



FY2020

# *City Of Grand Rapids*

Citizen's Guide to The City's Finances

Year Ended June 30, 2020

# Introduction



## Citizens of Grand Rapids,

This year we are excited to present to you a new and revised version of the Citizen's Guide to The City Finances. In this guide you will find an overview of your City government's financial activity during the Fiscal Year 2020 (July 1, 2019 – June 30, 2020).

The City of Grand Rapids is the 2<sup>nd</sup> largest city in the State of Michigan with a population of approximately 201,000 citizens covering an area of 44.4 square miles. The City comprises 3 Wards and is governed by a combination of elected and appointed officials through a Commission – Manager form of government. The City government employs approximately 1700 employees across 30 departments. In this guide we'll review the City's Revenues, Expenses, and how those impacted the City's overall financial health during the Fiscal Year 2020.

Transparency in government is critical. Each year, the **Office of the City Comptroller** engages an external audit & accounting firm to complete an independent audit of the City's financial statements which are published via the **Comprehensive Annual Financial Report** (CAFR). For FY2020 the City of Grand Rapids was issued an unmodified "clean" opinion by Plante & Moran signifying the City's financial statements comply with accounting principles generally accepted in the United States of America (U.S. GAAP)

This Citizen's Guide is produced using information from the City's Comprehensive Annual Financial Report (CAFR) and is designed to be accessible for the general public and readers without a background in public finance or accounting. To ensure the citizens of Grand Rapids are fully informed about their government's operations, the City is pleased to provide you with this annual report. The City's Comprehensive Annual Financial Report for FY2020 is also available [here](#).

For answers to questions on this report, you may contact the Office of the City Comptroller at [comptroller@grcity.us](mailto:comptroller@grcity.us)

A handwritten signature in blue ink that reads "Charles M. Frantz".

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Charles M. Frantz  
**City Comptroller**



A handwritten signature in blue ink that reads "Molly Clarin".

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Molly Clarin  
**Chief Financial Officer**



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# FY2020 Citizen's Financial Summary



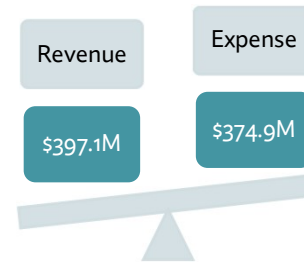
## City Revenues \$397.1M

**1.3% decrease** vs. 2019 driven by a decline in charges for services. The City's primary sources of revenues consist of Charges for Services (Water, Sewage & Parking), Income Taxes and Property Taxes.



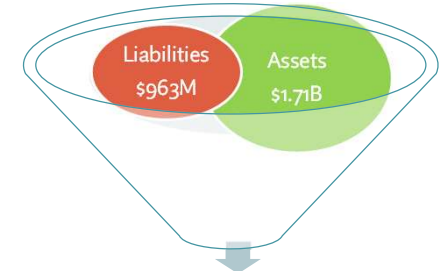
## City Expenses \$374.9M

**2.2% decrease** vs. 2019 driven by a decline in pension related expenses. The City's primary expenses are Public Safety, Public Works, Sewage Disposal, Water Supply, and General Government.



## Change in Net Position +\$22.2M

\$22.2M is the amount by which the City's revenue exceeded its expenses during the Fiscal Year. This was largely driven by positive results in Water and Sewer system operations. Tax revenue increased 0.8% (\$1.1M).



## Net Position \$760.6M

The Net Position primarily reflects the amount by which the City's total assets exceed its total liabilities. As of the fiscal year end June 30, 2020, the Net Position reflected a positive increase of **\$22.2M**.



## General Fund Balance \$37.0M (Unassigned)

The City's primary operating fund accounts for police, fire, and other government department activity. The unassigned fund balance decreased \$1.1M vs. 2019. In addition to the unassigned balance the City also has \$14.3M reserved for Budget Stabilization.



## Outstanding Debt \$538.2M

The City's total long-term outstanding debt increased by \$33.8M during the fiscal year driven by new bond issuances for improvements to both the City Water Supply & Sewage systems.



## S&P Credit Rating AA

The AA rating means the City's capacity to meet its financial commitments is very strong as measured by the credit rating agency Standard & Poor's. AA is one rating below S&P's highest credit rating of AAA.

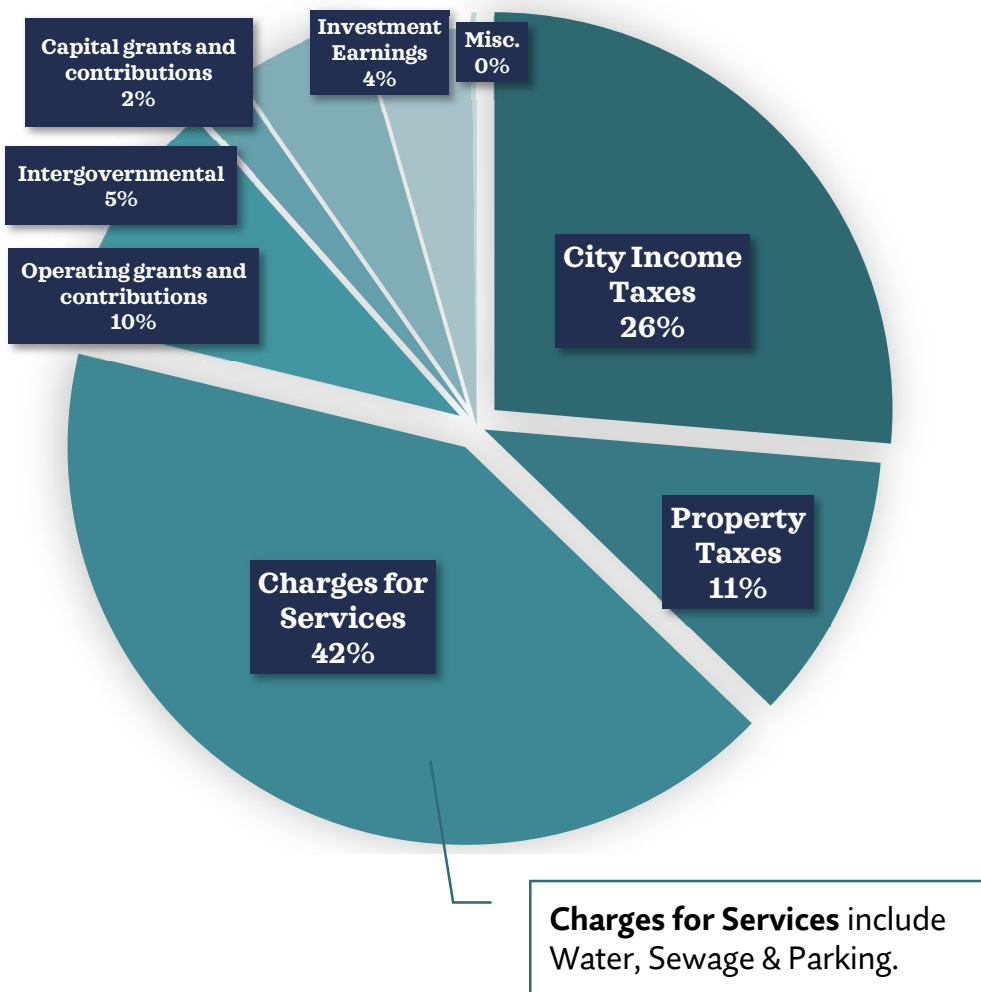


## Pensions & Benefits 76% Funded

The City's Pension plans are 79% funded while Other Postemployment Benefits (OPEB) are 51% funded as of year end FY 2020. 76% represents the weighted average percent funded ratio for all plans.

# City Revenues

In FY 2020 The City of Grand Rapids generated **\$397.1M** in Revenue. The City's primary sources of revenue (~80%) are Income Taxes, Property Taxes, and charges for Water, Sewage & Parking services.

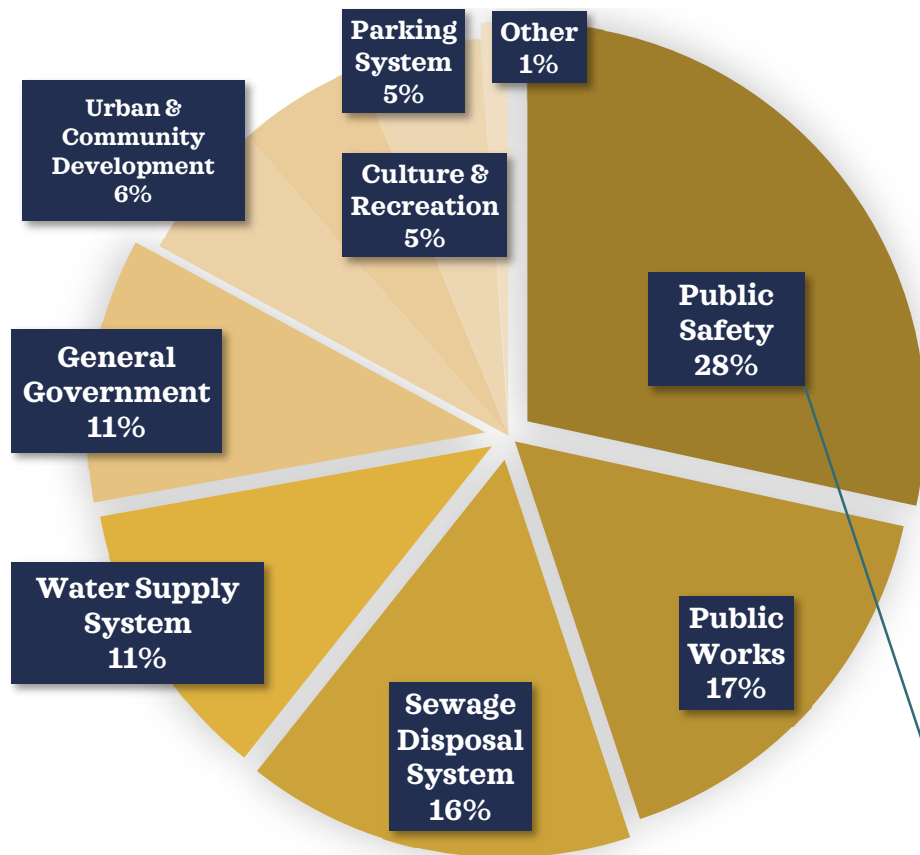


Revenues	2020	% vs. 2019
Charges for Services	\$165.1M	-2.9%
City Income Taxes	\$104.6M	-0.5%
Property Taxes	\$43.2M	4.0%
Operating Grants & Cont.	\$38.2M	-4.3%
Intergovernmental	\$20.9M	-3.9%
Investment Earnings	\$16.8M	22.5%
Capital Grants & Cont.	\$7.4M	-14.5%
Miscellaneous	\$0.8M	-14.0%
<b>Total Revenues</b>	<b>\$397.1M</b>	<b>-1.3% (\$5.2M)</b>

**Source Detail:** Total Primary Government Revenue represents aggregate City revenues generated across all Governmental and Enterprise funds. The Total Primary Government Revenue is stated on Pg. 9 in the in the Changes in Net Position table of the FY2020 CAFR. The governmental and business-type activities of the City combine to represent the total primary government. Financial figures are displayed in \$millions.

# City Expenses

In FY 2020 The City of Grand Rapid incurred expenses of **\$374.9M**. The City's primary expenses (~80%) were Public Safety, Public Works, Sewage Disposal, Water Supply, and General government.



**Public Safety** include the Police & Fire departments.

Expenses	2020	% vs. 2019
Public Safety	\$106.5M	-12.5% * see footnote
Public Works	\$61.8M	10.3%
Sewage Disposal System	\$59.2M	6.5%
Water Supply System	\$43.0M	0.0%
General Government	\$40.3M	11.9%
Urban & Community Development	\$21.2M	3.9%
Culture & Recreation	\$19.5M	-12.0%
Parking System	\$19.0M	-14.2%
Other	\$4.3M	-31.5%
<b>Total Expenses</b>	<b>\$374.9M</b>	<b>-2.2% (\$8.5M)</b>

**\*Lower Public Safety expenditures** was driven by lower pension related expenses in FY2020 relative to FY2019 (not a reduction in day-to-day operational expenses). When excluding the impact of pension expense, Public Safety expenditures increased 1.4% in FY2020.

**Source Detail:** Total Primary Government Expenses represents aggregate City expenses generated across all Governmental and Enterprise funds. For more detail, please reference pg. 16 of the Comprehensive Annual Financial Report. Financial figures are displayed in \$millions.

# Vendor Detail

The City partners and works with a variety of vendors and organizations to procure goods & services and complete major projects. In FY2020 The Christman Company was the top recipient of City funds driven by work related to Construction Management Services for the City's Water Resource Recovery Facility (sewage disposal systems) and Biodigestion Project.

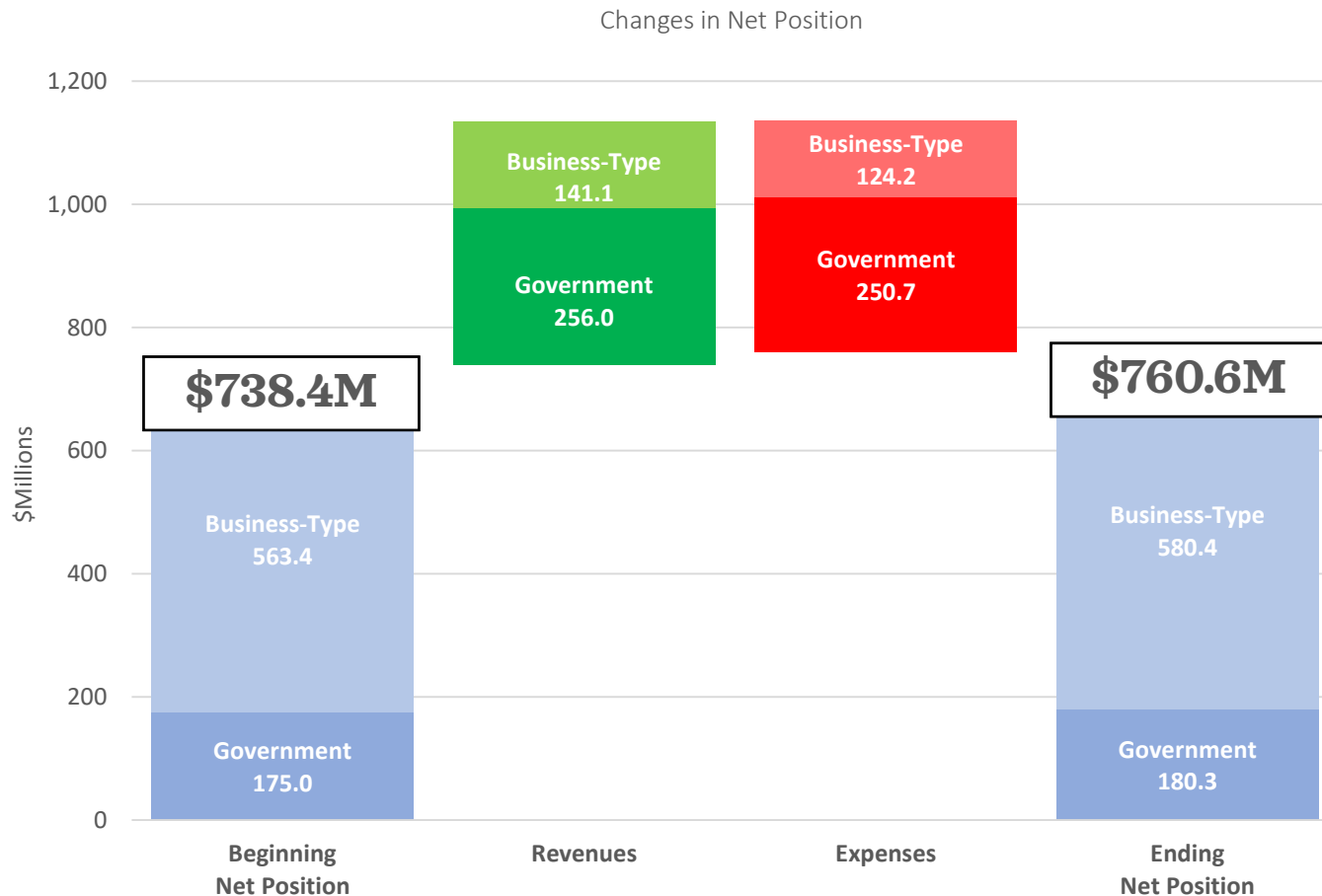
## Aggregate Payments in FY 2020 – Ranked highest to lowest (\$Millions)

The Christman Company	\$ 34.1	Brindlee Mountain Fire Apparatus, Llc	1.6
Consumers Energy	8.9	Ponstein Enterprises, Llc	1.6
Wyoming Excavators Inc	8.0	Biotech Agronomics Inc	1.6
Elzinga & Volkers, Inc.	7.0	Republic Services	1.6
Hamlett Engineering Sales Co	7.0	Etna Supply Co	1.5
Davis Construction, Inc	4.9	Lodestar Construction Inc	1.5
Diversco Construction Co Inc	4.6	Tetra Tech Inc	1.5
Dewpoint Inc.	3.9	Geotech Inc	1.4
State Of Michigan	3.9	Polydyne Inc.	1.4
Kamminga & Roodvoets Inc	3.5	Elwood Staffing	1.3
Triangle Associates, Inc.	3.2	Arthur J. Gallagher Risk Management Serv	1.2
Fishbeck, Thompson, Carr & Huber, Inc.	2.9	Rosenbauer South Dakota, Llc	1.2
Granger Construction Company	2.9	Fifth Third Bank	1.2
County Of Kent	2.4	CDW Government Inc	1.2
Interurban Transit Partnership	2.3	J & H Oil Co	1.1
Nagel Construction Inc	2.2	J. Ranck Electric, Inc.	1.1
Gillig Llc	2.1	Rieth-Riley Construction Co	1.1
P.I.E. Management, L.L.C.	1.9	West Michigan International	1.0
Elzinga & Volkers	1.8	Michigan Municipal Services Authority	1.0
Andy J Egan Co Inc	1.7	DTE Energy	1.0

**Source Detail:** Vendors & organizations included on this page received aggregate payments exceeding \$1,000,000 during Fiscal Year 2020. The total expenses incurred with the 40 entities above equated to \$135,168,551.31 and is sourced from the City's accounting system. Financial figures are displayed in \$millions.

# Net Position

As of the Fiscal Year ended June 30, 2020, the City had Total Assets of \$1.71 billion and Total Liabilities of \$963.0 million dollars. **The City's Net Position is \$760.6M** representing a positive \$22.2M increase throughout the year. Examples of City assets are land, buildings, and water & sewer mains. Examples of City liabilities are employee retirement benefits and bonds used to finance City projects.



**Source Detail:** Government-wide Financial Analysis (Pg. 6 of CAFR) and Changes in Net Position (Pg. 9 of CAFR). For full figures please reference cited pages of the Comprehensive Annual Financial Report (CAFR). The FY20 year end net position of \$760.6M is calculated as \$1.71B in Total Assets + Deferred Outflows of \$56M – Total Liabilities of \$963M - Deferred inflow of \$41M. Deferred inflows and outflows of resources primarily reflect the difference between projected and actual earnings on pension and retiree health care plan investments. Unlike Fund Balance which focuses on current-year resources and excludes long-term assets and liabilities, **Net Position** is used when presenting the Government-wide financial statements (total government) and incorporates the City's long-term assets and liabilities. Financial figures are displayed in \$millions.



# General Fund

The General Fund is the primary operating fund of the City and is the recipient of the bulk of the income and property taxes paid by the community. The fund had an **unassigned fund balance of \$37.0M** (28.3% of total FY2020 expenditures) which can be spent at the City's discretion.

Fund Balance by Component	\$ Amount	% Change	Descriptions
Nonspendable	\$1.8M	-47.6%	Inventory (such as Streetlight poles).
Committed (Budget Stabilization)	14.3M	-%	Rainy day fund
Committed (Other)	0.4M	100%	Community development in 3 <sup>rd</sup> Ward
Assigned	10.7M	49.3%	Compensated absences
<b>Unassigned</b>	<b>37.0M</b>	<b>-2.9%</b>	Amount not constrained
Total Fund Balance:	64.2M	1.9%	Sum of the above components

## Police Dept. Expenditures

In FY2020 actual Police Department expenditures totaled \$54.5M equating to 38% of total general fund expenditures. Over time, operations including the Engineering Dept., Golf Course and District Court have been removed from the General Fund resulting in lower expenditures in the fund and increasing the percentage share of the Police department. When normalizing for these 3 changes in the General Fund, the Police Department's share of actual expenditures in FY2020 would equate to approximately 34% of total expenditures.



Fund Revenues	2020	% vs. 2019
Taxes	\$120.1M	-0.1%
Charges For Services	\$13.0M	-29.4%
Investment Earnings	\$2.7M	32.8%
Licenses & Permits	\$2.4M	-4.1%
Fines And Forfeitures	\$1.8M	-3.6%
Grants & Contributions	\$1.7M	17.2%
Other Revenues	\$0.1M	-52.8%
<b>Total Revenues</b>	<b>\$141.9M</b>	<b>-3.4%</b>
Other Financing Sources	\$4.2M	57.4%

Fund Expenditures	2020	% vs. 2019
Police & Fire	\$86.2M	1.4%
General Government	\$33.1M	7.4%
Public Works	\$6.2M	14.0%
Community & Econ. Dev.	\$5.5M	0.6%
Debt Service	\$0.06M	-0.2%
<b>Total Expenditures</b>	<b>\$131.1M</b>	<b>3.3%</b>
Other Financing Uses	\$13.8M	-11.1%

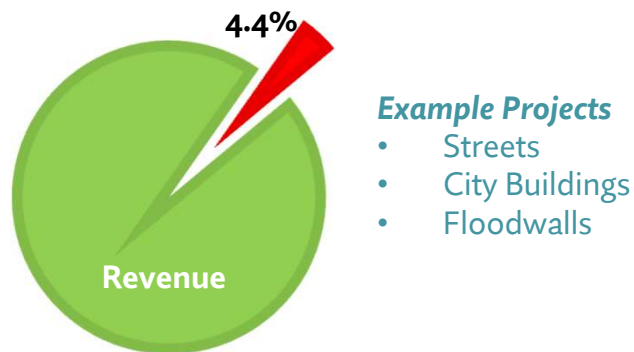
**Source Detail:** General Fund revenue, expense, and other financing sources and uses are on page 19 of the FY2020 CAFR. More on the term **Fund**: The City accounts for all revenues and expenses incurred through the utilization of fund accounting. A fund is a fiscal and accounting entity that segregates funds for specific activities. The City maintains several funds however the General fund serves as the City's primary operating fund. Detailed information on other funds the City maintains can be found in the appendix. Financial figures are displayed in \$millions.

# Debt

As of June 30, 2020, the City had total long-term debt outstanding of **\$538.2M**. During the fiscal year the City issued \$80.2M of new debt and paid down \$46.4M of existing debt. New debt issued was used to pay for the City's Water Supply and Sewer Systems and acquire and renovate 1 North Division Ave. The City's total long-term debt outstanding is primarily accounted for in 2 classes of activities shown below:

## Government Debt = \$81.0M

■ Debt Service Payments as a % of Associated Revenues

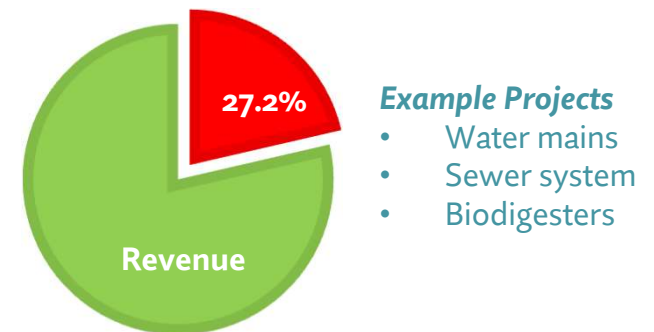


### Government Debt is primarily General Obligation Debt:

The municipality pledges its tax revenues unconditionally to pay the interest and principal on the debt as it matures. Principal payments of \$7.6M\* and interest expense of \$3.8M represent **4.4%** of the total \$257M of associated revenue in these funds.

## Business-Type Debt = \$457.2M

■ Debt Service Payments as a % of Associated Revenues



### Business-Type Debt is primarily Revenue Debt:

Guaranteed by the specific revenues generated by the issuer (not tax revenues). Debt service principal payments of \$19.1M\*\* and interest expense of \$19M represent **27.2%** of the total \$140M of associated revenue in these funds.

**Source Detail:** Total outstanding debt information is available in footnote 6 on page 60 of the FY2020 CAFR. The Business Type and Government debts shown above represent 97% of total outstanding debt. The City also has component unit debt of \$14.6M. **Government Debt** is raised for activities that are generally financed by taxes and intergovernmental revenues whereas **Business-Type debt** is raised for activities that are financed in whole or in part by fees charged for goods or services. For more details, please see CAFR Note 6. \*\$155,000 governmental debt service paid in internal service funds. \*\*\$1.5M of principal paid with bond refunding. Financial figures are displayed in \$millions.

# Pension & OPEB Obligations

Pension and Other Postemployment Benefits (OPEB) represent a significant portion of the City's long-term obligations (liabilities). These City Long-Term Obligations total **\$291.8M**.

**5** Plans offered by the City 2 Pension Plans and 3 OPEB Plans

**2,956** Retired and current City employees participating and/or receiving **Pension** benefits

**962** Retired and current City employees participating and/or receiving **OPEB** benefits

**\$1.2B** Total Plan Liabilities owed to plan participants

**\$0.9B** Total amount of Assets held in the plans

**\$292M** Total Net Pension and OPEB Liability.  
\$226M is the Net Pension Liability and \$66M is the OPEB Liability. Net Pension Liability decreased \$27.6M (-12%) and the OPEB Liability decreased \$30.4M (-46%) when compared to the prior year.

**76%** **Percent funded:** Pension plans are 79% funded and OPEB plans are 51% funded. The State of Michigan triggers “underfunded status” if Pension plans are less than 60% funded and the annual Actuarial Determined Contribution (ADC) is greater than 10% of general fund revenues. For OPEB plans this status is trigger when plans are less than 40% funded and ADC is greater than 12% of general fund revenues. The City's plans exceed the state's thresholds.

**Source Detail:** For detailed information on the City's pension and OPEB plans, see footnote 7 & 8 beginning on page 67 of the FY2020 CAFR. Financial figures are displayed in millions – full values are presented in the CAFR and additional details can be found at the City of Grand Rapids Retirement Systems page <http://grpensions.org/>

# *Additional Citizen Resources*

A selection of helpful resources for Citizen's on government spending and transparency.

## **Comprehensive Annual Financial Report (CAFR)**

This report is published by the Office of the City Comptroller each year and contains the City's audited financial statements in accordance with accounting requirements provided by the Governmental Accounting Standards Board (GASB). It serves as main the source of information for this guide.

<https://www.grandrapidsmi.gov/Government/Departments/Office-of-the-City-Comptroller>



## **The City's Annual Fiscal Plan & Budget (Fiscal Plan)**

We support the City Manager and Departments in developing the City's annual Fiscal Plan and providing financial guidance and support across the organization. The Fiscal Plan guides the City to fund services to the City's citizens.

<https://www.grandrapidsmi.gov/Government/Departments/Budget-Office>



## **Grand Rapids Police Department 2019 Annual Report**

The Police Department's Annual Report provides details to the public on its organization, performance of divisions and departments, statistics on crime & calls for service, community initiatives and more.

<https://www.grandrapidsmi.gov/Government/Departments/Police-Department>



## **Office of Oversight and Public Accountability (OPA)**

Through targeted change, accountability, restorative justice, empowerment and engagement, the Office of Oversight and Public Accountability (OPA) will help create and improve just outcomes and respectful relationships between public safety and the community.

<https://www.grandrapidsmi.gov/Government/Programs-and-Initiatives/Office-of-Oversight-and-Public-Accountability>



# Government Information

The City of Grand Rapids operates a City Commission – City Manager form of government. The Mayor and City Commissioners are responsible for establishing city policy and providing direction to the City Manager. The City Commission appoints the City Officials.

## City Commission

**Rosalynn Bliss**  
Mayor



**Jon O'Connor**  
First Ward Commissioner



**Kurt Reppart**  
First Ward Commissioner



**Milinda Ysasi**  
Second Ward Commissioner



**Joseph D Jones**  
Second Ward Commissioner



**Nathaniel Moody**  
Third Ward Commissioner



**Senita Lenear**  
Third Ward Commissioner



<https://www.grandrapidsmi.gov/Government/Elected-Officials>

## City Officials

**Mark Washington**  
City Manager



**John Globensky**  
City Treasurer



**Joel Hondorp**  
City Clerk



**Anita Hitchcock**  
City Attorney



<https://www.grandrapidsmi.gov/Government/Appointed-Officials>

*For More Information Please Visit:*  
[www.grandrapidsmi.gov](http://www.grandrapidsmi.gov)

The City's website is your source for information about City policies, services, commission meetings and events 24 hours a day, seven days a week. Residents can take advantage of online services such as downloading agendas, meeting minutes and City financial reports.

## Social Media

<https://www.facebook.com/CityofGrandRapids>  
<https://twitter.com/CityGrandRapids>  
<https://www.youtube.com/user/CityofGrandRapids>  
<https://www.instagram.com/citygrandrapids/>

*Helping citizens understand their government finances is a top priority. Is there a subject or concept in this report we could help explain? We'd be happy to follow up with you.*

*Please reach out to [comptroller@grcity.us](mailto:comptroller@grcity.us)*

## City of Grand Rapids Strategic Plan

Learn more about the City's Mission, Values, Vision and Priorities! Information on the City's Strategic Plan covering fiscal years 2020 - 2023 (July 1, 2019 - June 30, 2023) can be found [here](#).

<https://www.grandrapidsmi.gov/Government/Departments/Office-of-the-City-Manager/Strategic-Plan>







# *Appendix*

Government & Enterprise fund detail

# Fund Listing Pg. 1 of 2

Information on other funds the City utilizes  
to account for revenues and spending.  
Amounts shown are in \$ millions

\* RE Indicates Retained  
Earnings vs. Fund Bal.

Fund	Description	Revenue	Expense	Fund Balance
General	Accounts for all financial resources except those required to be accounted for elsewhere; includes budget stabilization.	\$ 146.1	\$ 144.9	\$ 64.2
Sewer	Operation & maintenance of municipal sewage system, capital improvements, and debt service.	65.8	59.3	241.1 *RE
Water	Operation & maintenance of municipal water system, capital improvements, and debt service.	55.1	43.1	277.7 *RE
Major Streets	Funds used to support the cost of maintaining the City's major highway and street transportation system; primary revenues from State shared gas & weight tax.	34.6	29.6	22.9
Grand Rapids Building Authority	Debt Service Fund	25.3	25.5	1.6
General Capital Construction	Funds used for the acquisition and construction of capital projects used in governmental-type operations; financing provided by bonds, property taxes, private contributions and/or grants.	15.4	20.1	20.7
Parking	Operation & maintenance of major parking facilities/lots, parking meters, and downtown area shuttle (DASH); includes parking-related capital funds.	17.6	19.2	44.0 *RE
Refuse	Operations for the collection & removal of trash and debris; financing is provided by tax millage and pay-as-you-throw cart program.	15.0	16.0	4.3
Parks & Recreation	Operations for City-owned parks and recreation programs; includes 2013 parks millage	12.7	12.0	4.9
Library	Funds used for the acquisition and construction of capital projects used in governmental-type operations; financing provided by bonds, property taxes, private contributions and/or grants.	12.4	10.4	7.6
Grants	Federal and/or state funds received for specified City use; including community development, police, and fire.	11.2	11.0	1.7
Local Streets	Funds used to support the cost of maintaining the City's local highway and street transportation system; primary revenues from State shared gas & weight tax.	9.1	8.9	1.6
Vital Streets Capital Construction	Funds used for preventative maintenance, rehabilitation, and reconstruction projects	6.5	6.3	0.5
Community Dispatch	Manages call taking and 911 dispatch operations. Funding provided by the Kent County Dispatch Authority.	5.4	5.4	2.2
Building Inspections	State required fund (PA 245 of 1999); fee charges for building inspections, licensing, and permitting used only for operations of the enforcing agency.	4.9	4.8	8.1

# Fund Listing Pg. 2 of 2

Information on other funds the City utilizes  
to account for revenues and spending.  
Amounts shown are in \$ millions

\* RE Indicates Retained  
Earnings vs. Fund Bal.

Fund	Description	Revenue	Expense	Fund Balance
Cemeteries Operating	Includes cemetery & Indian Trails Golf Course operations; golf course land is owned by cemetery.	2.1	2.3	3.5 *RE
Sidewalk Repair	Receives portion of funds from vital streets income tax for sidewalk repair, improvement, and reconstruction.	2.3	2.2	1.5
Downtown Improvement District	Funds to support daily sidewalk cleaning, landscaping, and beautification of urban core areas; program administered by Downtown Grand Rapids Inc.	1.2	1.2	0.9
Streets Capital Construction	Funds used for traffic safety, street resurfacing, and street reconstruction projects.	0.1	0.9	1.5
Belknap Ice Arena	Operations of City-owned ice arena; managed by DP Fox as Griff's Ice House, official practice ice for Grand Rapids Griffins.	0.7	0.7	1.6 *RE
Vehicle Storage Facility	Revenues & expenses associated with the safe storage and disposal of impounded and/or abandoned vehicles.	0.7	0.7	0.6
Drug Law Enforcement	Funds received from the sales of forfeited property and can only be used to enhance drug enforcement laws.	0.4	0.7	0.9
Economic Development	Operations to assist and retain local industries and commercial enterprises; to strengthen and encourage City growth.	0.4	0.7	0.5
Transformation	Funds collected from temporary income tax rate increase (ended in 2015) and used to invest in elements of City transformation plan; fund was adapted for third ward investments in 2019.	0.0	0.5	0.4
MI Indigent Defense Commission	State required fund created to establish and enforce new standards for indigent legal services.	0.4	0.4	0.1
Property Management	Funds held for the maintenance & sale of tax reverted properties; managed by economic development department.	0.1	0.3	1.0
Perpetual Care	Permanent Fund; portion of cemetery operating revenue held in trust for maintenance of City-owned cemeteries.	0.3	0.1	4.5
Business Improvement District	Funds to promote and encourage economic vitality and growth within specified business districts; includes East Hills, East Fulton, Eastown, and Wealthy Street business districts.	0.1	0.1	0.0
Michigan Justice Training	State funding provided to the City for criminal justice in-service training of police officers; requires approval from MI Commission on Law Enforcement Standards.	0.1	0.0	0.2
General Special Revenue	Miscellaneous funds received from private contributions and/or endowments for specified use within the City; includes historical commission	0.0	0.0	0.2