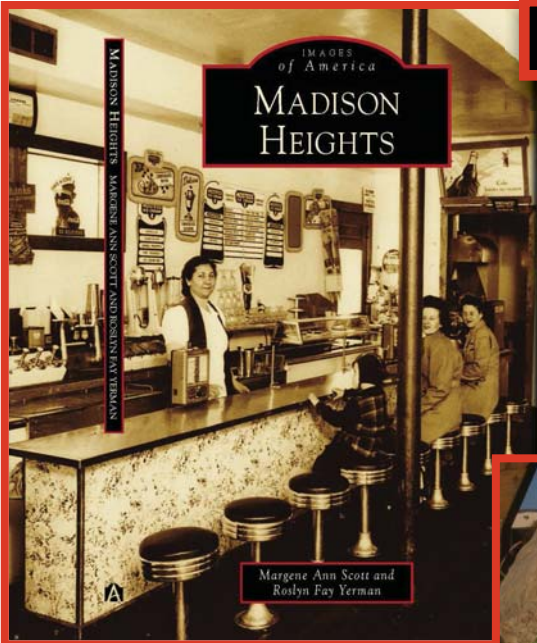


City of Madison Heights

Michigan




Connecting the past to the future



CITIZENS FINANCIAL REPORT

For Fiscal Year Ended June 30, 2015



**View the
FY 2015 Citizens Financial Report
on the Web at
www.madison-heights.org**

The cover photos reflect the theme of bringing the past into the future as the City looks forward to the publishing of the Arcadia Press book entitled *Images of America - Madison Heights*, released in early February 2014.

Left to right - Top row:

Arcadia Book Cover: Antonina Bucciarelli (also known as “Mrs. B”) waits on patrons in her popular restaurant, the Madison Drive-In, later nicknamed The Loop. (Courtesy of Teresa (Bucciarelli) Hoskins and the late Angelina (Bucciarelli) Joyce)

City Hall: Former City offices in the City -Township Hall at 26305 John R. (Courtesy of Madison Heights Historical Commission.)

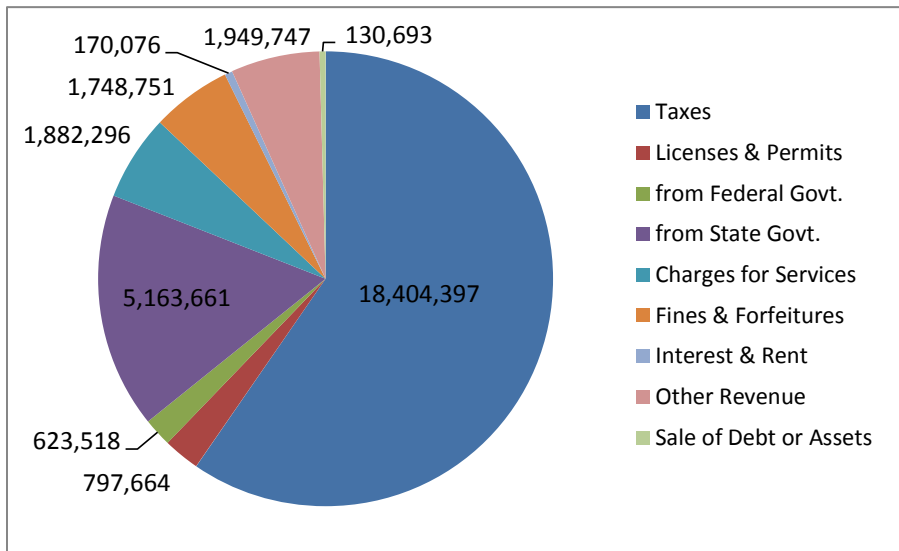
Middle: Current City seal mounted in front of the Peter J. Connors Department of Public Services Building at 801 Ajax Drive. (Courtesy of City of Madison Heights.)

Left to right - Bottom row:

Early Fire Station. (Courtesy of City of Madison Heights.)

I-75 Construction: Ralph Merkel and his children watch the construction of I-75 from the newly constructed overpass on Gardenia in 1963. (Courtesy of Mary Merkel.)

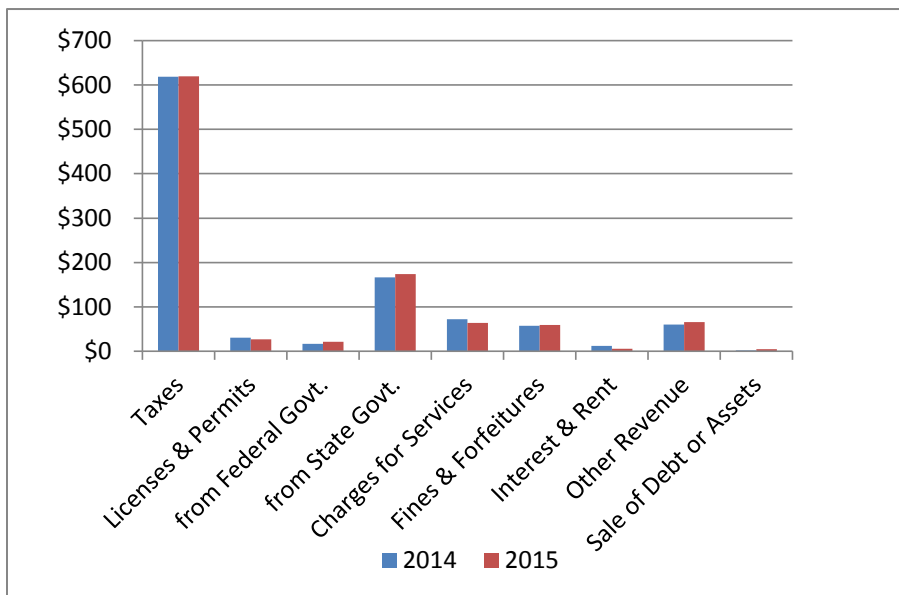
1. Where our money comes from (all governmental funds)



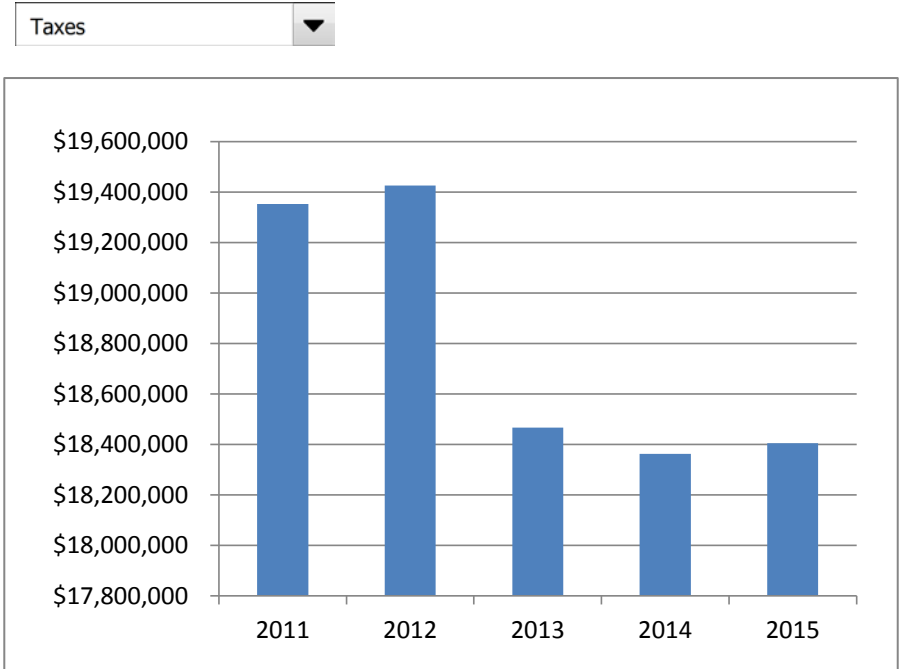
2. Compared to the prior year

	FY 2014	FY 2015	% change
Taxes	\$ 18,362,830	\$ 18,404,397	0%
Licenses & Permits	897,863	797,664	-11%
from Federal Govt.	508,663	623,518	23%
from State Govt.	4,933,884	5,163,661	5%
Fines & Forfeitures	1,710,418	1,748,751	2%
Interest & Rent	354,338	170,076	-52%
Other Revenue	1,795,643	1,949,747	9%
Sale of Debt or Assets	48,149	130,693	171%
Total	\$ 28,611,788	\$ 28,988,507	1%

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

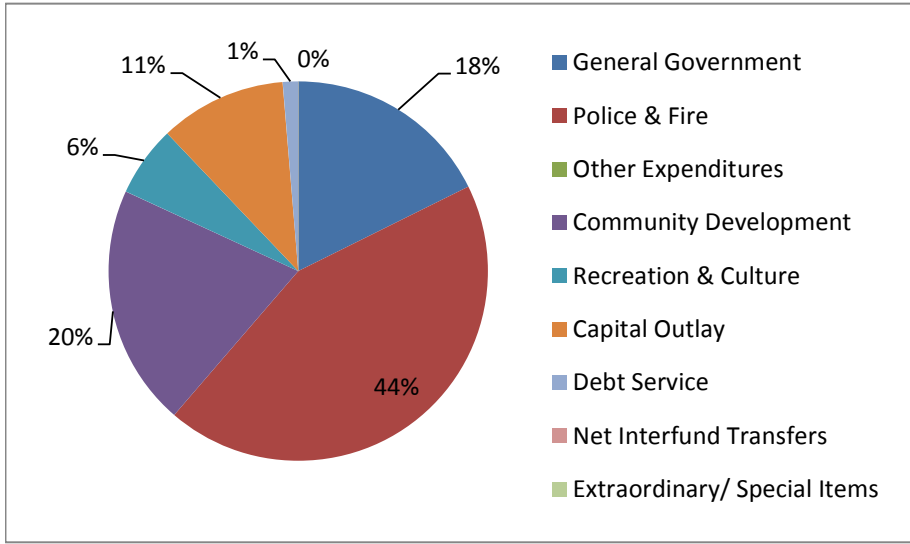


4. Historical trends of individual sources



Governmental funds include the General Fund, Major and Local Street Funds, Special Assessment Revolving Fund and other Non-Major Funds. Governmental Fund's revenues were up 1% when compared to FY 2014. This increase is due to an unbudgeted insurance distribution of \$796,514, carryforwards of \$207,000, tax revenues higher than budgeted by \$289,000, and increased federal Medicare Part D reimbursement of \$43,200. Local Streets used \$585,000 more than revenues for planned construction expenditures. Major Streets has increased fund balance of \$128,000 due to road projects that crossed fiscal years. During the Fiscal Year, the City's overall taxable value increased over 0.2%. The City's second largest source of Governmental Fund revenue is State Shared Revenues, which amount to 16% of Governmental Fund Revenues.

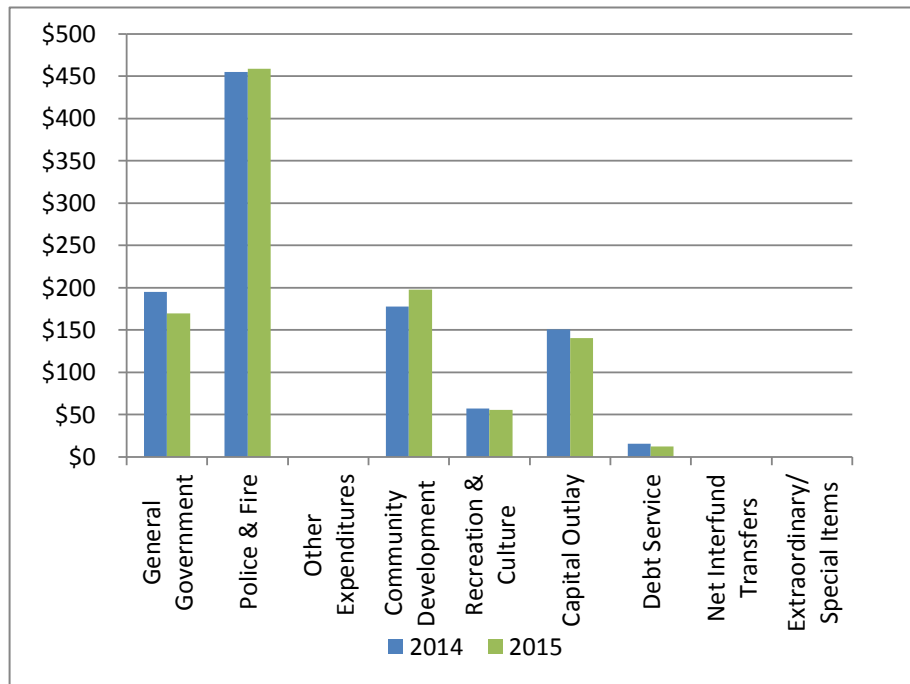
1. Where we spend our money (all governmental funds)



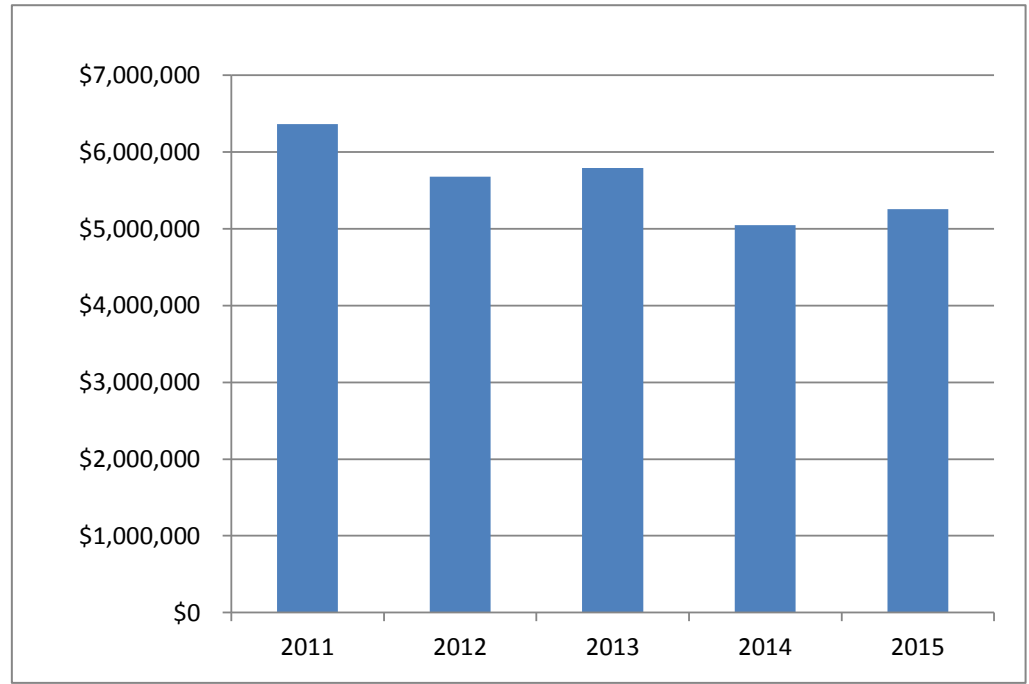
2. Compared to the prior year

	FY 2014	FY 2015	% change
General Government	\$ 5,046,701	\$ 5,258,533	4%
Police & Fire	13,630,223	12,993,451	-5%
Health & Welfare	-	-	n/a
Community & Economic Dev.	5,869,073	6,124,673	4%
Recreation & Culture	1,651,836	1,789,119	8%
Capital Outlay	4,174,028	3,210,477	-23%
Debt Service	372,835	392,913	5%
Total Expenditures	\$ 30,744,696	\$ 29,769,166	-3%

3. Spending per capita - compared to the prior year



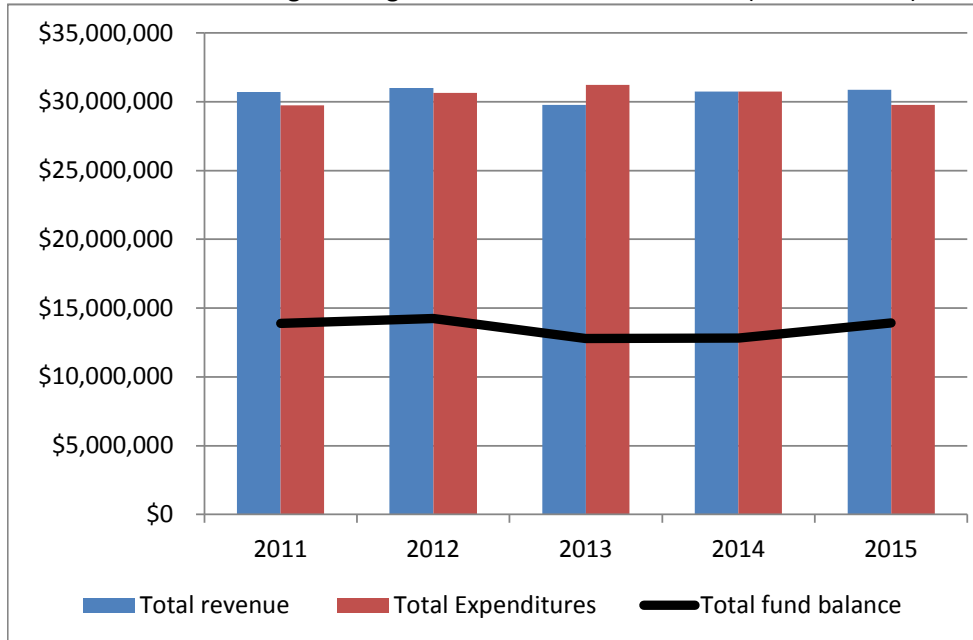
4. Historical trends of General Government Department Groups:



Total expenditures for Governmental Activities were down 3% when compared to FY 2014. Investment in capital outlay was down 23% over the prior year and debt service payments were up 5%. Expenses for Police and Fire increased due to larger contributions to the City's OPEB and pension plans. The City strives to fund the Other Post-Employment Benefits (OPEB) and Pension accounts to the actuarial required contributions.

For more information regarding the City's Finances please visit www.madison-heights.org or contact the City Manager's Office or Finance Department.

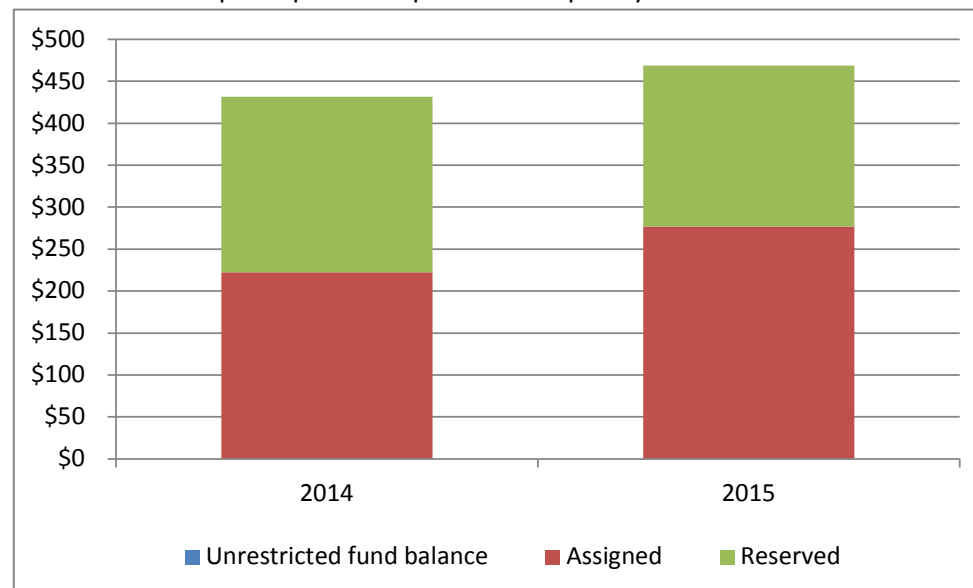
1. How have we managed our governmental fund resources (fund balance)



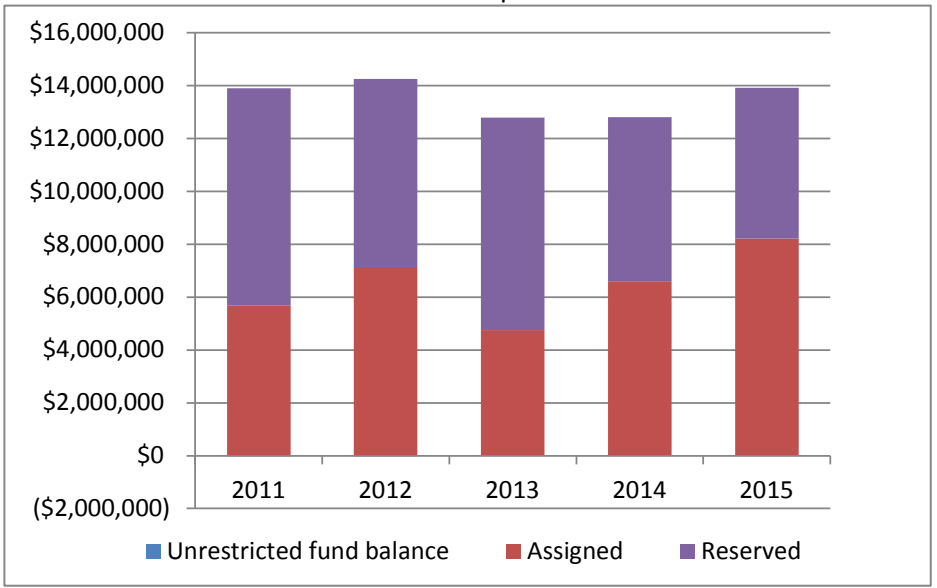
2. Compared to the prior year

	FY 2014	FY 2015	% change
Revenue	\$ 30,757,436	\$ 30,870,803	0.4%
Expenditures	30,744,696	29,769,166	-3.2%
Surplus (Shortfall)	\$ 12,740	\$ 1,101,637	
Fund Balance, by Component:			
Reserved	\$ 6,204,091	\$ 5,695,471	-8.2%
Assigned	6,606,689	8,216,946	24.4%
Unassigned	0	0	0%
Total Fund Balance	\$ 12,810,780	\$ 13,912,417	8.6%

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



4. Historical trends of Fund Balance Components



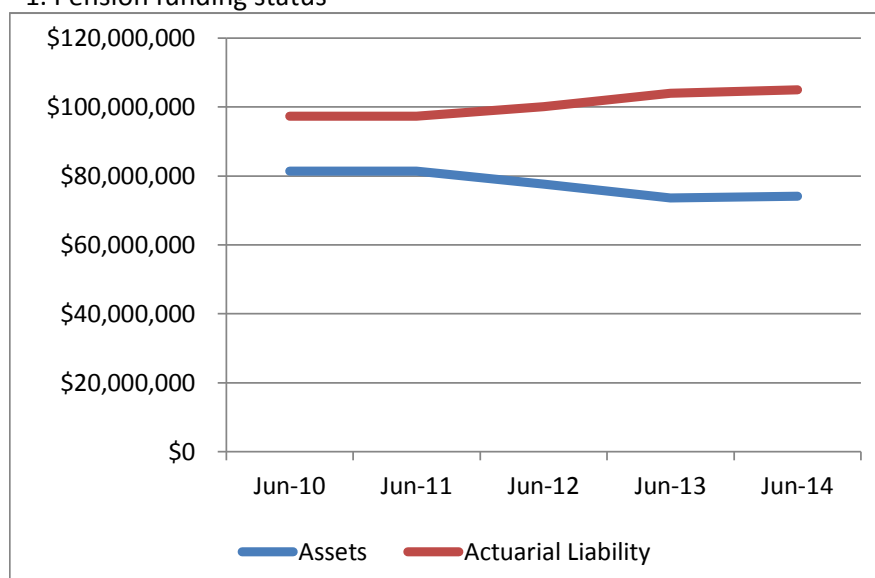
At June 30, 2015 the Governmental Funds had fund balances of \$13.9 million of which \$8.2 million was unreserved. This is 27.6% of the FY 2015 Governmental Fund expenditures. The General Fund was budgeted to use \$485,080 in fund balance; however, at year end \$1.4 million was added to fund balance. This significant savings was due to an insurance distribution of \$796,514, approved carryforwards of \$207,000, tax revenues higher than budgeted by \$289,000, Medicare Part D reimbursement \$43,200 higher, state library aid \$11,400 and Suburban Mobility Authority for Regional Transportation (SMART) revenues \$29,500 more than budgeted.

For more information regarding the City finance please visit www.madison-heights.org or contact the City Manager's Office or Finance Department.

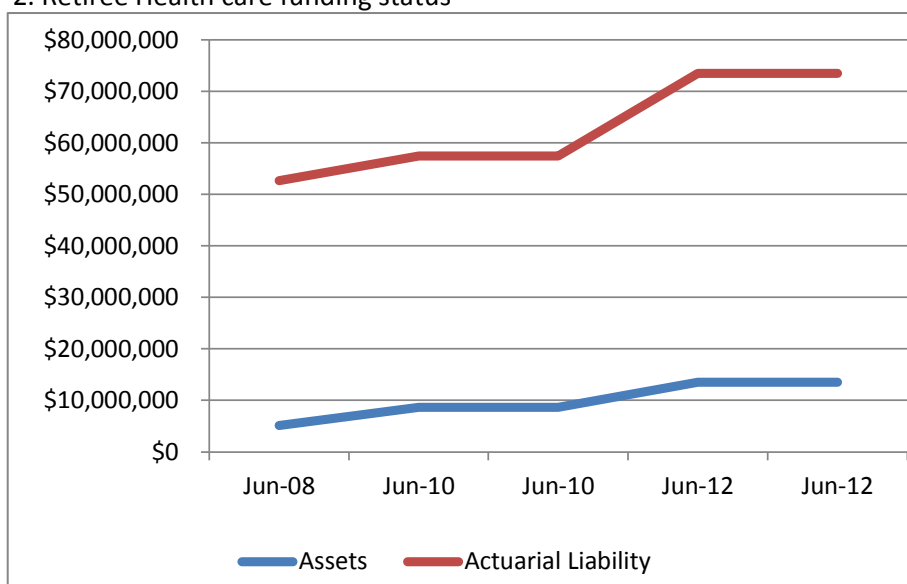
CITIZENS GUIDE TO LOCAL UNIT FINANCES - City of Madison Heights

OTHER LONG TERM OBLIGATIONS

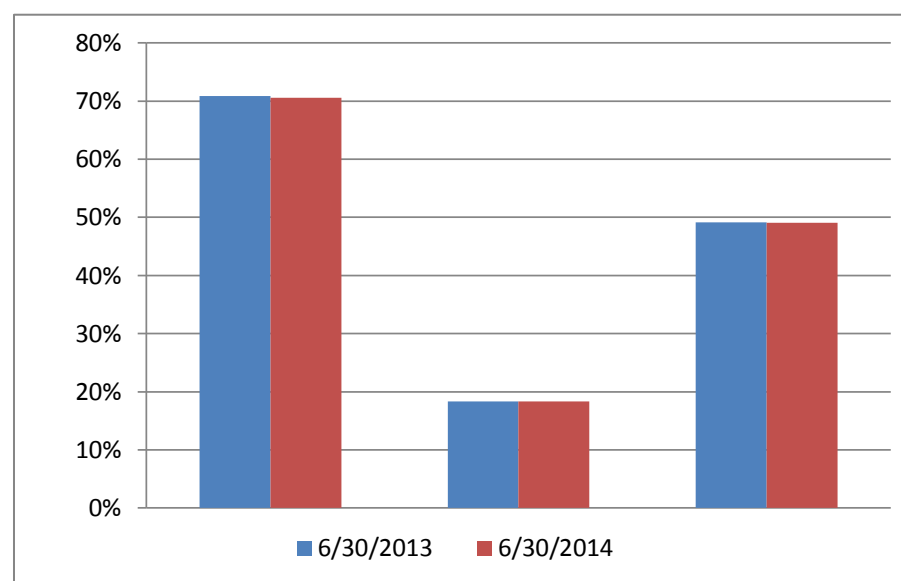
1. Pension funding status



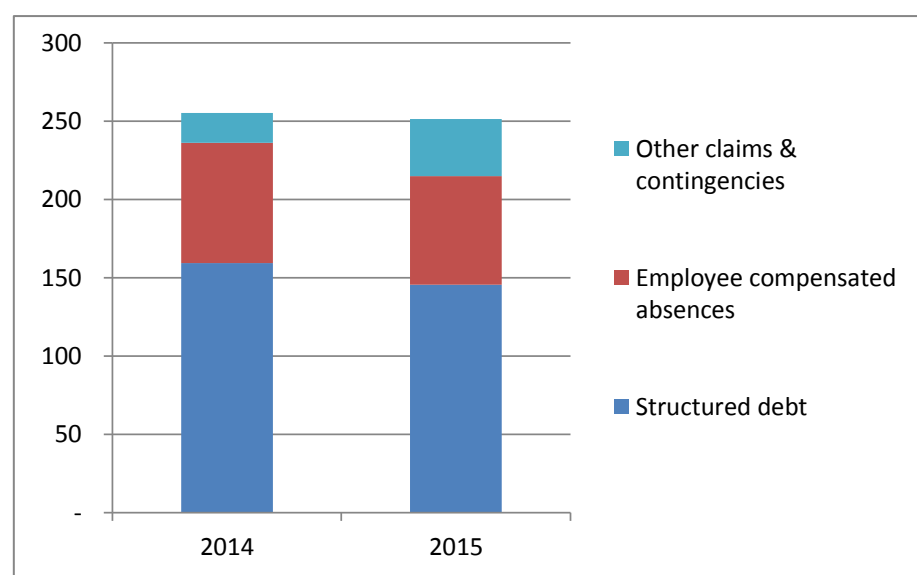
2. Retiree Health care funding status



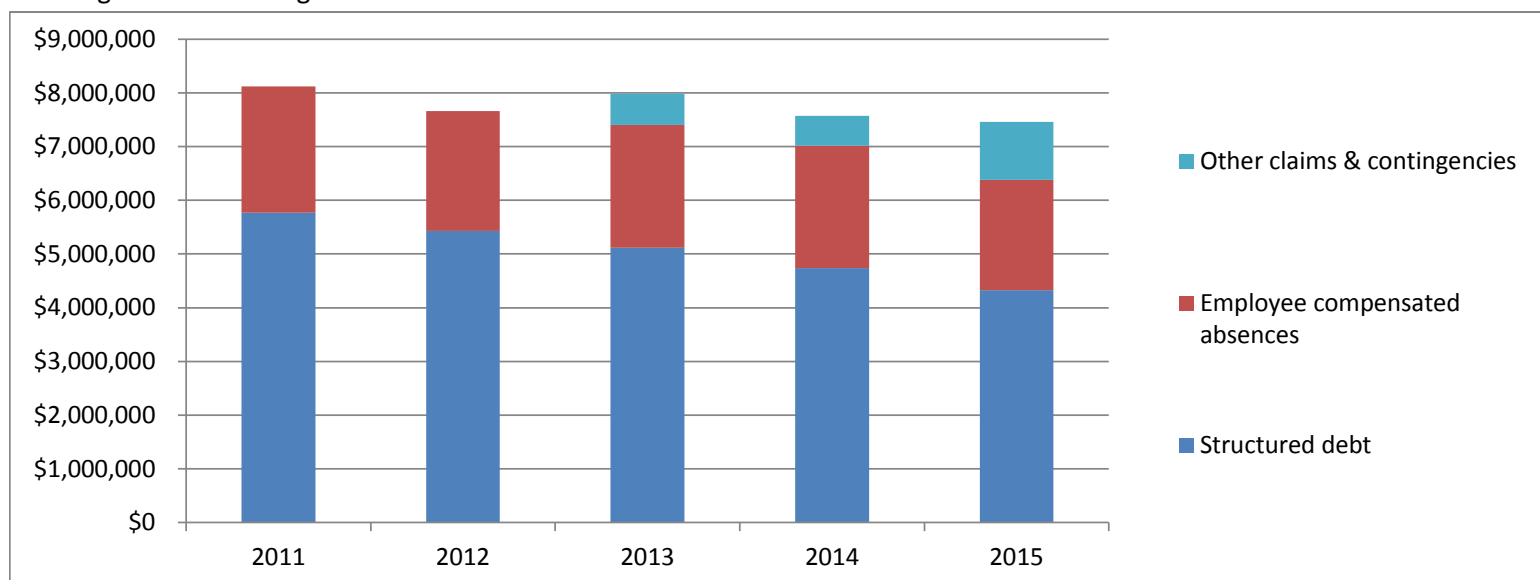
3. Percent funded - compared to the prior year



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



5. Long Term Debt obligations:



For the fiscal year ended June 30, 2015, the City's annual pension cost was \$2.44 million excluding contributions for other post employment retirement benefits (OPEB) and administrative expenses. The City annually contributes the required annual contribution to the pension plans. In 2006, the City also established two healthcare savings trusts in order to save for future retiree health insurance. For the first six years, the City made the recommended contribution. In FY 2014 the City increased the dollar amount of the contribution; however, due to increased liabilities caused by closing the plans, the city only contributed about 58% of the calculated annual contribution.

Debt Service Report

Local Unit Name: City of Madison Heights
Local Unit Code: 632110
Current Fiscal Year End Date: 6/30/2015

Debt Name: Fire Station Bonds
Issuance Date: Refinanced November 2012
Issuance Amount: \$5,925,000
Debt Instrument (or Type): General Obligation Bonds
Repayment Source(s): Special Property Tax Millage

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 300,000	\$ 66,690	\$ 366,690
2016	\$ 325,000	\$ 60,516	\$ 385,516
2017	\$ 340,000	\$ 54,056	\$ 394,056
2018	\$ 365,000	\$ 47,120	\$ 412,120
2019	\$ 380,000	\$ 39,900	\$ 419,900
2020	\$ 390,000	\$ 32,490	\$ 422,490
2021	\$ 405,000	\$ 24,796	\$ 429,796
2022	\$ 425,000	\$ 16,720	\$ 441,720
2023	\$ 430,000	\$ 8,550	\$ 438,550
Totals	\$ 3,360,000	\$ 350,838	\$ 3,710,838

Commentary:

Debt Service Report

Local Unit Name: City of Madison Heights
Local Unit Code: 632110
Current Fiscal Year End Date: 6/30/2015

Debt Name: Automated Water Meter Reading System
Issuance Date: 8/23/2010
Issuance Amount: \$1,525,000
Debt Instrument (or Type): General Obligation Bonds
Repayment Source(s): Water and Sewer Revenues

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 85,000	\$ 44,812	\$ 129,812
2016	\$ 90,000	\$ 42,688	\$ 132,688
2017	\$ 95,000	\$ 39,988	\$ 134,988
2018	\$ 100,000	\$ 36,900	\$ 136,900
2019	\$ 105,000	\$ 33,400	\$ 138,400
2020	\$ 110,000	\$ 29,726	\$ 139,726
2021	\$ 115,000	\$ 25,600	\$ 140,600
2022	\$ 120,000	21,000	141,000
2023	\$ 130,000	16,200	146,200
2024	\$ 135,000	\$ 11,000	\$ 146,000
2025	\$ 140,000	\$ 5,600	\$ 145,600
Totals	\$ 1,225,000	\$ 306,914	\$ 1,531,914

Commentary:

Debt Service Report

Local Unit Name: City of Madison Heights
Local Unit Code: 632110
Current Fiscal Year End Date: 6/30/2015

Debt Name: Regional George W. Kuhn Project Bonds
Series A Oct. 1, 2000 (Total \$17,888,000 Madison Heights Share \$1,881,478)
Series C Sept. 29, 2001 (Total \$82,200,000 Madison Heights Share \$8,649,748)
Series D Dec. 20, 2001 (Total \$2,277,676 Madison Heights Share \$239,675)
Series 2005F Sept. 22, 2005 (Total \$1,519,146 Madison Heights Share \$162,391)
Series 2007 Refinancing B & E Aug. 2007 (Total \$12,460,000 Madison Heights Share \$1,574,214)
Series 2007G Sept. 2007 (Total \$1,765,000 Madison Heights Share \$188,672)
Series 2008H Sept. 2008 (Total \$7,685,000 Madison Heights Share \$821,499)
Combined Issus Total \$125,794,822 Madison Heights Share \$13,517,677

Issuance Amount:
Debt Instrument (or Type): General Obligation Bonds
Repayment Source(s): Water and Sewer Revenues

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 607,078	\$ 209,088	\$ 816,166
2016	\$ 710,088	\$ 190,365	\$ 900,453
2017	\$ 729,572	\$ 171,059	\$ 900,631
2018	\$ 747,995	\$ 151,183	\$ 899,178
2019	\$ 765,909	\$ 130,773	\$ 896,682
2020	\$ 785,919	\$ 109,892	\$ 895,811
2021	\$ 806,464	\$ 88,307	894,771
2022	\$ 828,595	\$ 66,134	894,729
2023	\$ 674,978	\$ 43,348	718,326
2024	\$ 686,326	\$ 25,350	711,676
2025	\$ 66,276	\$ 7,117	73,393
2026	\$ 67,788	\$ 5,633	73,421
2027	\$ 59,862	\$ 4,116	63,978
2028	\$ 60,931	\$ 2,712	\$ 63,643
2029	\$ 51,310	\$ 1,283	\$ 52,593
Totals	\$ 7,649,091	\$ 1,206,360	\$ 8,855,451

Commentary:

**City of Madison Heights
Projected Budget Report
General Fund Revenues and Expenditures
Fiscal Year 2015, 2016 and 2017**

Description	Actual 2014-15	Amended Budget 2015-16	Forecast Budget 2016-17
Revenues by Source:			
Property Taxes	\$ 16,439,332	\$ 16,810,135	\$ 16,699,785
Licenses & Permits	311,214	289,050	314,050
Non-business Licenses & Permits	466,154	521,300	521,300
Federal Shared Revenues	93,207	50,000	50,000
State Shared Revenues	2,927,740	2,990,701	3,026,683
Payment in Lieu of Taxes	36,638	33,800	36,500
County Shared Revenues	60,000	42,000	42,000
SMART Revenues	70,019	40,500	40,500
Court Fines and Fees	1,748,751	1,711,000	1,711,000
Charges for Services	169,202	243,940	243,940
Sales - Miscellaneous	13,702	11,600	12,268
Parks & Recreation	188,619	238,554	182,974
Miscellaneous Revenues	2,226,591	1,503,850	1,443,850
Sale of Fixed Assets	61,540	5,000	5,000
Department Charges	869,335	968,580	951,456
Transfers In	59,303	61,800	0
Prior Year Fund Balance	0	809,323	0
	\$ 25,741,347	\$ 26,331,133	\$ 25,281,306

Description	Actual 2014-15	Amended Budget 2015-16	Projected Budget 2016-17
Expenditures by Activity:			
City Council	\$ 50,462	\$ 53,803	\$ 53,803
District Court	1,398,389	1,746,747	1,834,767
City Manager	322,759	317,864	370,827
Elections	61,122	73,745	71,591
Assessing	200,465	222,173	222,173
Legal	313,331	293,695	312,700
City Clerk	264,295	305,375	364,601
Human Resources	363,746	496,575	505,793
Board of Review	1,400	3,023	3,023
General Administration	346,146	272,535	283,605
Finance	850,007	881,987	1,064,927
Information Technology	355,369	396,545	398,500
Municipal Building	138,954	79,394	59,394
Custodial & Maintenance	278,823	185,557	572,855
Police	8,381,018	8,957,245	10,756,566
Fire	4,475,687	5,431,824	5,920,158
Community Development	937,877	1,179,212	1,409,227
Streets	1,080,727	1,763,635	1,711,513
Solid Waste	2,127,087	2,078,743	2,385,362
Recreation	95,619	134,342	135,344
Nature Center	45,205	65,352	8,052
Parks	437,761	547,935	521,544
Senior Citizens	377,890	354,198	379,302
Library	764,916	887,888	800,209
Insurance, Bonds and Transfers	474,908	424,739	437,481
Total Expenses	\$ 24,143,963	\$ 27,154,131	\$ 30,583,317

Financial Plan - Critical Factor Assumptions	Current FY 2016	Forecast FY 2017
Property Taxes - 65.6% of General Fund Revenue		
Current - Taken from the actual Summer 2016 tax roll of taxes actually billed		
FY 2017-2020 = Assumption received from Oakland County Equalization	1.82%	1%
The City of Madison Heights is forecast to continue to have very minimum new construction and pop-ups in addition to the CPI increase. The CPI increase for 2016 is estimated to be 0.3% with the TV for the City impacted by this factor as any significant increase above CPI would need to come from additions and pop-ups. Rough estimate based on CPI, the City could have between 1-2%.		
Also assumes a continuation of the V millage at .25		
State Revenue Sharing - 11.9% of General Fund Revenue		
Current - taken from State reports of estimated bi-monthly payments		
FY 2017-2020 = absent any information from the state we have projected an increase of 2% per year. We do not anticipate any changes in SSR until the Governors State of the State address and revenue forecast in February 2016.		2%
Transfers In - General Fund		
Transfer in from SAD. With the traditional SAD program ended this \$25,000 I am forecasting this transfer to stop. There has historically been a transfer from the DDA to cover a portion of the EDC however with the decline in DDA revenues, and the promotion of the EDC position to CDD deputy director this is also forecasted to stop.		
Personnel Service - Wages		
Wages follow current union agreements. In cases/years where there isn't a union agreement wages are held at status quo. Increases in these years is attributable to wage and longevity steps.		
Personnel Service - Hospitalization		
Due to becoming self-funded and the MiLife Center rates went down in FY 2016 Rates are projected based on area trend information to increase as follows:		
FY 2017: 8%		8%
FY 2018: 7.5%		
FY 2019: 7%		
FY 2020: 6.5%		
increases are still subject to actual Madison Heights experience which is influenced by our actual claims and utilization of the MiLife Center		
Personnel Services - Retiree Health Care Contributions		
For the past two years the City has been contributing below the Annual Required Contribution (ARC) as calculated by GRS. This forecast includes the recommended contribution rate as calculated at June 30, 2014 (this study is completed every two years).	General Fund - only	
FY 2017 Police and Fire = \$4,680,335	P&F 2,447,933	4,680,314
FY 2017 General Employees = \$3,048,347	Gen 865,527	2,030,947
	3,313,460	6,711,261
		-103%
Computer Equipment		
Computer Equipment are budgeted in IT 101-258 at \$1,050 each This includes a 5 year warranty		
Capital Improvements		
The capital items included in the Forecast we projected using the CIP included in the FY 2016 budget. Some adjustments to cost may have been included if an updated cost estimate has been received.		



City of Madison Heights Performance Dashboard

Prior Year = FY 2014

Current Year = FY 2015

Fiscal Stability	Prior	Current	Progress
Annual General Fund Expenditures Per Capita	\$ 830	\$ 834	↓
Unrestricted Fund Balance as a % of General Fund Expenditures	23.1%	28.9%	↑
Other Post-Employment Benefits Liability Funding Percentage	22.1%	31.4%	↑
Debt Burden Per Capita	\$ 420	\$ 414	↑
Full-time Employees	146	143	↑
Total Taxable Property Value (in millions)	\$ 782	\$ 782	↔

Public Safety	Prior	Current	Progress
Number of Total Calls Answered by Public Safety Dispatch	62,311	69,413	↓
Number of Emergency Medical Service (EMS) and Rescue Calls	2,821	3,224	↓
Number of People Transported by EMS	1,857	2,041	↓
Number of Building Inspections	3,966	4,351	↑
Number of Building Structure Fire Calls	85	71	↑
Total Vehicle Crashes	1,426	1,120	↑
Total Traffic Fatalities	-	3	↓
Total Arrests	1,138	1,048	↑
Traffic Police Citations Issued	11,396	10,993	↑

Economic Strength	Prior	Current	Progress
% of Community with Access to High Speed Internet	100%	100%	↔
Number of New Businesses	116	111	↓
Investment in Streets, Water and Wastewater Infrastructure Per Capita	\$ 167	\$ 38	↓
Building Inspection - Building Permit Revenue (in thousands)	\$ 517	\$ 428	↑
Unemployment Rate	7.6%	7.7%	↑
Industrial Vacancy Rate	6.8%	4.3%	↑

Quality of Life	Prior	Current	Progress
% of General Fund Budget Committed to Arts, Culture and Recreation	6.6%	7.3%	↑
Senior Meals Served Daily	136	106	↓
Senior Two-Way Bus Trips Provided	8,460	9,826	↑
Operating Budget Per Park Acre	\$ 3,535	\$ 4,419	↓
Library Visits Per Year	101,777	113,753	↑
% of Drinking Water Standards Met	100	100	↔
Persons Enrolled in Recreation Programs	1,509	1,301	↓

Performance Improving ↑
 Performance Staying About the Same ↔
 Performance Declining ↓