512 | 650,493 | (218,981) |
| Interest Income | 18,078 | 47,608 | (29,530) |
| Other Revenue | 243,384 | 397,765 | (154,381) |
| Total Revenue | \$ 11,990,853 | \$ 12,166,117 | \$ (175,264) |

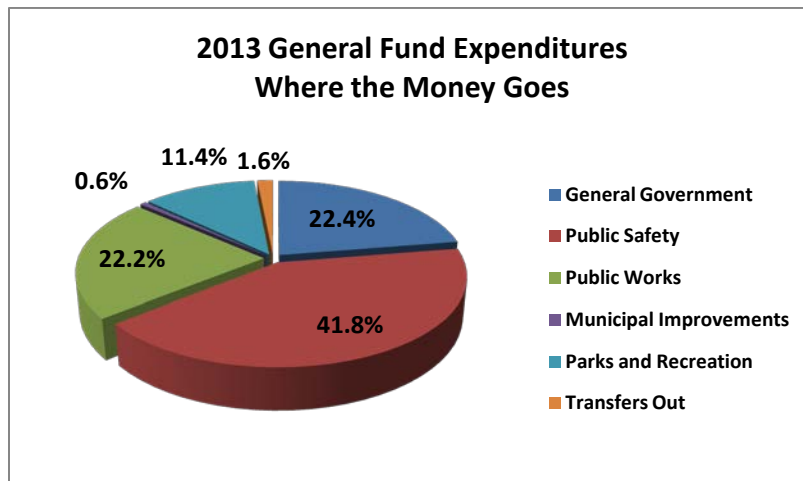


General Fund Expenditures

The General Fund is the City’s primary operating fund and supports the majority of the City’s governmental services. The two largest services funded by General Fund are public safety (combined police and fire services) and public works. In addition, the other major activities included in General Fund include recreation and culture and all general government administrative and service operations. Some of these activities are supported by fees for services that help offset costs, but the majority of these activities rely on property taxes and state shared revenue to subsidize their operations.

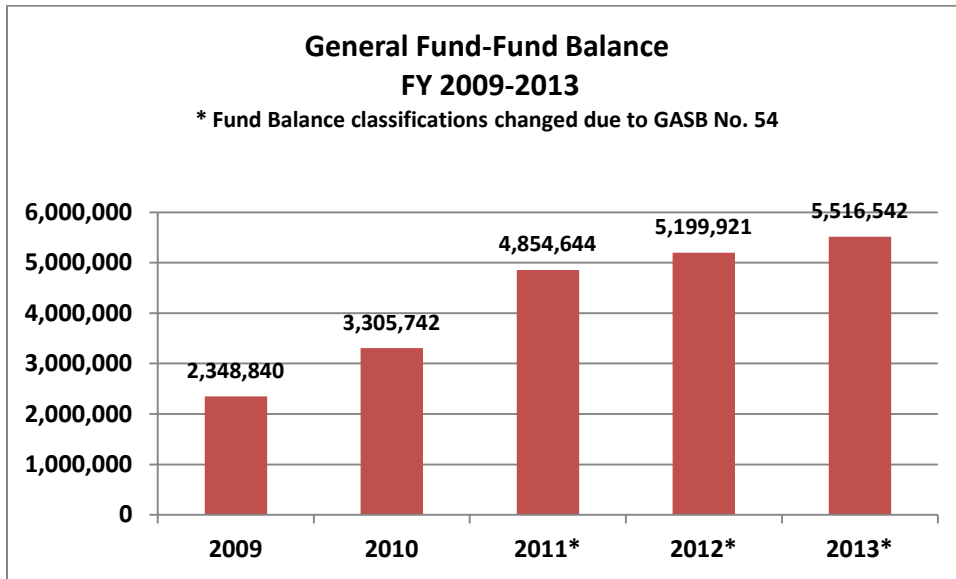
General Fund expenditures and transfers out for fiscal year 2012-2013 decreased approximately \$376,000 over the previous year. This is the second year with a reduction in expenditures, due to a decrease in transfers out to other funds from General Fund, departments following cost containment efforts, reduced workforce, employee concessions, reduction in road repairs and capital improvements. As a result, General Fund added \$316,600 to fund balance.

| Expenditures | 2013 | 2012 | Change |
|-------------------------------|---------------|---------------|---------------|
| General Government | \$ 2,665,260 | \$ 2,559,531 | \$ 105,729 |
| Public Safety | 4,964,212 | 5,299,693 | (335,481) |
| Public Works | 2,633,675 | 2,481,691 | 151,984 |
| Municipal Improvements | 74,612 | 17,610 | 57,002 |
| Parks and Recreation | 1,351,972 | 1,288,489 | 63,483 |
| Transfers Out | 185,501 | 604,326 | (418,825) |
| Total Expenditures | \$ 11,875,232 | \$ 12,251,340 | \$ (376,108) |

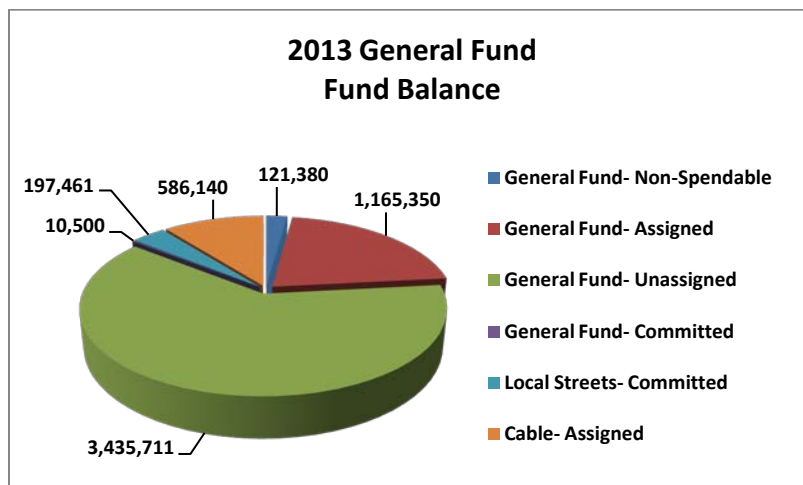


General Fund-Fund Balance

The City’s General Fund year end fund balance is approximately \$5.52 million. Local Streets and the Cable Fund are included in General Fund fund balance as a result of GASB No. 54 implementation in fiscal year 2011. Local Streets fund balance of \$197,000 is classified as “committed” in General Fund and Cable Fund fund balance of \$586,000 is classified as “assigned” in General Fund.

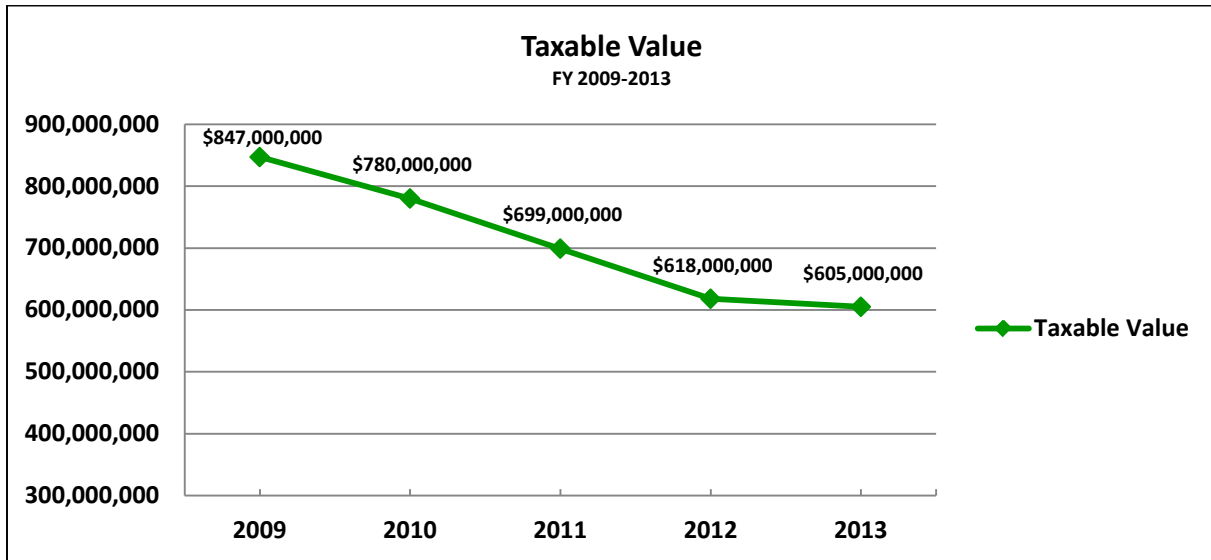


As the chart indicates below, \$2.08 million is committed and assigned, leaving \$3.43 million unassigned. The unassigned amount represents approximately 29.3 percent of fiscal year 2012-2013 actual expenditures. This level of fund balance is above the recommended level of between 10 percent and 15 percent of annual expenditures.

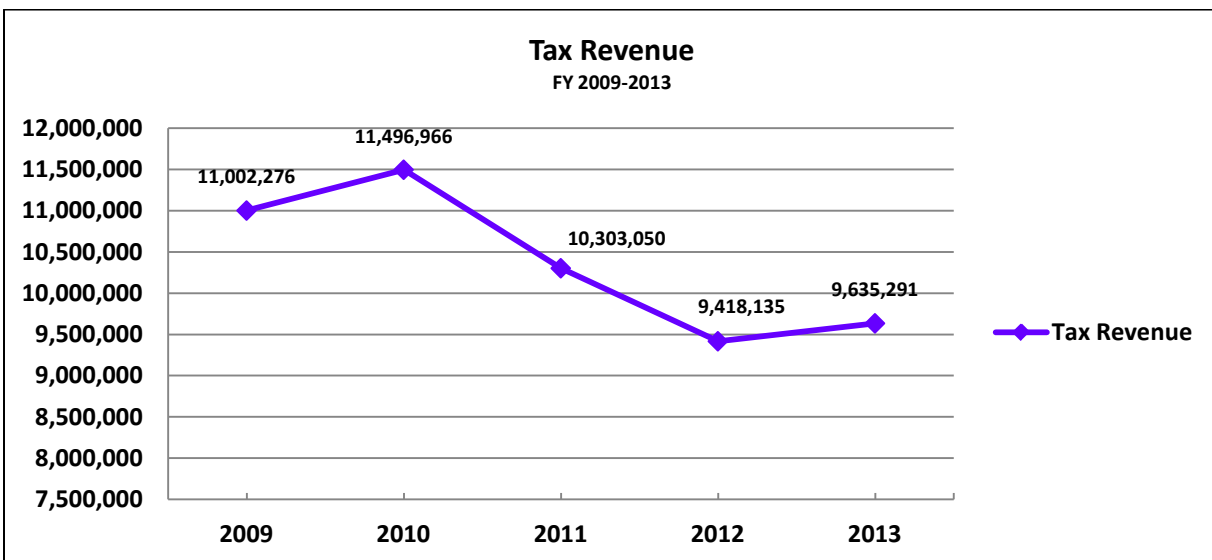


Taxable Value

The City's most pressing financial concern is the current condition of the residential housing market and its detrimental effect on property tax revenue. From fiscal year 2009-2013 the total taxable value has decreased 31%. Fiscal year ending 2012 and 2013 taxable value has remained constant at approximately 602 million. It is expected that it will take several years to regain even a portion of the losses in taxable values since 2007.

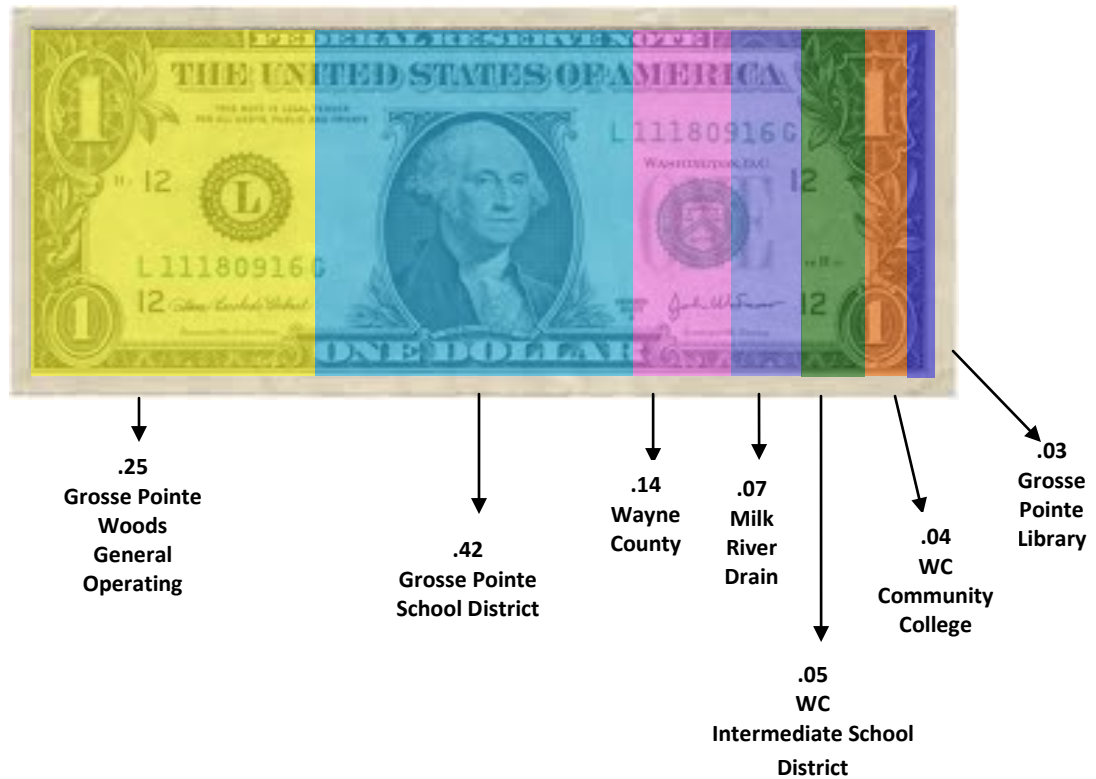


The decline in taxable value resulted in a decrease in tax revenue from 11,002,276 in fiscal year 2009 to 9,635,291 in fiscal year 2013. This represents a total decrease of 14% in tax revenue.



City of Grosse Pointe Woods Property Tax Revenue

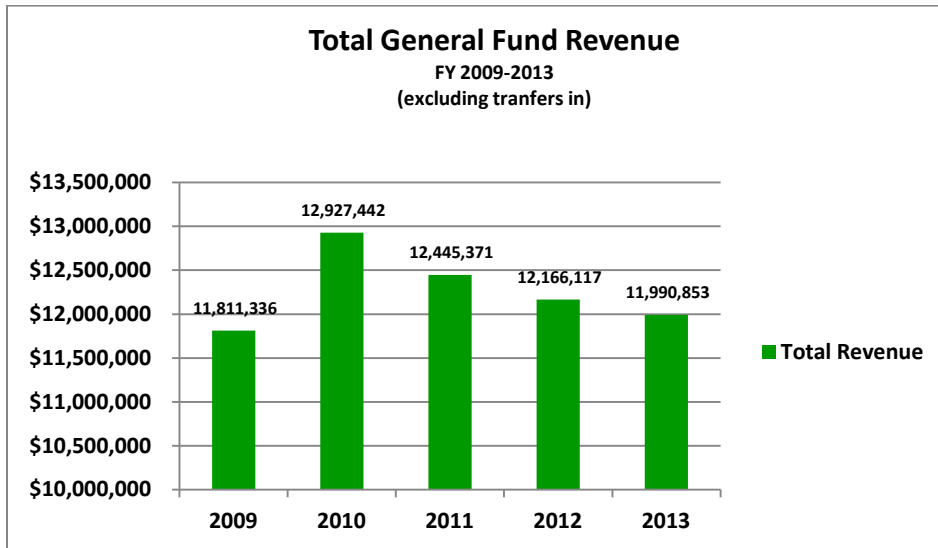
As indicated on the dollar bill below, the City of Grosse Pointe Woods only receives 25 cents for every dollar of property tax revenue collected. These taxes are used to support the general government administrative services, public safety, public works, recreation, and culture.



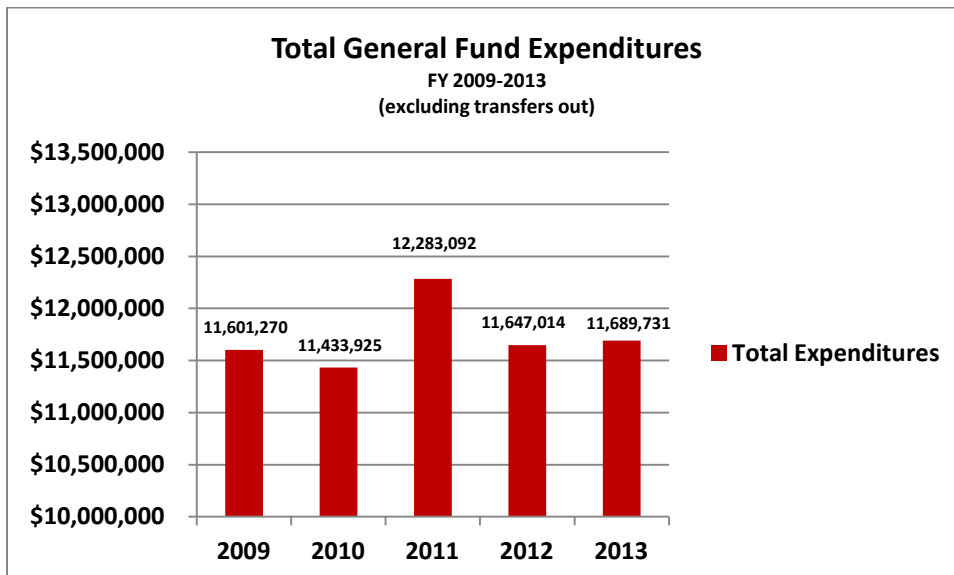
The remaining 75 cents for every dollar of property tax revenue collected is allocated to Grosse Pointe School District, Wayne County, Milk River Drain, Wayne County Intermediate School District, Wayne County Community College, and the Grosse Pointe Library.

General Fund-Revenue/Expenditure History

General Fund revenue has declined since fiscal year 2011. The decrease in total revenue for fiscal years 2011-2013 is a direct result of the decrease in property tax revenue due to the continued decline in property values, state revenue sharing and interest income. The increase in revenue from fiscal year 2009 to 2010 is the result of an increase in the millage rate that increased property tax revenue for fiscal year 2010.



The City continues to face uncertainty in property tax values and therefore has implemented cost cutting measures that include a hiring freeze, eliminating positions through attrition, labor concessions and elimination of road construction projects and capital purchases.



Enterprise Funds

An Enterprise Fund is a fund that accounts for operations and services that are provided to residents and are financed primarily through user charges. The business type activities consist of the Water and Sewer Fund and the non major Enterprise Funds; Parking Utility Fund, Boat Dock Fund and Commodity Sales Fund. The non-major enterprise funds are reported in total.

The Water and Sewer Fund is currently in the third year of a water meter and mains construction project. The project is expected to be completed in the next fiscal year.

During fiscal year 2012-2013 the Boat Dock Fund completed a \$220,000 dredging project. The repair of the boat docks and seawall project began in 2012-2013; this project is expected to be completed in the next fiscal year. Funding for these projects was from docking user fees.

The Parking Utility Fund and Commodity Sales Fund have not had any major changes.

| Proprietary Funds | | | |
|--|------------------------|-------------------------|-------------------------|
| Statement of Revenue, Expenses, and Changes in Net Position | | | |
| June 30, 2013 | | | |
| | Water and Sewer | Nonmajor | Total Enterprise |
| | Fund | Enterprise Funds | Funds |
| Total Operating Revenue | \$ 6,144,410 | \$ 469,423 | \$ 6,613,833 |
| Total Operating Expenses | 5,168,865 | 316,961 | 5,485,826 |
| Operating Income | 975,545 | 152,462 | 1,128,007 |
| Total nonoperating (expenses) revenue | (259,846) | (464) | (260,310) |
| Income Before transfers | 715,699 | 151,998 | 867,697 |
| Transfer Out | (25,000) | (5,000) | (30,000) |
| Change in Net Position | 690,699 | 146,998 | 837,697 |
| Net Position-Beginning of year | 21,395,203 | 800,643 | 22,195,846 |
| Net Position-End of year | \$ 22,085,902 | \$ 947,641 | \$ 23,033,543 |