



City of Muskegon, Michigan

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# Citizen's Guide to Local Finances

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September 2014

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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](http://www.shorelinecity.com)

September 2014

Dear Citizens:

This *Citizen's Guide* is published in accordance with the requirements of the City, Village, and Township Revenue Sharing/County Incentive Program (CVTRS). 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, 2014.

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.

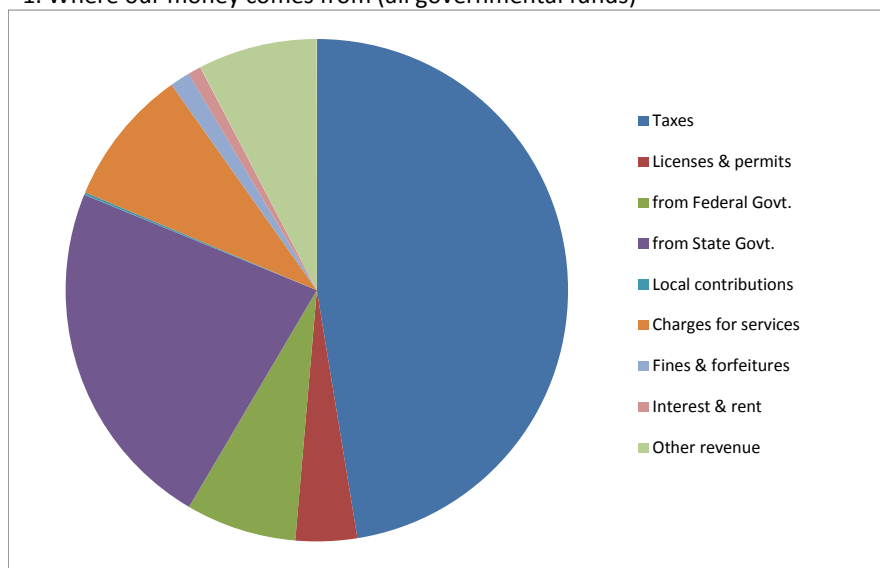
Also in accordance with CVTRS, the City has published and updated on its website an interactive performance measurement dashboard that monitors performance trends in four key areas: *Fiscal Stability, Economy, Quality of Life, and Public Safety*. The City's Dashboard can be accessed at: <http://www.muskegon-mi.gov/city-of-muskegon-dashboard/>

We hope that the *2014 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](mailto:finance@shorelinecity.com) or call 231.724.6713.

Thank you.

City of Muskegon

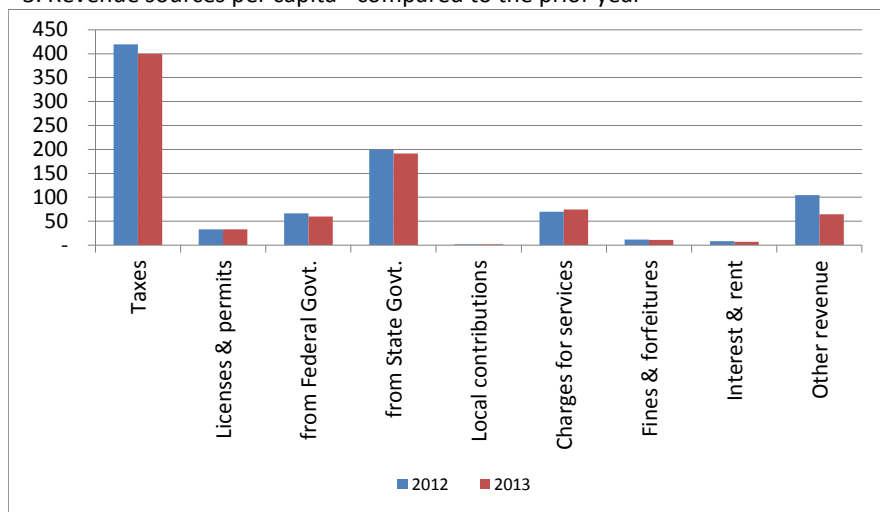
## 1. Where our money comes from (all governmental funds)



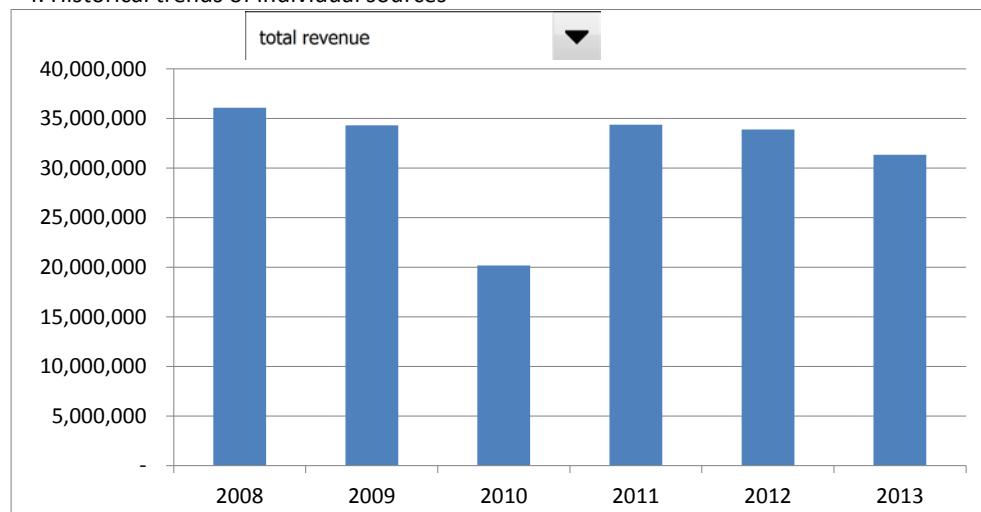
## 2. Compared to the prior year

	2012	2013	% change
Taxes	\$ 15,530,718	\$ 14,862,898	-4%
Licenses & permits	1,223,034	1,238,284	1%
From Federal Govt.	2,457,952	2,229,112	-9%
From State Govt.	7,391,427	7,124,442	-4%
Local contributions	50,000	50,000	0%
Charges for services	2,596,325	2,769,227	7%
Fines & forfeitures	435,350	405,021	(0)
Interest & rent	307,892	267,397	(0)
Other revenue	3,871,755	2,400,871	-38%
<b>Total</b>	<b>\$ 33,864,453</b>	<b>\$ 31,347,252</b>	<b>-7%</b>

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



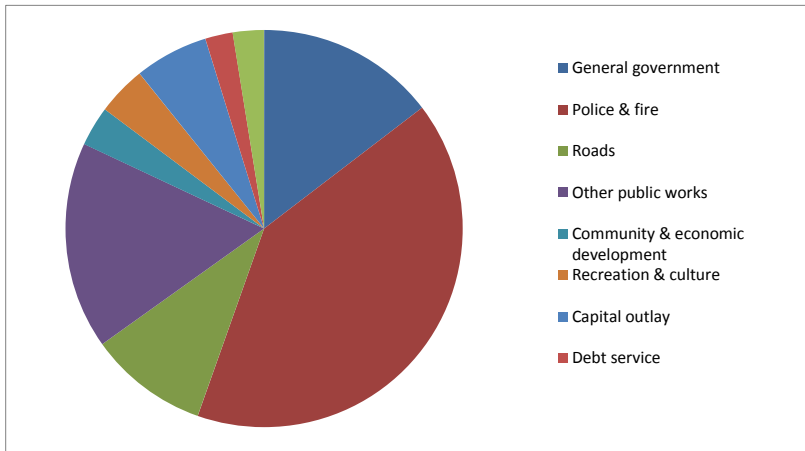
## 4. Historical trends of individual sources



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 2012 and 2013 primarily due to reductions in other revenue, decreased tax revenue, and 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

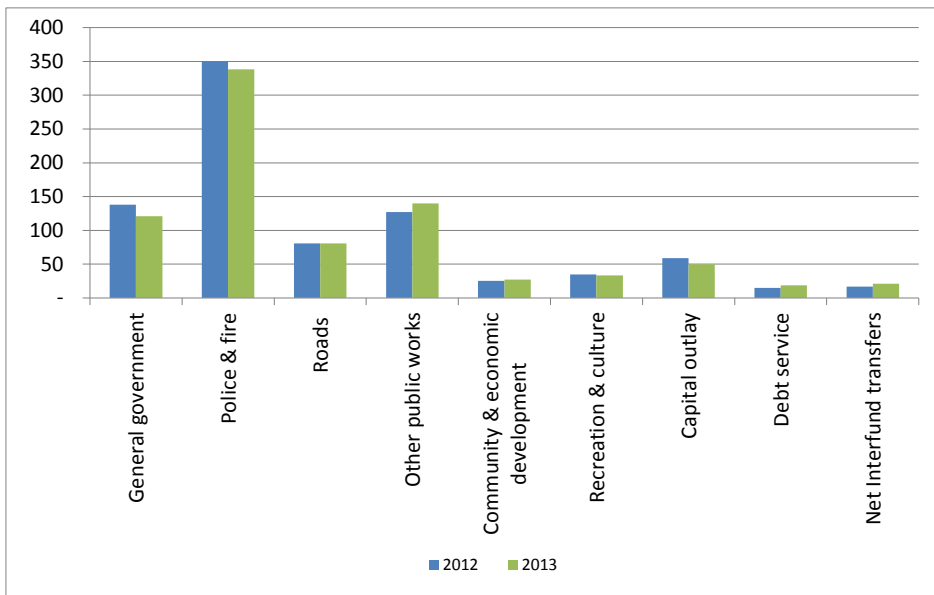
## 1. Where we spend our money (all governmental funds)



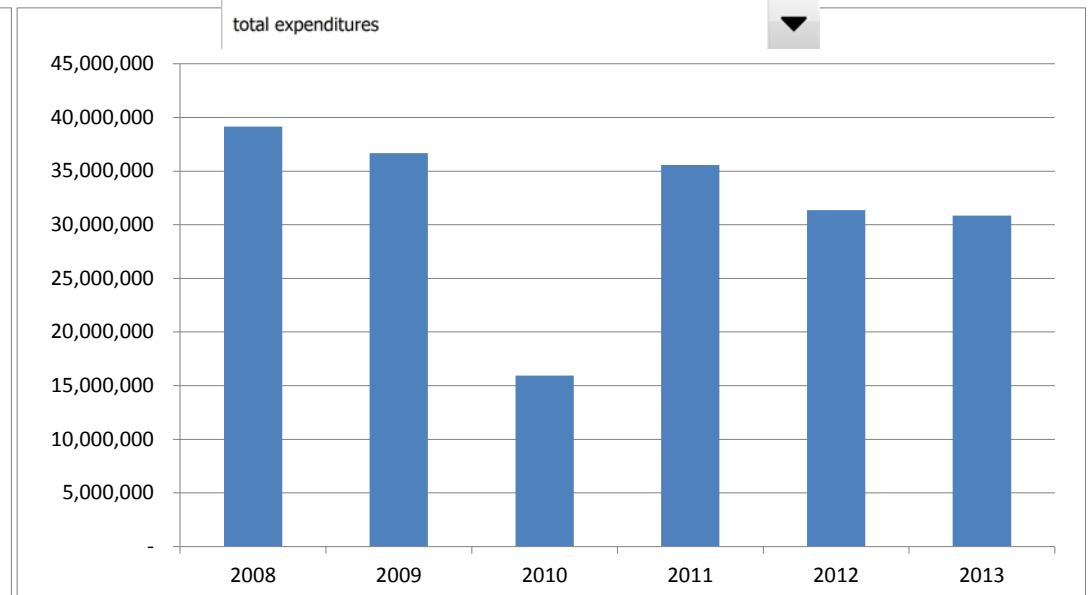
## 2. Compared to the prior year

	2012	2013	% change
General government	\$ 5,119,925	\$ 4,504,172	-12%
Police & fire	12,963,122	12,589,616	-3%
Other public safety	-	-	n/a
Roads	2,985,194	2,996,380	0%
Other public works	4,712,002	5,196,653	10%
Health & welfare	-	-	n/a
Community & economic development	934,580	1,001,715	7%
Recreation & culture	1,285,955	1,231,545	-4%
Capital outlay	2,180,092	1,851,483	-15%
Debt service	557,912	687,765	23%
Unallocated fringes & insurance	-	-	n/a
Net Interfund transfers	613,953	784,275	28%
total expenditures	<u>\$ 31,352,735</u>	<u>\$ 30,843,604</u>	-2%

## 3. Spending per capita - compared to the prior year



## 4. Historical trends of individual departments:

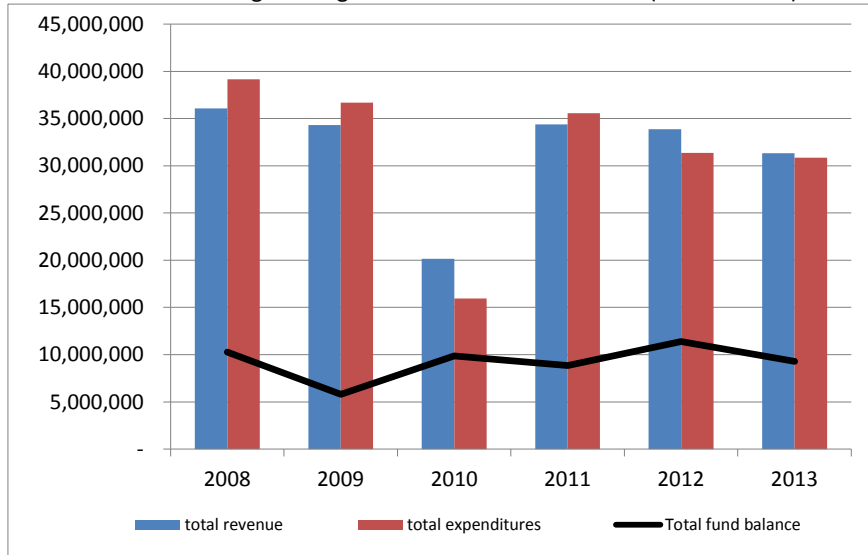


Commentary: The charts above summarize how the City spends its money. By far, the largest share of the expenditure pie goes to public safety (fire and police). Roads and other public works account for the second largest category of expenditure.

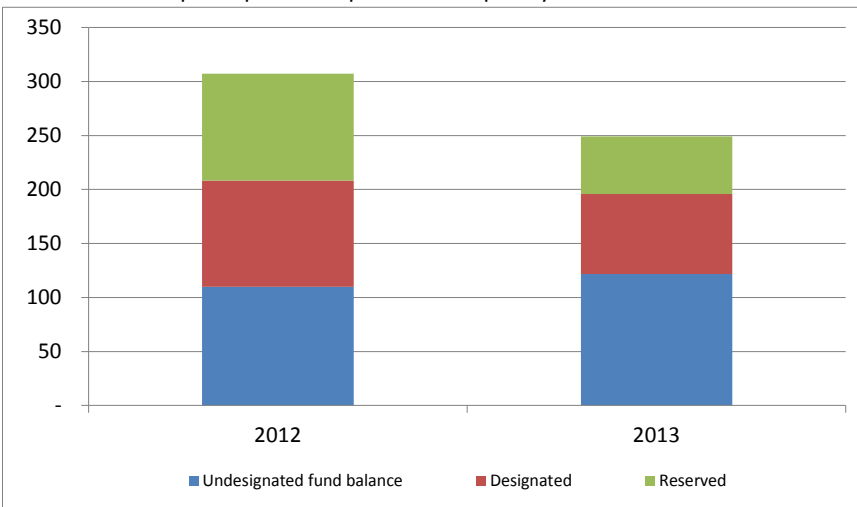
**NOTE:** In 2010 the City changed its fiscal year from a 12/31 year-end to a 6/30 end date. Thus, figures shown above for 2010 represent a shortened six-month transition period (i.e. 1/1/10 through 6/30/10). This should be taken into account when making year to year comparisons.

## CITIZENS' GUIDE TO LOCAL UNIT FINANCES - City of Muskegon

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



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

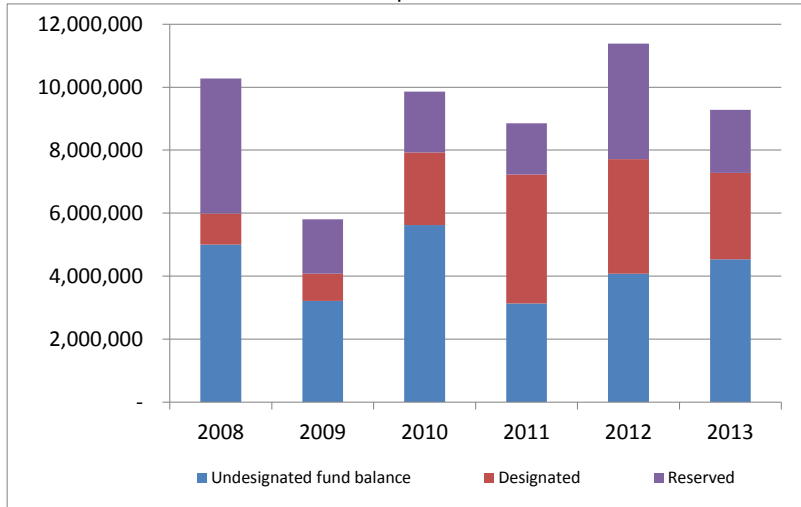


## FINANCIAL POSITION

### 2. Compared to the prior year

	2012	2013	% change
Revenue	33,864,453	31,347,252	-7%
Expenditures	31,352,735	30,843,604	-2%
Surplus (shortfall)	2,511,718	503,648	-80%
Fund balance, by component:			
Reserved	3,663,541	1,995,134	-46%
Designated	3,644,056	2,749,396	-25%
Undesignated	4,074,557	4,531,674	11%
total fund balance	11,382,154	9,276,204	-19%

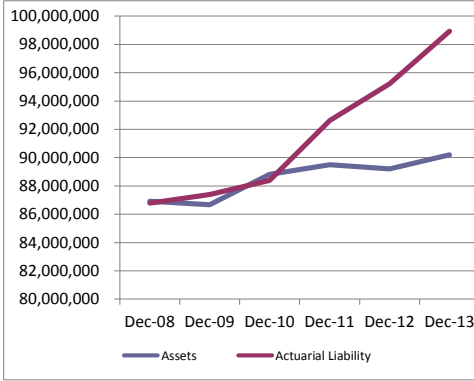
### 4. Historical trends of individual components



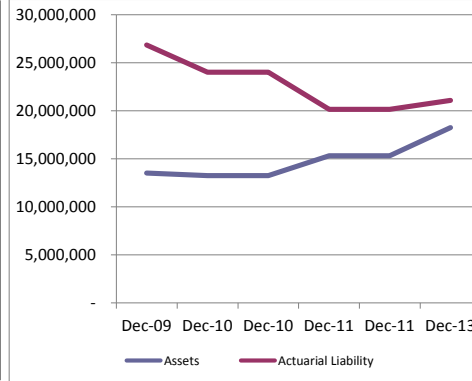
Commentary: The City's governmental fund balance position decreased 19% between FY12 and FY13. The decrease is attributable to: a) reduced revenues from capital grants and contributions and, b) decline in property tax revenues caused by lowered real estate property values.

**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.**

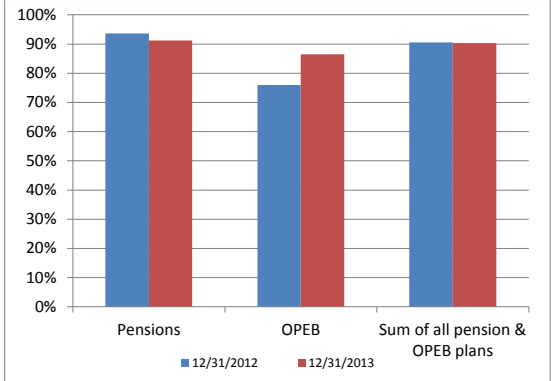
## 1. Pension funding status



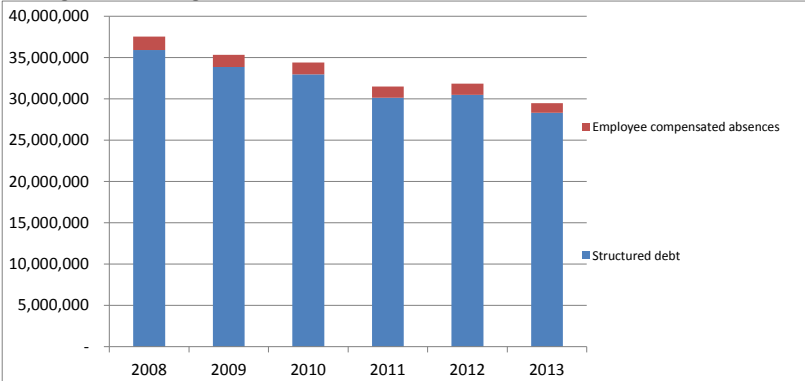
## 2. Retiree Health care (OPEB) funding status



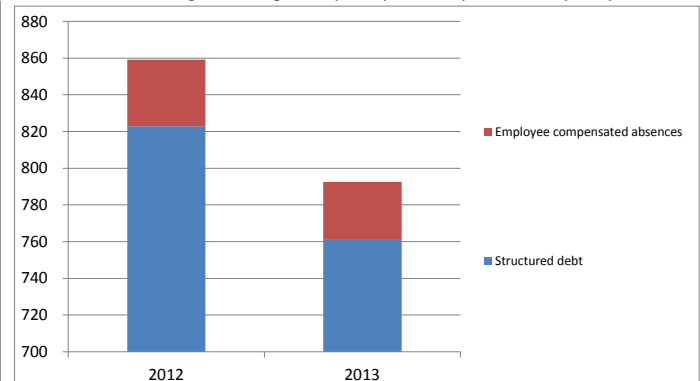
## 3. Percent funded - compared to the prior year



## 4. Long Term Debt obligations:



## 5. Debt &amp; 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 12/31/13 actuarial valuation (most recent available), the City's pension system was 91% funded. As of the 12/31/13 OPEB actuarial valuation (most recent available), the City's retiree healthcare plan is 86.5% 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 12/31/13 valuation showed the funding level stood at an even better 87%.

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" declined between 2012 and 2013 due to: a) no new debt issued during the year with payments towards principal on existing debt and, b) higher 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

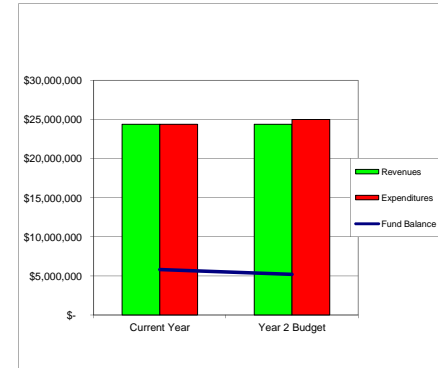
**Figure 13. Characteristics of 10 Local Units with the Highest Funded OPEB Plans in the 30,001-200,000 Population Category.**

## Projected Budget Report

Local Government Name:	City of Muskegon
Local Unit Code:	612020
Current Fiscal Year End Date:	30-Jun-15
Fund Name:	General

	Current Year Budget (FY 2015)	<i>Estimated Annual Percentage Change Year 2</i>
<b>REVENUES</b>		
Property Taxes	\$ 7,199,000	-1%
State Revenue Sharing	\$ 4,072,893	1%
Income Tax	\$ 7,650,000	0%
Fines & Fees	\$ 419,000	0%
Licenses & Permits	\$ 1,413,000	0%
Interest Income	\$ 50,000	0%
Grant Revenues	\$ 61,370	0%
Other Revenues	\$ 3,504,896	1%
<b>Total Revenues</b>	<b>\$ 24,370,159</b>	
<b>EXPENDITURES</b>		
Salaries & Benefits	\$14,516,158	3%
Operating Supplies	\$ 475,463	1%
Contractual Services	\$ 7,732,501	1%
Other Expenditures	\$ 198,230	1%
Special	\$ -	0%
Property & Liability Insurance	\$ 240,000	1%
Contingency	\$ 46,000	200%
Capital Outlays	\$ 633,219	0%
Debt Service	\$ 273,000	0%
Transfers to Other Funds	\$ 255,046	8%
<b>Total Expenditures</b>	<b>\$ 24,369,617</b>	
<b>Net Revenues (Expenditures)</b>	<b>\$ 542</b>	
<b>Beginning Fund Balance</b>	<b>\$ 5,796,097</b>	
<b>Ending Fund Balance</b>	<b>\$ 5,796,639</b>	

	Year 2 Budget (FY 2016)
<b>REVENUES</b>	
Property Taxes	\$ 7,127,010
State Revenue Sharing	\$ 4,113,622
Income Tax	\$ 7,650,000
Fines & Fees	\$ 419,000
Licenses & Permits	\$ 1,413,000
Interest Income	\$ 50,000
Grant Revenues	\$ 61,370
Other Revenues	\$ 3,539,945
<b>Total Revenues</b>	<b>\$ 24,373,947</b>
<b>EXPENDITURES</b>	
Salaries & Benefits	\$ 14,951,643
Operating Supplies	\$ 480,218
Contractual Services	\$ 7,809,826
Other Expenditures	\$ 200,212
Special	\$ -
Property & Liability Insurance	\$ 242,400
Contingency	\$ 138,000
Capital Outlays	\$ 633,219
Debt Service	\$ 273,000
Transfers to Other Funds	\$ 275,450
<b>Total Expenditures</b>	<b>\$ 25,003,967</b>
<b>Net Revenues (Expenditures)</b>	<b>\$ (630,020)</b>
<b>Beginning Fund Balance</b>	<b>\$ 5,796,639</b>
<b>Ending Fund Balance</b>	<b>\$ 5,166,619</b>



### Comments on Key Forecast Assumptions

**Property Taxes** - assumes phaseout of operations at the City's largest property taxpayer - The BC Cobb electric generating plant. For 2015 it is assumed City will levy its one remaining general operating mill to help offset the Cobb losses.

**State Shared Revenues** - stable with slight growth as state economy rebounds.

**Income Tax** - relatively flat, assumes no recession during forecast period.

**Salaries & Benefits** - assumes very modest wage increases but growing increases in pension and health insurance costs.

**Capital Outlays** - likely to decrease due to competing cost pressures.

**Transfers** - the General Fund subsidy to retire the SmartZone bonds will grow.

### SUMMARY

The City currently has healthy general fund balance and budget stabilization reserve. However, Consumers Energy has announced the closure of the BC Cobb facility which will result in significant annual property tax loss. State shared revenues seemed to have stabilized and are slightly increasing. On the expenditure side it is assumed that the mix of general fund operations remains stable. Additional transfers to other funds will be needed to help cover Smartzone and other debt service. It is assumed that wage growth can be kept at modest levels; however, significant cost pressures are anticipated from pension and/or healthcare. Without significant new revenues or cutbacks in staff/service levels, the forecast is for future annual operating deficits that will exhaust the City's fund balance reserves within 5 years.

## City of Muskegon

## SCHEDULE OF INDEBTEDNESS

June 30, 2014

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2013	6/30/2014	Annual Interest Payable
<b>Business-Type Activities Bonds and Loans Payable:</b>							
Water supply system bonds	4/1/2010	\$ 5,995,000	2.77%	05/01/14	\$ 640,000	\$ -	\$ -
(\$65,728 unamortized premium)			3.50%	05/01/15	660,000	660,000	136,088
			3.25%	05/01/16	685,000	685,000	112,988
Type of debt: revenue bond			4.00%	05/01/17	710,000	710,000	90,725
Revenue pledged: water system net revenues			4.00%	05/01/18	740,000	740,000	62,325
			4.25%	05/01/19	770,000	770,000	32,725
					<u>4,205,000</u>	<u>3,565,000</u>	<u>434,851</u>
Drinking Water State Revolving Fund	3/2/2004	\$ 13,900,000	2.13%	10/01/13	655,000	-	-
			2.13%	10/01/14	670,000	670,000	184,769
			2.13%	10/01/15	685,000	685,000	170,372
Type of debt: state loan			2.13%	10/01/16	695,000	695,000	155,709
Revenue pledged: water system net revenues			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>9,685,000</u>	<u>9,030,000</u>	<u>1,199,139</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE</b>					<u>\$ 13,890,000</u>	<u>\$ 12,595,000</u>	<u>\$ 1,633,990</u>

## City of Muskegon

## SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2014

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2013	6/30/2014	Annual Interest Payable
<b>Governmental Activities Bonds and Loans Payable:</b>							
Capital improvement bonds of 2003 (sidewalks)	3/1/2003	\$ 1,575,000	3.90%	06/01/14	\$ 135,000	\$ -	\$ -
			4.00%	06/01/15	145,000	145,000	11,875
			4.05%	06/01/16	150,000	150,000	6,075
Type of debt: limited G.O. bond					430,000	295,000	17,950
Revenue pledged: special assessments, general revenues							
Capital improvement bonds of 2006 (fire station, recreation) (\$10,465 unamortized discount)	10/24/2006	\$ 5,400,000	4.00%	10/01/13	70,000	-	-
			4.00%	10/01/14	70,000	70,000	202,745
			4.00%	10/01/15	70,000	70,000	199,945
			4.00%	10/01/16	70,000	70,000	197,145
Type of debt: limited G.O. bond			4.00%	10/01/17	70,000	70,000	194,345
Revenue pledged: general revenues			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
					5,095,000	5,025,000	2,369,608
Capital improvement bonds of 2011 (streets)	9/30/2011	\$ 2,000,000	2.98%	09/01/13	180,000	-	-
			2.98%	09/01/14	185,000	185,000	46,265
			2.98%	09/01/15	190,000	190,000	40,677
Type of debt: limited G.O. bond			2.98%	09/01/16	195,000	195,000	34,941
Revenue pledged: gas tax, general revenues			2.98%	09/01/17	200,000	200,000	29,055
			2.98%	09/01/18	210,000	210,000	22,946
			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
					1,825,000	1,645,000	204,057
State of Michigan environmental assessment loan	6/18/2010	\$ 500,000	2.00%	03/18/14	20,615	-	-
			2.00%	03/18/15	21,027	17,842	2,251
			2.00%	03/18/16	21,448	18,199	1,894
Type of debt: state loan			2.00%	03/18/17	21,877	18,563	1,530
Revenue pledged: general revenues			2.00%	03/18/18	22,314	18,934	1,159
			2.00%	03/18/19	22,761	19,313	780
			2.00%	03/18/20	-	19,699	394
					130,042	112,550	8,008
<b>TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE</b>					<b>\$ 7,480,042</b>	<b>\$ 7,077,550</b>	<b>\$ 2,599,623</b>
<b>TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE</b>					<b>\$ 21,370,042</b>	<b>\$ 19,672,550</b>	<b>\$ 4,233,613</b>

## City of Muskegon

## SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2014

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2013	6/30/2014	Annual Interest Payable
<b>Discretely Presented Component Unit Bonds and Loans Payable:</b>							
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	3/22/2011	\$ 2,045,000	2.75%	06/01/14	280,000	-	-
			3.25%	06/01/15	285,000	285,000	44,588
(\$19,776 unamortized premium)			3.50%	06/01/16	300,000	300,000	35,326
			3.75%	06/01/17	310,000	310,000	24,826
Type of debt: limited G.O. bond			4.00%	06/01/18	330,000	330,000	13,200
Revenue pledged: DDA tax increments, general revenues					1,505,000	1,225,000	117,940
Local Development Finance Authority Smartzone Refunding Bonds	3/20/2012	\$ 4,100,000	2.00%	11/01/13	260,000	-	-
			2.00%	11/01/14	320,000	320,000	119,500
(\$197,524 unamortized premium)			2.00%	11/01/15	335,000	335,000	112,950
			3.00%	11/01/16	345,000	345,000	104,425
Type of debt: limited G.O. bond			3.00%	11/01/17	355,000	355,000	93,925
Revenue pledged: LDFA tax increments, general revenues			4.00%	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
			3.00%	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	3,840,000	731,400
<b>TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE</b>					\$ 6,605,000	\$ 6,065,000	\$ 849,340
<b>TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE</b>					\$ 27,975,042	\$ 25,737,550	\$ 5,082,953