

City of Muskegon, Michigan

Citizen's Guide to Local Finances



September 2013

Affirmative Action
(231)724-6703
FAX (231)722-1214

Assessor
(231)724-6708
FAX (231)726-5181

Cemetery
(231)724-6783
FAX (231)726-5617

City Manager
(231)724-6724
FAX (231)722-1214

Civil Service
(231)724-6716
FAX (231)724-4405

Clerk
(231)724-6705
FAX (231)724-4178

Comm. & Neigh.
Services
(231)724-6717
FAX (231)726-2501

Engineering
(231)724-6707
FAX (231)727-6904

Finance
(231)724-6713
FAX (231)724-6768

Fire Department
(231)724-6792
FAX (231)724-6985

Income Tax
(231)724-6770
FAX (231)724-6768

Info. Technology
(231)724-4126
FAX (231)722-4301

Inspection Services
(231)724-6715
FAX (231)728-4371

Leisure Services
(231)724-6704
FAX (231)724-1196

Mayor's Office
(231)724-6701
FAX (231)722-1214

Planning/Zoning
(231)724-6702
FAX (231)724-6790

Police Department
(231)724-6750
FAX (231)722-5140

Public Works
(231)724-4100
FAX (231)722-4188

Treasurer
(231)724-6720
FAX (231)724-6768

Water Billing
(231)724-6718
FAX (231)724-6768

Water Filtration
(231)724-4106
FAX (231)755-5290

MUSKEGON



West Michigan's Shoreline City
www.shorelinecity.com

September 2013

Dear Citizens:

This *Citizen's Guide* is published in accordance with the requirements of the Economic Vitality Incentive Program (EVIP). We have used state-recommended reporting templates in preparing the Guide. Because of the required timeframe for submission, it is not possible to include audited financial data for the most recently completed fiscal year - June 30, 2013.

The following information is included in this *Citizen's Guide*:

1. Summary of revenues including historical trends and description of sources;
2. Summary of expenditures including historical trends and description of uses;
3. Summary of the city's financial position and fund balance levels;
4. Summary of long-term debts including pension and retiree healthcare legacy costs;
5. Projected budget report of revenues and expenditures including the current fiscal year and a projection for the immediately following year (including assumptions used) and,
6. Debt service report containing a detailed listing of the city's debt service requirements, including the issuance date, issuance amount, type of debt instrument, a listing of all revenues pledged to finance debt service by debt instrument, and a listing of the annual payment amounts.

Also in accordance with EVIP, the City has published and updated on its website an interactive performance measurement dashboard that monitors performance trends in four key areas: *Fiscal Stability, Economy, Quality of Life, and Public Safety*. The City's Dashboard can be accessed at: <http://www.muskegon-mi.gov/city-of-muskegon-dashboard/>

We hope that the *2013 Citizen's Guide to Local Finances* together with the City's performance dashboard enhances the City's transparency and public accountability. If you have any questions or comments, you can email them to finance@shorelinecity.com or call 231.724.6713.

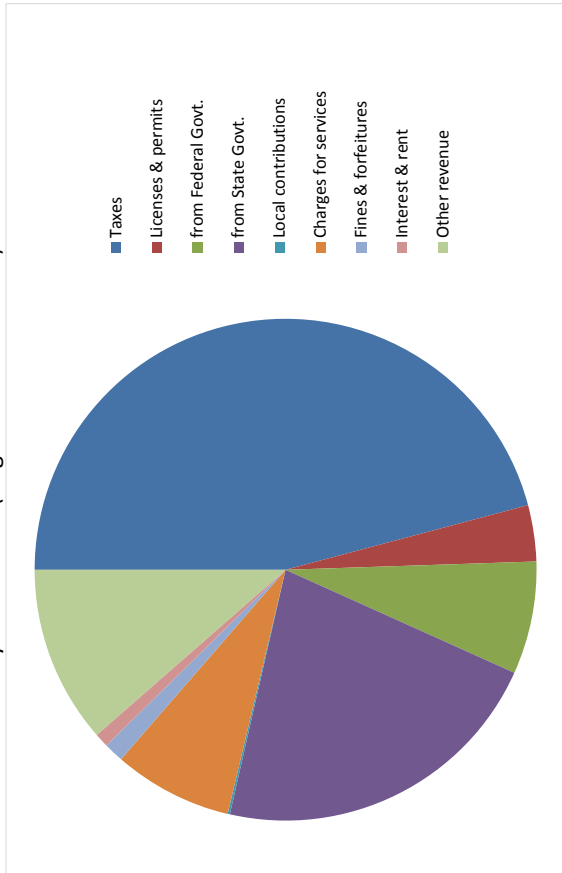
Thank you.

City of Muskegon

CITIZENS' GUIDE TO LOCAL UNIT FINANCES - City of Muskegon

REVENUES

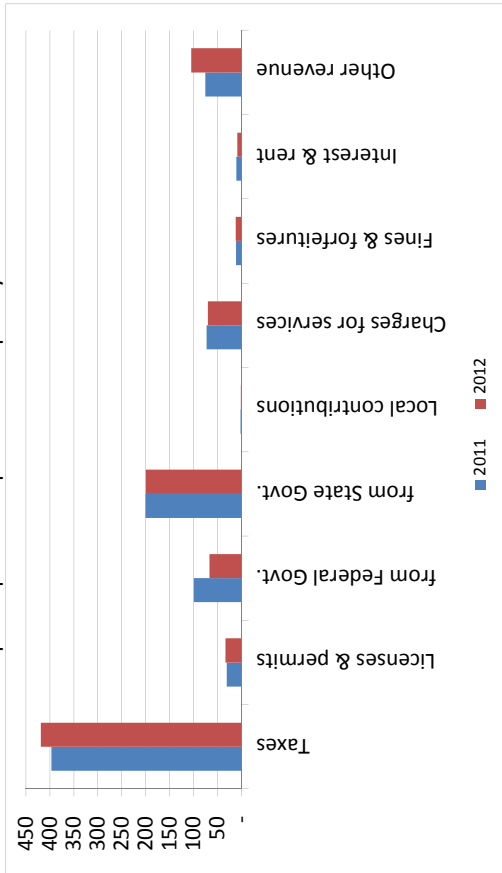
1. Where our money comes from (all governmental funds)



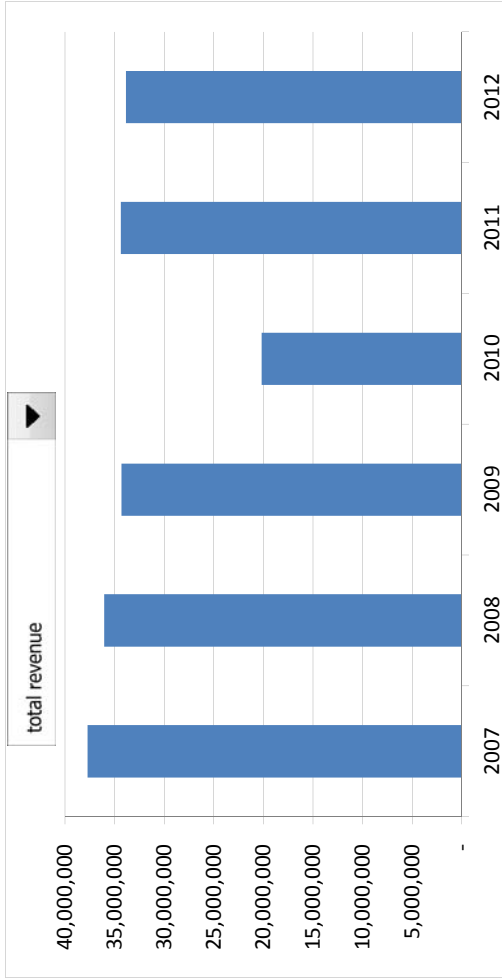
2. Compared to the prior year

	2011	2012	% change
Taxes	\$ 15,177,305	\$ 15,530,718	2%
Licenses & permits	1,179,639	1,223,034	4%
From Federal Govt.	3,793,531	2,457,952	-35%
From State Govt.	7,654,718	7,391,427	-3%
Local contributions	77,500	50,000	-35%
Charges for services	2,769,204	2,596,325	-6%
Fines & forfeitures	416,379	435,350	0
Interest & rent	412,498	307,892	(0)
Other revenue	2,890,713	3,871,755	34%
Total	\$ 34,371,487	\$ 33,864,453	-1%

3. Revenue sources per capita - compared to the prior year



4. Historical trends of individual sources



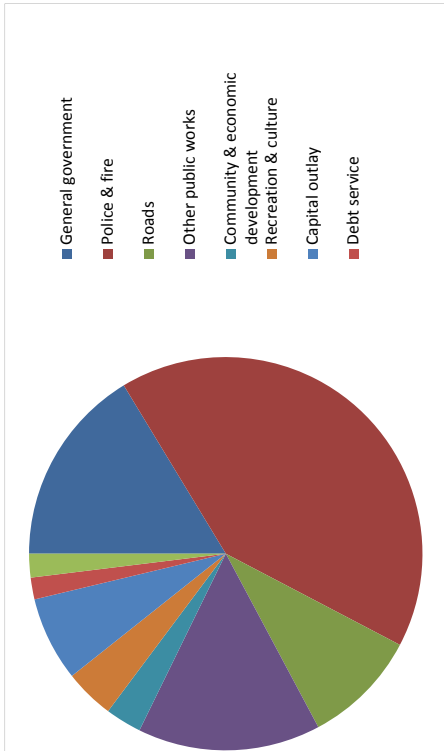
Commentary: The City of Muskegon receives most of its income from local taxes - property and local income taxes. Revenues from the state - in the form of general revenue sharing and gas tax receipts earmarked for street maintenance - are the second biggest source of income. Total revenues declined between 2011 and 2012 primarily due to lower payments from state and federal sources.

NOTE: In 2010 the City changed its fiscal year from a 12/31 year-end to a 6/30 end date. Thus, figures shown above for 2010 represent a shortened six-month transition

CITIZENS' GUIDE TO LOCAL UNIT FINANCES - City of Muskegon

EXPENDITURES

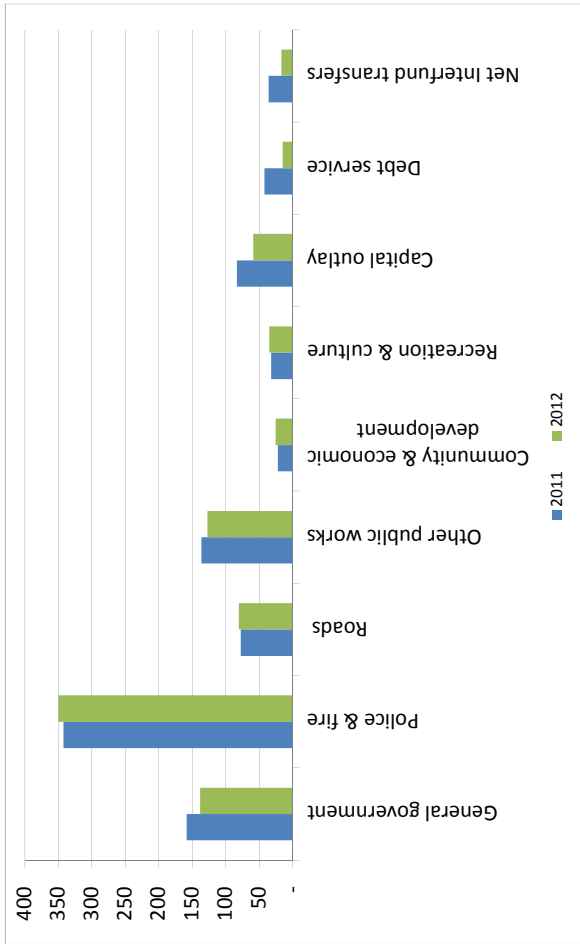
1. Where we spend our money (all governmental funds)



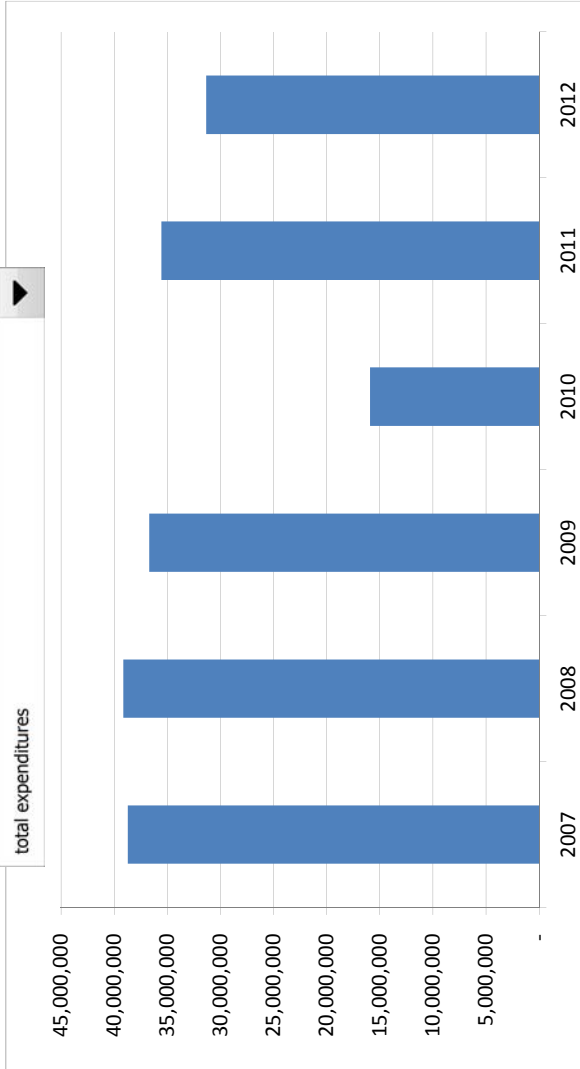
2. Compared to the prior year

	2011	2012	% change
General government	\$ 6,051,674	\$ 5,119,925	-15%
Police & fire	13,087,976	12,963,122	-1%
Other public safety	-	-	n/a
Roads	2,967,261	2,985,194	1%
Other public works	5,214,329	4,712,002	-10%
Health & welfare	-	-	n/a
Community & economic development	845,394	934,580	11%
Recreation & culture	1,217,225	1,285,955	6%
Capital outlay	3,183,905	2,180,092	-32%
Debt service	1,612,441	557,912	-65%
Unallocated fringes & insurance	-	-	n/a
Net interfund transfers	1,376,740	613,953	-55%
total expenditures	\$ 35,556,945	\$ 31,352,735	-12%

3. Spending per capita - compared to the prior year



4. Historical trends of individual departments:



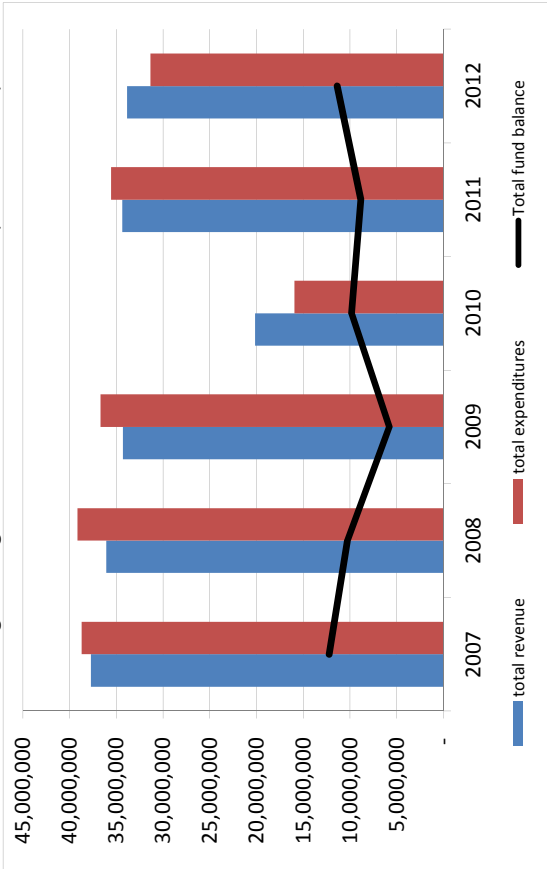
Commentary: The charts above summarize how the City spends its money. By far, the largest share of the expenditure pie goes to public safety (fire and police). Roads and other public works account for the second largest category of expenditure.

NOTE: In 2010 the City changed its fiscal year from a 12/31 year-end to a 6/30 end date. Thus, figures shown above for 2010 represent a shortened six-month transition period (i.e. 1/1/10 through 6/30/10). This should be taken into account when making year to year comparisons.

CITIZENS' GUIDE TO LOCAL UNIT FINANCES - City of Muskegon

FINANCIAL POSITION

1. How have we managed our governmental fund resources (fund balance)?

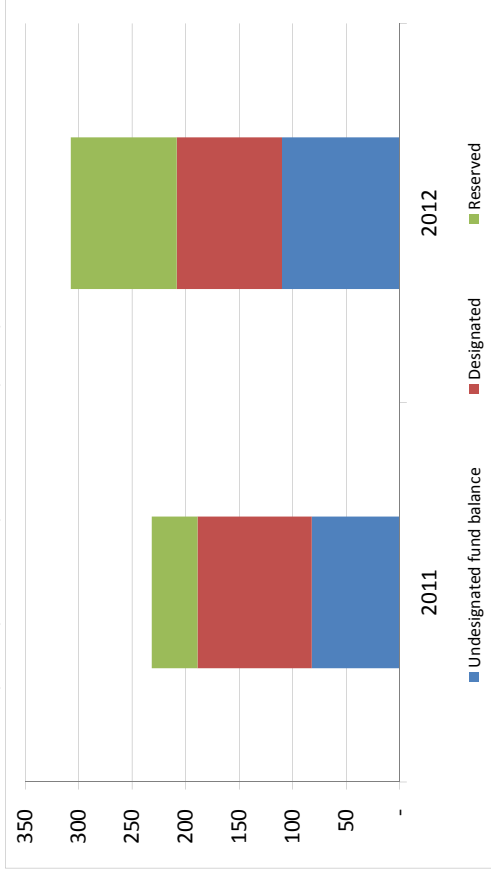


2. Compared to the prior year

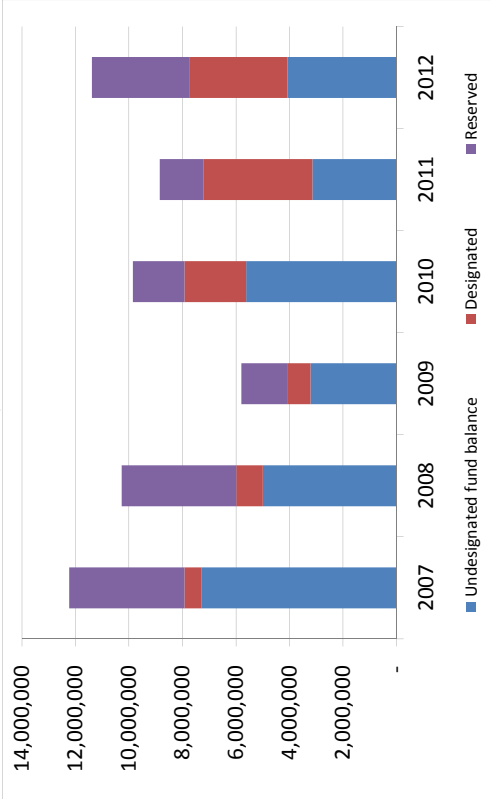
	2011	2012	% change
Revenue	34,371,487	33,864,453	-1%
Expenditures	35,556,945	31,352,735	-12%
Surplus (shortfall)	(1,185,458)	2,511,718	-312%

Fund balance, by component:	2011	2012	% change
Reserved	1,626,952	3,663,541	125%
Designated	4,089,984	3,644,056	-11%
Undesignated	3,136,377	4,074,557	30%
total fund balance	8,853,313	11,382,154	29%

3. Fund balance per capita - compared to the prior year



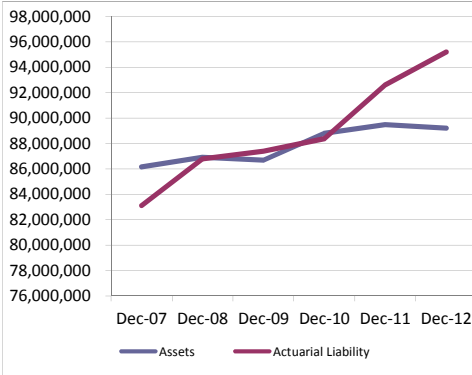
4. Historical trends of individual components



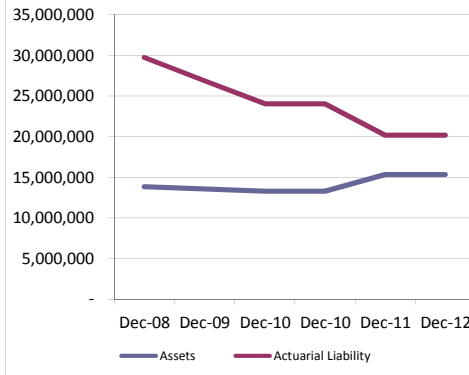
Commentary: The City's governmental fund balance position increased 29% between FY11 and FY12. The increase is attributable to: a) reduced costs resulting from budgetary adjustments to keep operations within revenues and means and, b) issuance of \$2.0 million in bonds to provide local matching funds for state and federal grants to fund street improvement projects.

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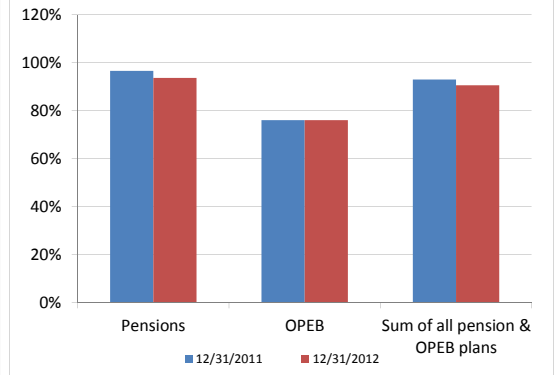
1. Pension funding status



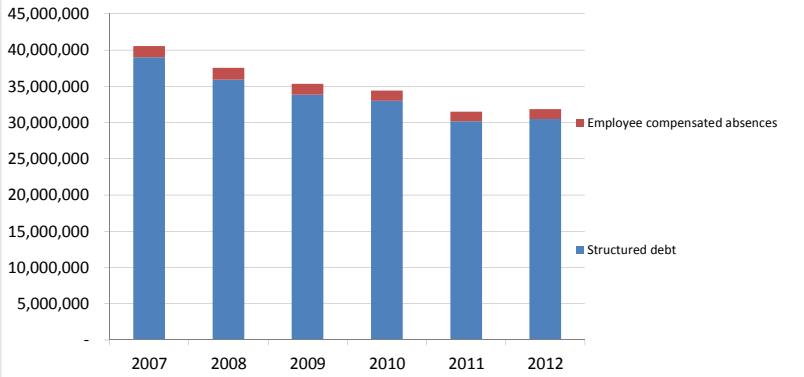
2. Retiree Health care (OPEB) funding status



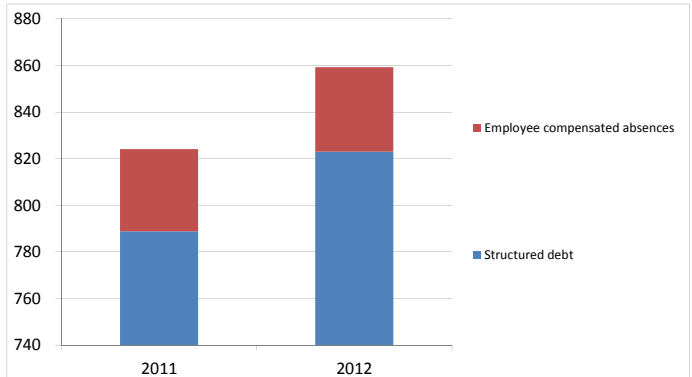
3. Percent funded - compared to the prior year



4. Long Term Debt obligations:



5. Debt & other long term obligations per capita - compared to the prior year



Commentary: The City is fortunate to have comparatively well-funded retirement retirement plans. For many state and cities throughout the US, large unfunded liabilities are causing severe financial problems. As of the 12/31/12 actuarial valuation (most recent available), the City's pension system was 94% funded. As of the 12/31/11 OPEB actuarial valuation (most recent available), the City's retiree healthcare plan is 76.0% funded.

A March 2013 study ("*Funding the Legacy - The Cost of Municipal Workers' Retirement Benefits to Michigan Communities*") reported that Muskegon had one of the 10 best funded OPEB plans in Michigan for communities in the 30,000 to 200,000 population range. It is worth noting that the study was based on 12/31/09 OPEB valuations - at which time Muskegon's funding level was 55%. The 12/31/11 valuation showed the funding level stood at an even better 76%.

The City's long-term debt load from borrowing for things like streets, fire stations and water plant improvements is comparatively low and trending downward. Per capita "structured debt" rose between 2011 and 2012 due to: a) issuance of \$2 million in new debt for street improvements and, b) lower estimated population count for the City.

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Characteristics of the 10 local units with highest funded status in the 30,001-200,000 population category are shown in Figure 13. Characteristics of 10 Local Units with the Highest Funded OPEB Plans in the 30,001-200,000 Population Category.

These units demonstrate progressive efforts to confront the OPEB liability: closing the plan to new hires, introducing employee and/or retiree cost participation, implementing a healthcare savings plan (HCSP), and benefitting from investment earnings on plan assets. Though this cursory analysis doesn't explain why these units began prefunding,

the overall characteristics indicate strong management and oversight.

How does OPEB prefunding compare to defined-benefit pension funding?

Pensions are a natural benchmark for OPEB because of the similarities noted earlier. Pensions in the cities that also provide OPEB are funded overall at 86 percent (see Figure 14, Funded Status of Pension Plans). Of the 284 local units in this OPEB analysis, 247 provide a defined benefit pension plan.

Local Unit Name	County	OPEB Liability	OPEB Liability Funded Status	OPEB DB Plan Status	Some Level of OPEB Cost Participation		
					Disclosed?	Offers HCSP?	Administrator?
Kentwood	Kent	\$ 1,708,613	109%	Open	yes		no
Portage	Kalamazoo	4,138,629	107%	Open	no		yes
Troy	Oakland	89,952,000	67%	Open	yes		yes
Macomb Township	Macomb	16,794,869	64%	Open	no		no
Farmington Hills	Oakland	74,937,594	59%	Open	yes		yes
Rochester Hills	Oakland	3,475,690	59%	Closed	no	yes	yes
Muskegon	Muskegon	24,024,000	55%	Open	no		yes
Novi	Oakland	19,936,733	46%	Both	yes	yes	yes
West Bloomfield							
Charter Township	Oakland	54,464,291	41%	Both	no		no
Livonia	Wayne	153,223,000	39%	Both	yes	yes	yes

Figure 13. Characteristics of 10 Local Units with the Highest Funded OPEB Plans in the 30,001-200,000 Population Category.

Projected Budget Report

City of Muskegon
612020
30-Jun-14
General

Local Government Name:
Local Unit Code:
Current Fiscal Year End Date:
Fund Name:

REVENUES	Current Year Budget (FY 2014)	Percentage Change	Year 2 Budget (FY 2015)	Assumptions
Property Taxes	\$ 7,030,752	(5) %	\$ 6,679,214	Continued phaseout of BC Cobb power plan
Other Taxes	-	- %	-	Slight growth based on recent year over year
State Revenue Sharing	\$ 3,776,201	1 %	\$ 3,813,963	Slight growth based on recovering economy and job growth
Income Tax	\$ 7,600,000	1 %	\$ 7,676,000	
Fines & Fees	\$ 432,000	- %	\$ 432,000	
Licenses & Permits	\$ 1,245,500	1 %	\$ 1,257,955	User fee adjustments; increased economic activity
Interest Income	\$ 50,000	20 %	\$ 60,000	Rising rates
Grant Revenues	\$ 57,675	- %	\$ 57,675	
Other Revenues	\$ 2,838,828	(3) %	\$ 2,753,663	Declining CDBG funding to support GF services
Interfund Transfers (In)	\$ 152,249	556 %	\$ 998,753	Transfer in from budget stabilization reserves may be requirec
Total Revenues	\$ 23,183,205		\$ 23,729,224	
EXPENDITURES				
General Government	\$ 3,735,813	2 %	\$ 3,810,529	Wage and pension increases
Police and Fire	\$ 12,433,817	3 %	\$ 12,806,832	Wage and pension increases
Other Public Safety	\$ 444,467	- %	\$ 444,467	Wage and pension increases
Roads	-	- %	-	
Other Public Works	\$ 4,234,632	2 %	\$ 4,319,325	Wage and pension increases
Health and Welfare	-	- %	-	
Community & Economic Dev.	\$ 960,000	2 %	\$ 979,200	Wage and pension increases
Recreation & Culture	\$ 336,269	- %	\$ 336,269	
Capital Outlay	\$ 121,000	- %	\$ 121,000	
Debt Service	\$ 280,000	(3) %	\$ 273,000	Lower scheduled debt service
Other Expenditures	\$ 501,656	- %	\$ 501,656	
Interfund Transfers (Out)	\$ 728,046	10 %	\$ 800,851	Increased transfer to SmartZone for debt service
Total Expenditures	\$ 23,775,700		\$ 24,393,128	
Net Revenues (Expenditures)	\$ (592,495)		\$ (663,904)	
Beginning Fund Balance	\$ 5,552,504		\$ 4,960,009	
Ending Fund Balance	\$ 4,960,009		\$ 4,296,105	

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2013

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2012	6/30/2013	Annual Interest Payable
Business-Type Activities Bonds and Loans Payable:							
Water supply system bonds (\$119,764 unamortized premium)	4/1/2010	\$ 5,995,000	3.00%	05/01/13	\$ 610,000	\$ -	-
			2.77%	05/01/14	640,000	640,000	153,788
			3.50%	05/01/15	660,000	660,000	136,088
Type of debt: revenue bond			3.25%	05/01/16	685,000	685,000	112,988
Revenue pledged: water system net revenues			4.00%	05/01/17	710,000	710,000	90,725
			4.00%	05/01/18	740,000	740,000	62,325
			4.25%	05/01/19	770,000	770,000	32,725
					<u>4,815,000</u>	<u>4,205,000</u>	<u>588,638</u>
Drinking Water State Revolving Fund (DWSRF)	3/2/2004	\$ 13,900,000	2.13%	10/01/12	640,000	-	-
			2.13%	10/01/13	655,000	655,000	198,847
			2.13%	10/01/14	670,000	670,000	184,769
Type of debt: state loan			2.13%	10/01/15	685,000	685,000	170,372
Revenue pledged: water system net revenues			2.13%	10/01/16	695,000	695,000	155,709
			2.13%	10/01/17	710,000	710,000	140,781
			2.13%	10/01/18	725,000	725,000	125,534
			2.13%	10/01/19	745,000	745,000	109,916
			2.13%	10/01/20	760,000	760,000	93,925
			2.13%	10/01/21	775,000	775,000	77,616
			2.13%	10/01/22	790,000	790,000	60,988
			2.13%	10/01/23	810,000	810,000	43,988
			2.13%	10/01/24	825,000	825,000	26,616
			2.13%	10/01/25	840,000	840,000	8,925
					<u>10,325,000</u>	<u>9,685,000</u>	<u>1,397,984</u>
TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE					<u>\$ 15,140,000</u>	<u>\$ 13,890,000</u>	<u>\$ 1,986,622</u>

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2013

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2012	6/30/2013	Annual Interest Payable
Governmental Activities Bonds and Loans Payable:							
Capital improvement bonds of 2003 (sidewalks)	3/1/2003	\$ 1,575,000	3.80%	06/01/13	130,000	-	-
			3.90%	06/01/14	135,000	135,000	17,140
			4.00%	06/01/15	145,000	145,000	11,875
Type of debt: limited G.O. bond			4.05%	06/01/16	150,000	150,000	6,075
Revenue pledged: special assessments, general revenues					<u>560,000</u>	<u>430,000</u>	<u>35,090</u>
Capital improvement bonds of 2006 (fire station, recreation) (\$12,306 unamortized discount)	10/24/2006	\$ 5,400,000	4.00%	10/01/12	70,000	-	-
			4.00%	10/01/13	70,000	70,000	205,545
			4.00%	10/01/14	70,000	70,000	202,745
			4.00%	10/01/15	70,000	70,000	199,945
Type of debt: limited G.O. bond			4.00%	10/01/16	70,000	70,000	197,145
Revenue pledged: general revenues			4.00%	10/01/17	70,000	70,000	194,345
			4.00%	10/01/18	70,000	70,000	191,545
			4.00%	10/01/19	295,000	295,000	184,245
			4.00%	10/01/20	305,000	305,000	172,245
			4.00%	10/01/21	315,000	315,000	159,845
			4.00%	10/01/22	315,000	315,000	147,245
			4.00%	10/01/23	320,000	320,000	134,545
			4.00%	10/01/24	340,000	340,000	121,345
			4.00%	10/01/25	345,000	345,000	107,645
			4.00%	10/01/26	345,000	345,000	93,845
			4.10%	10/01/27	345,000	345,000	79,873
			4.10%	10/01/28	350,000	350,000	65,625
			4.10%	10/01/29	350,000	350,000	51,275
			4.20%	10/01/30	350,000	350,000	36,750
			4.20%	10/01/31	350,000	350,000	22,050
			4.20%	10/01/32	350,000	350,000	7,350
					<u>5,165,000</u>	<u>5,095,000</u>	<u>2,575,153</u>
Capital improvement bonds of 2011 (streets)	9/30/2011	\$ 2,000,000	2.98%	09/01/12	175,000	-	-
			2.98%	09/01/13	180,000	180,000	51,703
			2.98%	09/01/14	185,000	185,000	46,265
Type of debt: limited G.O. bond			2.98%	09/01/15	190,000	190,000	40,677
Revenue pledged: gas tax, general revenues			2.98%	09/01/16	195,000	195,000	34,941
			2.98%	09/01/17	200,000	200,000	29,056
			2.98%	09/01/18	210,000	210,000	22,947
			2.98%	09/01/19	215,000	215,000	16,614
			2.98%	09/01/20	220,000	220,000	10,132
			2.98%	09/01/21	230,000	230,000	3,427
					<u>2,000,000</u>	<u>1,825,000</u>	<u>255,762</u>
State of Michigan environmental assessment loan	6/18/2010	\$ 500,000	2.00%	03/18/13	20,211	-	-
			2.00%	03/18/14	20,615	20,615	2,601
			2.00%	03/18/15	21,027	21,027	2,189
Type of debt: state loan			2.00%	03/18/16	21,448	21,448	1,768
Revenue pledged: general revenues			2.00%	03/18/17	21,877	21,877	1,339
			2.00%	03/18/18	22,314	22,314	902
			2.00%	03/18/19	22,761	22,761	455
					<u>150,253</u>	<u>130,042</u>	<u>9,254</u>
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					<u>\$ 7,875,253</u>	<u>\$ 7,480,042</u>	<u>\$ 2,875,259</u>
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					<u>\$ 23,015,253</u>	<u>\$ 21,370,042</u>	<u>\$ 4,861,880</u>

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2013

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2012	6/30/2013	Annual Interest Payable
Discretely Presented Component Unit Bonds and Loans Payable:							
Downtown Development Authority promissory note to Muskegon County	8/10/1989	\$ 1,000,000	0.00%	08/30/19	\$ 1,000,000	\$ 1,000,000	\$ -
					1,000,000	1,000,000	-
Type of debt: intergovernmental note Revenue pledged: DDA tax increments							
Downtown Development Authority refunding bonds (\$28,736 unamortized premium)	3/22/2011	\$ 2,045,000	2.50%	06/01/13	275,000	-	-
			2.75%	06/01/14	280,000	280,000	52,288
			3.25%	06/01/15	285,000	285,000	44,588
			3.50%	06/01/16	300,000	300,000	35,326
			3.75%	06/01/17	310,000	310,000	24,826
			4.00%	06/01/18	330,000	330,000	13,200
					1,780,000	1,505,000	170,228
Type of debt: limited G.O. bond Revenue pledged: DDA tax increments, general revenues							
Local Development Finance Authority Smartzone Bonds	11/1/2002	\$ 4,725,000	4.00%	11/01/12	180,000	-	-
			3.90%	11/01/13	-	-	-
			4.05%	11/01/14	-	-	-
			4.05%	11/01/15	-	-	-
			4.15%	11/01/16	-	-	-
			4.25%	11/01/17	-	-	-
			4.35%	11/01/18	-	-	-
			4.45%	11/01/19	-	-	-
			4.60%	11/01/20	-	-	-
			4.60%	11/01/21	-	-	-
			4.60%	11/01/22	-	-	-
			4.85%	11/01/23	-	-	-
			4.85%	11/01/24	-	-	-
			4.85%	11/01/25	-	-	-
					180,000	-	-
Type of debt: limited G.O. bond Revenue pledged: LDFA tax increments, general revenues							
Local Development Finance Authority Smartzone Refunding Bonds (\$276,196 unamortized premium)	3/20/2012	\$ 4,100,000	0.00%	11/01/12	-	-	-
			0.00%	11/01/13	260,000	260,000	125,300
			2.00%	11/01/14	320,000	320,000	119,500
			2.00%	11/01/15	335,000	335,000	112,950
			2.00%	11/01/16	345,000	345,000	104,425
			3.00%	11/01/17	355,000	355,000	93,925
			3.00%	11/01/18	375,000	375,000	81,100
			4.00%	11/01/19	390,000	390,000	65,800
			4.00%	11/01/20	395,000	395,000	50,100
			4.00%	11/01/21	245,000	245,000	37,300
			4.00%	11/01/22	255,000	255,000	28,575
			3.00%	11/01/23	265,000	265,000	20,775
			3.00%	11/01/24	275,000	275,000	12,675
			3.00%	11/01/25	285,000	285,000	4,275
					4,100,000	4,100,000	856,700
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE					\$ 7,060,000	\$ 6,605,000	\$ 1,026,928
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE					\$ 30,075,253	\$ 27,975,042	\$ 5,888,808