



Dollars and Sense:
How the City of Ishpeming Spends Your Money

2011 Citizens' Guide to City of Ishpeming Financial Health

Presented by:
City Manager's Office

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, 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.
- **Public budget gap.** A novel measure, similar to the deficit, used to measure the extent to which a government is falling short of covering its current and long-term obligations in a fiscal period. The budget gap takes into account the budget deficit, as well as any new obligations that the government has failed to cover such as **employee pensions or retiree health care.**
- **Reserved/Restricted funds.** Some funds are considered to be "reserved" or "restricted" for a specific purpose, and cannot be spent for anything else.

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Welcome

Greetings,

Michigan communities receive funding from the State known as revenue sharing. This source of funding has undergone some significant changes under Michigan Governor Rick Snyder. Governor Snyder has eliminated statutory revenue sharing and created a new program called the Economic Vitality Incentive Program. The program includes steps that Michigan municipalities must take in order to receive funding as part of this new incentive system.

For the State's Fiscal Year 2011-12, the State Legislature decreased revenue sharing for municipalities from approximately \$300 million to \$200 million. As a result, the City of Ishpeming will realize a decrease in Fiscal Year 2012 from approximately \$400,000 to \$276,000. In order to earn the \$276,000 available, the City must comply with all three components of the new EVIP system: (1) transparency, (2) service sharing and consolidation, and (3) employee compensation.

This Citizens Guide is one part of the first component, the other being a Dashboard that illustrates various measures of community quality, such as access to high-speed internet services.

Sincerely,



Jered Ottenwess
City Manager

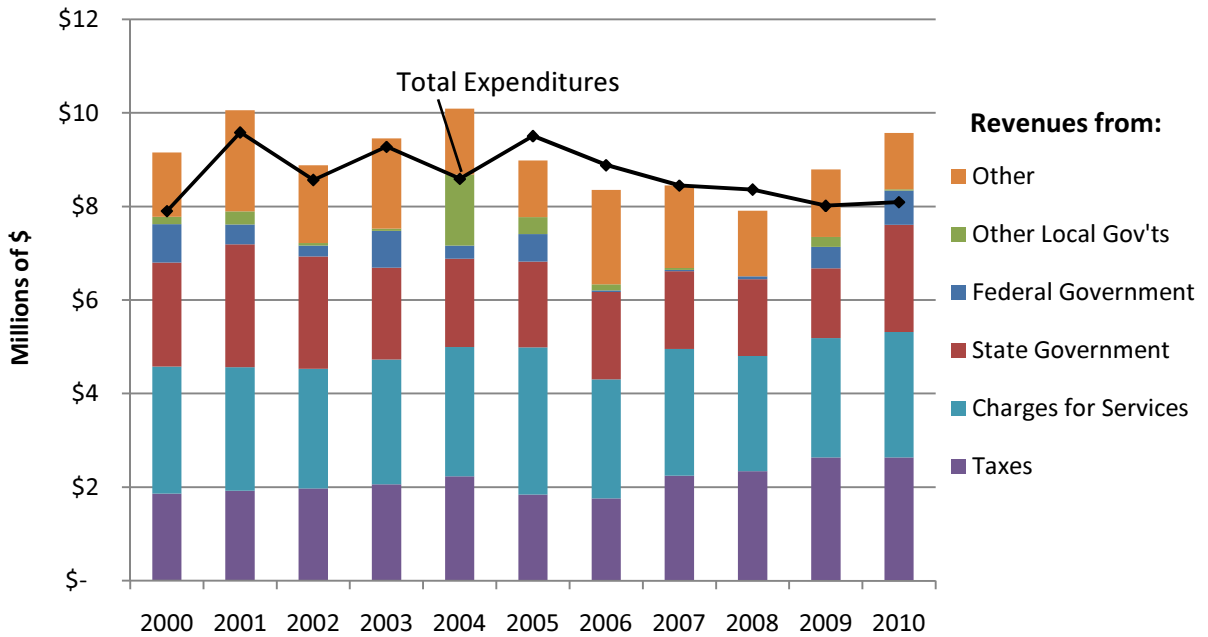
WHERE CITIZEN DOLLARS GO AND SERVICES THAT GOVERNMENTS PROVIDE

The City of Ishpeming generates revenue in two primary ways: property taxation and utility services like water and sanitary sewer. The City uses that revenue to provide public services including fire and police protection, road maintenance, snow plowing, park and cemetery maintenance, economic development, administrative services, garbage collection, and water and sanitary sewer.

*How Taxpayer Money is Spent:
Government Revenues and Expenditures*

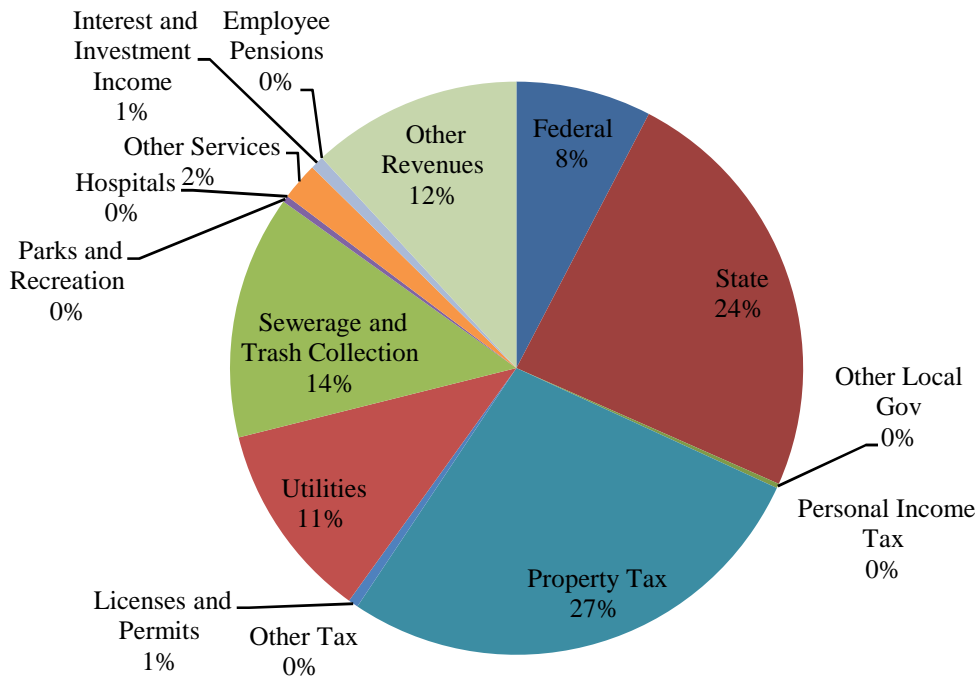
GOVERNMENT BUDGETS

City of Ishpeming Revenues and Total Expenditures, 2000 to current year



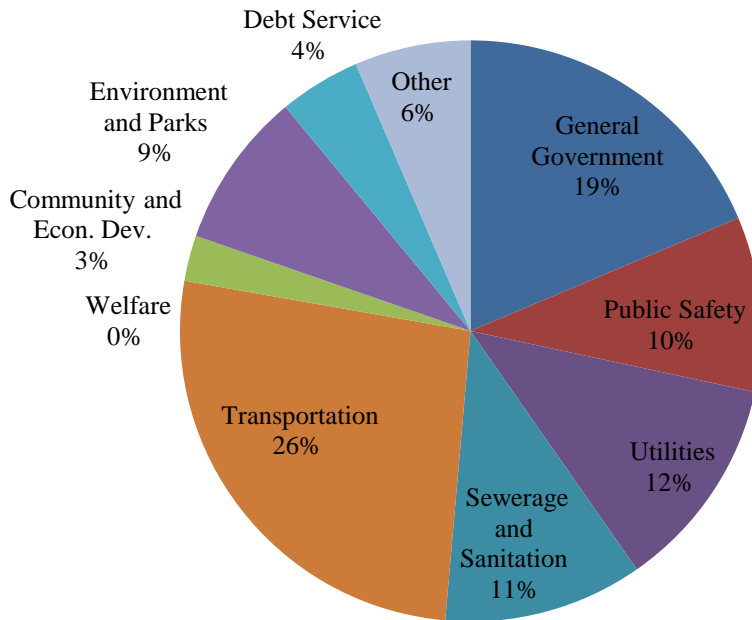
Revenues

City of Ishpeming Revenues, current year



Expenditures

City of Ishpeming Expenditures, current year

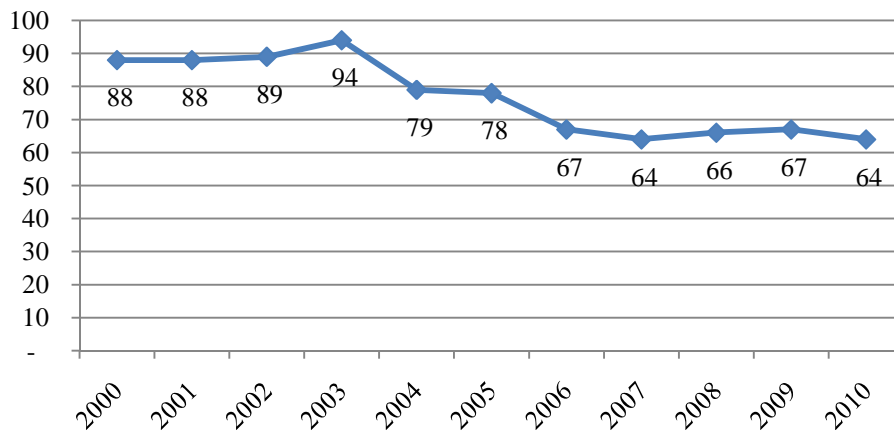


NUMBER OF GOVERNMENT EMPLOYEES

Cities are service organizations and their employment levels fluctuate depending on the levels of service that are provided. The City of Ishpeming is subject to broader economic forces and as the population has decreased over time, so has the level of service provided and therefore the number of employees.

Employees

(full-time equivalent)

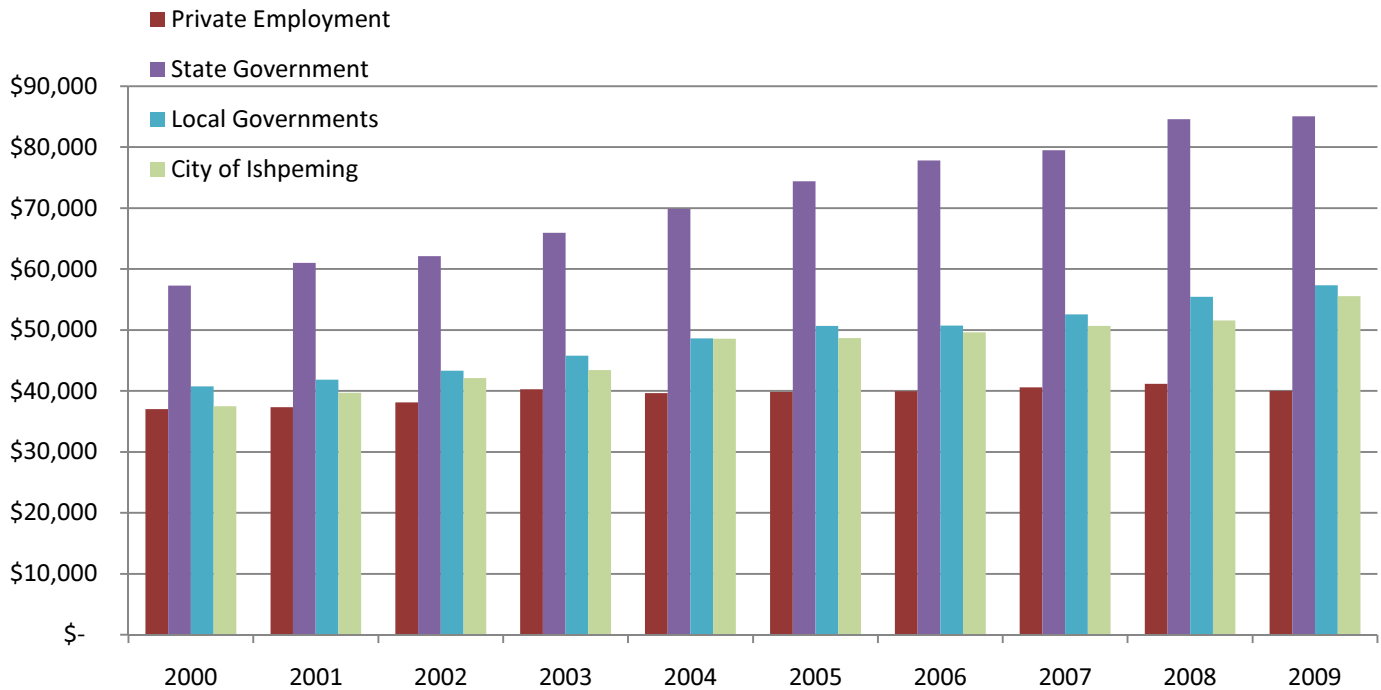


DIFFERENCE IN PUBLIC AND PRIVATE SECTOR COMPENSATION

Average Employee Compensation in Michigan

	<u>Wages</u>	<u>Benefits</u>	<u>Total Compensation</u>	<u>Total Employment</u>	<u>Avg. Compensation</u>
Private Sector, 2009	n/a	n/a	\$171,914,760,000	4,299,412	\$39,986
State Government, 2009	\$2,763,466,647	\$1,634,877,477	\$4,398,344,124	51,699	\$85,076
Local Governments, 2009	n/a	n/a	\$23,374,085,000	407,693	\$57,333
City of Ishpeming, Current Year	\$2,343,267	\$1,215,779	\$3,559,046	64	\$55,610

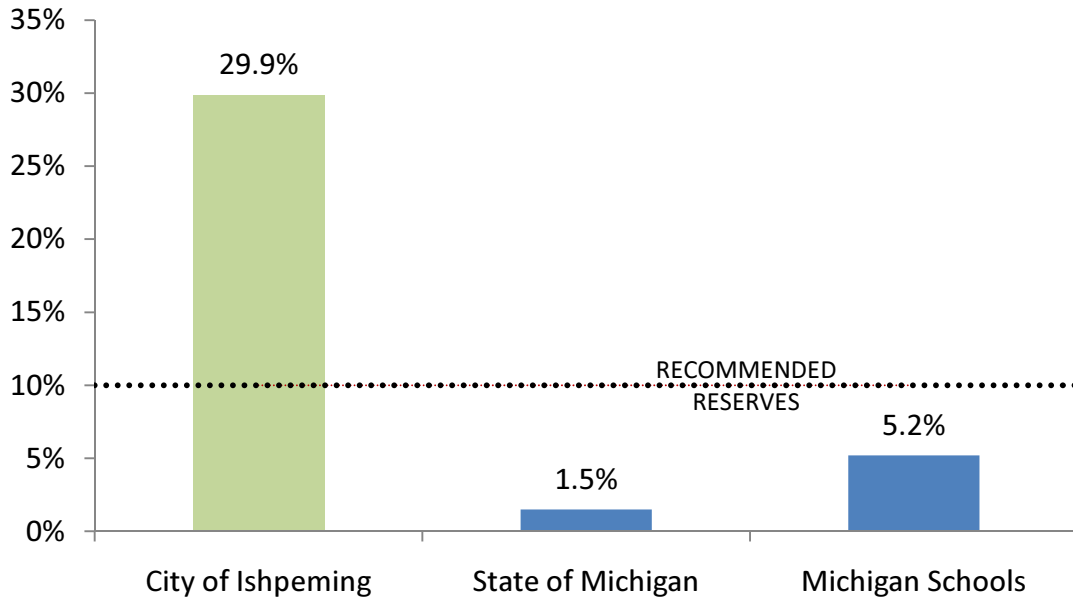
Avg. Annual Compensation (in nominal \$):



RESERVES AND MAJOR FUND BALANCES

City of Ishpeming Available Reserves*, current year

*Does not include Water and Sewer Funds; for a complete, detailed summary of reserves and fund balances, please refer to the City of Ishpeming Financial Statements (Audit).



DEBT LEVELS

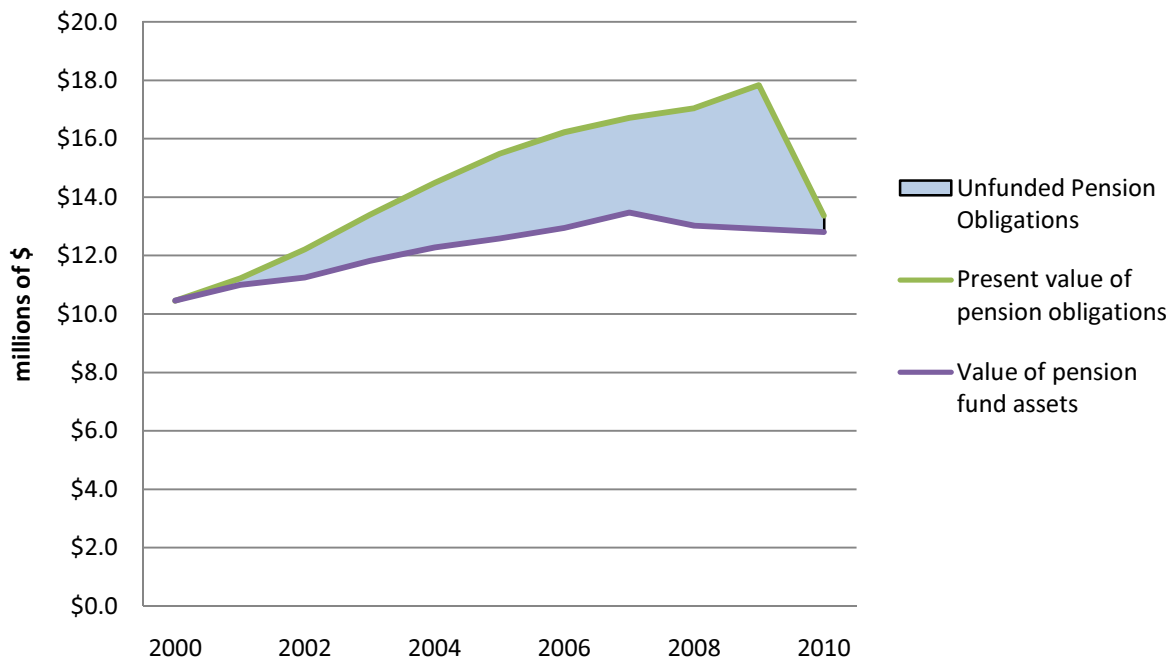
City of Ishpeming Long-Term Debt, 2000-2010



PENSION AND OTHER RETIREE BENEFITS

The City of Ishpeming participates in the Municipal Employees Retirement System (MERS), which is a statewide retirement plan and tax-qualified trust that municipalities may adopt for their employees. MERS operated under state government from 1945 until 1996, when MERS became an independent non-profit public organization. MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the employees of 5.35% of gross wages for the Clerical Employees' unit and DPW Employees' unit, 9.70% of gross wages for the Supervisory Employees' unit, and 7.51% of gross wages for non-union employees.

The City of Ishpeming is also the administrator of a single-employer public employee retirement system that covers all Police and Fire Department employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the employees of 5% of gross wages. The City of Ishpeming also levies a voted millage that was approved by the electorate pursuant to Act 345 of 1937, known as the Firefighters and Police Officers Retirement Act.



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 state and local governments.

DATA SOURCES AND NOTES

Two primary sources provide data for this report, both of which can be accessed at the City of Ishpeming's website at www.ishpemingcity.org:

1. Annual Financial Statement for period ending December 31, 2010 (Audit)
2. 2010 F65 - a report similar to the annual audit required by the State of Michigan Department Treasury