

Popular Annual Financial Report

City of Grosse Pointe Woods, Michigan



Fiscal Year Ended June 30, 2014



Popular Annual Financial Report City of Grosse Pointe Woods, Michigan As of June 30, 2014

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 fiscal year ended June 30, 2014. The information included in this report is the General Fund and Proprietary Funds financial data and is derived from the 2014 Certificate of Achievement for Excellence in Financial Reporting (CAFR). The complete financial data for the City was audited by Plante & Moran, PLLC, prepared in accordance with generally accepted accounting principles (GAAP) and can be viewed in its entirety in the 2014 CAFR.

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. I am happy to report that the City has received its first award for outstanding achievement in Popular Annual Financial Reporting (PAFR) for fiscal year ended June 30, 2013.

The City also received its 45th 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, 2013. The Certificate of Achievement is considered the highest form of recognition in the area of governmental accounting and financial reporting. The CAFR and the PAFR are available to view on the City's website at www.gpwmi.us.

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

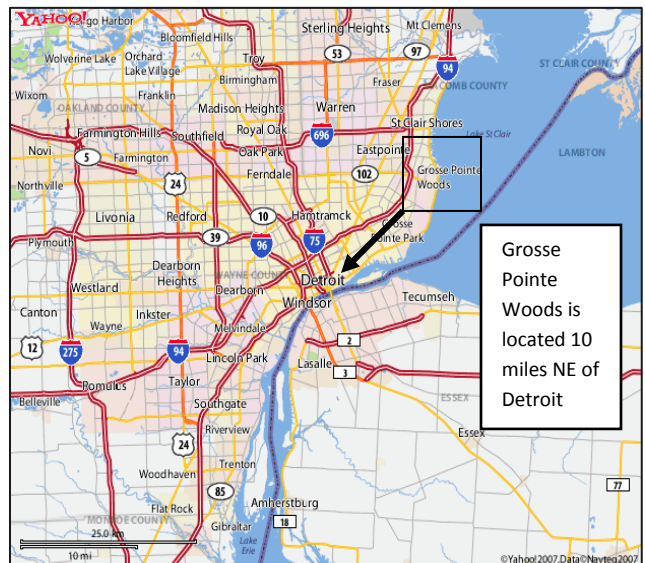
Originally incorporated in 1927, Grosse Pointe Woods was known as the Village of Lochmoor. In 1939, the Village of Lochmoor became the Village of Grosse Pointe Woods and on December 11, 1950 it was incorporated as the City of Grosse Pointe Woods, a Home Rule City. The city covers an area of 3.28 square 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."

<p>City of Grosse Pointe Woods Numbers at a Glance</p> <p>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: 81</p> <p>Sources: SEMCOG Community Profiles, 2014 CAFR</p>



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. For the fourth consecutive year, many capital purchases have been removed from the budget.
- ✓ The City has eliminated the EMS division of the Public Safety department, which included five full-time positions. This service has been contracted to Medstar Ambulance Company at a cost savings of approximately \$400,000 per year.
- ✓ Since 2007, the City has reduced its workforce by 23 full-time positions. Currently, Grosse Pointe Woods employs 81 full-time employees. This is the lowest staffing level in the history of the City. In addition, the City has implemented a two-tier system of wages, benefits, and pension for new hires.
- ✓ The City ended fiscal year 2013-2014 with concessions from all four labor unions and nonunion employees. This was the sixth year for concessions.
- ✓ The City has secured grants for Public Safety equipment and Public Works vehicles, which reduces the cost to the City taxpayers. In fiscal year 2013-2014, the City was awarded a grant from Congestion Mitigation Air Quality and will receive a 2015 diesel International 10 yard dump truck.
- ✓ Two funding awards were received by the City. One from the State of Michigan for video arraignment equipment for the Municipal court and another for "Share the Road" signage and bicycle racks.
- ✓ DTE offered the City an Energy Optimization efficiency rebate to upgrade to LED streetlights throughout the City, which will provide efficient lighting for many years.
- ✓ The City continues to work with the surrounding communities on service sharing agreements. The Cities of Grosse Pointe Woods, Shores and Farms were awarded a grant to combine public safety dispatch and police lockup services.
- ✓ The City continues to make significant repairs and replace sections of water/sewer lines. These infrastructure improvements have been funded by low interest loans from the State of Michigan Drinking Water Revolving Fund (DWRF) and from the Sewer Revolving Fund (SRF).

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 2013 data and displays the change in revenue from fiscal year 2013 to fiscal year 2014. There were fluctuations in the various revenue categories, resulting in a net increase in General Fund revenue of \$93,000.

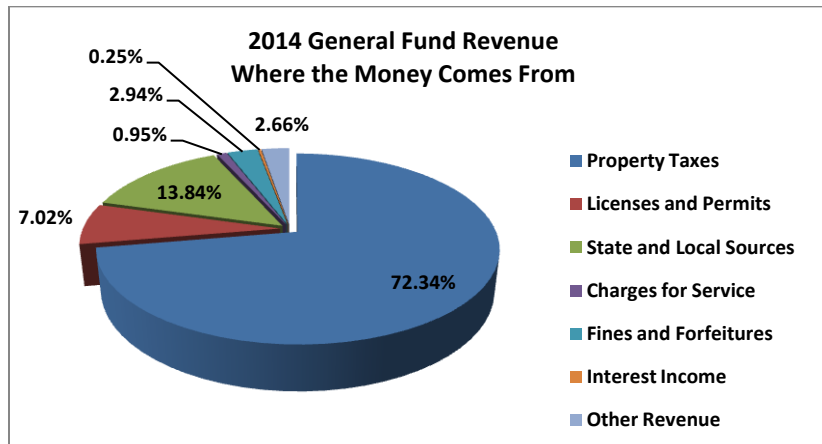
Property tax revenue increased by approximately \$69,000 in fiscal year 2013-2014. This increase is due to a new Payment in Lieu of Taxes (PILOT) program implemented by the City. Property taxes are the City’s largest source of revenue. Like most communities in Michigan, the taxable value is slow to rebound after the 2007 decline.

State-shared revenue remains our second largest revenue source. During the City’s 2013-2014 fiscal years state-shared revenue increased \$45,000 from fiscal year 2012-2013.

License and permit revenue decreased \$28,000 from fiscal year 2012-2013. This is the result of the completion of the permit process for the development of Cook Road.

Revenue from District Court fees and fines decreased by \$76,000 as compared to fiscal year 2012-2013. This is a result of the decline in the number of violations being processed.

Revenue	2014	2013	Change
Property Taxes	\$ 8,741,747	\$ 8,672,989	\$ 68,758
Licenses and Permits	\$ 847,839	875,743	\$ (27,904)
State and Local Sources	\$ 1,672,796	1,627,768	\$ 45,028
Charges for Service	\$ 114,559	121,379	\$ (6,820)
Fines and Forfeitures	\$ 355,121	431,512	\$ (76,391)
Interest Income	\$ 30,181	18,078	\$ 12,103
Other Revenue	\$ 321,992	243,384	\$ 78,608
Total Revenue	\$ 12,084,235	\$ 11,990,853	\$ 93,382



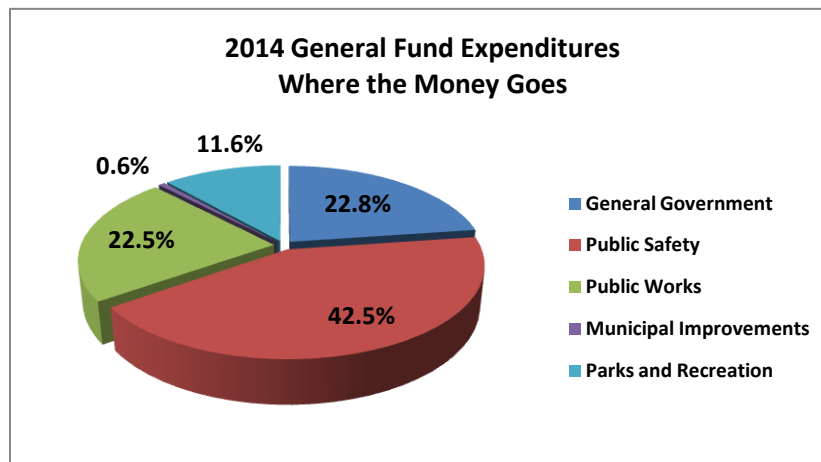
General Fund Expenditures

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.

The following chart shows expenditures for each governmental service for the City of Grosse Pointe Woods. The table also gives 2013 data and displays the change in expenditures from fiscal year 2013 to fiscal year 2014.

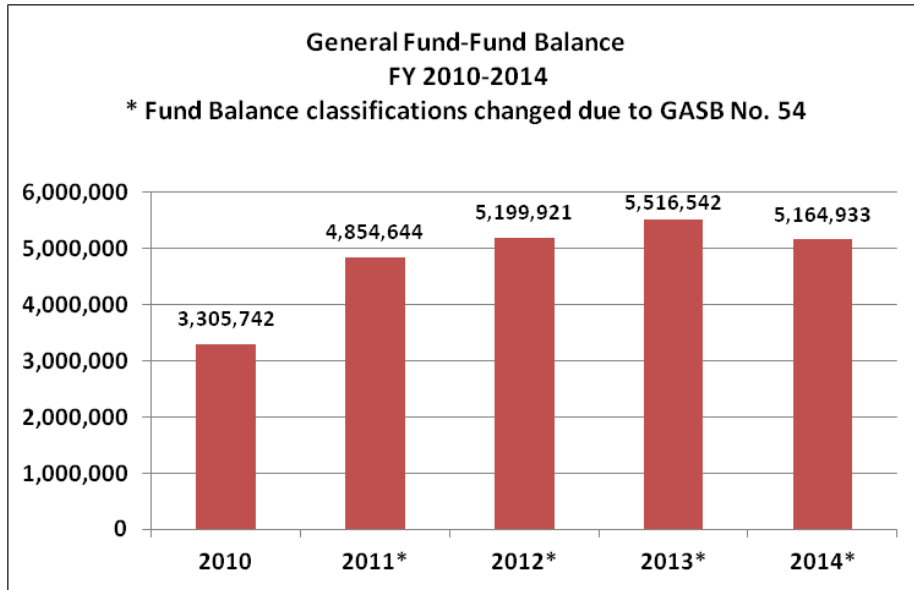
General Fund expenditures for fiscal year 2013-2014 increased \$107,000 from fiscal year 2012-2013. A decrease of \$150,000 in MTT refunds was offset by an increase in municipal street lighting and health benefits for active employees and retirees of approximately \$200,000 over fiscal year 2012-2013.

Expenditures	2014	2013	Change
General Government	\$ 2,567,693	\$ 2,665,260	\$ (97,567)
Public Safety	4,968,466	4,964,212	4,254
Public Works	2,958,246	2,633,675	324,571
Municipal Improvements	34,831	74,612	(39,781)
Parks and Recreation	1,267,857	1,351,972	(84,115)
Total Expenditures	\$ 11,797,093	\$ 11,689,731	\$ 107,362

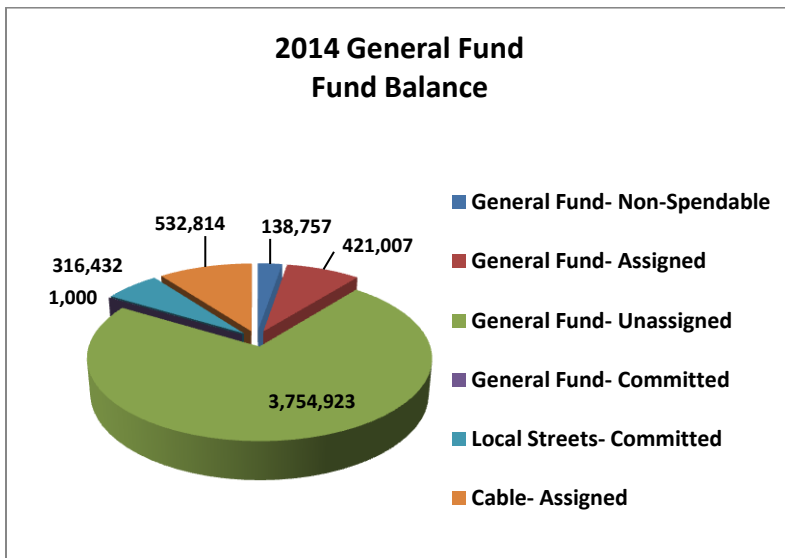


General Fund-Fund Balance

The City’s General Fund year end fund balance is approximately \$5.16 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 \$316,432 is classified as “committed” in General Fund and Cable Fund fund balance of \$532,814 is classified as “assigned” in General Fund.



As the chart indicates below, \$1.41 million is committed and assigned, leaving \$3.75 million unassigned. The unassigned amount represents approximately 31.8 percent of fiscal year 2013-2014 actual expenditures. This level of fund balance is above the recommended level of between 10 percent and 15 percent of annual expenditures.



Non-Spendable: Funds that are not in spendable form or are legally required to be maintained intact (Prepays)

Restricted: Reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties (Special Revenue Funds)

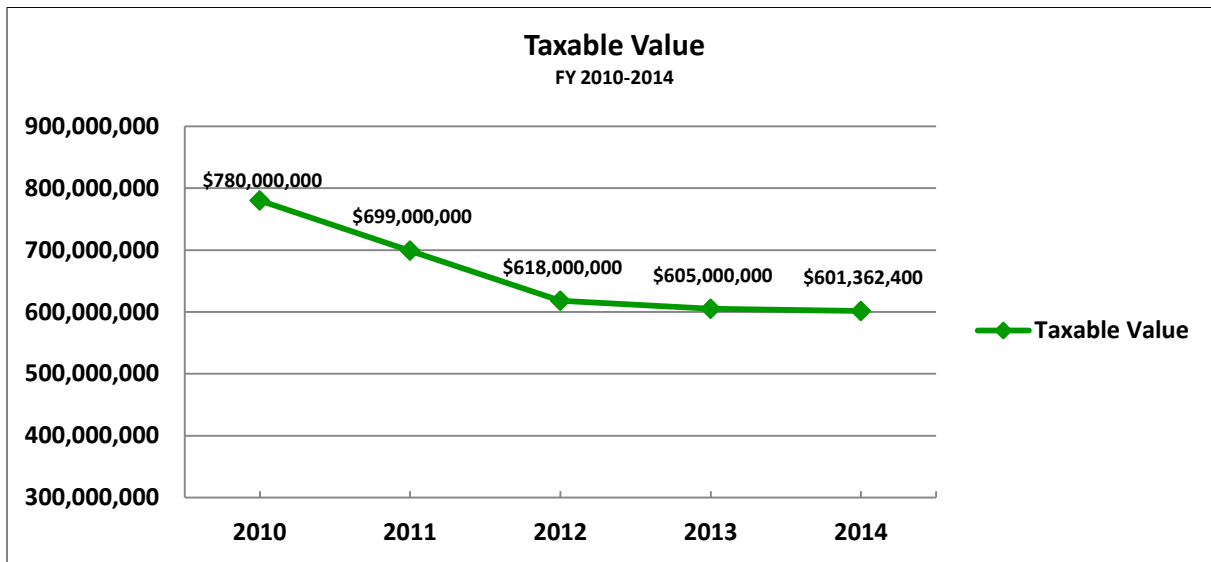
Committed: Funds that have been formally set aside by Council to be used for a specific purpose (Local Streets)

Assigned: Intent to spend resources on specific purposes expressed by Council

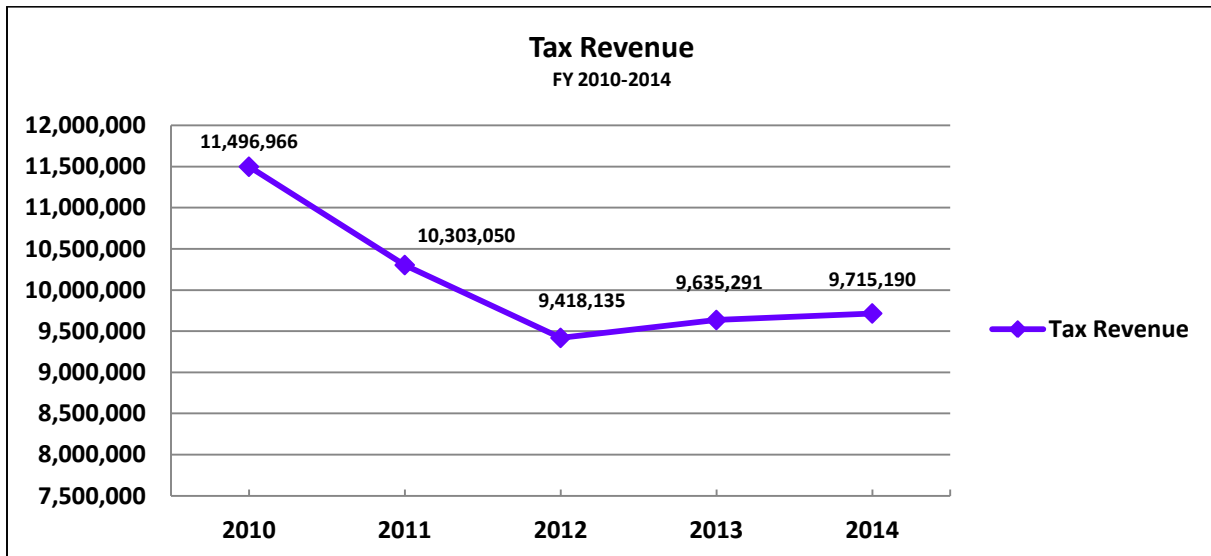
Unassigned: Funds that do not fall into any other category

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 2010-2014 the total taxable value has decreased 22.9%. Although home sales are on the rise, it appears that the ongoing economic slump will continue to have a negative impact on certain sections of our City.

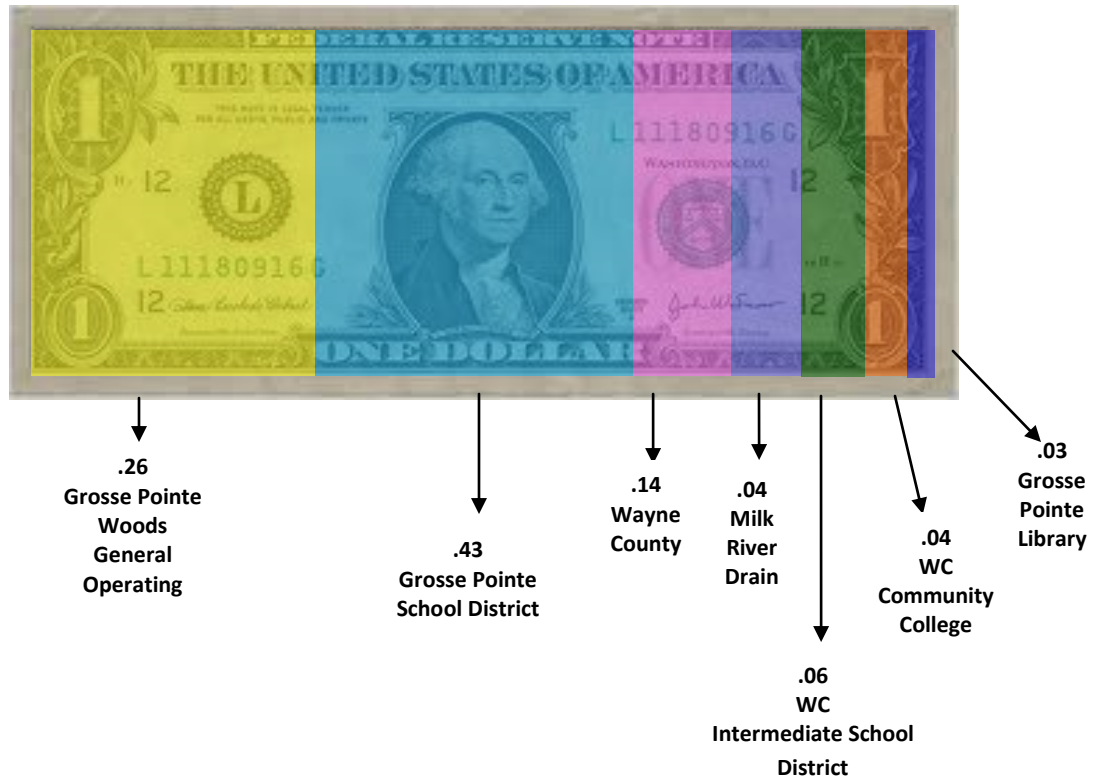


The decline in taxable value resulted in a decrease in tax revenue from 11,496,966 in fiscal year 2010 to 9,715,190 in fiscal year 2014. This represents a total decrease of 15.5% in tax revenue.



City of Grosse Pointe Woods Property Tax Revenue

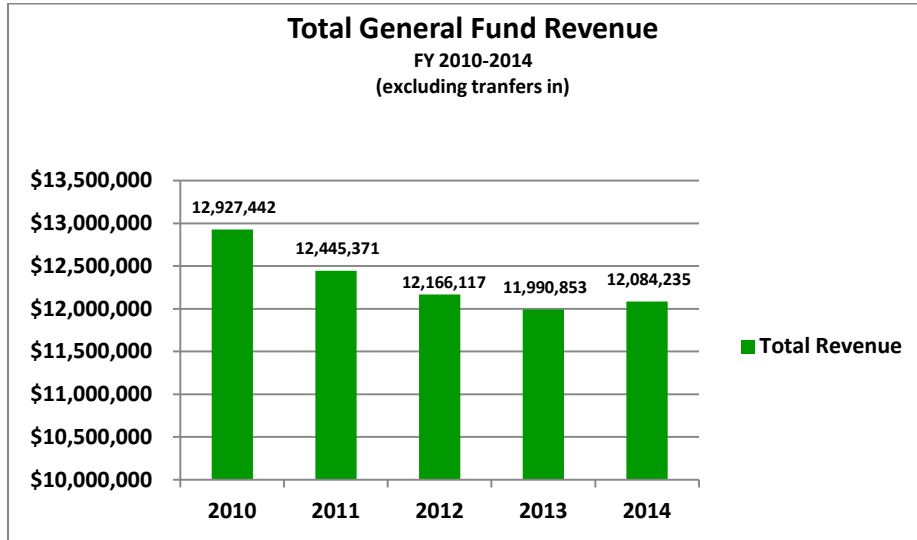
As indicated on the dollar bill below, the City of Grosse Pointe Woods only receives 26 cents for every dollar of property tax revenue collected. These taxes are used to support the general government administrative services, public safety, public works, recreation, and culture.



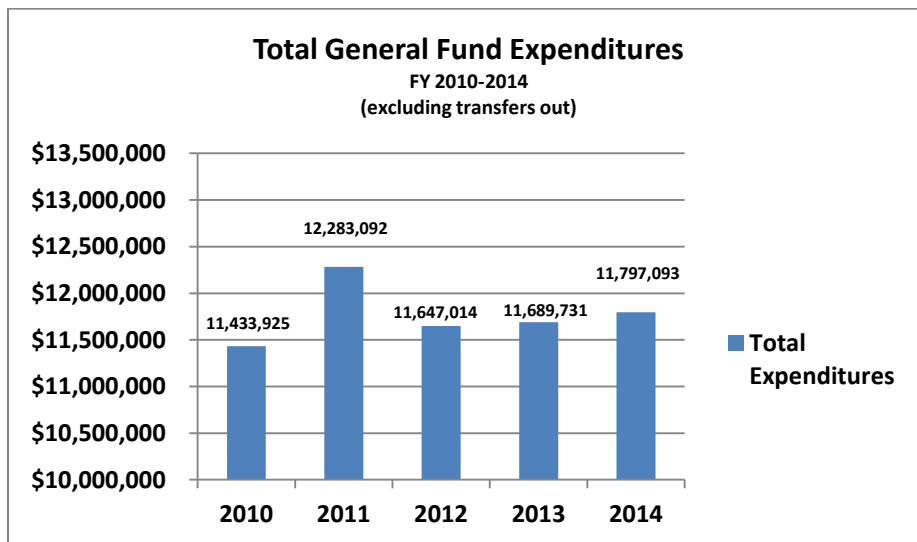
The remaining 74 cents for every dollar of property tax revenue collected is allocated to Grosse Pointe School District, Wayne County, Milk River Drain, Wayne County Intermediate School District, Wayne County Community College, and the Grosse Pointe Library.

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 2013 to 2014 is the result of implementation of the PILOT program and the slight increase in State-shared revenue and interest income.



The City continues to face uncertainty in property tax values. The economic decline in 2007 has caused the taxable value of properties to slowly recover. Therefore, the City continues to implement cost cutting measures that include, eliminating positions through attrition, labor concessions, removal of capital purchases and implementing service sharing agreements with local communities.



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. User fees were increased to cover increased costs to purchase water and help fund infrastructure improvements. 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 & Sewer Fund has a “AA” bond rating from Standard & Poor’s. This allows the City to borrow funds at the lowest possible interest rate to fund infrastructure projects. In 2013-2014, the City was in the final year of a water main construction project and the third year of the sewer construction project.

The Boat Dock and Parking Funds did not have any major changes in fiscal year 2013-2014.

Proprietary Funds			
Statement of Revenue, Expenses, and Changes in Net Position			
June 30, 2014			
	Water and Sewer	Nonmajor	Total Enterprise
	Fund	Enterprise Funds	Funds
Total Operating Revenue	\$ 6,311,280	\$ 453,091	\$ 6,764,371
Total Operating Expenses	5,029,027	293,310	5,322,337
Operating Income	1,282,253	159,781	1,442,034
Total nonoperating (expenses)revenue	(344,659)	4,674	(339,985)
Income Before transfers	937,594	164,455	1,102,049
Transfer In	878	136,954	
Transfer Out	(25,000)	(5,000)	(30,000)
Change in Net Position	913,472	296,409	1,209,881
Net Position-Beginning of year	22,085,902	947,641	23,033,543
Net Position-End of year	\$ 22,999,374	\$ 1,244,050	\$ 24,243,424

Demographics

City of Grosse Pointe Woods		
Major Taxpayers		
Taxpayer	Type	2014 Taxable Value
Rivers GP Development, LLC	Assisted Living	13,872,000
Health Care Reit, Inc.	Assisted Living	7,507,500
Pointe Plaza	Office Building	4,729,500
Detroit Edison	Utility	3,302,800
Michigan Cons. Gas Co.	Utility	2,539,000
Comerica	Bank	1,926,500
Lochmoor Club	Private Club	1,753,700
Comerica	Bank	1,655,900
GP Hunt Club	Private Club	1,417,000
Kroger Co. of Michigan	Grocery	1,194,500
		39,898,400

City of Grosse Pointe Woods		
Principal Employers		
Taxpayer	Type	# of Employees (based on 2010)
Grosse Pointe Public Schools	School	384
Van Elslander Center	Medical	250
Kroger	Grocery	159
Sunrise Assisted Living	Medical	140
University of Liggett	School	128
Great Lakes Cancer Mtg. Specialist	Medical	103
Lochmoor Club	Country Club	100
St. John I.T. & Desktop Support	Medical Business	100
City of Grosse Pointe Woods	Municipal	86
Grosse Pointe Hunt Club	Private Club	80
Total People Employed in City	2014	3614

City of Grosse Pointe Woods	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Full-Time Employees	105	104	103	99	99	90	86	84	81

Please visit the City of Grosse Pointe Woods website at www.gpwmi.us for financial documents that include the CAFR, PAFR, Budgets, OPEB and Actuarial Reports. If further information is needed, contact the Finance Department at 313-343-2604.



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**City of Grosse Pointe Woods
Michigan**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO