



ACCOUNTABILITY AND TRANSPARENCY REPORT

December 1, 2016

A guide to help understand Cadillac’s finances, and a report on local performance measures

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The General Fund of the City of Cadillac is the main operating fund of the City and records all revenues and expenditures which are not required to be accounted for in another fund or activity. The General Fund is where most of the standard services provided to a community are accounted for, including:

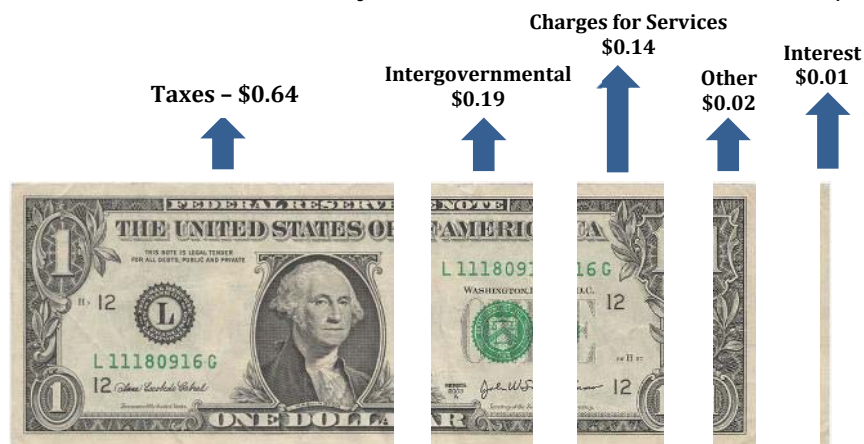
- **General Administration** (City Council, City Manager, Finance, Treasurer, Clerk, City Attorney, Assessing, Elections, Engineer, Municipal Complex)
- **Public Safety** (Police, Fire, Code Enforcement)
- **Public Works** (Sidewalk and Alley maintenance, Solid Waste Collection, Leaves)
- **Culture and Recreation** (Parks, Arts, Cadillac Community Television)
- **Community and Economic Development** (Planning, Zoning, Community Development)
- **Transfers** in support of other funds (Street Maintenance, Maple Hill Cemetery operations)

General Fund Trends – Quick Snapshots

	FY2015 (Actual)	FY2016 (Projected)	FY2017 (Budgeted)	Trend
Total Revenues	\$6,559,396	\$6,620,955	\$6,486,000	↓
Total Expenditures	6,664,301	6,474,577	6,522,000	↔
Change in Fund Balance	-\$104,905	\$146,378	-\$36,000	↓
Available Fund Balance				
Available Fund Balance	\$1,773,857	\$1,875,000	\$1,779,098	↔
Available Fund Balance as % of General Fund Expenditures	26.6%	28.9%	26.7%	↔
City Millage Rates				
Operating	13.9473	13.9473	13.9473	↔
Police and Fire Retirement	2.6000	2.6000	2.6000	↔
Taxable Value	\$242,968,883	\$243,574,051	\$223,088,687	↓

General Fund Revenue Sources

Revenue to fund these core municipal services is provided from various sources. Each dollar of the cost of providing for the health, welfare and safety of Cadillac residents and businesses is paid for by:



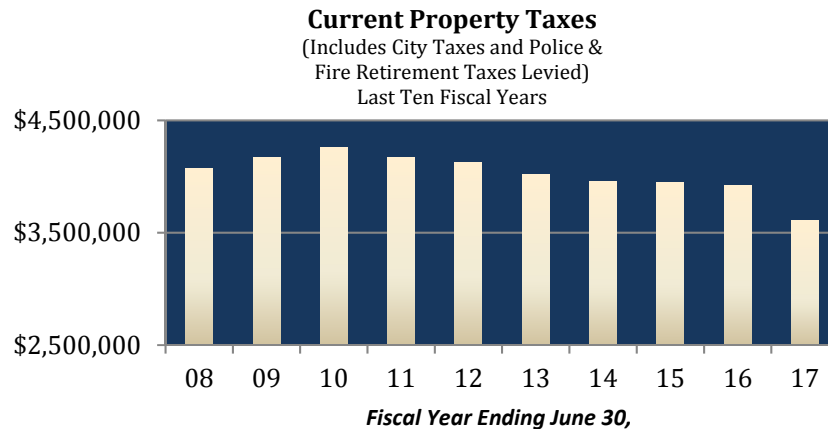
Taxes

The City is authorized to levy a tax against property owned within City limits. Primarily this is an ad valorem – or “according to value” – tax based on the value of the property owned. The City levies an authorized millage rate against the taxable value of a home. Simply put, one mill equals \$1 in taxes per \$1,000 in value. The City’s operating millage and police and fire retirement millage rates did not change in the current fiscal year. The authorization for the Lake Treatment millage expired as of the prior fiscal year therefore the tax is no longer being levied. The City now levies two separate millages, namely:

Millage Name	Rate	Authority
City Operating Millage	13.9473 mills	City Charter
Police and Fire Retirement	2.6000 mills	Vote of electors – November, 1977
Total	16.5473 mills	

In addition to taxes that are charged by the City of Cadillac against property owned within City limits, several other governmental entities charge the same type of taxes. In fact, just **28% of taxes collected on a typical tax bill remain at the City for general City purposes**. The rest are collected at the City but soon afterward distributed to the other unit that charged the tax.

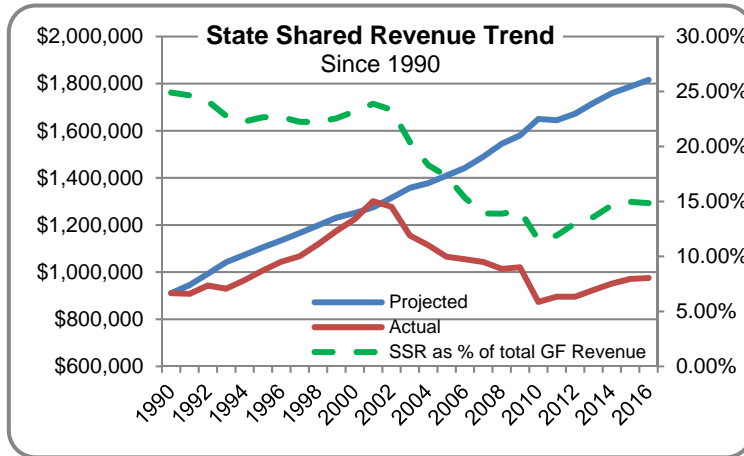
History of Tax Collections



Since the property taxes collected by the City are based on the value of property, recent property value declines that resulted from the recession of the last few years have caused property tax revenues to return to the levels of 2007. In addition, tax reforms beginning in FY2017 eliminated a significant portion of the City’s taxes levied against eligible manufacturing personal property. When these reforms were enacted, the State of Michigan assured municipalities that these revenues would be reimbursed to large extent. It remains to be seen at what level this promise will be kept.

Intergovernmental Revenues

Another principal source of revenue for general operating purposes comes from other governments, primarily from the State of Michigan in the form of state shared revenue. This revenue source has been in decline since its peak in 2001. That year, the City received \$1.3 million from the State of Michigan. Now over fifteen years later, the current budget projects just \$980,000 in state shared revenue will be received from this same source. This means that the City of Cadillac has to rely more and more on local revenue sources – mostly property taxes – to fund the provision of services to local residents and businesses.



The chart to the left illustrates the significant decline that has been experienced. The blue line shows what would have happened if the revenue would have simply kept pace with inflation. The red line shows what actually happened. The dashed green line uses the percentages at the right side of the chart to show what portion of General Fund revenues came from the State in this form. Taken as a whole, this confirms that the City is being helped less and less from the State level to provide services and is relying more and more on local sources.

Charges for Services

Charges for Services are mostly made up of solid waste collection fees and charges by the General Fund made to other City funds and activities for various administrative reasons, including use of the municipal complex and allocation of general administrative staff time.

The solid waste collection fees are simply the costs of the City's contract with a waste hauler passed on to City users through inclusion on monthly water bills. The fees are adjusted each year based on inflation and the City includes a slight markup on each bill to cover the costs to administer the waste contract. For the last three years, solid waste collection charges have been:

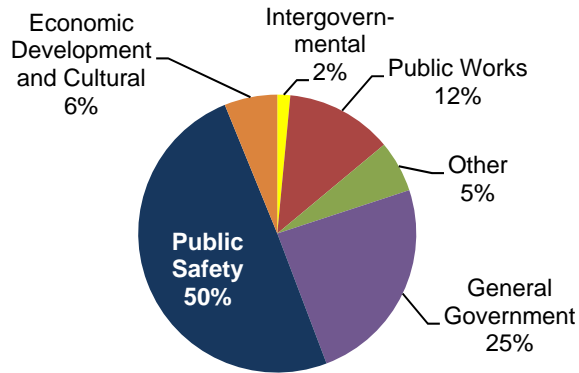
	FY2015	FY2016	FY2017	Trend
Solid Waste Removal	\$8.83	\$8.40	\$8.20	↓
Administrative Mark-Up	\$0.65	\$0.65	\$0.65	↔
Recycling	\$2.53	\$2.39	\$2.32	↓
Total Solid Waste Fee	\$12.01	\$11.44	\$11.17	↓
<hr/>				
Tidy Tote Rental	\$1.65	\$1.65	\$1.65	↔
Administrative Mark-Up	\$0.45	\$0.45	\$0.45	↔
Total Tidy Tote Rental Fee	\$2.10	\$2.10	\$2.10	↔

A new refuse removal contract was awarded in 2013 at a substantial reduction in price. This savings enabled the City to add bi-weekly recycling services for City residents and still lower the overall cost of the service.

City of Cadillac Governmental Spending

The revenues that are received in the General Fund are used to support a variety of core municipal services provided by the City of Cadillac.

The largest portion is to provide for the safety of Cadillac residents, businesses and visitors. The City of Cadillac maintains both a full-time police department and a full-time fire department, both of which are critical components of a safe community. Investment in this important area consumes about 50% of total General Fund spending.



General governmental spending represents 25% of the costs of the General Fund. This includes the administrative officers and other general administrative staff including the City Manager, Clerk, Treasurer, Director of Finance, City Assessor, City Attorney, and City Engineer. Currently, the city contracts for City Attorney services and collaborates with Wexford County for both prosecutorial and assessing services.

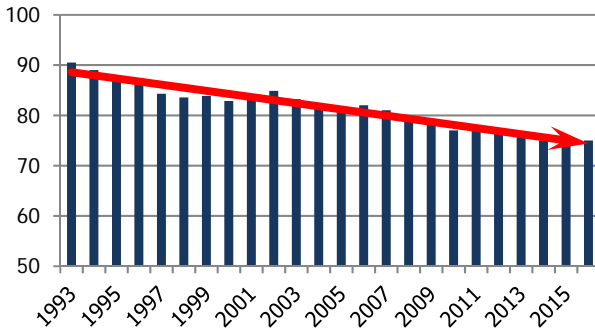
Public Works expenditures within the General Fund account for the maintenance of sidewalks and alleys within City limits and also account for the costs of the solid waste removal contract. Public works employees maintain 53 miles of sidewalks throughout the City.

Expenditures by Type

Expenditures for FY2017 have been adopted by type as follows:

Type	FY2017 Budget	% of Total
Personnel Costs	\$4,178,800	64%
Office and Operating Supplies	239,700	4%
Legal and Professional Services	372,500	6%
Travel and Education	58,100	1%
Other Operating Costs (Insurance, Repairs & Maintenance, Utilities, Trash Removal Contract, etc.)	968,300	15%
Capital Outlay	86,000	1%
Other	353,600	5%
Transfers to Other Funds	265,000	4%
Total FY2017 Expenditures	\$6,522,000	

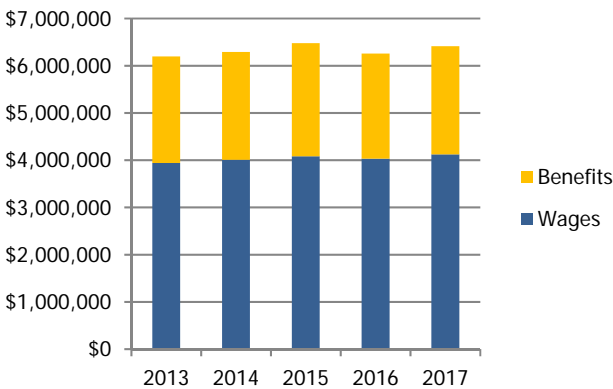
Total City-Wide Employment Since 1993



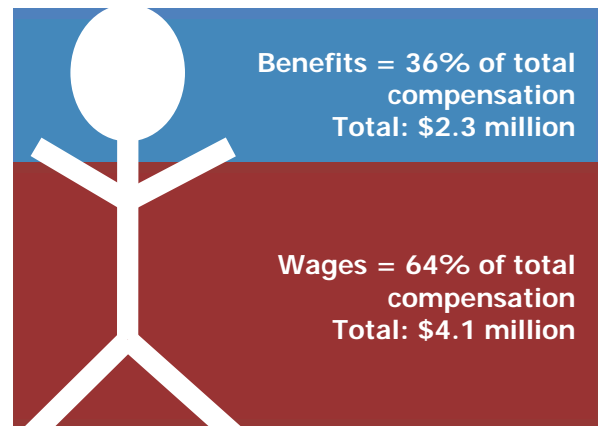
The City of Cadillac is primarily a service organization. As of the FY2017 budget, about 32% of the \$20 million in City-wide spending represents the costs of employees. The City now has 74 full-time employees. With only a couple of exceptions, this number has been decreasing for many years. Full-time employment peaked in 1993 at 91, which means that the City now has 19% less full-time employees than 25 years ago.

By taking advantage of new technologies, and through service sharing with other governments, specifically Wexford County, services to City residents have been maintained even with a reduction in staff.

Total Compensation Costs Last Five Fiscal Years 5-Year Total Increase: 3.45%



Total City-wide compensation costs have increased just slightly over the last five years, due in large part to the rising costs of employee benefits.



Employee Group	Members	FY2017 Wage Adjustment	Normal Pension Contribution	Unfunded Accrued Liability	Total Pension Contribution
Non-Union Administrative Employees	23	1.5%	8.40%	2.60%	11.00%
Department Heads	3	1.5%	10.37%	13.10%	23.47%
City Manager	1	1.5%	10.41%	(22.73%)	0.00%
Command Officers Association of Michigan	6	1.0%	12.04%	18.64%	30.68%
Police Officers Association of Michigan	9	1.0%	12.04%	18.64%	30.68%
International Association of Fire Fighters Local 704*	11	1.5%	13.52%	18.17%	31.69%
United Steelworker's of America Local 14317	21	7.5%	8.26%	6.17%	14.43%

DID YOU KNOW?

- The City Treasurer's office - with a full-time staff of just 2.5 employees – processes over 40,000 receipts annually, with a total dollar value of about \$23,000,000.
- The Treasurer's office processes 10,000 tax bills on an annual basis.
- City police officers issue about 600 traffic citations, 2,300 traffic verbal warnings, make 1,000 arrests, respond to nearly 6,000 calls for service, and complete 4,000 police reports each year.
- The City employs only one code enforcement officer, who was responsible for the clean-up of 82 yards, the removal or repair of 32 junk vehicles, and responded to 130 lawn complaints in 2015.
- City fire fighters respond to 1,600 medical emergencies, spend nearly 3,000 hours performing site inspections, investigate nearly 60 fires, and provide educational programs to more than 2,500 citizens each year.
- City public works crews spend about 400 hours each year in leaf clean-up, and maintain over 53 miles of sidewalks throughout the City.
- City parks crews maintain 117 acres of park land, at a cost of about \$1,800 per acre, with a seasonal parks crew of just 9.
- City street crews spend about 2,500-3,000 hours keeping the streets clear of snow each winter, and spread 1,200 to 1,500 tons of road salt on City streets each season.
- Over 65 miles of streets in the City are maintained by a street department crew of just 9.
- City forestry employees typically plant twice as many trees each year than they remove.
- A water resources crew of just 7 employees is responsible for over 3,500 service connections, or over 500 connections per employee, and maintain over 50 miles of sewer mains throughout the City.
- A water distribution and collection crew of just 7 employees is responsible for almost 3,500 service connections, or about 500 connections per employee, and maintains over 70 miles of water mains throughout the City.
- The City's laboratory staff of 2 employees performs over 35,000 tests each year.



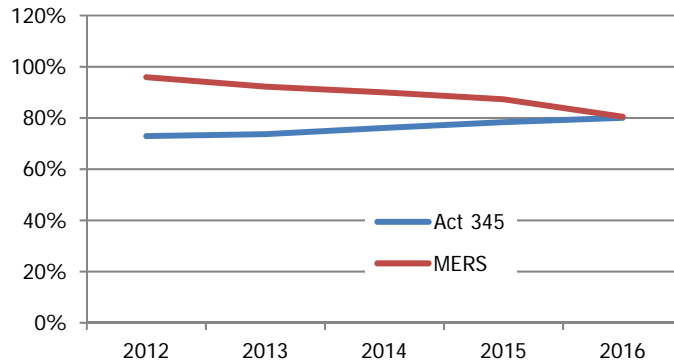


Employee Retirement and Other Post-Employment Benefits Snapshot

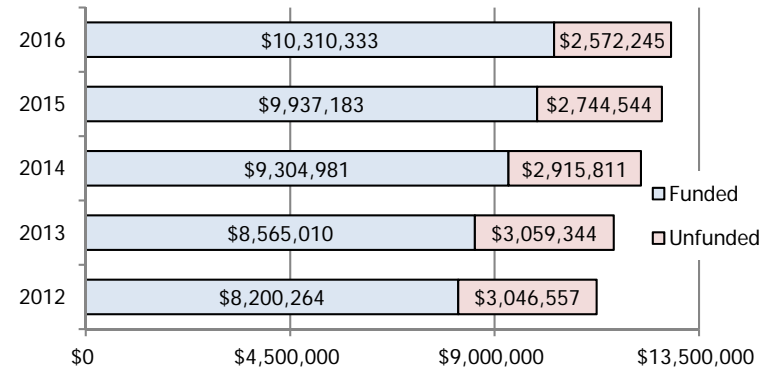
As of June 30, 2016

Total Unfunded Liabilities: **\$6,316,482** Trend: **↑**

City of Cadillac Retirement Systems
% Funded - Last Five Years



Act 345 Police and Fire Retirement System
Retirement Liabilities - Last Five Valuations



Act 345 Police and Fire Retirement System

Current Active Members:

Police - 15

Fire - 11

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Actuarially Accrued Liabilities	\$11,246,821	\$11,624,354	\$12,220,792	\$12,681,727	\$12,882,578
Actuarial Value of Assets	\$8,200,264	\$8,565,010	\$9,304,981	\$9,937,183	\$10,310,333
Unfunded Liabilities	\$3,046,557	\$3,059,344	\$2,915,811	\$2,744,544	\$2,572,245

% Funded: 73% (2012), 74% (2013), 76% (2014), 78% (2015), 80% (2016)

Active Member Information

	2012	2013	2014	2015	2016
Active Members	26	25	25	26	26
Payroll	\$1,600,665	\$1,513,914	\$1,568,160	\$1,595,473	\$1,607,792
Average Annual Pay	\$61,564	\$60,557	\$62,726	\$61,364	\$61,838

Retiree Information

	2012	2013	2014	2015	2016
Retirees	31	34	35	36	35
Total Pensions Paid	\$614,185	\$719,195	\$769,149	\$831,337	\$819,812
Average Pension	\$19,812	\$21,153	\$21,976	\$23,093	\$23,423

The Act 345 Police and Fire Retirement System provides retirement benefits for all sworn officers in the Cadillac Police Department and the Cadillac Fire Department. The system provides benefits in accordance with Michigan Public Act 345 of 1937, known as the Fire Fighters and Police Officers Retirement Act.

Retirement benefits are based on the following formula:

2.5% x Years of Service x 5-Year Final Average Compensation

Years worked in excess of 25 utilize a 1% multiplier instead of the standard 2.5%. Members of the system contribute 3% of their wages to the system to help offset the employer costs.



Employee Retirement and Other Post-Employment Benefits Snapshot

As of June 30, 2016

Total Unfunded Liabilities: **\$6,316,482** Trend: **↑**

Municipal Employees Retirement System

Current Active Members: 48

	Calendar Year Ended December 31,				
	2011	2012	2013	2014	2015
Actuarially Accrued Liabilities	\$10,426,829	\$10,811,817	\$11,171,505	\$11,625,621	\$12,623,247
Actuarial Value of Assets	10,002,818	9,974,961	10,051,726	10,150,458	10,160,689
Unfunded Liabilities	\$424,011	\$836,856	\$1,119,779	\$1,475,163	\$2,462,558
% Funded	96%	92%	90%	87%	80%
Active Member Information					
Active Members	49	47	48	48	48
Payroll	\$2,110,842	\$2,045,691	\$2,119,044	\$2,067,601	\$2,186,192
Average Annual Pay	\$43,078	\$43,525	\$44,147	\$43,075	\$45,546
Retiree Information					
Retirees	50	54	55	56	59
Total Pensions Paid	\$582,626	\$671,071	\$691,862	\$716,029	\$737,053
Average Pension	\$11,653	\$12,427	\$12,579	\$12,786	\$12,492

The City of Cadillac also provides retirement benefits to all other full-time employees of the City, through the Municipal Employees Retirement System of Michigan (MERS).

Retirement benefits are based on the following formula:

2.0 - 2.5% * x Years of Service x 5-Year Final Average Compensation

* Benefit multipliers are as follows:

Non-Union and Steelworkers union = 2%

Department Heads (w/ 15 years of service) = 2.25%

City Manager = 2.5%

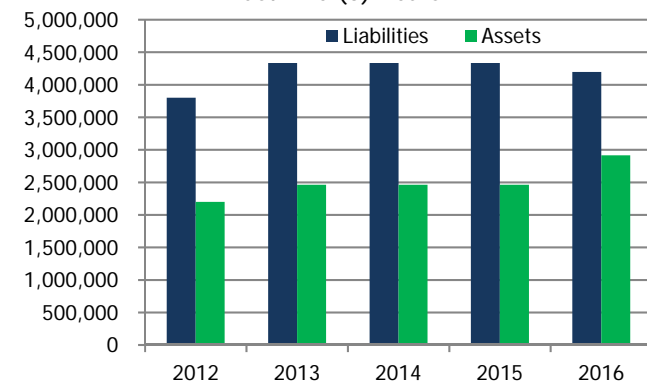
Employees are eligible for retirement benefits upon reaching 10 years of service.

Other Post-Employment Benefits (OPEB)

The City of Cadillac has historically offered several post-employment benefits other than retirement, including life insurance and medical insurance. The process of eliminating this benefit for all new hires began on January 1, 2007 for all non-union employees and was completed when the final City employee group agreed in July 2010 to remove this benefit for all new hires. This will be a significant long-term cost savings and will help the City remain fiscally stable and structurally balanced in the future.




The most recent actuarial valuation reported \$1,281,679 in unfunded liabilities, bringing total funded status to 69%.







OPEB Liabilities and Assets
Last Five (5) Years










This document is designed to give readers a quick snapshot of what is happening within the City of Cadillac. For the various measures that are included, a symbol indicating the progress over the prior year is provided as well. These symbols include:

-  This symbol indicates a positive - or encouraging - trend in the specific measure.
-  This symbol indicates a negative - or discouraging - trend in the specific measure.
-  This symbol indicates that there has been little to no change in the measure.

Fiscal Stability and Economic Strength			
	Prior	Current	Progress
General Fund (GF) Expenditures per Capita	\$625	\$630	
GF - Unreserved Fund Balance as % of Total Expenditures	29%	27%	
Debt Burden per Capita (includes debt backed by revenue pledges)	\$891	\$817	
Unfunded Pension Liabilities	\$4,219,707	\$5,034,803	
Unfunded OPEB Liabilities	\$1,873,668	\$1,281,679	
Total City-Wide Ad Valorem Taxable Value	\$243,574,051	\$223,088,687	

Public Safety Measures			
	Prior	Current	Progress
Violent Crimes per 1,000 residents	5.6	5.3	
Property Crimes per 1,000 residents	32.9	29.5	
Traffic injuries or fatalities	50	38	
Fires Reported	45	37	
Number of Fire Educational programs offered	21	18	



Quality of Life Measures			
	Prior	Current	Progress
% of GF Expenditures committed to Arts, Culture, and Recreation	3.9%	3.9%	↔
Acres of park per 1,000 residents	11	11	↔
% of drinking water standards met	100%	100%	↔
Local Unemployment Rate <i>(As of September 30)</i>	5.1%	4.6%	+

This report was developed by the Financial Services Department of the City of Cadillac. Further information can be obtained by calling (231) 775-0181 or by visiting the City's website at www.cadillac-mi.net.

City of Cadillac
 Projected Budget Report

Local Government Name: City of Cadillac
Local Unit Code: 832010
Current Fiscal Year End Date: June 30, 2017
Fund Name: General Fund

REVENUES	Current Year Budget	Percentage Change	Year 2 Budget	Assumptions
Property Taxes	\$ 3,605,000	1 %	\$ 3,650,063	+1.25% based on early equalization estimates
Other Taxes	\$ 543,000	1 %	\$ 549,788	+1.25% based on early equalization estimates
State Revenue Sharing	\$ 980,000	2 %	\$ 999,600	2% Increase
Income Tax	\$ -	%	\$ -	
Fines & Fees	\$ 15,000	%	\$ 15,000	Flat based on multi-year average
Licenses & Permits	\$ 131,000	%	\$ 131,000	Flat based on multi-year average
Charges for Services	\$ 904,500	2 %	\$ 922,590	3% Increase based on inflationary adjustments
Interest Income	\$ 31,500	1 %	\$ 31,658	Slight increase due to improving market conditions
Grant Revenues	\$ 53,000	%	\$ 53,000	Flat
Other Revenues	\$ 259,000	%	\$ 259,000	Flat
Interfund Transfers (In)	\$ -	%	\$ -	
Total Revenues	\$ 6,522,000		\$ 6,611,698	
EXPENDITURES				
General Government	\$ 1,641,900	1 %	\$ 1,658,319	1% increase due to inflationary increases offset by further cost-saving efforts
Police and Fire	\$ 3,278,000	1 %	\$ 3,310,780	(Same as above)
Other Public Safety	\$ 31,500	1 %	\$ 31,815	(Same as above)
Roads	\$ -	%	\$ -	
Other Public Works	\$ 796,500	1 %	\$ 804,465	(Same as above)
Health and Welfare	\$ -	%	\$ -	
Community & Economic Dev.	\$ 152,300	1 %	\$ 153,823	(Same as above)
Recreation & Culture	\$ 256,000	1 %	\$ 258,560	(Same as above)
Capital Outlay	\$ -	%	\$ -	
Debt Service	\$ -	%	\$ -	
Other Expenditures	\$ 100,800	1 %	\$ 101,808	(Same as above)
Interfund Transfers (Out)	\$ 265,000	1 %	\$ 267,650	(Same as above)
Total Expenditures	\$ 6,522,000		\$ 6,587,220	
Net Revenues (Expenditures)	\$ -		\$ 24,478	
Beginning Fund Balance	\$ 1,879,712		\$ 1,879,712	
Ending Fund Balance	\$ 1,879,712		\$ 1,904,190	

City of Cadillac
Debt Service Requirements

Local Government Name: City of Cadillac
Local Unit Code: 832010
Current Fiscal Year End Date: June 30, 2017

2004 General Obligation Capital Improvement Bonds

Date of Issue: November 1, 2004
Type: General Obligation Bonds
Source of Repayment: Act 51 Revenue (Major and Local Street Funds)
Amount of Issue: \$995,000

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	75,000	11,654	86,654
2018	80,000	8,552	88,552
2019	80,000	5,272	85,272
2020	85,000	1,806	86,806
Totals	\$320,000	\$27,284	\$347,284

Water Supply and Wastewater System Revenue Refunding Bonds, Series 2013

Date of Issue: July 19, 2013
Type: Revenue and Revenue Refunding Bonds
Source of Repayment: Water and Sewer User Charges
Amount of Issue: \$4,075,000

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	275,000	92,003	367,003
2018	280,000	84,510	364,510
2019	285,000	76,883	361,883
2020	300,000	68,985	368,985
2021	315,000	60,683	375,683
2022	325,000	52,043	377,043
2023	335,000	43,133	378,133
2025	355,000	24,638	379,638
2026	365,000	14,918	379,918
2027	370,000	4,995	374,995
Totals	\$3,205,000	\$522,788	\$3,727,788

City of Cadillac
 Debt Service Requirements

Local Government Name: City of Cadillac
 Local Unit Code: 832010
 Current Fiscal Year End Date: June 30, 2017

2007 Wastewater System Junior Lien Revenue Bonds

Date of Issue: September 20, 2007

Type: Junior Lien Revenue Bonds

Source of Repayment: Water and Sewer User Charges

Amount of Issue: \$3,865,000

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	185,000	41,563	226,563
2018	190,000	38,516	228,516
2019	190,000	35,428	225,428
2020	195,000	32,300	227,300
2021	195,000	29,132	224,132
2022	200,000	25,923	225,923
2023	205,000	22,632	227,632
2024	205,000	19,300	224,300
2025	210,000	15,928	225,928
2026	215,000	12,475	227,475
2027	220,000	8,941	228,941
2028	220,000	5,366	225,366
2029	220,205	1,789	221,994
Totals	\$2,650,205	\$289,293	\$2,939,498

City of Cadillac
Debt Service Requirements

Local Government Name: City of Cadillac
Local Unit Code: 832010
Current Fiscal Year End Date: June 30, 2017

2011 Water System Junior Lien Revenue Bonds

Date of Issue: September 23, 2011

Type: Junior Lien Revenue Bonds

Source of Repayment: Water and Sewer User Charges

Amount of Issue: \$2,416,050

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	105,000	47,567	152,567
2018	105,000	44,942	149,942
2019	110,000	42,317	152,317
2020	115,000	39,567	154,567
2021	115,000	36,692	151,692
2022	120,000	33,817	153,817
2023	120,000	30,817	150,817
2024	125,000	27,817	152,817
2025	125,000	24,692	149,692
2026	130,000	21,567	151,567
2027	135,000	18,317	153,317
2028	135,000	14,942	149,942
2029	140,000	11,567	151,567
2030	145,000	8,067	153,067
2031	150,000	4,442	154,442
2032	150,000	692	150,692
Totals	\$2,025,000	\$407,818	\$2,432,818

1999 Building Authority Refunding Bonds

Date of Issue: February 2, 1999

Type: Revenue Refunding Bonds

Source of Repayment: Building Rental Charges

Amount of Issue: \$1,265,000

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Paid in Full	-	-	-
Totals	\$0	\$0	\$0