

2022 Citizens Guide

to City of Birmingham Financial Health

City Commission

Therese Longe, Mayor
Pierre Boutros, Mayor Pro-Tem
Clinton Baller, Commissioner
Andrew Haig, Commissioner
Brad Host, Commissioner
Elaine McLain, Commissioner
Katie Schafer, Commissioner

City Manager

Thomas M. Markus

Director of Finance/Treasurer

Mark Gerber

KEY TERMS

There are a few key terms that may be helpful when reading this report. They include:

- **Budget deficit/surplus.** If there is less money received than paid out in a given fiscal year, there is a budget **deficit** or shortfall. If there is more money received than paid during the fiscal year, a budget **surplus** exists.
- **Debt.** Just like a homeowner takes out a mortgage, governments can borrow money to pay for certain types of projects. The City has both short-term debt (paid back within the fiscal year) and long-term debt. Debt can be either **general obligation** debt, meaning that the City pays back the debt with regular tax collections and other revenues, or **special revenue** debt, which is paid off over time with revenue from specified sources beyond the usual taxes and service fees.
- **Fiscal year (FY).** The 12-month period of time during which budgets are allocated or finances are planned. Most households have a fiscal year that runs from January 1 to December 31 (that's the period for which we pay personal income taxes in April), while state government uses an October 1 – September 30 fiscal year. Some local units of government, including public schools and the City of Birmingham use a July 1 – June 30 fiscal year, while others operate on a typical calendar year.
- **Fund balance.** Once all the bills for the year have been paid out of a certain fund, whatever is left over is called the fund balance. When a fund balance is less than zero, you'll see the number shown with parentheses around it. Deficits cause fund balances to decrease, while surpluses cause them to increase.
- **Fund balance - components.** Fund balance is classified into different components based on the availability of those funds to be used for operating purposes.
 - **Nonspendable** – Amounts that are not in spendable form or are legally or contractually to be maintained intact. Examples of these amounts include inventory or prepaid expenditures.
 - **Restricted** – Amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for use for a specific purpose. Examples of this type of fund balance include unspent bond funds, donations, construction code activities.
 - **Committed** – Amounts that have been formally set aside by the City Commission for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Commission. Examples of these amounts are when the City Commission approves a construction contract.
 - **Assigned** – Intent to spend resources on specific purposes expressed by the City Commission or the Finance Director, who is authorized by resolution approved by the City Commission to make assignments. An example of this would be leftover fund balances in special revenue funds. The funds have a designated purpose but have not been spent or committed to a contract.
 - **Unassigned** – Amounts that are available for any purpose. The General Fund is the only governmental fund which reports a positive unassigned fund balance.

Table of Contents

<i>Welcome</i>	1
<i>Services Birmingham Provides</i>	2
<i>How Tax Dollars Are Distributed</i>	5
<i>Financial Results</i>	6
Sources of Revenue	6
Comparison of Revenue to Prior Year	6
Where the Money is Spent ..	7
Comparison of Expenditures to Prior Year	8
Comparison of Fund Balance to Prior Year.....	8
Comparison of Debt per Capita to Prior Year.....	9
Funding Status Retirement and Retiree Health Care Systems.....	9
<i>Financial Trends</i>	10
Governmental Revenues, Expenditures, and Fund Balance	10
Debt Levels	10
Retirement and Retiree Health Care Funding	11
Number of Full-Time Employees	12
City's Credit Rating.....	12
<i>How This Report Was Developed</i>	13
Data Sources and Notes	13
Other Sources and Links.....	13

Welcome

Greetings,

Like all Michigan municipalities, the City of Birmingham will continue to face ongoing financial pressures based on various local, state, and national actions and conditions, this is especially true during the ongoing COVID-19 pandemic and current inflationary trends. These long-term financial challenges underscore the need to remain focused on proactive strategic planning rather than reactive tactical responses. We must continue to find new and improved ways to provide municipal services to our community that position the City to deliver the services our citizens want and expect. While the City of Birmingham's current financial condition remains strong, we recognize that the existing challenges and issues facing us today must be evaluated and resolved if we are to continue in this position. All residents have a vested interest in their local government. This report is intended to provide our citizens with an assessment of the financial health of the City. This report provides information on:

- How tax dollars are distributed
- Financial results of the City for June 30, 2022
- Financial trends of the City, including fund balances, debt levels, pension and other obligations

I hope that you find this information informative and it will provide a greater understanding of how we are managing and utilizing your tax dollars and other City resources.

Each and every individual who contributed to the development of this report has my deepest appreciation.

Sincerely,

Thomas M. Markus, City Manager

Services that Birmingham Provides

The City of Birmingham provides many services and events to its citizens and guests, many of which are not found in other cities in Southeast Michigan.

Governmental Services

Police Department

- The city has a full-time police department made up of 34 budgeted sworn officers, and is divided into three divisions: **Patrol, Investigations and Services.**
- *Patrol Division*
 - Responds to calls for service.
 - Crime prevention.
 - Enforcement of traffic laws.
 - Investigation of motor vehicle accidents.
 - Parking enforcement, parking meter maintenance.
 - Conducting criminal investigations.
- *Investigative Division*
 - Conducts follow-up investigations involving crimes, liquor and narcotics violations, liquor-license applications and employee-background checks.
 - Conducts educational seminars and decoy operations to promote awareness and compliance regarding alcohol and tobacco laws.
 - Inter-local agreement with Oakland County Narcotics Enforcement Team (NET) and has assigned one officer to that task force.
 - Inter-local agreement-Special Investigations Unit of the Troy Police Department.
 - Volunteer Auxiliary police officers serve at high school athletic events and at special events such as the Birmingham Cruise Event, Village Fair and parades.
- *Police Services Division*
 - State of the art police and fire dispatch CAD operations.
 - Emergency Medical Dispatch (EMD).
 - 911 texting capabilities.

Fire Department

- Birmingham has a full-time fire department with 22 budgeted firefighter paramedics.
- Advanced Life Support (ALS) on all medical emergency runs.
- The average response time for emergency medical services is between 2-3 minutes.
- Birmingham is a member of the Oakway MABAS (Mutual Aid Box Alarm System) which allows for mutual aid from neighboring cities when there is a major incident requiring additional resources.
- Participation and access to the Oakland County Hazmat team.
- Firefighters trained in technical rescue, surface water & ice rescue, and vehicle extrication.
- Regular hydrant flow testing throughout the city to insure standards of flow.

- Monthly free “Family and Friends” CPR training, as well as Quarterly Heart Saver CPR classes for certification.
- Proper child car seat installation from trained firefighters.
- Safe used needle disposal and drop-off point at fire station.

Maintenance

- The city maintains 85 miles of road, 129 miles of sidewalks, 9 bridges, 850 fire hydrants, and more than 100 miles of water and sewer lines.
- The city manages several annual construction projects to provide improvements to the roads, sidewalks, sewers, water mains and parking facilities.
- City-wide email communication system to keep residents informed regarding construction project updates and information regarding their neighborhood and streets.

Trash, leaves and snow

- Refuse collection with mixed recycling.
- Curbside leaf collection for improved, curbed streets in the fall.
- Responsive, timely snow removal and plowing of all city streets.

Parking

- The city maintains five parking garages located in the downtown area with a total capacity of 3,579 structure spaces.
- 1,043 on-street downtown parking which includes 77 designated handicap accessible spaces.
- Smart parking meters have been installed that take both credit card and cash.
- Bicycle racks are available for cyclists.
- Parking for mopeds is available.
- City sponsored valet parking.

Voting, passports and licenses:

- The Clerk’s Office is the place to go for voting information, to process passport applications, and to obtain any type of license in the city.

Cultural/Recreational Services

- **Baldwin Public Library** offers an idea lab with a laser cutter and 3-D printer, an extensive collection of books, video and reference materials, and programs for all ages.
- **The Birmingham Museum** features two historic properties, several unique collections, archival records of Birmingham history, artifacts of local historical businesses, and a virtual and online presence.
- **Parks** - There are 22 park areas covering more than 230 acres of property, including two miles of a walkable trail system with natural elements (wood chips and crushed limestone).

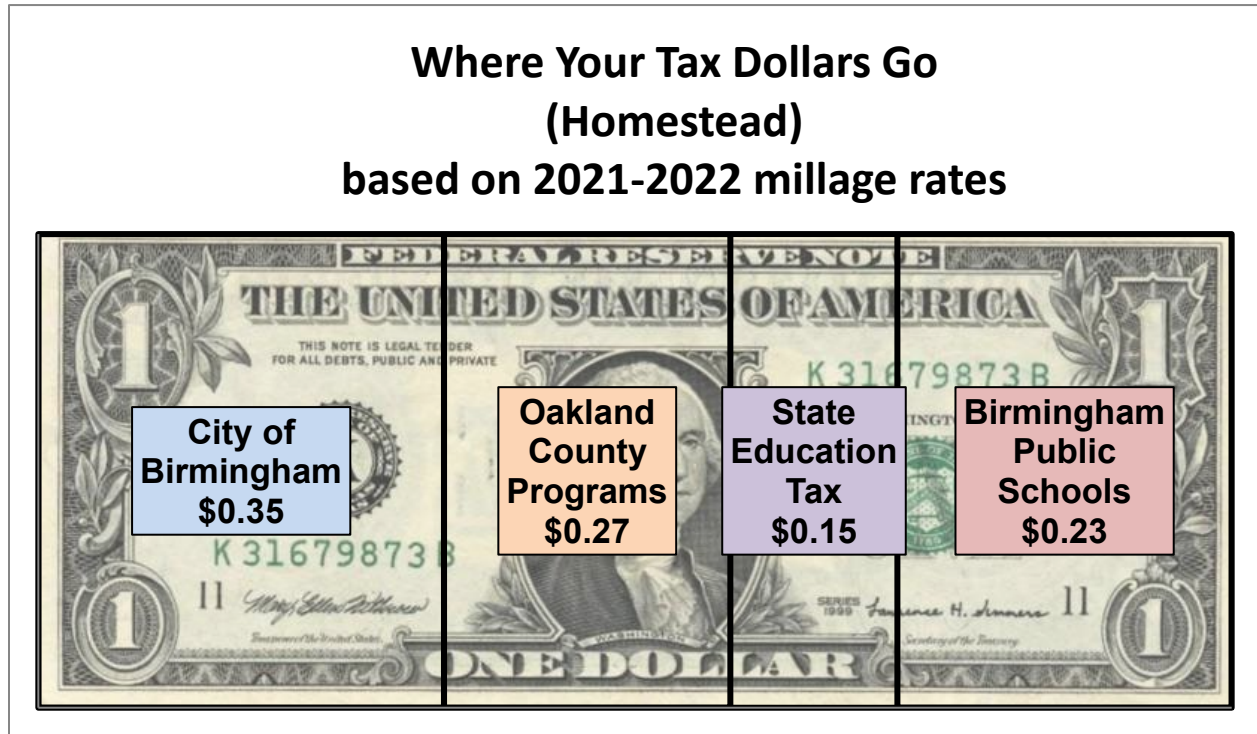
- **Nine baseball and softball diamonds** are spread throughout the city for youth and adult leagues, and soccer fields and playgrounds are abundant for exercising and relaxing.
- **Tennis** – Birmingham has 16 tennis courts surrounded by beautiful park grounds.
- **Ice Arena** - The ice arena offers public skating, ice shows and all levels of instruction available on two sheets of ice.
- **Two, Jerry Matthews designed, 9-hole golf courses** are the cities best kept secret, requiring a minimal membership fee for residents and a variety of programs for all ages, including youth and beginners.
- **Dog lovers** can register their pets for entry in an exclusive city-maintained dog park.
- **Skate boarders** have a designated skate park designed by local Birmingham enthusiasts.
- **Cell phone charging stations** along Old Woodward and Maple Road.

Events

- Celebrate Birmingham Parade
- In the Park Concert Series – Shain Park
- Farmer’s Market – Lot 6
- Winter Markt – Shain Park
- Holiday Tree Lighting
- Movie Nights - Booth Park (summer)
- Woodward Dream Cruise
- Day on the Town
- Small Business Saturday
- Restaurant Week
- DPS Open House
- Fire Department Open House

How Tax Dollars Are Distributed

The City of Birmingham collects property taxes for a number of jurisdictions including the City, Baldwin Public Library, Birmingham Public Schools, Huron-Clinton Metropark Authority, Oakland Community College, Oakland County, Oakland County Parks & Recreation, Oakland Intermediate Schools, SMART, Oakland County Art Institute Authority, Oakland County Zoological Authority and the State of Michigan. Below is a summary breakdown of where your taxes go:



As indicated above, only approximately one-third of every property tax dollar paid by taxpayers is kept by the City. The remaining balance of taxes is remitted to other jurisdictions. Of the 35 cents received by the City, 2 cents are used for refuse collection, 3 cents for library services, and 2 cents for payments on voter-approved bonds which were issued for park improvements. The remaining 28 cents is broken down between operating purposes (20 cents), debt-service on bonds issued for sewer drains (1 cent), water-main improvement (1 cent) and road improvements (6 cents).

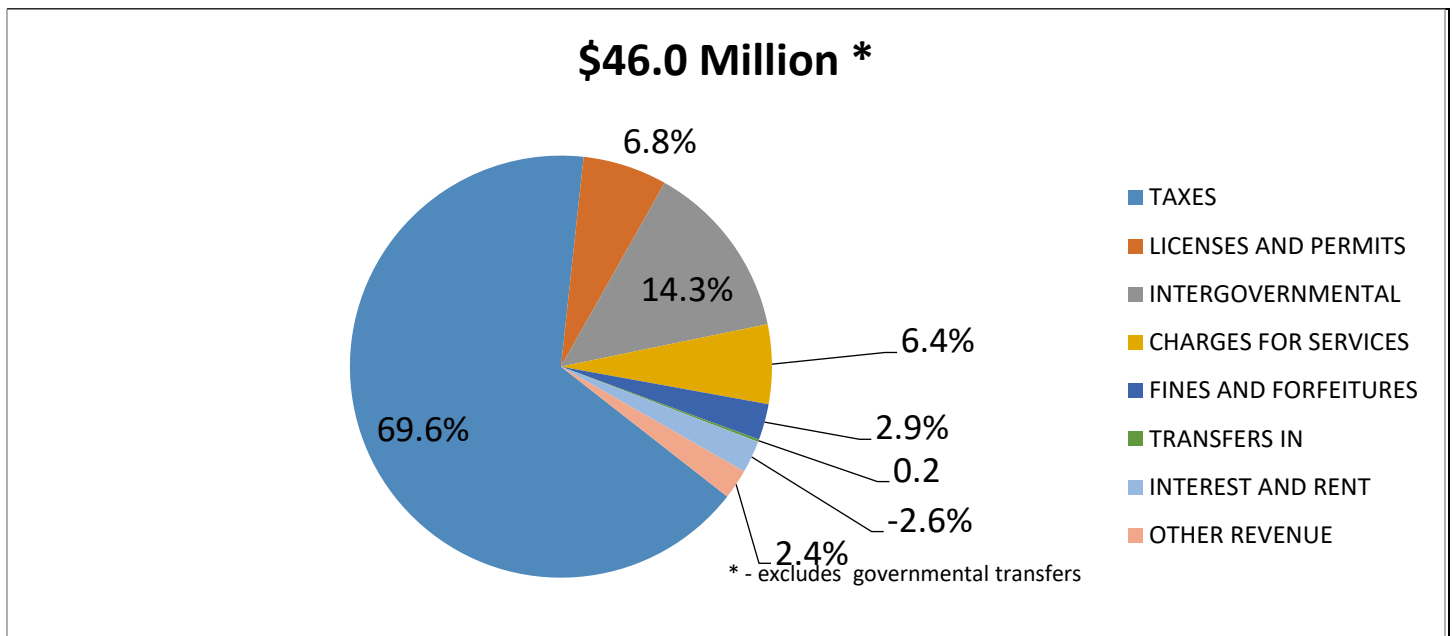
Financial Results – Governmental Funds

The City has eleven governmental funds which include the General, Major and Local Streets, Capital Projects, Park System Construction, Solid Waste Disposal, Law & Drug Enforcement, Community Development Block Grant Funds, Parks and Recreation Debt Service Fund, Michigan Indigent Defense Fund, and the Greenwood Cemetery Perpetual Care Fund. A summary of revenues, expenditures, and changes in fund balance is described in detail below.

REVENUES:

WHERE THE MONEY COMES FROM

Total governmental revenue, excluding governmental transfers, totaled \$46.0 million for fiscal year 2021-2022. As shown below the major source of revenue for governmental funds is property taxes. It represents 69.6% percent of the revenue received in fiscal year 2022. The next highest source of revenue is intergovernmental at 14.3%. This revenue consists of state shared revenue from sales taxes and gas and weight taxes as well as federal grant money received during the pandemic. The third highest revenue source is licenses and permits which consist of building permit revenue and cable franchise fees. This source makes up 6.8% of the total revenue. The fourth highest source of revenue which accounts for 6.4% of total governmental revenue is charges for services. This revenue source consists of charges for recreational activities related to ice arena, charges for dispatch and EMS transport services, and charges to other funds.



COMPARISON OF REVENUE TO PRIOR YEAR

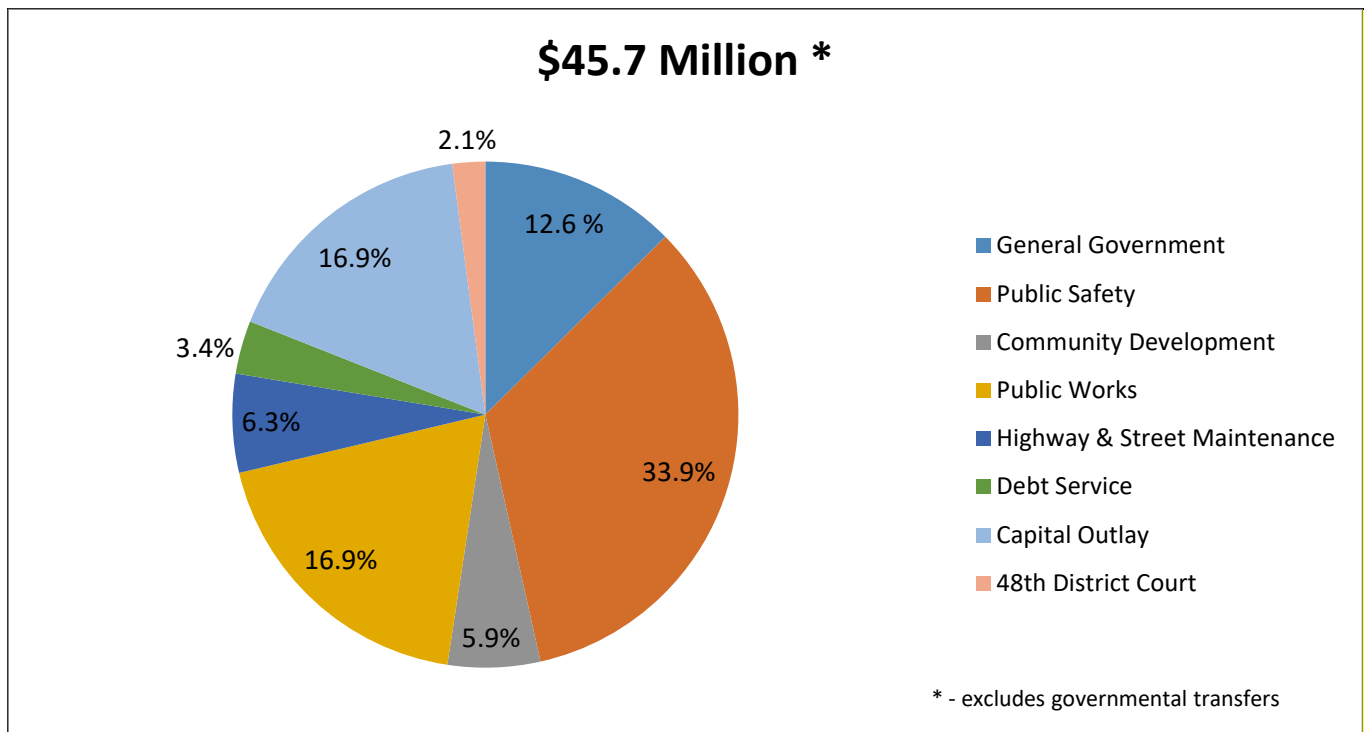
The following table shows a comparison of actual revenues, less governmental transfers, for fiscal years 2020-2021 and 2021-2022. As indicated below, total revenues decreased in fiscal year 2021-2022 by approximately \$2.9 million. The majority of the decrease (\$5 million) is attributable to the sale of bonds for improvements at the City's park and recreational facilities from the prior year and \$1.2 million loss in interest and rent. This was offset by \$1.4 million increase in taxes, \$1.0 million in Intergovernmental revenues related to pandemic grants, \$.5 million increase in other revenues, \$.4 million increase in fines & forfeitures, \$.2 million increase in licenses & permits and \$.2 million increase in charges for services.

REVENUES	<u>2020-2021</u>	<u>2021-2022</u>	<u>% change</u>
Taxes	\$ 30,603,827	\$ 32,032,397	5%
Licenses & Permits	2,918,607	3,121,461	7%
Intergovernmental	5,646,375	6,602,348	17%
Charges for Services	2,765,513	2,939,103	6%
Fines & forfeitures	968,666	1,342,721	39%
Interest & Rent	357,709	(1,203,246)	-436%
Transfers In	100,000	100,000	0%
Other	588,315	1,089,995	85%
Bond Proceeds & Premium	5,012,104	-	-100%
Total Revenue	\$ 48,961,116	\$ 46,024,779	-6%

EXPENDITURES:

WHERE THE MONEY IS SPENT

As shown below, approximately a third of all governmental expenditures are for public safety. This includes police, dispatch, building and fire services. Expenditures for solid waste/refuse collection total almost 18.9% of the governmental expenditures. General government which includes city administration, legal, assessing, treasury and finance, building maintenance and elections represent 12.6% of total expenditures. Public work expenditures total approximately 23.2% of all governmental expenditures and include engineering, parks, community events, sidewalk repairs, property maintenance, street maintenance, and ice arena.



COMPARISON OF EXPENDITURES TO PRIOR YEAR

The table below shows a comparison of actual expenditures, less governmental transfers, for fiscal years 2020-2021 and 2021-2022. Total expenditures increased \$1.2 million or 3% from the prior year. Public Works decreased \$.8 million as a result of the completion of sidewalk improvements along Maple Road in the prior year. Capital Outlay increased \$2.0 million as a result of the ice arena renovation.

EXPENDITURES	<u>2020-2021</u>	<u>2021-2022</u>	<u>% change</u>
General Government	\$ 5,809,236	\$ 5,759,458	-1%
Public Safety	15,467,890	15,477,512	0%
Community Development	2,635,001	2,676,231	2%
Public Works	7,337,050	6,515,481	-11%
Street Maintenance	2,959,149	2,891,391	-2%
Capital Outlay	5,727,267	7,741,534	35%
Refuse	2,095,580	2,114,070	1%
48th District Court	946,009	954,589	1%
Debt Service	1,549,380	1,566,887	1%
Transfers (excluding government funds)	-	-	#DIV/0!
Total Expenditures	\$ 44,526,562	\$ 45,697,153	3%

FUND BALANCE

COMPARISON OF FUND BALANCE TO PRIOR YEAR

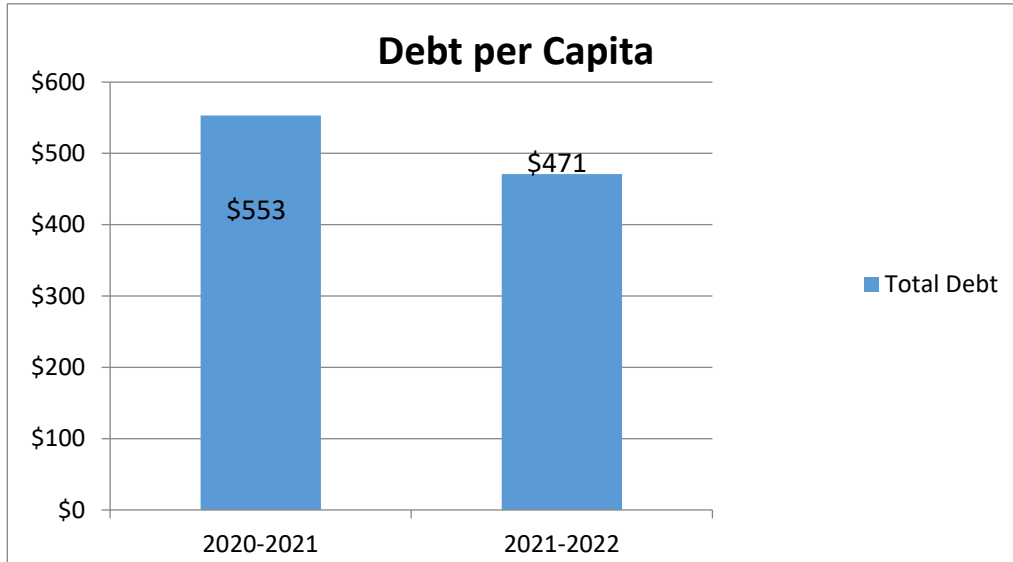
Below is a comparison of total governmental fund balance for 2020-2021 and 2021-2022. Overall fund balance increased \$.3 million or 1.0%. Nonspendable fund balance decreased \$.3 million as a result of a decrease in prepaid costs of \$.2 million and a decrease in perpetual care investments of \$.1 million. Restricted fund balance decreased by \$3.2 million primarily as a result of the park and recreation bond being used for the ice arena and various park improvements. Committed fund balance decreased \$.9 million as a result of the road construction projects being completed. Assigned fund balance increased \$3.1 million as a result of an increase in funds available for future capital improvement projects. Unassigned balance, which is available for appropriation and can be used to meet the City's ongoing obligations to citizens and creditors without external or internal limitation. Unassigned balance represents 37% of the total fund balance.

	<u>2020-2021</u>	<u>2021-2022</u>	<u>% change</u>
Revenue	\$ 48,961,116	\$ 46,024,779	-6%
Expenditures	44,526,562	45,697,153	3%
Surplus (Shortfall)	<u>\$ 4,434,554</u>	<u>\$ 327,626</u>	-93%
FUND BALANCE, BY COMPONENT:			
Nonspendable	\$ 1,718,948	\$ 1,342,781	-22%
Restricted	6,652,023	3,400,280	-49%
Committed	2,185,319	1,224,575	-44%
Assigned	8,041,526	11,182,579	39%
Unassigned	14,893,047	16,660,083	12%
Total Fund Balance	\$ 33,490,863	\$ 33,810,298	1%

DEBT

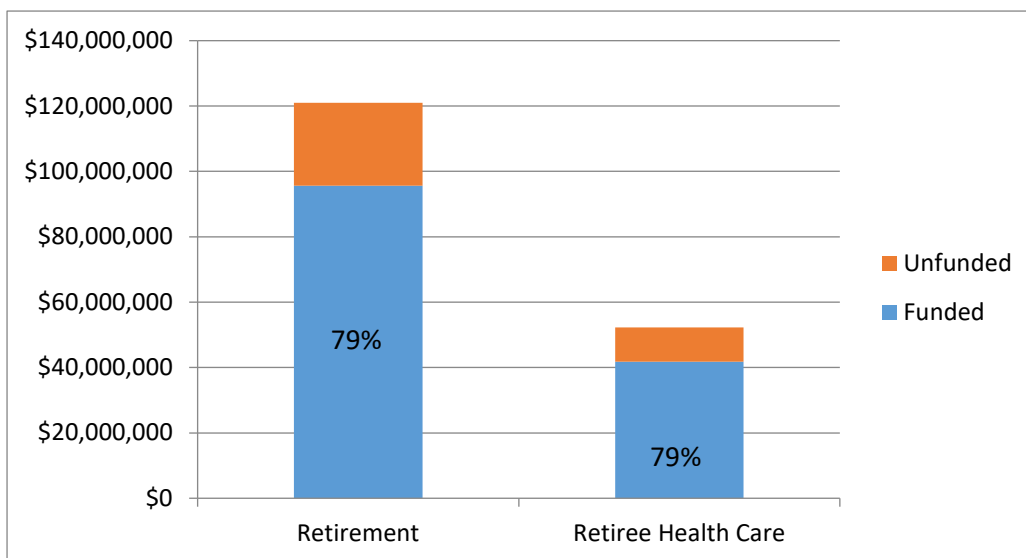
COMPARISON OF CITY DEBT TO PRIOR YEAR

The graph below shows the per capita debt for 2020-2021 and 2021-2022. Per capita debt decreased \$82 as a result of a sewer bond maturing. Currently, the City has structured debt outstanding for park improvements of \$9.5 million and sewer improvements (both City and county) of \$.7 million. Employee compensated absences totaled \$2.3 million and represents unused vacation time and sick time over a certain balance.



RETIREMENT AND RETIREE HEALTH CARE LIABILITIES

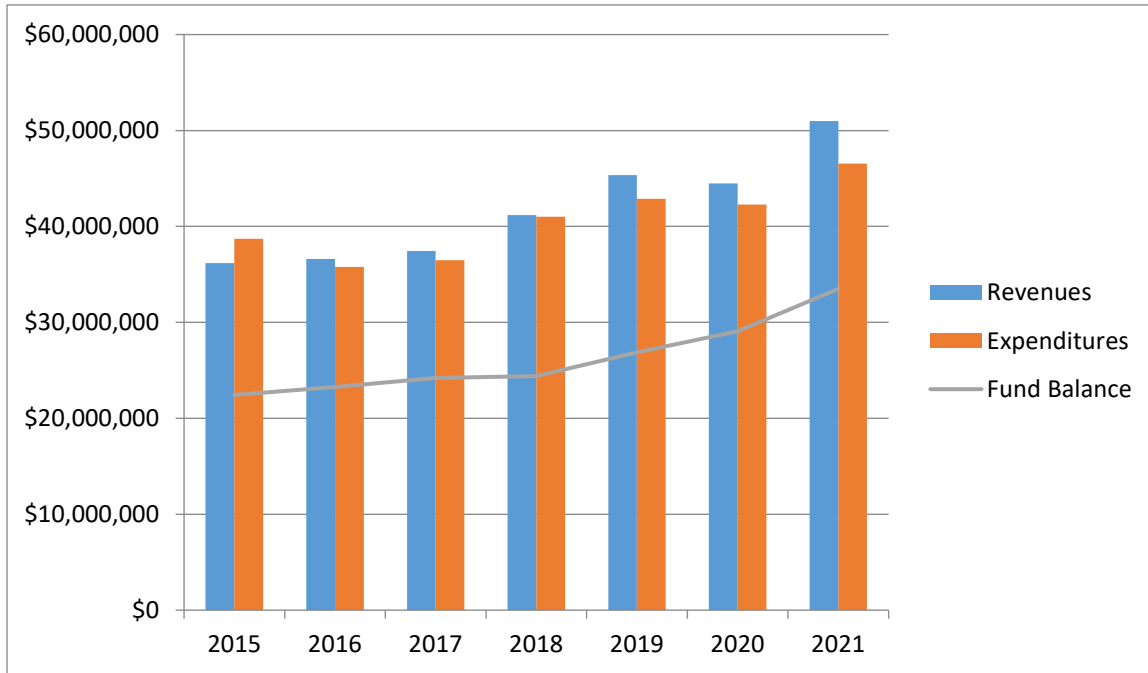
The graph below shows the funding status of the retirement and retiree health care system based on the most recent actuary valuation. The retirement system is currently 79.1% funded with a total liability of \$121 million and an unfunded liability of \$25.3 million. The retiree health care system is currently 79.9% funded with a total liability of \$52.3 million and an unfunded liability of \$10.5 million. Both systems are closed to new hires. New hires participate in a defined contribution plan.



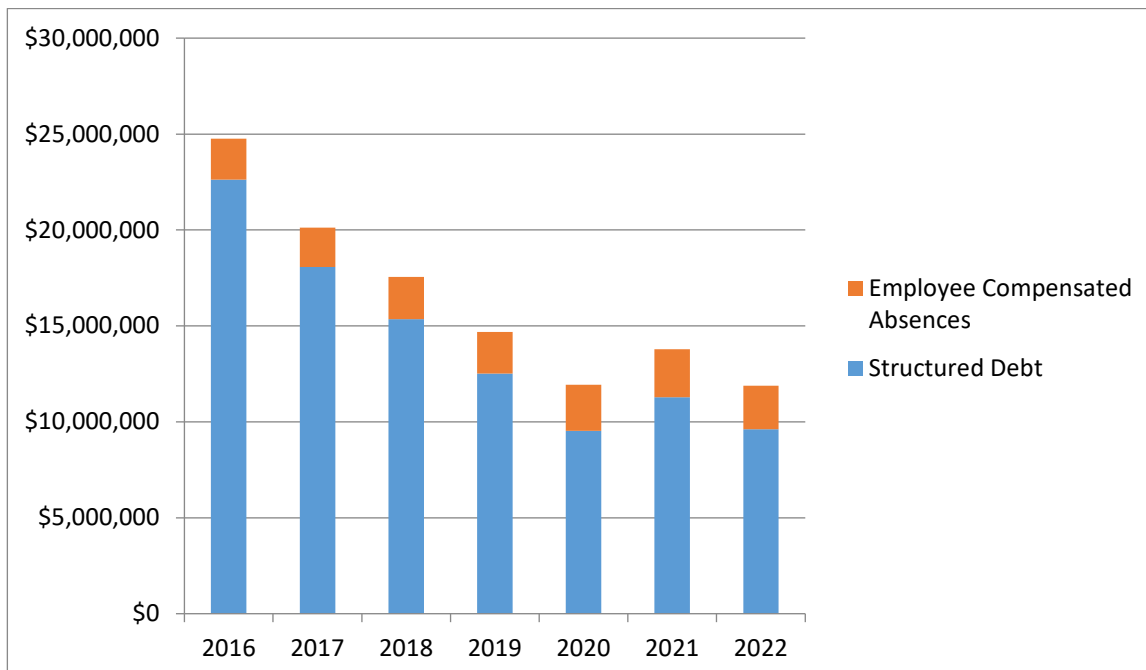
Financial Trends

Financial trends of historical data can be helpful in seeing how the City is performing over a number of years rather than just a snapshot in time.

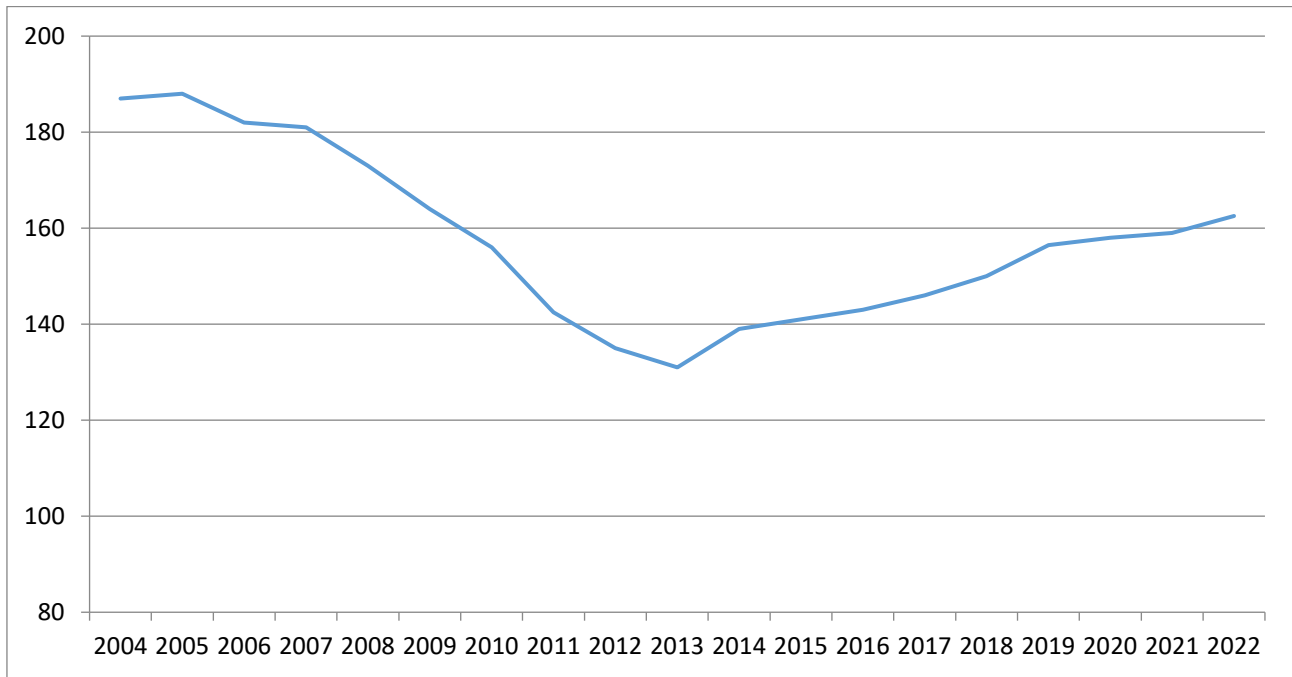
GOVERNMENTAL REVENUES, EXPENDITURES, AND FUND BALANCE



DEBT LEVELS



FULL-TIME EMPLOYEES



CITY OF BIRMINGHAM'S CREDIT RATING

The City of Birmingham's financial condition remains strong. The City's excellent AAA bond rating from Standard & Poor's is attributable to strong and proactive management, including extensive long-term and capital planning and economic development efforts. The City maintains financial flexibility, including sizable fund balances, operating tax margin and adjustable discretionary spending.

HOW THIS REPORT WAS DEVELOPED

The goal of this report was to provide the public with as much information as possible on the revenues, expenditures, and other financial activities of the City of Birmingham.

DATA SOURCES AND NOTES

Data used for this report was obtained from the Annual Comprehensive Financial Reports for the fiscal years ended June 30, 2015 through June 30, 2022.

OTHER SOURCES AND LINKS

For other information about the City of Birmingham, please refer to the following resources available on the City's website:

- City of Birmingham Annual Comprehensive Financial Report (June 30, 2022)
- City of Birmingham Approved 2021-2022 Budget
- City of Birmingham Five-Year Financial Model (Dated January 2022)