

FINANCIAL SERVICES DEPARTMENT



Pictured above (left to right)

Front Row: Meter Reader Leah LaCasse, Customer Account Clerk/Cashier Christina Tynismaa, Chief Financial Officer Gary Simpson, Staff Accountant Katie Burnette, Deputy Treasurer Linda Poole, Utility Billing Clerk Tim Raich, City Appraiser Ellen Britton, and Accounts Payable Clerk Terra Bahrman

Back Row: Meter Reader David Blackburn, City Assessor Miles Anderson, Customer Account Clerk/Cashier Michelle Schroeder, Assessing Assistant Amanda Forslund, and City Treasurer Mary Schlicht



FINANCIAL SERVICES DEPARTMENT

2014-2015 ANNUAL REPORT

In accordance with Section 2-80 of the City Code, listed below is a summary of activities for the Financial Services Department for the 2014-2015 fiscal year.

Department Overview

The Financial Services department provides administrative support to the City of Marquette government. It maintains excellence in the accounting of all financial activity and provides support to City departments with financial, budgetary and procurement issues. The goal of the department is to provide relevant, timely and accurate financial reporting, and to exhibit fiscal accountability in accordance with Generally Accepted Accounting Principles (GAAP). The department has received its 29th consecutive *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association (GFOA) of the United States and Canada.

The Financial Services Department is comprised of four divisions: Finance, Treasury, Assessing and Utility Billing. Some of the core functions of the department include preparation of the Comprehensive Annual Financial Report (CAFR), preparation and monitoring of the budget, cash management and debt management, tax billing and disbursements, utility billing, parking ticket violation notification, City revenue collection, property appraisal and valuation and the administration of the Police and Fire Retirement System. The department also provides administrative services to the Peter White Public Library.

FINANCE

The Finance division provides a wide range of services which include Accounts Payable, Accounts Receivable, Central Office Supplies, Bid Administration, Fixed Asset Accounting, Budget Administration, Financial Reporting, Cash Management and Debt Management. This division is also responsible for the annual preparation of the CAFR.

Finance Program Statistics:

Number of Accounts Payable checks issued:	4,694
Dollar Amount of Accounts Payable checks issued:	\$36,111,998
Number of Accounts Receivable invoices issued:	1,782
Dollar Amount of Accounts Receivable billings:	\$1,868,388
Number of Bids and RFPs administered:	30
Number of Fixed Assets records maintained:	1,275*
Dollar Amount of Fixed Asset records maintained:	\$234,000,000*
Number of Funds maintained:	41
Dollar Amount of Net Assets maintained:	\$89,000,000*
Dollar Amount of Long Term Debt maintained:	\$53,772,350

*Figures are
estimated.

TREASURY

The Treasury division oversees the collection and distribution of City revenues and maintains appropriate accounting and financial records to document these transactions. This division also administers the Police and Fire Retirement System.

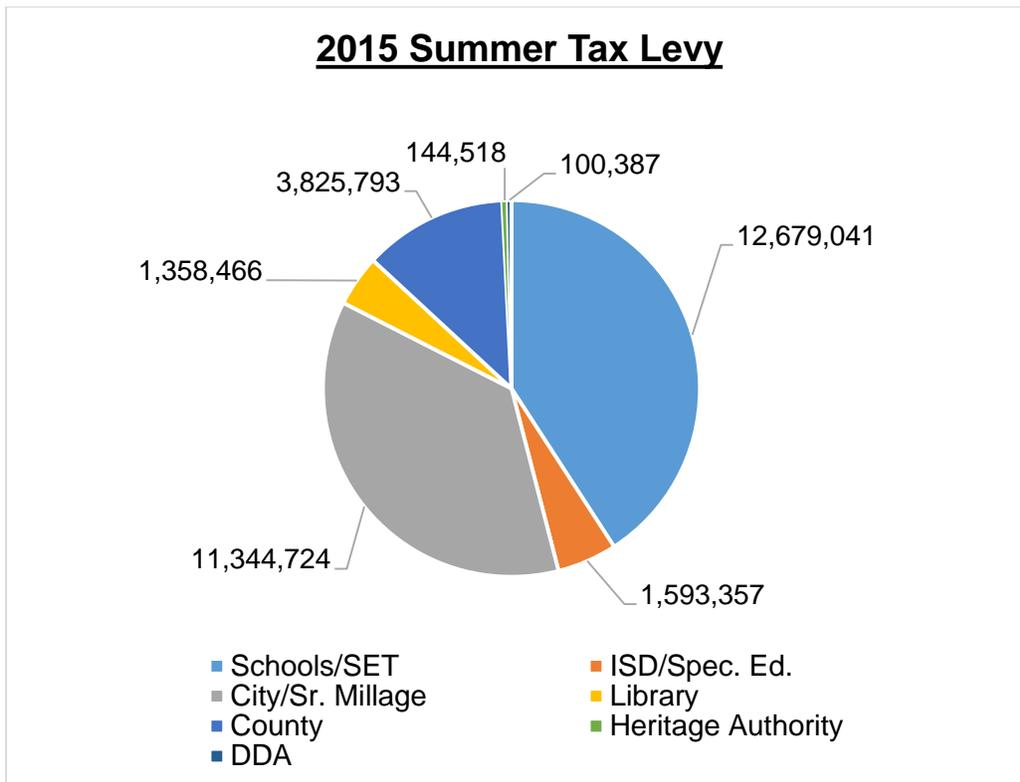
Treasury Program Statistics:

Dollar Amount of Total Cash Receipts:	\$79,181,642
Dollar Amount of Parking Ticket payments received:	\$99,434
Number of Property Tax parcels billed:	7,537
Percent of Tax Billings collected:	97%
Number of Landfill Permits (Commercial/Residential):	118
Dollar Amount of Landfill Permits (Commercial/Residential):	\$3,655

Because the City bills and collects taxes on behalf of other governmental units, it is important to note that the City does not keep all of the taxes that are billed out. When a taxpayer receives the summer tax bill, for instance, the City's portion is actually only a little over one-third. The rest is distributed to the other taxing jurisdictions that the City bills. The following chart and graph illustrates this.

2015 Summer Tax Levy:

Schools/SET	12,679,041	40.84%
ISD/Spec. Ed.	1,593,357	5.13%
City/Sr. Millage	11,344,724	36.54%
Library	1,358,466	4.38%
County	3,825,793	12.32%
Heritage Authority	144,518	0.47%
DDA	100,387	0.32%
	<u>31,046,286</u>	<u>100.00%</u>



ASSESSING

The Assessing division appraises the value of each property within the City limits, including Real (land and buildings) and Personal (tangible) property. The division establishes Assessed and Taxable values. It provides the City Treasurer with taxable values on all City properties which are used to produce annual tax bills. Assessment rolls are prepared annually which identify all known property owners, legal descriptions, assessed values, state equalized values and taxable values.

The Assessed Value is 50% of the true cash value (market value) of the property as of December 31st of the preceding year. Listed below is the Assessed Value by *property classification* type.

Assessed Values:

Property Classification:

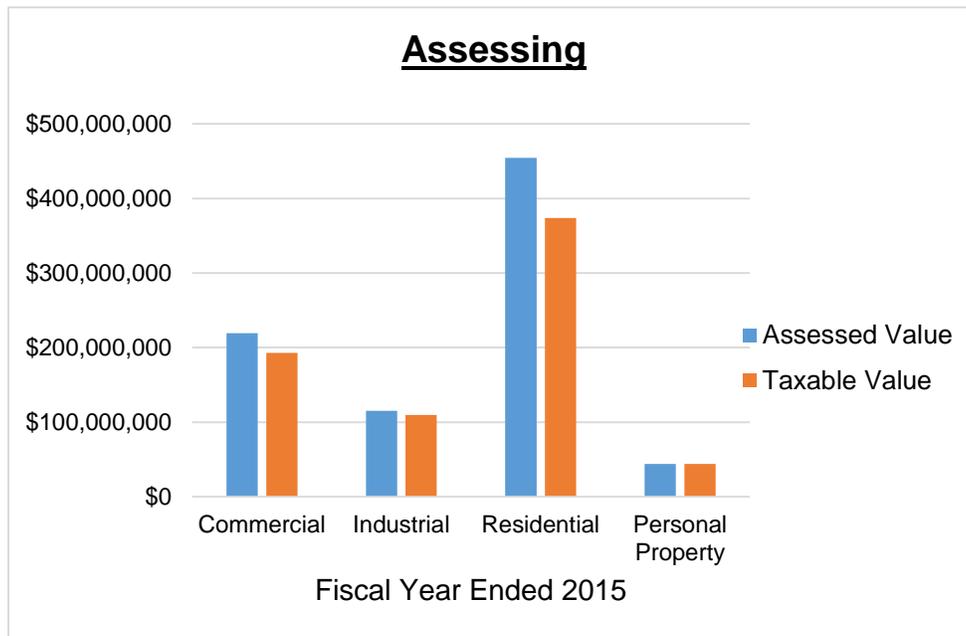
Commercial	\$219,513,000
Industrial	\$115,047,600
Residential	\$454,649,790
Personal Property	\$43,728,000
Totals	\$832,938,390

The Taxable Value is a value based on a formula which was set in March of 1994 when voters approved Proposal A. This value is used as a factor against which the tax rate is applied. Listed below is the change in Taxable Value by *property classification type*.

Taxable Values:

Property Classification:

Commercial	\$192,751,608
Industrial	\$109,686,988
Residential	\$373,930,945
Personal Property	\$43,728,000
Totals	\$720,097,541



UTILITY BILLING

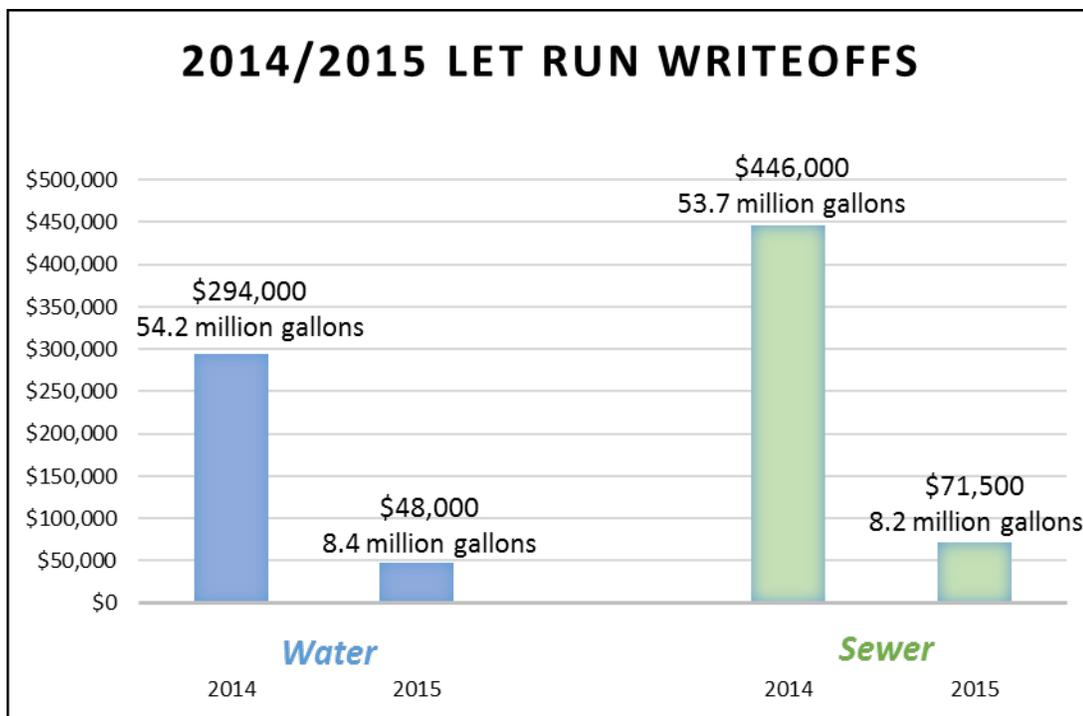
The Utility Billing division is responsible for obtaining and processing water/sewer readings, preparing utility bills, and collecting and recording payments. The division also prepares and processes service requests, maintains customer records, and handles customer inquiries.

Utility Services:

Utility Bills Mailed:	76,351
Water Meters Read:	83,424
Water Shutoffs:	71

Department Accomplishments/Statistics/Remarkable Events

- Water and Sewer Charge Write-Offs: While not as severe as the 2013-2014 winter, the sustained extreme cold in February 2015 and resulting abnormally deep frost levels again made it necessary to put a large number of water and sewer customers on let run orders to prevent frozen or re-freezing of service lines and water mains. This required office personnel to manually adjust water bills down to the customer's average water bill amount. In determining the amounts to be adjusted, historical usage as well as higher use in the summer months due to watering was factored in. These adjustments were done under the billing line items "Water Let Run" and "Sewer Let Run" as in the previous year so customers would easily be able to see the billing adjustments. The graph below shows the amount of charges written off as a result of the let run orders, which were issued for over 1,600 locations in 2014 and over 500 locations in 2015. For comparison, in a typical winter, there are generally 20 or less let run orders issued. Prior to the last two winters, the last large scale let run orders were back in 1994!



The volume variance is due to locations that have city water service, but no city sewer.

- The City Assessor's Office successfully assisted in preparing the database for use in establishing a base line value for the City of Marquette's "Smart Zone" implementation of the Tax Increment Finance tax capture.
- Tax Appeals: The City of Marquette has several property owners who have filed appeals with the Michigan Tax Tribunal. These appeals have the following range in differences of value between the city assessment and the petition filed with the Michigan Tax Tribunal: \$149,856 to \$8,471,016. The City also has several small claims petitions. In addition, work continues on the WE Energies tax appeal which has a difference of opinion in value of \$154,206,062. A considerable amount of time has been spent on these appeals by the Assessor's Office.
- AMAR (assessing minimum assessing requirements) Audit: Reviewed the following topics for those units of government audited: Public policy regarding public inspection of records, properly documented changes to taxable value by the Board of Review, were required state forms such as L-4021/L4022/L4025 timely delivered to the County equalization department, appropriately documented economic condition factors, accurate land value maps, appropriately documented land values, does the true cash value on assessment roll agree with true cash of the local units database, a review of new construction permits and assessing records, uncapping laws followed by local unit, and uniformity of assessments. The engineering GIS department provided excellent maps for the economic condition factor neighborhoods and land value charts. The Assessing Department will need to allocate time and resources to meet these requirements and others in the upcoming year.
- Duke LifePoint Marquette General Hospital: The Chief Financial Officer continues to serve as part of the City team in negotiations and implementation of agreements in the relocation of the hospital. A Purchase Agreement was approved and signed on August 3, 2015 for the hospital to be relocated on property currently owned by the City. It is anticipated that final closing will occur by the end of calendar year 2015. Work continues on negotiating Post-Closing agreements and implementing terms of the Purchase Agreement.
- City, Village, Township Revenue Sharing (CVTRS): Formerly known as Economic Vitality Incentive Program (EVIP), this program provides requirements for the City to comply with and receive Statutory Revenue Sharing. EVIP consisted of three phases, CVTRS consists of one phase which is essentially the same as the first phase under EVIP. For FY 2015, the City continued to comply with the program and received approximately \$357,000 which is the maximum amount the City could receive. The program is designed to help improve accountability and transparency of the state's municipalities to the public.
- Grant Administration: Responsible for the financial reporting requirements of approximately \$792,556 in expenditures for various grant programs the City was awarded.

- *Project Financing:* Maintained the City's AA bond rating as issued by Standard & Poor's. On September 17, 2015, closed on FY 2015 Capital Improvement Bonds for \$2.2 million of capital projects, which included street/water/sewer/stormwater infrastructure improvements.
- *Economic Development:* Continued with the resurrection of the City's Local Development Finance Authority (LDFA) and establishment of the City's SmartZone initiative. After much work, meetings, public forums and hearings, the Development and Tax Increment Finance Plan (TIF) for the SmartZone was successfully approved by the City Commission, the Michigan Economic Development Corporation, and the State Treasurer. TIF collections began with the Summer 2015 Tax Billings and will continue for 15 years.
- *LDFA:* Successfully went through the process of establishing the SmartZone and on September 4, 2015, entered into a SmartZone Services Agreement with "Innovation Marquette Enterprise Corporation" (IMEC). IMEC is a separate 501(c)(3) organization and is beginning start-up operations for the SmartZone initiative.
- *Next Michigan Zone:* Now called "Superior Trade Zone," is an initiative to be a regional economic trade zone for the municipalities in Delta and Marquette Counties. Approval has been given by the State for this endeavor and the start-up process has begun. Funding sources and project opportunities are being explored.
- *Budget/Audit:* Successfully completed a 15 month transition fiscal year audit (FY 2014) to get the City on its new October through September fiscal year. This required many changes to budgetary and financial management system functions, processes, and procedures. We are now back to a normal 12 month cycle for the fiscal year. The budget for FY 2016 was adopted on September 14, 2015 and the FY 2015 audit process has begun. Received the Certificate of Achievement for Excellence in Financial Reporting as presented by the Government Finance Officers Association of the United States and Canada for the City's FY 2014 Comprehensive Annual Financial Report.
- *City Treasurer Retirement and other staff changes:* On July 31, 2015, Diane Giddens retired as the City Treasurer after 26 years of excellent service to the City. Mary Schlicht, formerly the Staff Accountant, accepted the position of City Treasurer, which also created a change in the Staff Accountant position. There were also changes in the positions of Accounts Payable Clerk and both Cashier positions. The Utility Billing Clerk continues to train as the backup to the Payroll Clerk. While many changes occurred in a short period of time, and we will miss those who left, we are excited by the new staff and welcome the opportunity to continue our standard of excellence in all that we do.