

CITY OF GROSSE POINTE WOODS, MICHIGAN

POPULAR ANNUAL FINANCIAL REPORT



Grosse Pointe Woods Municipal Complex



Memorial Day Observance



Cook School House

FISCAL YEAR ENDED JUNE 30, 2019



**Popular Annual Financial Report
City of Grosse Pointe Woods, Michigan
As of June 30, 2019**

A Message to the City of Grosse Pointe Woods

Elected Officials

Robert E. Novitke, Mayor

City Council

Arthur W. Bryant

Victoria A. Granger

George R. McMullen, Jr.

Michael Koester

Todd A. McConaghy

Richard Shetler, Jr.

Administrative Staff

City Administrator

Bruce Smith

City Clerk

Lisa Hathaway

Treasurer/Comptroller

Cathrene Behrens

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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, 2019. The information included in this report is the General Fund and Enterprise Funds financial data and is derived from the 2019 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 2019 CAFR.

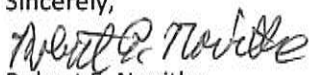
The PAFR is an unaudited document that provides an analysis of our annual financial and operating information that conforms to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Grosse Pointe Woods has received a Popular Award for the last six (6) consecutive fiscal years ending 2013 - 2018. 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 46th 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, 2018. The Certificate of Achievement is considered the highest form of recognition in the area of governmental accounting and financial reporting. A Certificate of Achievement is valid for a period of one year only. We believe our CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting our CAFR for the current year to the GFOA. The CAFR and the PAFR are available to view on the City's website at:

www.gpwmi.us/departments/Finance/pafr2019.

Grosse Pointe Woods is one of the most desired areas to live in the State of Michigan. The City provides excellence in public safety, public works, recreational opportunities, and also promotes a true sense of community. We are proud of our Lake Front Park which provides the largest outdoor swimming complex in the Midwest and all of our recreational programs and community events. 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.

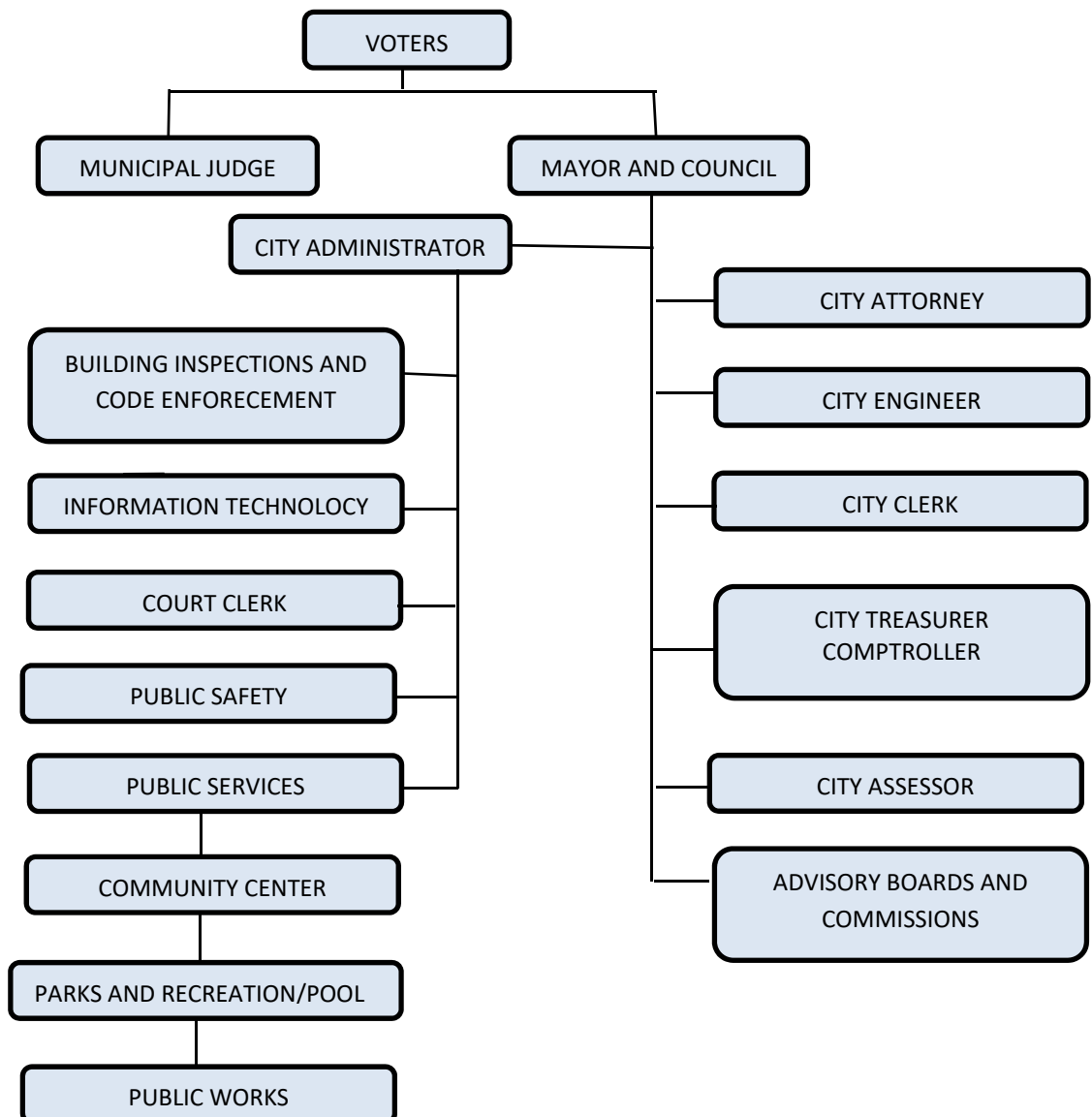
Sincerely,

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.

City of Grosse Pointe Woods Organizational Chart



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 foster and support a true "sense of community."

City of Grosse Pointe Woods-Community Events



Annual Easter Egg Hunt

Annual Fire Open House



Senior Holiday Social





**Annual City Picnic
Lakefront Park Pool**

**Residents enjoying lunch at
Lakefront Park**



**Beautification Commission
Annual Flower Sale**





**Annual Labor Day Bridge
Walk - Lakefront Park**

Music on the Lawn



**Annual Woods Aglow-Visit
with Santa Claus**



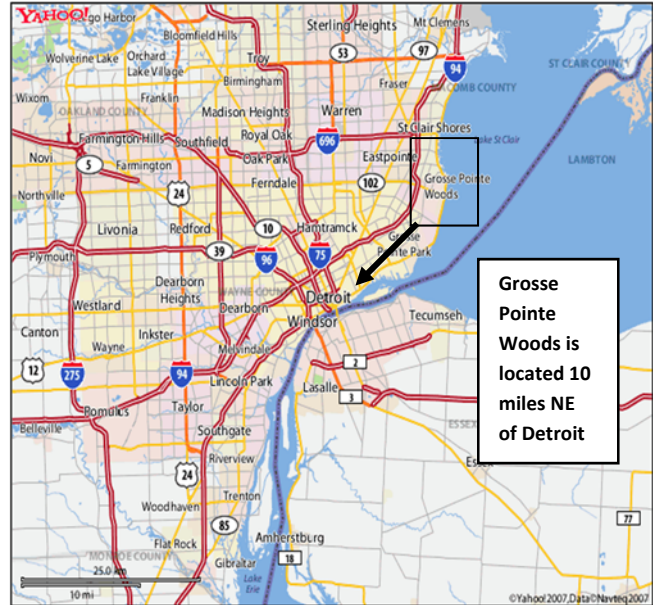
Demographics

City of Grosse Pointe Woods

Numbers at a Glance

Area: 3.3 Square Miles
 Population: 16,135 (2010 Census)
 Median Household Income: \$ 92,014
 Median Age: 45
 Median Home Value: \$260,455
 Equalized Assessed Value: 2018
 696,024,629
 Total Housing Units: 6,819
 Total Full-Time Employees: 76

Sources: 2010 US Census Bureau, 2019 CAFR



City of Grosse Pointe Woods Major Taxpayers

Taxpayer	Type	Taxable Value
Michigan Cons. Gas Co.	Utility	13,745,500
DRSN Real Estate GP LLC	Apartment Complex	13,628,006
Health Care Reit Inc	Assisted Living	6,701,274
Pointe Plaza	Office Building	5,032,800
Detroit Edison	Utility	4,485,454
VDG Mack Ave LLC	Office Building	2,146,745
Lochmoor Club	Private Club	1,619,200
A H Peters Funeral Home	Mortuary	1,535,218
Comerica	Bank	1,358,663
Kroger Co. of Michigan	Grocery	1,254,604
St John Health System	Hospital	1,230,767
		52,738,231

City of Grosse Pointe Woods Principal Employers

Taxpayer	Type	Employees
GP Public School	School	384
Van Elslander Center	Medical	250
Kroger	Grocery	159
Sunrise Assisted Living	Medical	130
University of Liggett	School	128
Great Lakes Cancer Mgt Special	Medical	103
Lochmoor Club	Country Club	100
St. John I.T. & Desktop Support	Medical Business	100
Lochmoor Club	Private Club	100
City of Grosse Pointe Woods	Municipal	76

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. As a result, the City's overall bond rating is "AA+" from Standard & Poor's. This outstanding bond rating allows the City to borrow at the lowest possible interest rate, saving taxpayers thousands of dollars in future costs. The City's current administration, Mayor and City Council continue to look for efficiencies, expanding community partnerships and alternative funding sources keep our City financially strong and maintain our desirability as one of the premier communities in southeast Michigan to live, work and play. Excess reserve funds have been budgeted throughout the course of fiscal year 2018 – 2019 to accomplish numerous projects that include:

- The City is committed to continuing the local street repair and maintenance program that has been in place since 2015. In May 2018, City Council approved a local road project totaling 2.46 million; 1.73 million to be funded from the General Fund balance and \$725,000 from water and sewer reserves. The road project includes resurfacing of Anita, Brys, Lochmoor and Stanhope and joint repair on Cook Road. In addition, the waterline on Anita was repaired.
- The public safety dispatch and police lockup services project has been funded through a \$500,000 CGAP (Competitive Grant Assistance Program) grant and was completed in the winter of 2019. The grant provided for equipment and retrofitting of the Grosse Pointe Woods public safety department to accommodate the partnership between Grosse Pointe Woods and the Village of Grosse Pointe Shores. Construction updates include the demolition, replacement and expansion of our cell block area and the re-design of the Public Safety garage that includes a secure area for the movement and transportation of individuals in police custody. In addition, the dispatch center has been re-designed and an E-911 system was purchased to update aging equipment.
- Lake Front Park Marina improvements for fiscal year 2018-2019 included removal/replacement of 63 existing marina pedestals, installation of 56 new marina pedestals, and installation of mounting plates on all pedestals and the addition of six floating docks for jet skis. The water main that supplies the marina was also replaced. Total expenses for the marina project totaled \$514,835 and was funded from the Boat Dock Fund reserves.
- A 2.5 million, 15-year capital improvement bond was approved at the end of fiscal year 2017-2018 to fund infrastructure updates. During fiscal year 2018-2019, the following capital improvements were completed: Roof replacement and repairs, heating and cooling system improvements at City Hall, the Department of Public Safety, the Department of Public Works and Lake Front Park.
- City Council authorized a 2018 water main construction project in the amount of \$1.5 million to be funded from water and sewer reserves. The project includes replacing 5,195 feet of a 65 year old eight inch water main. During the course of construction, an additional \$238,148 was allocated to repair an additional 60 year old eight inch water main.

- The City has realized a decrease in the General Fund balance in fiscal year 2018-2019 of \$1.74 million exclusive of the Cable Franchise and Local Street funds. The decrease is the result of the transfer to Local Roads to fund road repair and construction projects.
- The City remains vigilant with property maintenance enforcement to ensure properties are maintained. Maintaining property values and minimizing the decline through an effective property maintenance and rental inspection program is an important component to our overall financial plan and maintaining the quality of life within our community.
- The City continues to look for funding opportunities, cost containment initiatives, community partnerships and potential grants to fund and maintain the high level of public services provided to our community.
- Through the generosity of local businesses, city vendors and our residents, the City continues to support community events including Music on the Lawn, Fall Fest and Winterfest. Hosting these wonderful events support the sense of community that Grosse Pointe Woods residents enjoy.

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 2018 data and displays the change in revenue from fiscal year 2018 to fiscal year 2019. There were slight fluctuations in the various revenue categories, resulting in a decrease in General Fund revenue of \$139,382.

	2019	2018	Change
Property Taxes	\$ 10,008,480	\$ 10,237,999	\$ (229,519)
Franchise Fees	336,174	362,235	(26,061)
State and Local Sources	2,261,179	2,116,510	144,669
Charges for Service	662,376	699,489	(37,113)
Fines and Forfeitures	305,384	397,502	(92,118)
Interest Income	285,176	113,792	171,384
Other Revenue	511,294	581,918	(70,624)
Total Revenue	\$ 14,370,063	\$ 14,509,445	\$ (139,382)

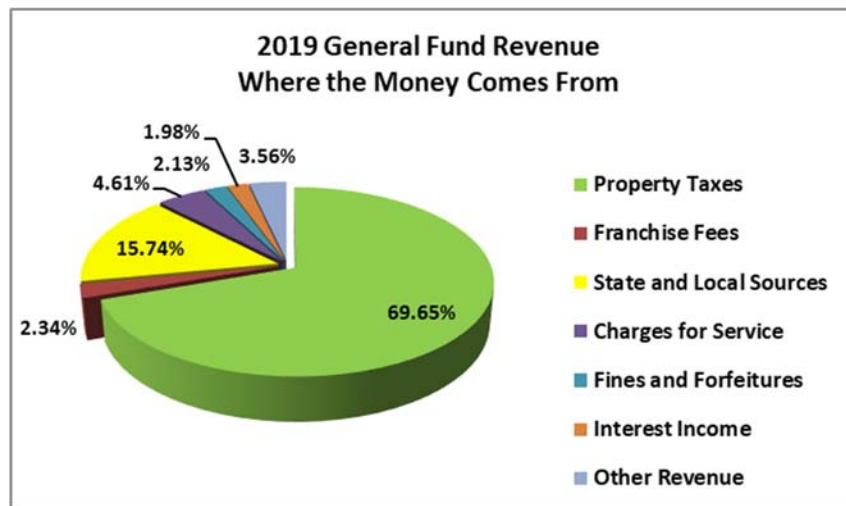
Property taxes continue to be the City’s largest source of revenue, slow but steady increases have been realized for the last three fiscal years. After the 2007 housing market decline, the City has had incremental increases with a CPI of 1.24 percent for fiscal year 2018-2019. Although the millage rate is essentially at the Headlee cap, the general operating property tax revenue decreased \$229,519 from fiscal year 2017-2018.

Revenue sharing from the State of Michigan remains our second largest revenue source. The City continues to meet all requirements of accountability and transparency with the State and received 100 percent of state-shared revenue allocation in 2018-2019. During fiscal year 2018-2019, revenue from

State and Local Sources increased \$144,669 from fiscal year 2017-2018. This is the result of slight increase in state shared revenue.

Revenue from District Court fees and fines decreased by \$92,118 from fiscal year 2017-2018. This is a result of a decrease the number of violations being issued.

Interest Income increased \$171,384 from fiscal year 2017-2018. This is a result of an increase in interest rates from investments and our pooled cash interest bearing account.



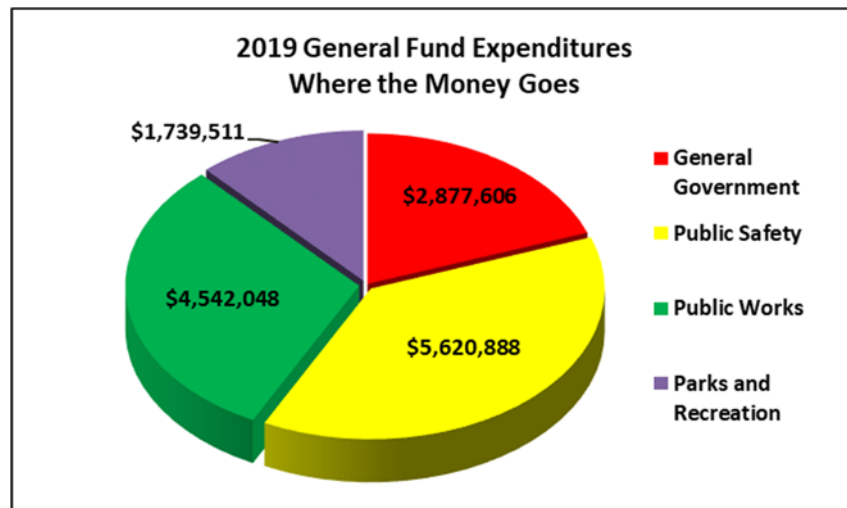
General Fund Expenditures

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 are parks and recreation 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 fund their operations.

The following chart shows expenditures for each governmental service for the City of Grosse Pointe Woods. The table also gives 2018 data and displays the change in expenditures from fiscal year 2018 to fiscal year 2019.

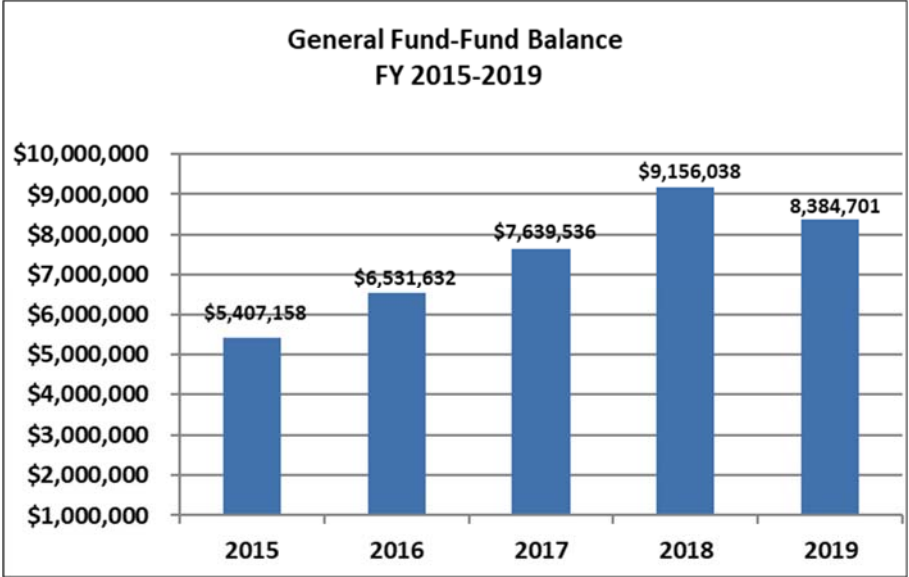
General Fund expenditures for fiscal year 2018-2019 increased \$2,120,696 from fiscal year 2017-2018. The increase is due to the completion of additional road projects that were funded from the City’s general fund balance.

Expenditures	2019	2018	Change
General Government	\$ 2,877,606	\$ 2,632,154	\$ 245,452
Public Safety	\$ 5,620,888	\$ 5,492,603	\$ 128,285
Public Works	\$ 4,542,048	\$ 2,665,347	\$ 1,876,701
Parks and Recreation	\$ 1,739,511	\$ 1,650,430	\$ 89,081
Municipal Improvements	\$ -	\$ 218,823	\$ (218,823)
Total Expenditures	\$ 14,780,053	\$ 12,659,357	\$ 2,120,696

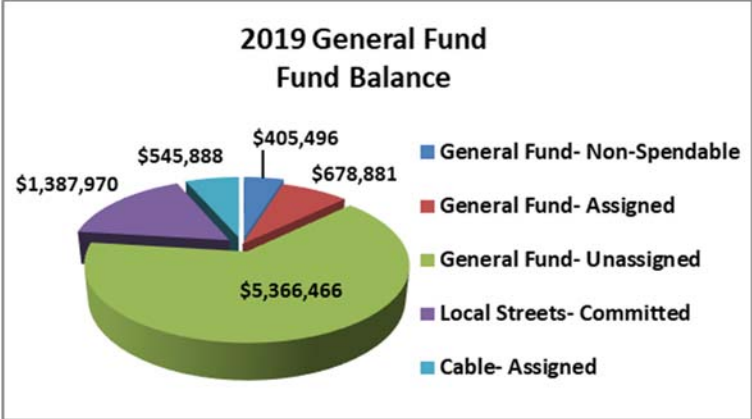


General Fund-Fund Balance

The last decade has been challenging, but through cost cutting initiatives and better efficiencies the City has built a strong cash reserve during fiscal year 2015-2018. The City’s total General Fund year-end fund balance is approximately \$8.4 million. This includes the Local Road fund balance of 1.3 million and Cable fund balance of 545,888. This is a decrease of \$770,000 from fiscal year 2017-2018. The decrease in fund balance is the result of utilizing fund balance to support local road maintenance and construction projects.



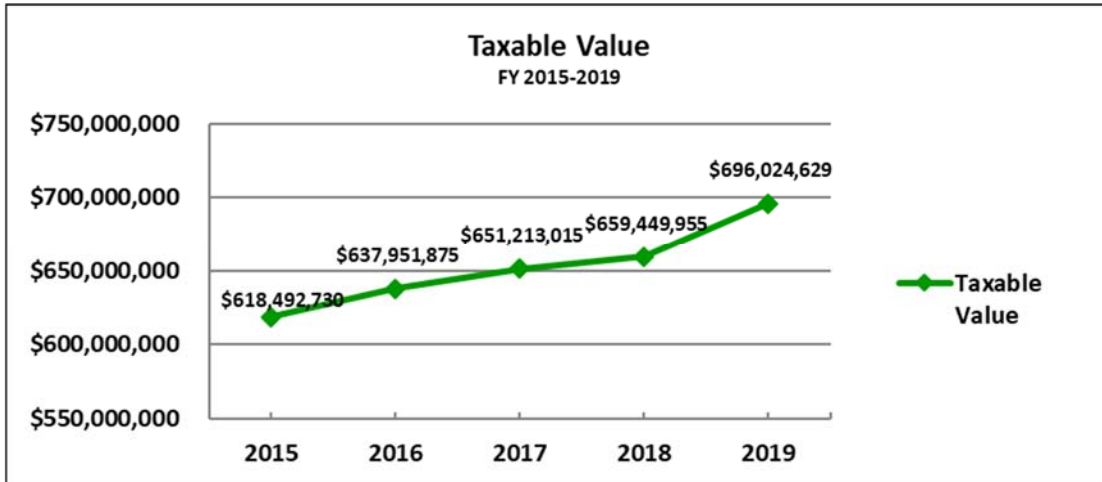
As the chart below indicates the 2019 General fund balance is comprised of the following; \$3.0 million is committed, assigned and unspendable, leaving \$5.4 million unassigned. The unassigned amount represents approximately 36 percent of fiscal year 2018-2019 actual expenditures. This level of fund balance exceeds 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 (Cable Fund)
- Unassigned:** Funds that do not fall into any other category

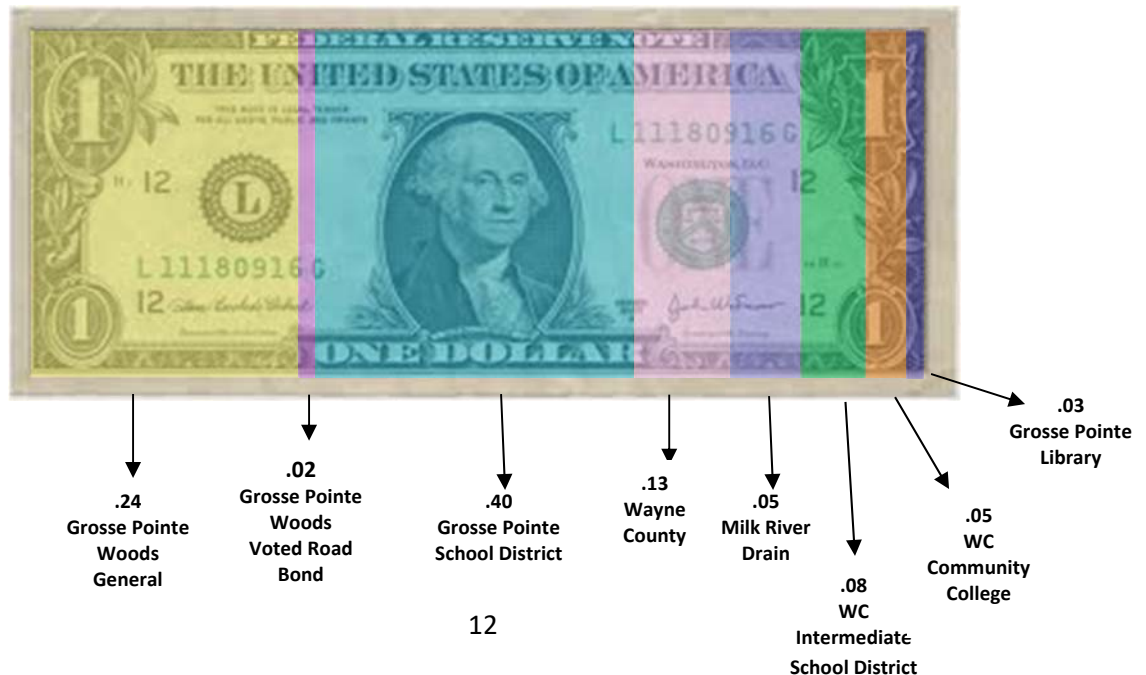
Taxable Value

The City’s most pressing financial concern is the condition of the residential housing market. The City has struggled over the last decade as a result of a low inflation rate multiplier used to calculate taxable value on all properties. Tax year 2019, the inflation rate factor was 1.24% and the City experienced a 5.5% increase in taxable value in fiscal year 2018-2019. The steady increase in taxable value, indicates positive things are happening in the housing market in the City.



City of Grosse Pointe Woods Property Tax Revenue

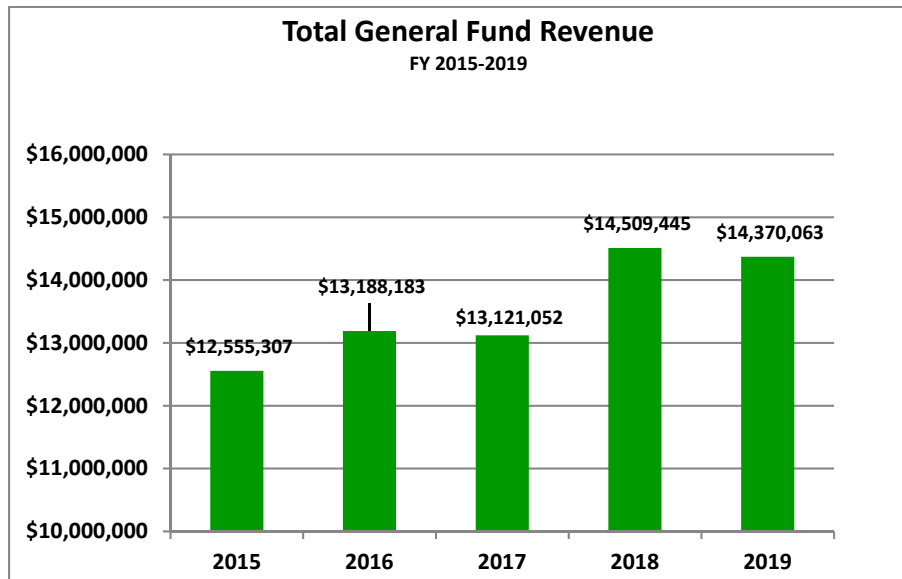
As indicated on the dollar bill below, the City of Grosse Pointe Woods only receives 26 cents for every dollar of property tax revenue collected. These taxes are used to support the general government administrative services, public safety, public works, recreation, and the voter approved road bond.



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

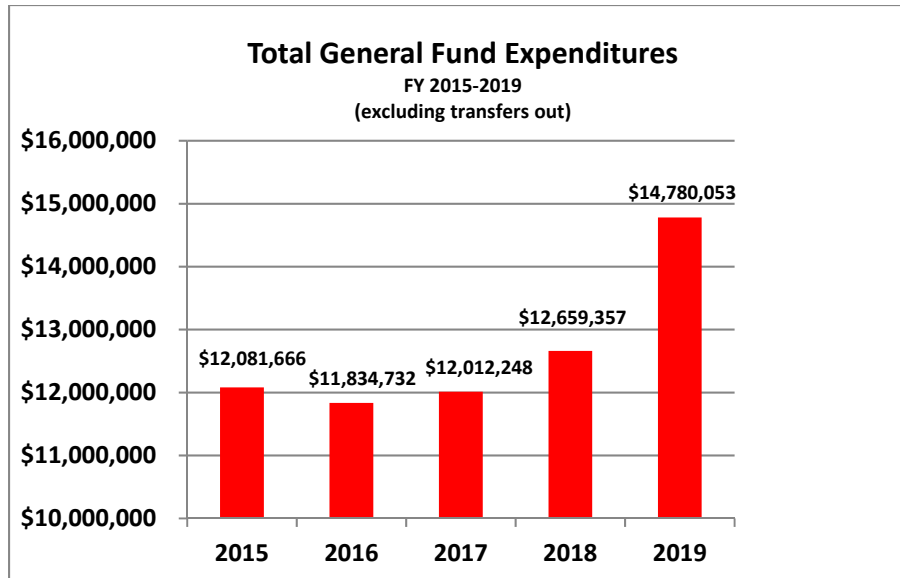
General Fund-Revenue/Expenditure History

General Fund revenue has stayed consistent for fiscal year ending 2018 and 2019. The decrease in 2017 is attributed to a decrease in funding received from the State of Michigan for personal property tax reimbursement and the deduction from Wayne County’s payment of delinquent property tax revenue for fiscal years ending 2015 and 2016 from one of the City’s largest tax payer. Fiscal year end 2018, payment was received from Wayne County for the delinquent property that was deducted from the previous year.



The City’s General Fund ended fiscal year 2018-2019 with continued concessions from labor unions and nonunion employees. Fiscal years ending 2015-2017, expenditures had very little fluctuation as a result of budget reductions, elimination of vacant positions, reductions in discretionary spending and capital improvement projects that had been delayed, cancelled or reduced.

Fiscal year 2018-2019 expenditures increased 16.75%. The increase is the result of continued investment in the City’s local street repair and maintenance program, increases in personnel costs and overall operating expenses.



Enterprise Funds

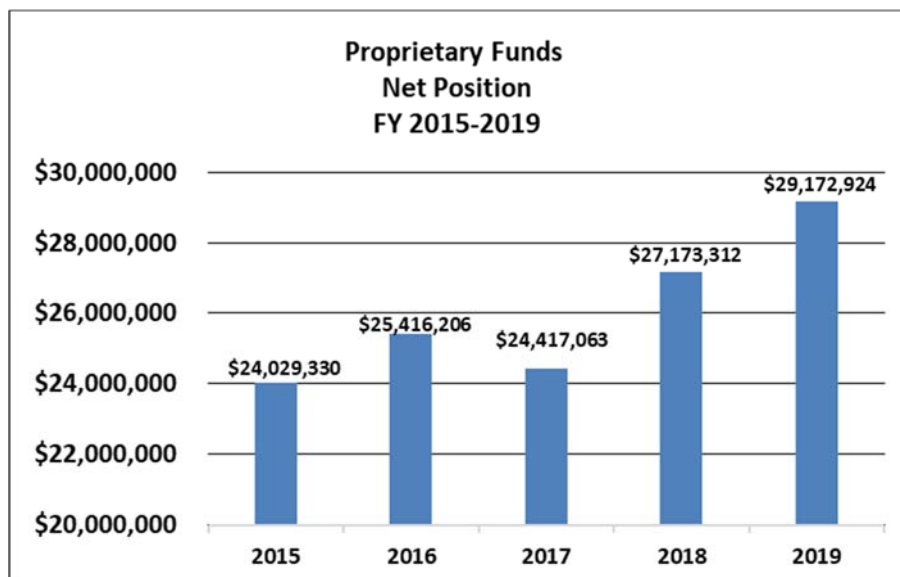
An Enterprise Fund is a fund that accounts for operations and services that are provided to residents and are financed through user charges. The business type activities consist of the funds for water and sewer and the non-major enterprise funds are the parking utility, boat dock, and commodity sales.

Fiscal year 2018-2019 operating revenue decreased by \$550,000 from fiscal year 2017-2018, this is the result of a decrease in parking violations, water and sewer revenue, and a decrease in cross connection fees. Operating Expenditures increased \$400,000 from fiscal year 2017-218, this is the result of an increase in general and administrative costs and an increase in charges from internal services funds.

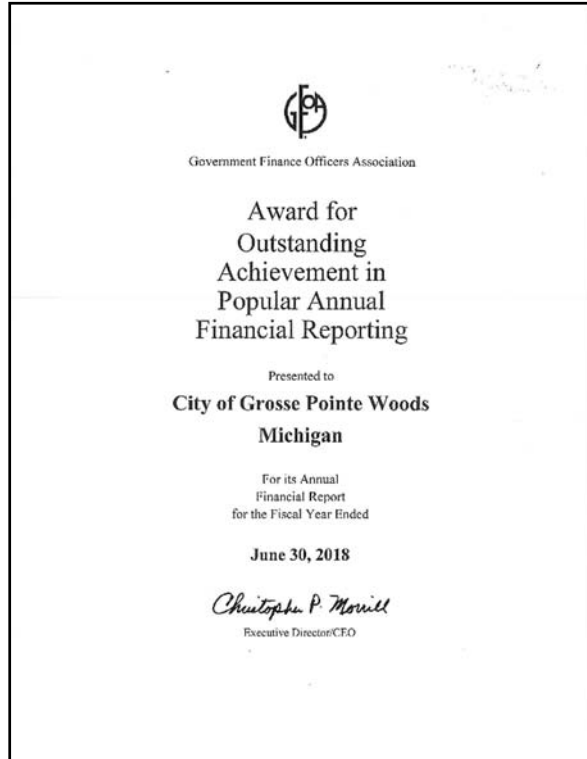
The Water & Sewer Fund has a “AA” bond rating from Standard & Poor’s. This allows the City to borrow funds at the lowest possible interest rate to fund infrastructure projects. Water and Sewer rates were increased in the current year to cover increased costs to purchase water and to fund required infrastructure improvements.

Proprietary Funds			
Statement of Revenue, Expenses, and Changes in Net Position			
Fiscal Year 2019 compared to Fiscal Year 2018			
	Total Enterprise Funds FY 2019	Total Enterprise Funds FY 2018	Change
Total Operating Revenue	8,850,531	9,407,500	\$ (556,969)
Total Operating Expenses	<u>6,983,945</u>	<u>6,564,945</u>	\$ 419,000
Operating Income	1,866,586	2,842,555	\$ (975,969)
Total nonoperating revenue (expenses)	<u>133,026</u>	<u>(86,306)</u>	\$ 219,332
Change in Net Position	1,999,612	2,756,249	\$ (756,637)
Net Position-Beginning of year, as restated	<u>27,173,312</u>	<u>24,417,063</u>	\$ 2,756,249
Net Position-End of year	<u>\$ 29,172,924</u>	<u>\$ 27,173,312</u>	\$ 1,105,006

The City's business type activities have experienced a steady increase in net position from 2015-2019. The increase is primarily the result of water and sewer rate revenue that covers operation and maintenance expenses and infrastructure improvements financed by the issuance of debt. The decrease from fiscal year end 2016 to 2017 is the result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75. A liability for the unfunded portion of the City's retiree healthcare costs that are included in the financial statements.



The Government Finance Officers Association (GFOA) of the United States and Canada has awarded the City of Grosse Pointe Woods the Popular Annual Financial Award (PAFR) for fiscal year end June 30, 2018. This is the (6th) sixth consecutive year the PAFR has been awarded to the City.



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

City of Grosse Pointe Woods
www.gpwmi.us
20025 Mack Plaza Drive
Grosse Pointe Woods, MI 48326

Hours: Monday-Friday 8:30am – 5:00pm

City Hall: 313-343-2440