

# **Popular Annual Financial Report**

## **City of Grosse Pointe Woods, Michigan**



**Fiscal Year Ended June 30, 2015**



**Popular Annual Financial Report  
City of Grosse Pointe Woods, Michigan  
As of June 30, 2015**

**A Message to the City of Grosse Pointe Woods**

**Elected Officials**

**Robert E. Novitke, Mayor**  
**City Council**  
**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, 2015. The information included in this report is the General Fund and Proprietary Funds financial data and is derived from the 2015 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 2015 CAFR.

The PAFR is an unaudited document that provides an analysis of our annual financial and operating information that conforms to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Grosse Pointe Woods has received a Popular Award for the last two (2) consecutive fiscal years ending 2013 and 2014. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the Government Finance Officers Association (GFOA).

The City also received its 46<sup>th</sup> consecutive Certificate of Achievement for Excellence in Financial Reporting, from the Government Finance Officers Association of the United States and Canada for fiscal year ended June 30, 2014. 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](http://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 provides 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

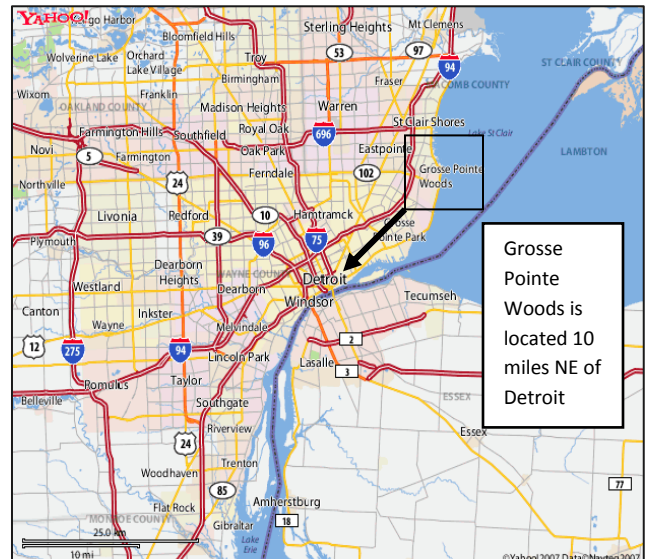
Originally incorporated in 1927, Grosse Pointe Woods was known as the Village of Lochmoor. In 1939, the Village of Lochmoor became the Village of Grosse Pointe Woods and on December 11, 1950 it was incorporated as the City of Grosse Pointe Woods, a Home Rule City. The city covers an area of 3.28 square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

<b>City of Grosse Pointe Woods</b>	
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:	2014 \$618,492,730
Total Housing Units:	6,819
Total Full-Time Employees:	78
Sources: SEMCOG Community Profiles, 2015 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:

- Residents approved a \$10 million capital improvement bond for major road repair and construction in November of 2014. The first series of bonds were issued in May 2015 and construction began. Construction is expected to continue through fiscal year 2017-2018.
- The City has replaced many streetlights with a more energy-efficient LED light. The cost recovery for this project is estimated at one and one-half years.
- The City was awarded a Congestion Mitigation Air Quality Grant to replace a 10 yard dump truck with a new; more environmentally friendly vehicle.
- The City was awarded a small grant from the Department of Justice to assist with the purchase of new vests for our Public Safety Officers.
- The City of Grosse Pointe Woods, Shores, and Farms were awarded a grant to combine public safety dispatch and police lockup services. The grant will provide for equipment and retrofitting of the Grosse Pointe Woods dispatch center to house the operations of all three cities. We hope to provide services to the other communities during the next fiscal year.
- The City received a grant to partially fund the purchase of a trolley. The City believes that the trolley, in conjunction with Music on the Lawn and the Fall Festival, will help maintain a "sense of community."
- The City remains vigilant with property maintenance enforcement to ensure properties are well maintained.
- The City will continue with cost containment initiatives as reflected in the current budget approved by City Council.
- The City completed repairs to the City's water and sewer lines, which was financed by low cost loans from the State of Michigan Drinking Water Revolving Fund (DWRF) and 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 2014 data and displays the change in revenue from fiscal year 2014 to fiscal year 2015. There were fluctuations in the various revenue categories, resulting in a net increase in General Fund revenue of \$471,072.

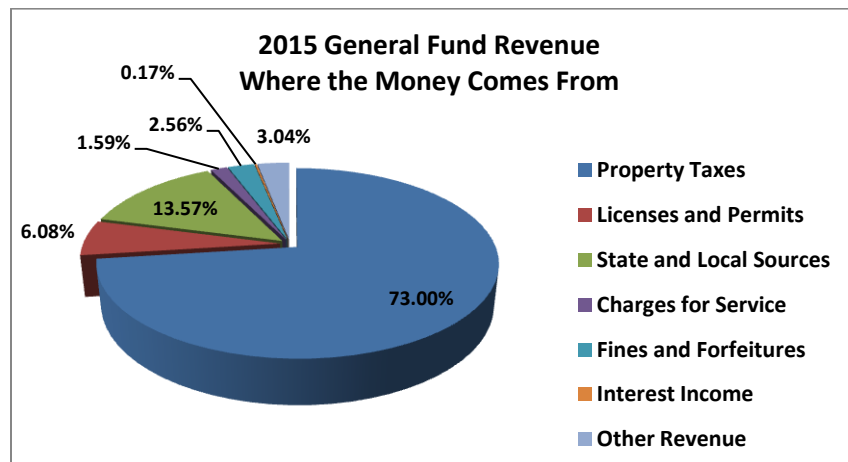
Property tax revenue increased by approximately \$423,456 in fiscal year 2014-2015. This increase is a result of increased taxable value; primarily through new construction. Property taxes are the City's largest source of revenue. Like most communities in Michigan, the taxable value is slow to rebound after the 2007 decline.

State-shared revenue remains our second largest revenue source. During the City's 2014-2015 fiscal years state-shared revenue increased \$30,408 from fiscal year 2013-2014.

License and permit revenue decreased \$84,936 from fiscal year 2013-2014. This is the result of the completing the permit process of new construction.

Revenue from District Court fees and fines decreased by \$33,970 as compared to fiscal year 2013-2014. This is a result of the decline in the number of violations being processed.

Revenue	2015	2014	Change
Property Taxes	\$ 9,165,203	\$ 8,741,747	\$ 423,456
Licenses and Permits	\$ 762,903	\$ 847,839	\$ (84,936)
State and Local Sources	\$ 1,703,204	\$ 1,672,796	\$ 30,408
Charges for Service	\$ 200,141	\$ 114,559	\$ 85,582
Fines and Forfeitures	\$ 321,151	\$ 355,121	\$ (33,970)
Interest Income	\$ 21,244	\$ 30,181	\$ (8,937)
Other Revenue	\$ 381,461	\$ 321,992	\$ 59,469
<b>Total Revenue</b>	<b>\$ 12,555,307</b>	<b>\$ 12,084,235</b>	<b>\$ 471,072</b>



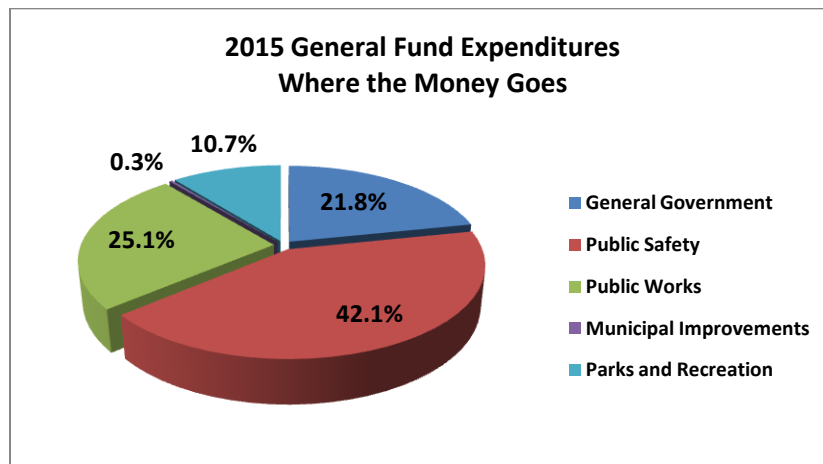
**General Fund Expenditures**

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 2014 data and displays the change in expenditures from fiscal year 2014 to fiscal year 2015.

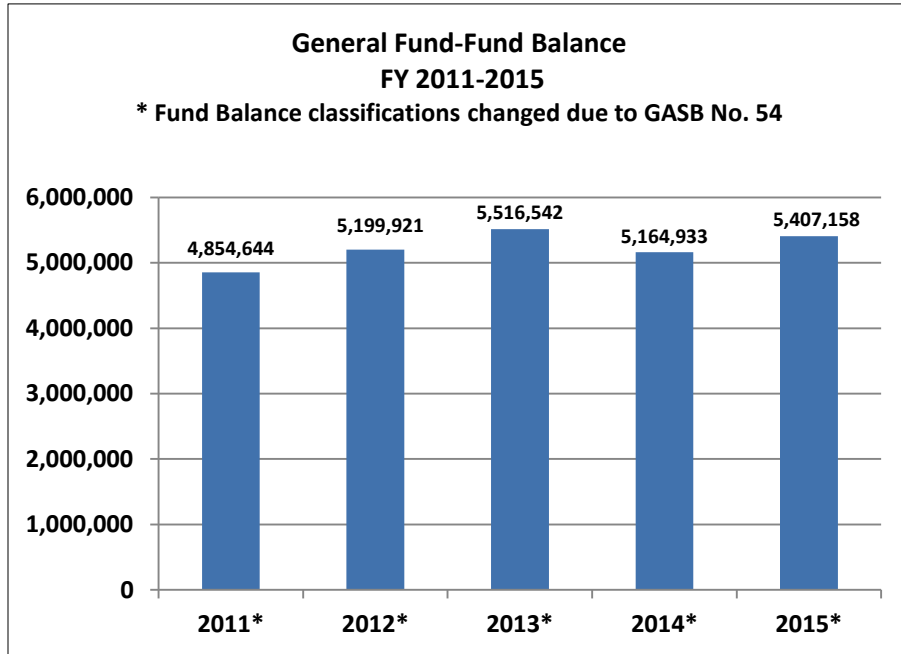
General Fund expenditures for fiscal year 2014-2015 increased \$284,573 from fiscal year 2013-2014. The increase is due to the increase costs of health benefits for active and retirees, union negotiation/arbitration and the trench collapse.

<b>Expenditures</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>General Government</b>	\$ 2,831,165	\$ 2,567,693	\$ 263,472
<b>Public Safety</b>	5,326,347	4,968,466	357,881
<b>Public Works</b>	2,526,256	2,958,246	(431,990)
<b>Municipal Improvements</b>	59,239	34,831	24,408
<b>Parks and Recreation</b>	1,338,659	1,267,857	70,802
<b>Total Expenditures</b>	\$ 12,081,666	\$ 11,797,093	\$ 284,573

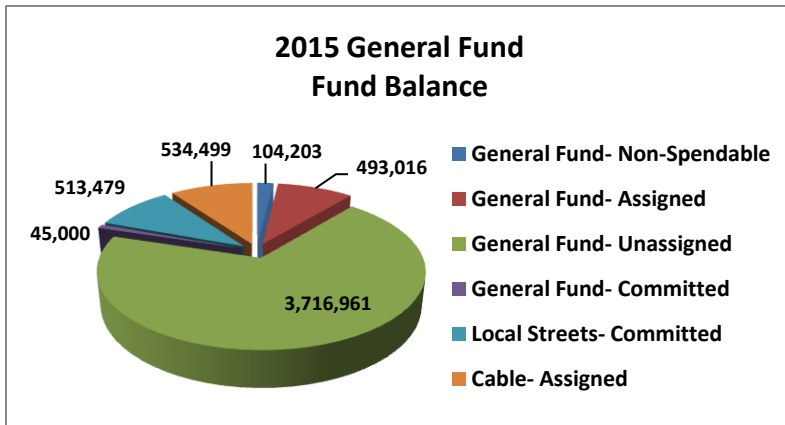


**General Fund-Fund Balance**

The City’s total General Fund year end fund balance is approximately \$5.4 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 \$513,479 is classified as “committed” in General Fund and Cable Fund fund balance of \$534,499 is classified as “assigned” in General Fund.



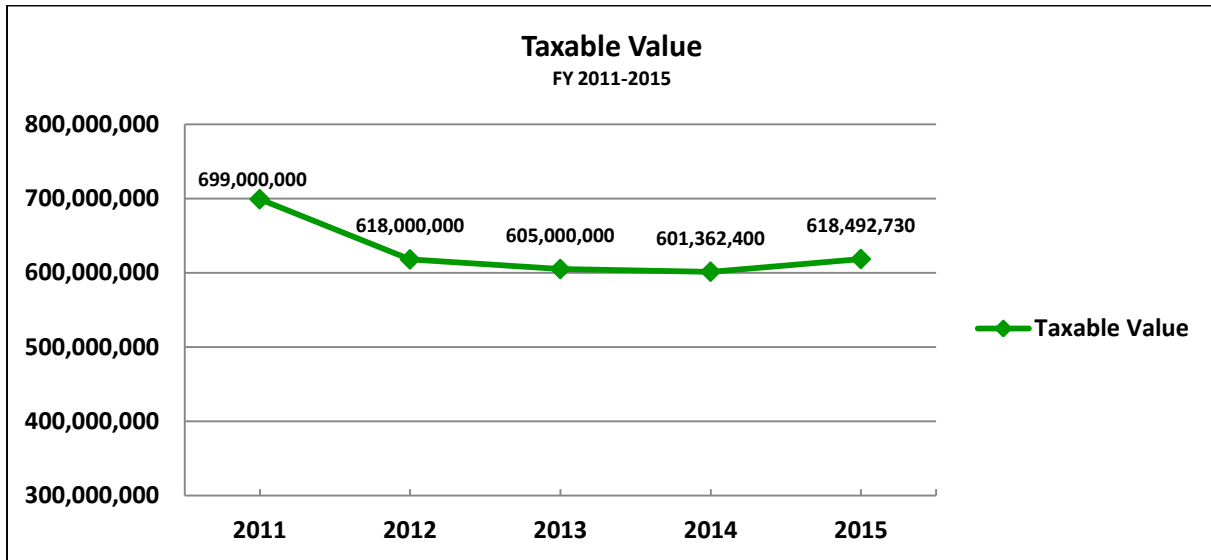
As the chart indicates below, \$1.69 million is committed, assigned and unspendable, leaving \$3.71 million unassigned. The unassigned amount represents approximately 30.7 percent of fiscal year 2014-2015 actual expenditures. This level of fund balance is above the recommended level of between 10 percent and 15 percent of annual expenditures.



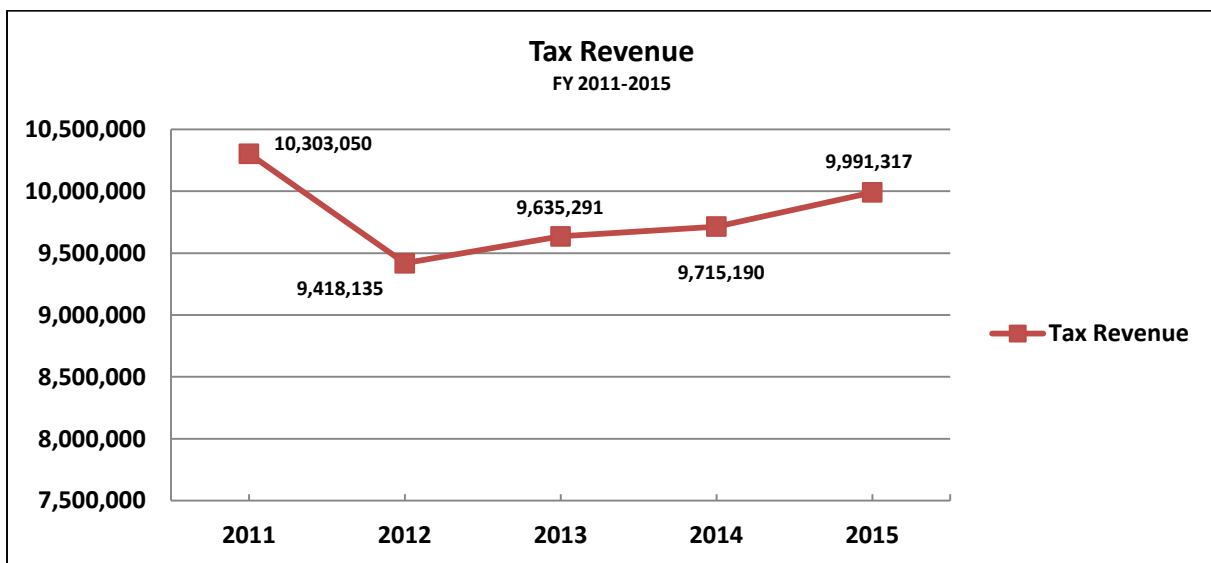
- Non-Spendable:** Funds that are not in spendable form or are legally required to be maintained intact (Prepays)
- Restricted:** Reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties (Special Revenue Funds)
- Committed:** Funds 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 2011-2015 the total taxable value has decreased 11.5%. 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.



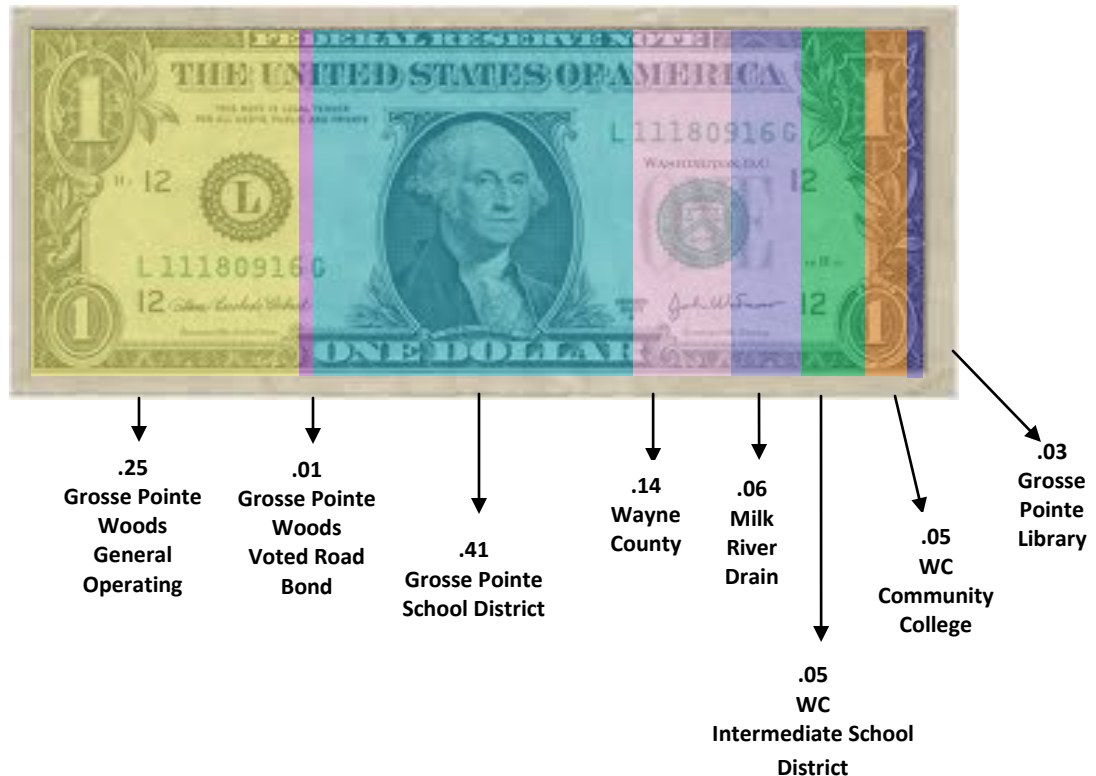
The decline in taxable value resulted in a decrease in tax revenue from \$10,303,050 in fiscal year 2011 to \$9,991,317 in fiscal year 2015. This represents a total decrease of 3% in tax revenue.





## City of Grosse Pointe Woods Property Tax Revenue

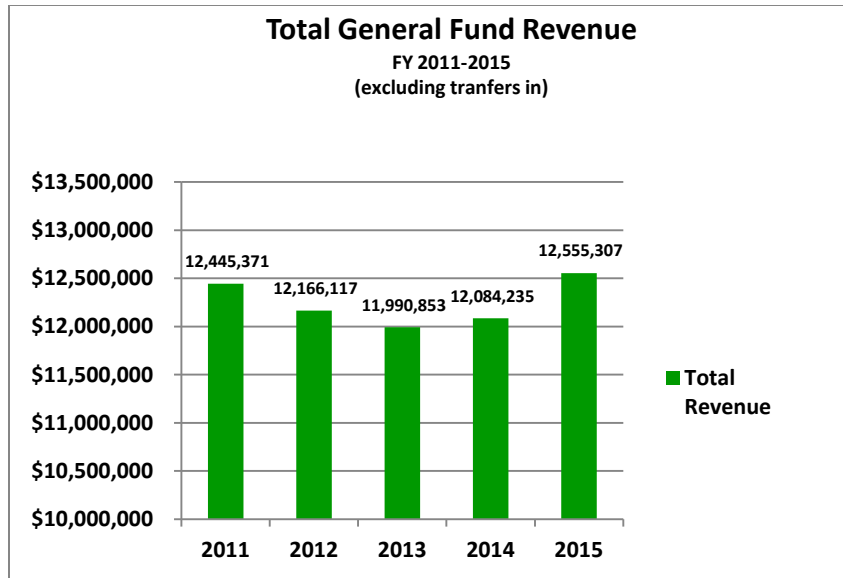
As indicated on the dollar bill below, the City of Grosse Pointe Woods only receives 26 cents for every dollar of property tax revenue collected. These taxes are used to support the general government administrative services, public safety, public works, recreation, culture and the voter approved road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



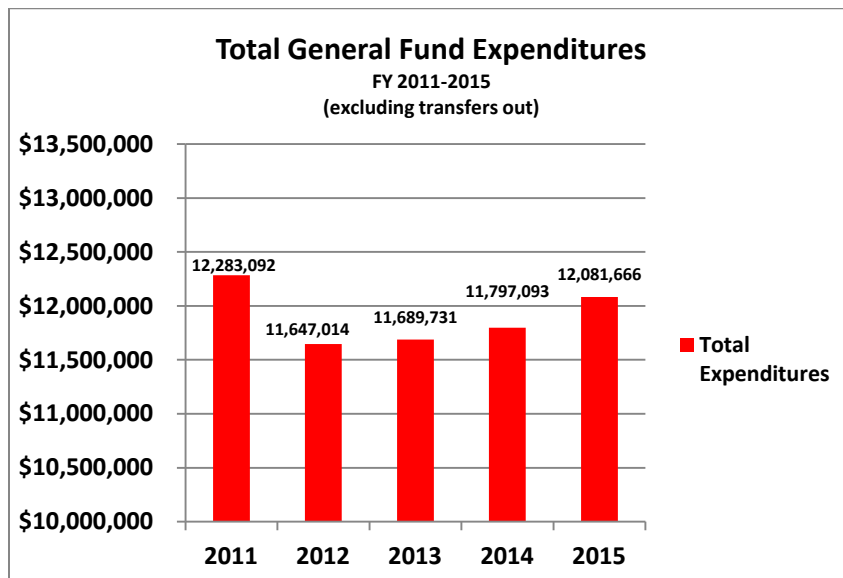
The remaining 74 cents for every dollar of property tax revenue collected is allocated to Grosse Pointe School District, Wayne County, Milk River Drain, Wayne County Intermediate School District, Wayne County Community College, and the Grosse Pointe Library.

## General Fund-Revenue/Expenditure History

General Fund revenue has experienced a decline for fiscal years 2011-2013. The decrease in total revenue for fiscal years 2011-2013 is a direct result of the decrease in property values. The increase in revenue from fiscal year 2014 to 2015 is the result of implementation of the Payment in Lieu of Taxes (PILOT) program in 2014 and increased property tax revenue in 2015 due to new construction and the slight increase in State-shared revenue.



The City continues to face uncertainty in property tax values. The economic decline in 2007 has caused the taxable value of properties slow to recover. The City's General Fund ended fiscal year 2014-2015 with continued concessions from three of the four labor unions and nonunion employees. Employees received a \$1,000 loyalty bonus in exchange for extending benefit concessions for another year. In addition, there have been across the board budget reductions, elimination of vacant positions, reductions in discretionary spending and capital improvement projects have been delayed, cancelled or reduced.



**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 2014-2015, the City was in the final year of a sewer construction project and began installation of new parking meters throughout the city. The Boat Dock fund did not have any major changes in fiscal year 2014-2015.

<b>Proprietary Funds</b>			
<b>Statement of Revenue, Expenses, and Changes in Net Position</b>			
<b>June 30, 2015</b>			
	<b>Water and Sewer Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Total Operating Revenue</b>	\$ 6,213,080	\$ 628,594	\$ 6,841,674
<b>Total Operating Expenses</b>	5,640,641	379,738	6,020,379
<b>Operating Income</b>	572,439	248,856	821,295
<b>Total nonoperating (expenses)revenue</b>	(224,527)	2,859	(221,668)
<b>Change in Net Position</b>	347,912	251,715	599,627
<b>Net Position-Beginning of year</b>	22,301,979	1,127,724	23,429,703
<b>Net Position-End of year</b>	<b>\$ 22,649,891</b>	<b>\$ 1,379,439</b>	<b>\$ 24,029,330</b>

**Demographics**

<b>City of Grosse Pointe Woods</b>		
<b>Major Taxpayers</b>		
<b>Taxpayer</b>	<b>Type</b>	<b>2015 Taxable Value</b>
Rivers GP Development, LLC	Assisted Living	18,690,400
Health Care Reit, Inc.	Assisted Living	7,117,000
Pointe Plaza	Office Building	4,805,172
Detroit Edison	Utility	4,139,918
Michigan Cons. Gas Co.	Utility	2,612,800
Lochmoor Club	Private Club	1,747,300
GP Hunt Club	Private Club	1,409,300
A H Peters Funeral Home	Mortuary	1,383,200
Comerica	Bank	1,326,700
Kroger Co. of Michigan	Grocery	1,194,500
		44,426,290

<b>City of Grosse Pointe Woods</b>		
<b>Principal Employers</b>		
<b>Taxpayer</b>	<b>Type</b>	<b># of Employees (based on 2010)</b>
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
Grosse Pointe Hunt Club	Private Club	80
City of Grosse Pointe Woods	Municipal	78
<b>Total People Employed in City</b>	<b>2015</b>	<b>3584</b>

<b>City of Grosse Pointe Woods</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Total Full-Time Employees</b>	90	86	84	81	78

<b>City of Grosse Pointe Woods</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Unemployment Rate</b>	12.7%	11.4%	11.4%	11.4%	11.4%

Please visit the City of Grosse Pointe Woods website at [www.gpwmi.us](http://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.

