

# 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, 2020**



**Popular Annual Financial Report  
City of Grosse Pointe Woods, Michigan  
As of June 30, 2020**

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

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, 2020. The information included in this report is the General Fund and Enterprise Funds. The financial data is derived from the Fund Financial Statements found on pages 14 and 17 of the 2020 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 June 30, 2020 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 seven (7) consecutive fiscal years ending 2013 - 2019. 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 47th 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, 2019. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate. The CAFR and the PAFR are available to view on the City's website at <http://www.gpwmi.us>.

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

**Elected Officials**

**Robert E. Novitke, Mayor**

**City Council**

**Arthur W. Bryant**

**Kenneth Gafa**

**Victoria A. Granger**

**Michael Koester**

**Todd A. McConaghy**

**George R. McMullen, Jr.**

**Administrative Staff**

**City Administrator**

**Bruce Smith**

**City Clerk**

**Lisa Hathaway**

**Treasurer/Comptroller**

**Shawn Murphy**

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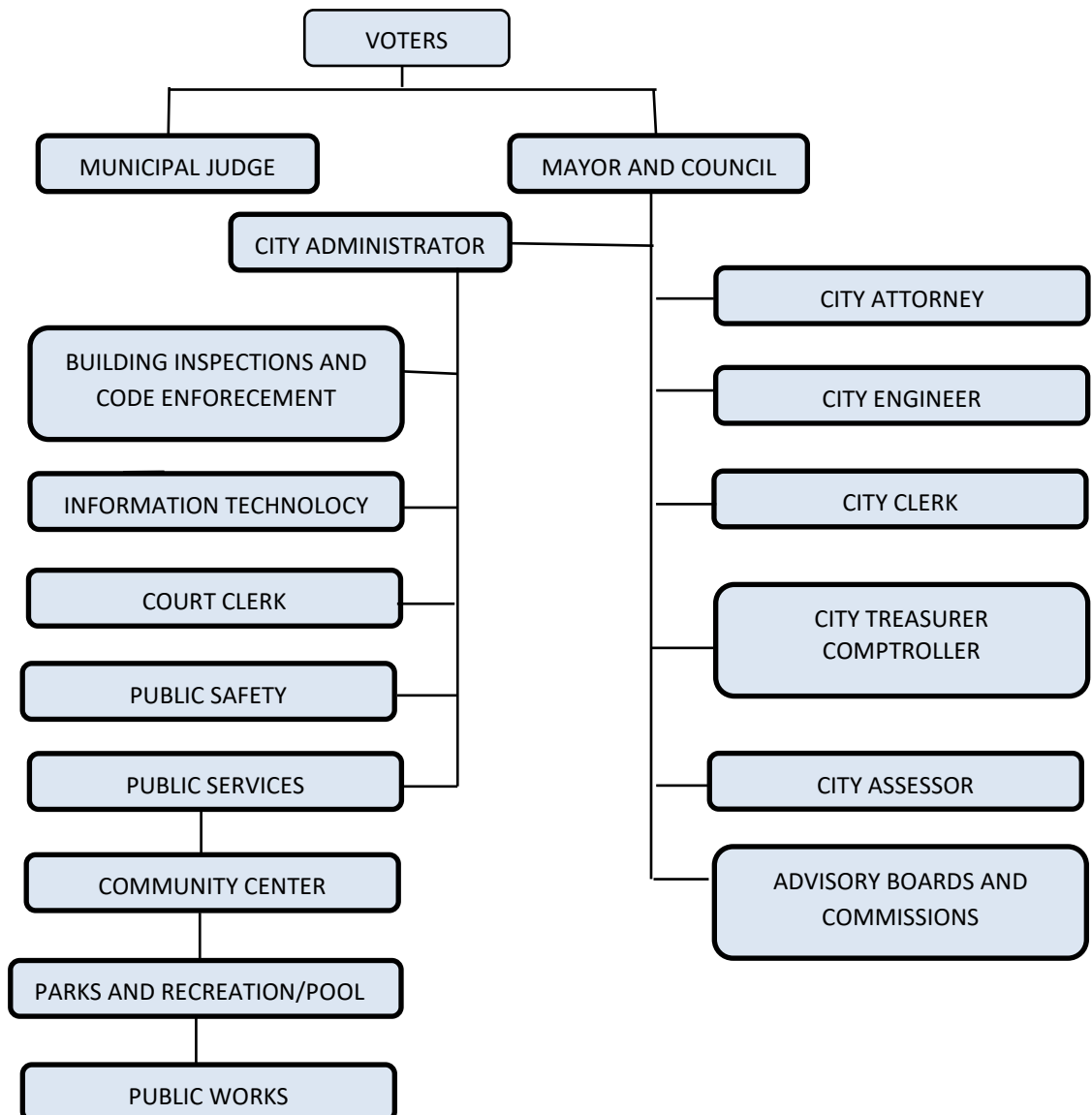
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## The City of Grosse Pointe Woods

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.

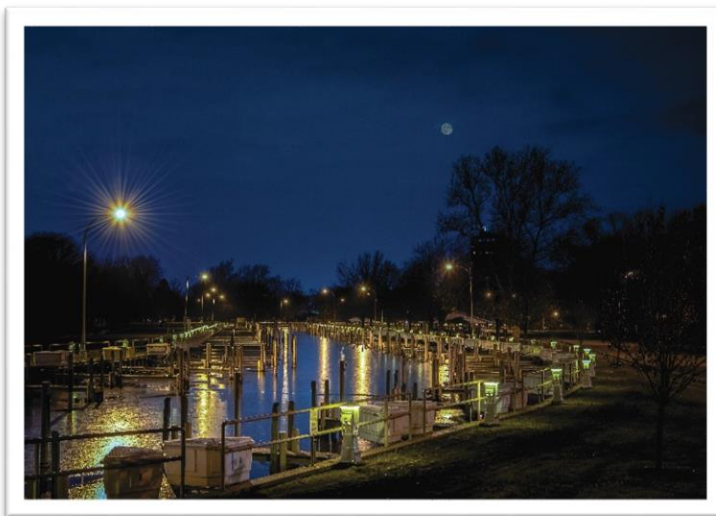
### City of Grosse Pointe Woods Organizational Chart



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**



**Lake Front Park Marina**

**Residents enjoying  
Miniature Golf at Lake  
Front Park**





**Annual Easter Egg Hunt**

**Annual Public Safety  
Open House**



**Senior Holiday Social**



**Annual City Picnic  
Lake Front Park Pool**

**Residents enjoying lunch at  
Lake Front Park**



**Beautification Commission  
Annual Flower Sale**





**Annual Labor Day Bridge Walk – Lake Front Park**

**Music on the Lawn**



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



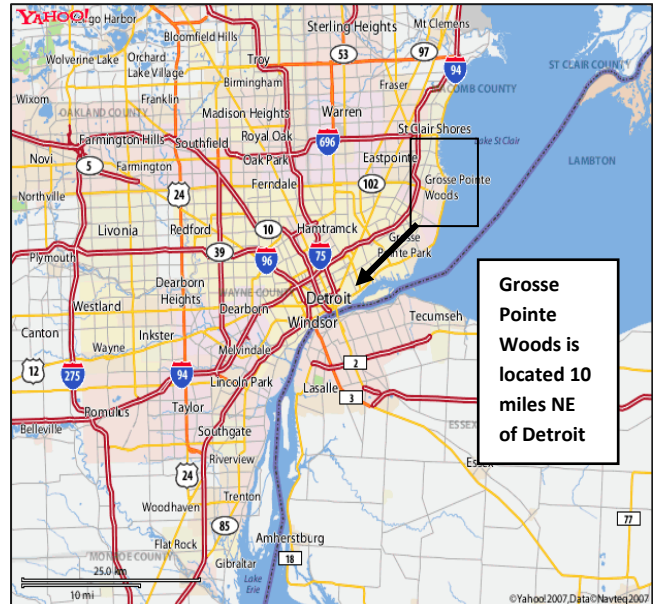
## Demographics

### City of Grosse Pointe Woods

Numbers at a Glance

Area: 3.3 Square Miles  
 Population: 16,135 (2010 Census)  
 Median Household Income: \$ 99,019  
 Median Age: 45  
 Median Home Value: \$282,794  
 Equalized Assessed Value: 2019  
 723,000,000  
 Total Housing Units: 6,819  
 Total Full-Time Employees: 80

Sources: 2010 US Census Bureau, 2020 CAFR



### City of Grosse Pointe Woods Major Taxpayers

Taxpayer	Type	Taxable Value
DRSN Real Estate GP LLC	Apartment Complex	13,886,938
DTE Gas Co.	Utility	13,410,800
Health Care Reit Inc	Assisted Living	6,820,090
Pointe Plaza	Office Building	5,128,423
Detroit Edison	Utility	4,382,347
VDG Mack Ave LLC	Office Building	2,187,530
Briarcliff 2014	Private Club	1,745,130
Lochmoor Club	Private Club	1,624,740
A H Peters Funeral Home	Mortuary	1,522,521
Comerica	Bank	1,384,476
Kroger Co. of Michigan	Grocery	1,278,441
St John Health System	Hospital	1,254,141
		<u>54,625,577</u>

### 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
City of Grosse Pointe Woods	Municipal	80



## **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 cost containment initiatives, expanding community partnerships and alternative funding sources to maintain the high level of public services provided by our community.

- Road repair and reconstruction continue to be a priority for the City. With the completion of the 2017 road program, funded through the subsequent issuance of a road debt bond in 2017, the City has approved additional road projects in fiscal year 2019-2020. The road projects include the reconstruction of Beaufait and the resurfacing of Oxford with asphalt joint repair on Fairway and Holiday. Funding of \$1.49 million for this project will come from the General Fund fund balance and the water and sewer reserves.
- In partnership with the Michigan Department of Treasury the resurfacing of Vernier Road from Morningside to Fairway was completed in fiscal year 2019-2020. This construction project was awarded to the City through Federal Surface Transportation Funding (STP). The STP provides flexible funding that may be used by state and local government for projects to preserve and improve the conditions on any Federal-aid highway. The Vernier Road project estimated cost was \$1.32 million. The City was obligated to fund 100% of the engineering cost and 20% of the construction costs; the total cost to the City was \$466,588.
- City Council authorized the 2019 Water Main Capital Improvement Program in the amount of \$1.14 million in the spring of fiscal year 2019-2020. The project includes replacing 3,647 feet of 65 year old eight inch water main on Bournemouth, Raymond, Linville, Kingsville and the easement water main that run between homes on South Renaud, North Saddle Lane and Lakeshore Lane. Funding for this project will come from water and sewer reserves.
- City Council authorized the 2019 Sewer Open Cut Repair Program in the amount of \$645,779 in the winter of fiscal year 2019-2020. The critical sewer repairs were deemed necessary as a direct result of sewer line infrastructure information gathered through the use of funds provided under the Stormwater Asset Management and Wastewater (SAW) Grant awarded to the City in 2017.
- The City has realized an increase of \$69,000 in the general fund balance for fiscal year 2019-2020, exclusive of the Cable Franchise and Local Street funds. The increase is the result of a decrease in expenditures related to operating and personnel expenses.
- 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.

- March 23, 2020 Governor Gretchen Whitmer signed Executive Order 20-21 directing all Michigan businesses and operations to temporarily suspend in-person operations that were not necessary to sustain or protect life. City administration, in conjunction with the Mayor and City Council, immediately suspended all city operations with the exception of the public safety and public works departments and directed staff to “Stay Home, Stay Safe” as the unprecedented crisis of the COVID-19 pandemic unfolded. Pursuant to authority granted by city council, city administration provided our information technology department with the equipment and resources needed to establish remote workstations for essential city employees and daily e-blasts were provided to the community offering resources and information. City offices remained closed to the public from March 24, 2020 through July 10, 2020. During this time period all city service remained intact with staff performing in an exemplary manner while providing exceptional service to our community.
- Many of our community events including; Music on the Lawn, Fall Fest, Annual Flower Sale and the Annual City Picnic were cancelled during fiscal year 2019-2020 due to the COVID-19 pandemic. The City will proceed with caution in scheduling community events, in fiscal year 2020-2021. Our hope is to regain a new normal and bring back all of the city’s community events.

### **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 2019 data and displays the change in revenue from fiscal year 2019 to fiscal year 2020. There were slight fluctuations in the various revenue categories, resulting in an increase in General Fund revenue of \$313,167.

<b>Revenue</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>Property Taxes</b>	\$ 10,241,873	\$ 10,008,480	\$ 233,393
<b>Franchise Fees</b>	\$ 369,566	336,174	\$ 33,392
<b>State and Local Sources</b>	\$ 2,093,809	2,261,179	\$ (167,370)
<b>Charges for Service</b>	\$ 600,775	662,376	\$ (61,601)
<b>Fines and Forfeitures</b>	\$ 253,797	305,384	\$ (51,587)
<b>Interest Income</b>	\$ 195,494	285,176	\$ (89,682)
<b>Other Revenue</b>	\$ 927,916	511,294	\$ 416,622
<b>Total Revenue</b>	<b>\$ 14,683,230</b>	<b>\$ 14,370,063</b>	<b>\$ 313,167</b>

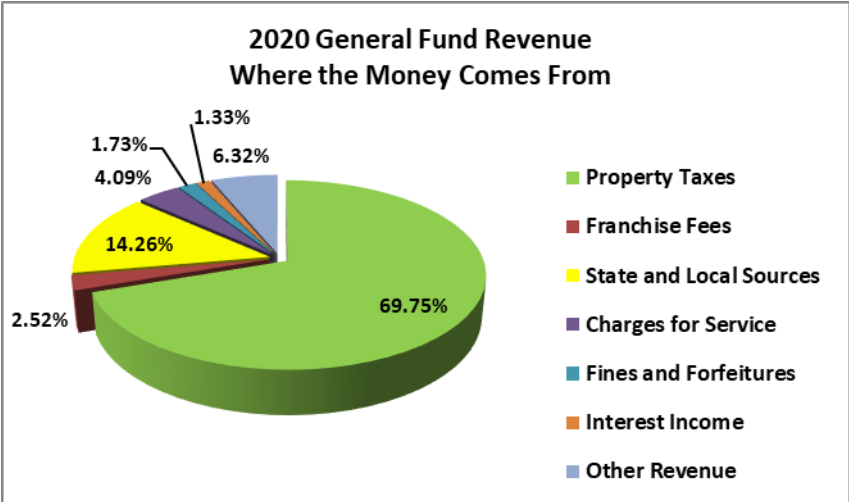
Property taxes continue to be the City’s largest source of revenue; slow but steady increases have been realized for the last three fiscal years. After the 2007 housing market decline, the City has had incremental increases with a CPI of 1.9 percent for fiscal year 2019-2020. Although the millage rate is essentially at the Headlee cap, the general operating property tax revenue increased \$233,393 from fiscal year 2018-2019.

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 2019-2020. During fiscal year 2019-2020, revenue from State and Local sources decreased \$167,370 from fiscal year 2018-2019.

Revenue from District Court fees and fines decreased by \$51,587 from fiscal year 2018-2019. This is a result of a decrease in the number of violations being issued.

Interest Income decreased \$89,682 from fiscal year 2018-2019. This is a result of a decrease in interest rates from investments and our pooled cash interest bearing account.

Other Revenue increased by \$416,622 from fiscal year 2018-2019. This is a result of an increase in insurance proceeds from water damages to the municipal offices.



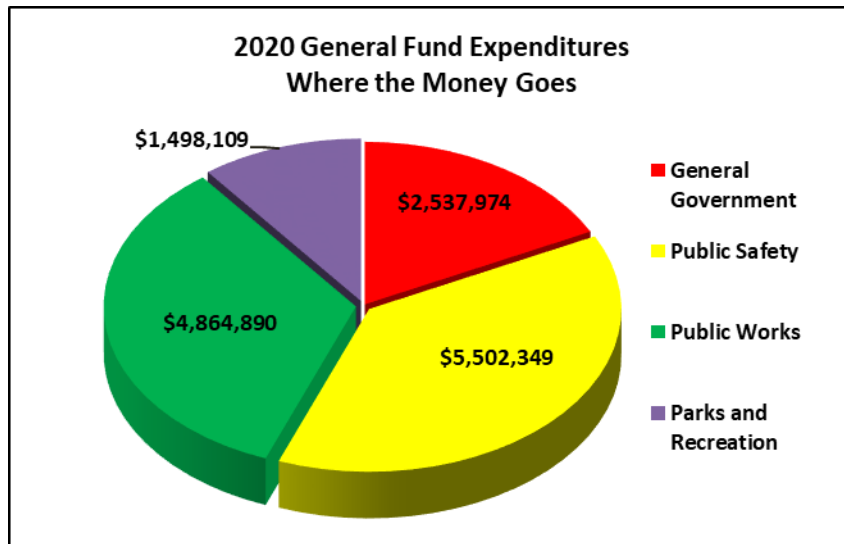
**General Fund Expenditures**

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 which account for \$10.4 million in expenditures. 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 2019 data and displays the change in expenditures from fiscal year 2019 to fiscal year 2020.

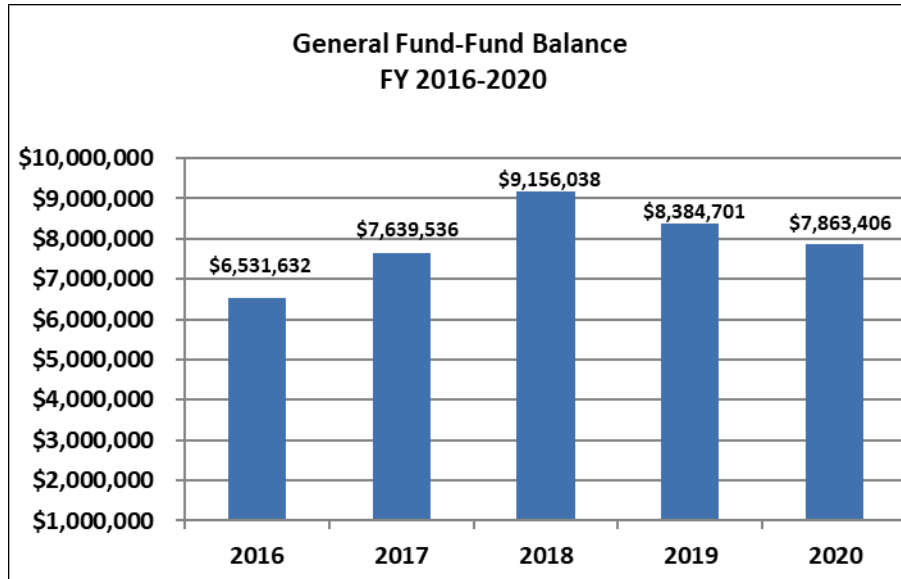
General Fund expenditures for fiscal year 2019-2020 decreased \$376,731 from fiscal year 2018-2019. The decrease is a direct result of the COVID-19 pandemic. Various expenses related to wages, operating supplies and community events decreased during fiscal year 2019-2020.

Expenditures	2020	2019	Change
General Government	\$ 2,537,974	\$ 2,877,606	\$ (339,632)
Public Safety	\$ 5,502,349	\$ 5,620,888	\$ (118,539)
Public Works	\$ 4,864,890	\$ 4,542,048	\$ 322,842
Parks and Recreation	\$ 1,498,109	\$ 1,739,511	\$ (241,402)
Municipal Improvements	\$ -	\$ -	\$ -
<b>Total Expenditures</b>	<b>\$ 14,403,322</b>	<b>\$ 14,780,053</b>	<b>\$ (376,731)</b>

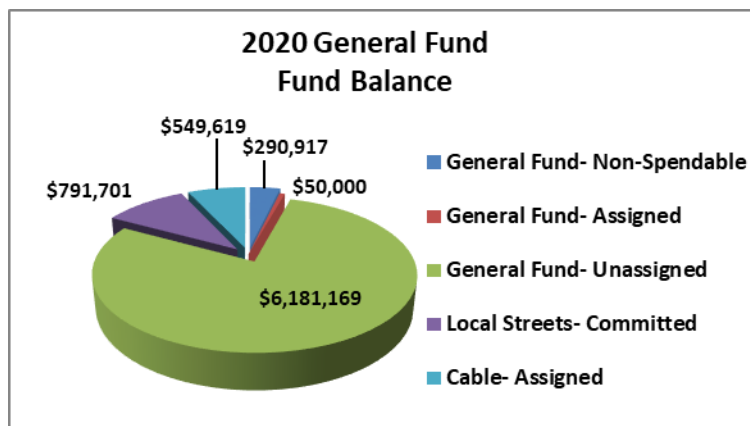


**General Fund-Fund Balance**

The last decade has been challenging, but through cost cutting initiatives and better efficiencies the City has built a strong cash reserve during fiscal years 2016-2020. The City’s total General Fund year-end fund balance is approximately \$7.9 million. This includes the Local Road fund balance of \$791,701 and Cable fund balance of \$549,619. This is a decrease of \$521,296 from fiscal year 2018-2019. The decrease in fund balance is the result of utilizing fund balance to support local road maintenance and construction projects.



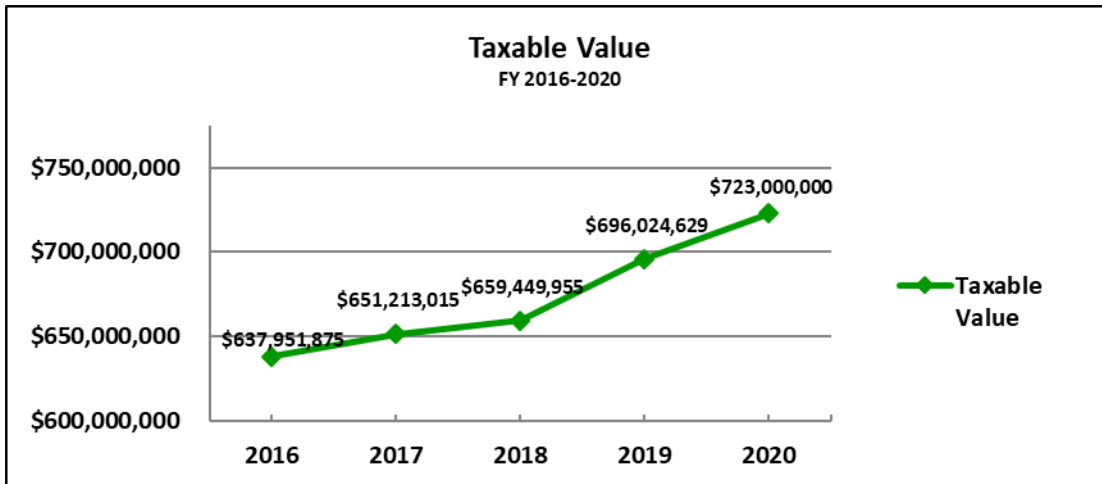
As the chart below indicates, the 2020 General fund balance is comprised of the following; \$1.7 million is committed, assigned and unspendable, leaving \$6.1 million unassigned. The unassigned amount represents approximately 43 percent of fiscal year 2019-2020 actual expenditures. This level of fund 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

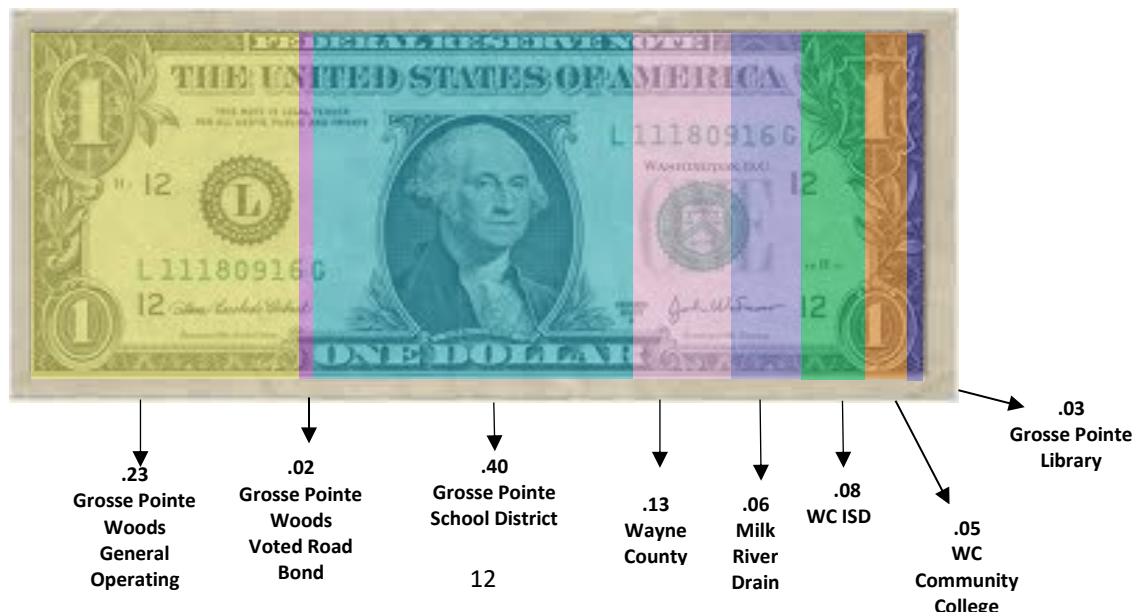
**Taxable Value**

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. In tax year 2020, the inflation rate factor was 1.9 percent and the City experienced a 3.8 percent increase in taxable value. 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 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 the voter approved road bond.

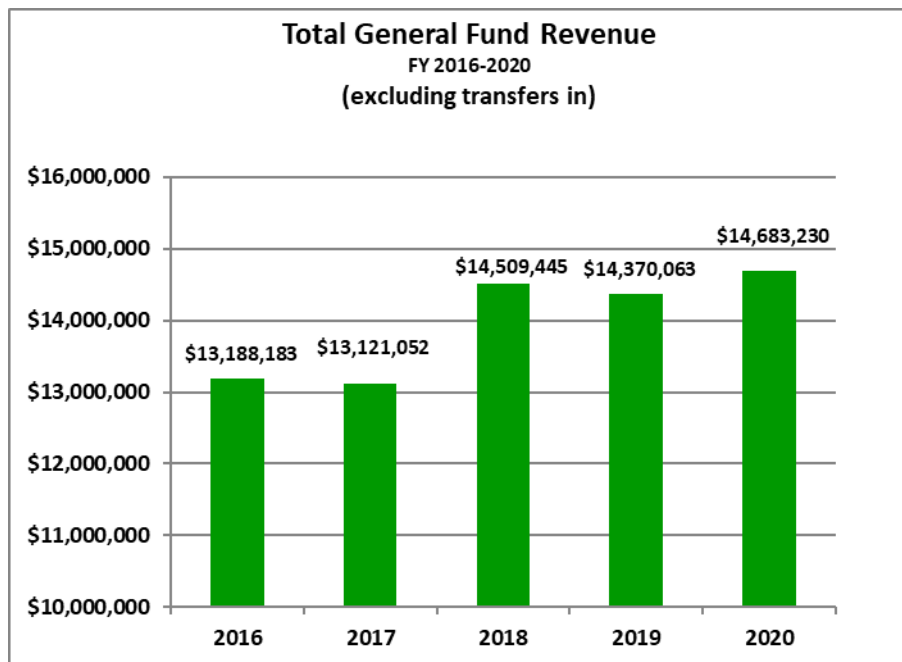


The remaining 75 cents for every dollar of property tax revenue collected is allocated to Grosse Pointe School District, Wayne County, Grosse Gratiot (Milk River) Drain, Wayne County Intermediate School District, Wayne County Community College and the Grosse Pointe Library.

**General Fund-Revenue/Expenditure History**

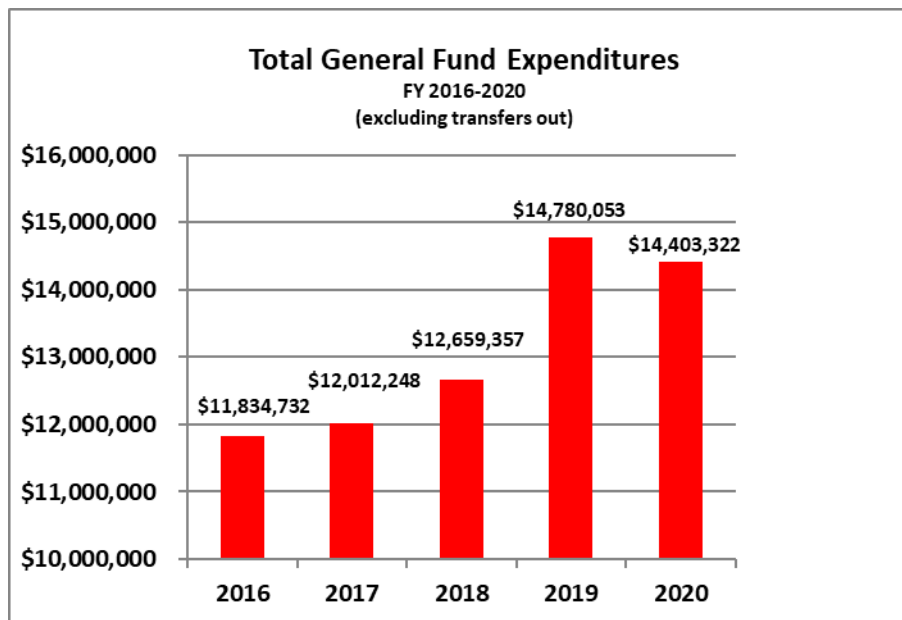
General Fund revenue experienced slight fluctuations over the last five years due to the following:

- 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 taxpayer.
- Fiscal year end 2018, payment was received from Wayne County for the delinquent property tax that was deducted from the previous year, resulting in an increase in overall revenue.
- There was a slight increase in overall general fund revenue from fiscal year 2019 to 2020; this is the result of an increase in insurance proceeds from water damages at the municipal offices.



General Fund expenditures experienced fluctuations over the last five years due to the following:

- Fiscal years ending 2016 and 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 and 2019 expenditures increased 16.75 percent. 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.
- Fiscal year 2019 and 2020 expenditures decreased by 2.55 percent. The decrease is the result of a decrease in expenditures related to the suspension of Lake Front Park activities and the deferment of the pool opening.



### **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 2019-2020 operating revenue decreased slightly by \$9,691 from fiscal year 2018-2019. Water and Sewer revenue experienced a slight decrease in user fees and parking violations were also down

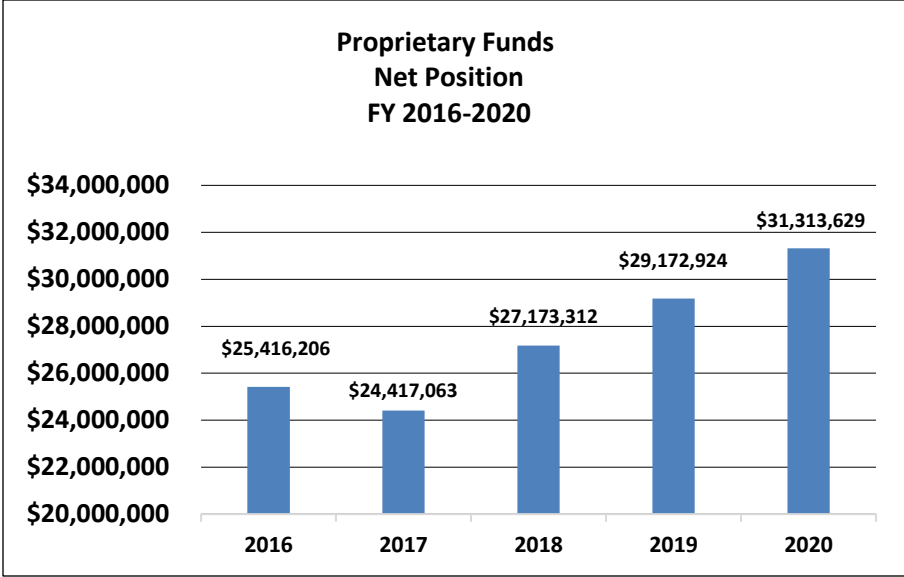


from fiscal year 2018-2019. Operating Expenditures decreased by \$190,018 from fiscal year 2018-2019, this is the result of a decrease in general and administrative costs, a decrease in operating and maintenance costs and an increase in charges from internal services funds.

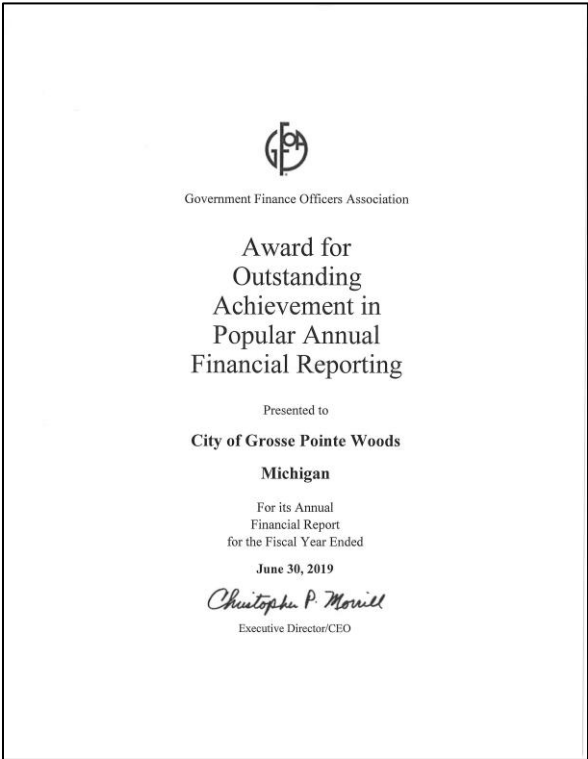
The Water & Sewer Fund has a “AA” bond rating from Standard & Poor’s This allows the City to borrow funds at the lowest possible interest rate to fund infrastructure projects. Water and Sewer rates were increased in the current year to cover increased costs to purchase water and to fund required infrastructure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

<b>Proprietary Funds</b>			
<b>Statement of Revenue, Expenses, and Changes in Net Position</b>			
<b>Fiscal Year 2020 compared to Fiscal Year 2019</b>			
	<b>Total Enterprise Funds FY 2020</b>	<b>Total Enterprise Funds FY 2019</b>	<b>Change</b>
<b>Total Operating Revenue</b>	8,840,840	8,850,531	\$ (9,691)
<b>Total Operating Expenses</b>	<u>6,793,927</u>	<u>6,983,945</u>	\$ (190,018)
<b>Operating Income</b>	2,046,913	1,866,586	\$ 180,327
<b>Total nonoperating revenue (expenses)</b>	<u>93,792</u>	<u>133,026</u>	\$ (39,234)
<b>Change in Net Position</b>	2,140,705	1,999,612	\$ 141,093
<b>Net Position-Beginning of year, as restated</b>	<u>29,172,924</u>	<u>27,173,312</u>	\$ 1,999,612
<b>Net Position-End of year</b>	<u>\$ 31,313,629</u>	<u>\$ 29,172,924</u>	\$ 2,082,089

The City’s business type activities have experienced a steady increase in net position from 2016-2020. 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, 2019. This is the (7<sup>th</sup>) seventh consecutive year the PAFR has been awarded to the City.



Please visit the City of Grosse Pointe Woods website at [www.gpwmi.us](http://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  
20025 Mack Plaza Drive  
Grosse Pointe Woods, MI 48326**

**Hours: Monday-Friday 8:30am – 5:00pm**

**City Hall: 313-343-2440**

<http://www.gpwmi.us>

