

City of Lincoln Park

The Crossroads of Downriver

Financial Forecast

Summary

- The City ended fiscal year 2010 with a \$235,000 surplus.
- This positive trend is not expected to continue.
- Tax revenue will dramatically decrease over the next three years.
- Expenditures will rise significantly due to increases in legacy costs.
- The City will be in a deficit position by the end of fiscal year 2012 unless major adjustments are made.

Revenue Highlights

Property Taxes

State Shared Revenue Trends

City of Lincoln Park - Property Taxes

Timing of Property Tax Decreases

Budget year	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13
Levy date	7/1/08	7/1/09	7/1/10	7/1/11	7/1/12
Assessment date *	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Taxable value	792,137,000	793,185,000	712,274,000	629,346,000**	610,465,000 _{est}
General Fund tax revenue 19.33 mills- including operations 15.52, police/fire 3.46 and library mills of .35 mills	\$15,312,000	\$15,332,000	\$13,768,000	\$12,165,000	\$11,800,000
Decrease from prior year	-	\$20,000	\$1,564,000	\$1,603,000	\$365,000
Cumulative Decrease	-	\$20,000	\$1,584,000	\$3,187,000	\$3,552,000
Percent lost	-	+1%	-10.2%	-11.6%	-3%
Overall Wayne County projection				-6%	-3%

* Based on sales from 12-24 months prior

** Projected – p. 6 of budget

City of Lincoln Park

State Shared Revenue History

- State Shared Revenue currently accounts for nearly 20 percent of the General Fund's revenue.

Year ended June 30	Constitutional	Statutory	Total
2001	\$2,596,000	\$3,975,760	\$6,571,966
2002	\$2,623,000	\$3,705,000	\$6,328,000
2003	\$2,666,000	\$3,367,000	\$6,033,000
2004	\$2,638,000	\$2,797,000	\$5,435,000
2005	\$2,701,000	\$2,675,000	\$5,376,000
2006	\$2,747,000	\$2,569,000	\$5,316,000
2007	\$2,690,000	\$2,468,000	\$5,158,000
2008	\$2,780,000	\$2,378,000	\$5,158,000
2009	\$2,621,000	\$2,378,000	\$4,999,000
2010	\$2,541,000	\$1,905,000	\$4,446,000
2011	\$2,559,000	\$1,887,000	\$4,446,000

- Funding has been cut by over \$2,000,000 annually.
- In addition, there have been proposals to eliminate the statutory portion of revenue sharing.
- Lincoln Park is highly dependent on the statutory portion, much more so than many communities.

City of Lincoln Park Revenue Projections

	FY 2010-11	FY 2011-12	FY 2012-13
Fiscal 2010 Actual Revenue	\$23,689,097	\$23,689,097	\$23,689,097
Projected Decrease in Tax Revenue for FY 2011	(1,564,010)	(1,564,010)	(1,564,010)
Additional Projected Decrease in Tax Revenue FY 2012	-	(1,602,998)	(1,602,998)
Additional Projected Decrease in Tax Revenue FY 2013	-	-	(364,970)
Adjusted Revenue	\$22,125,087	\$20,522,089	\$20,157,119

Assume revenue sharing remains flat

Expenditure Highlights

Fixed Payments

Healthcare Costs

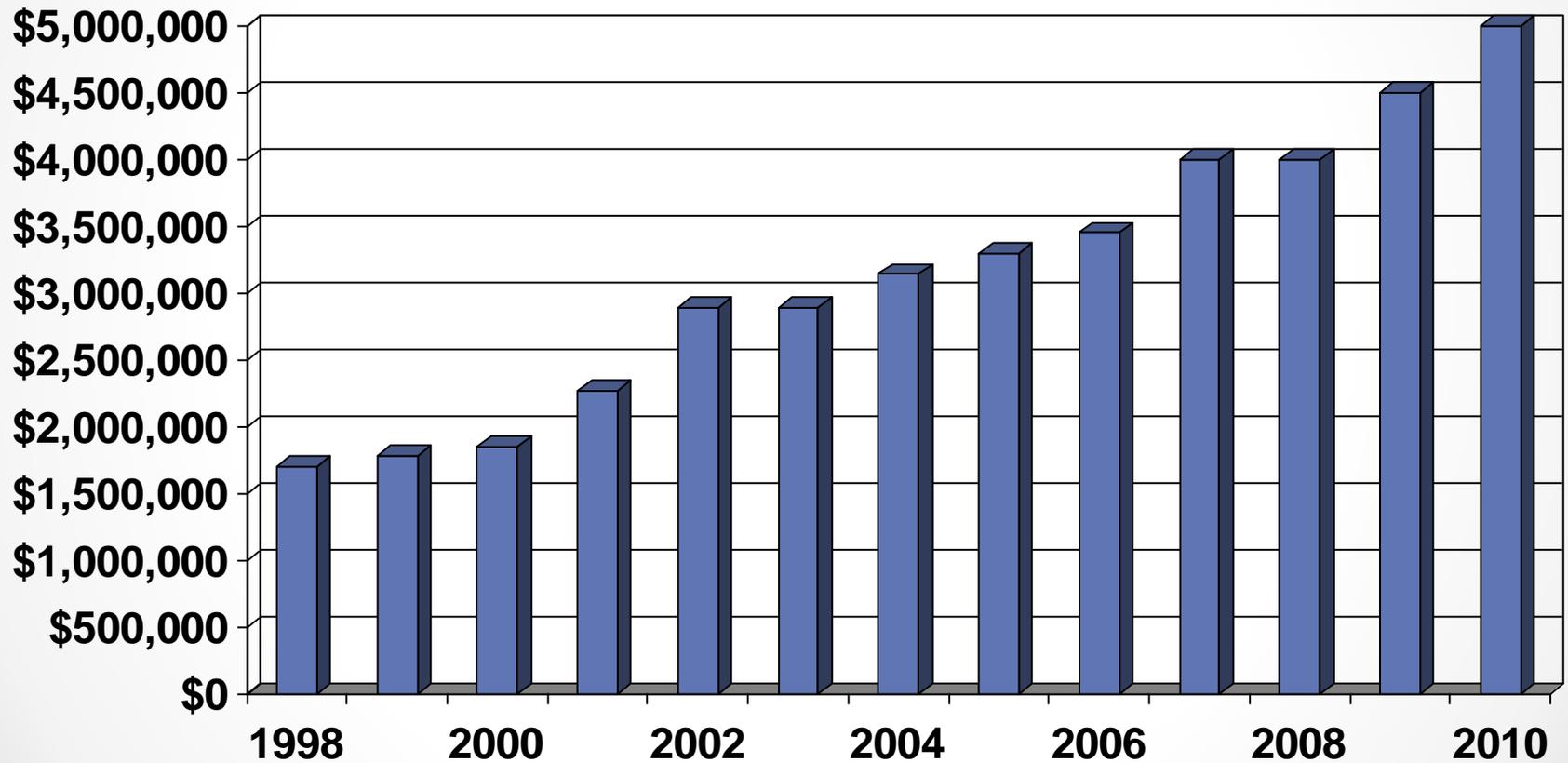
Pension Contributions

City of Lincoln Park

Fixed Payments – 2011 budget

Required pension contribution – by State law (General Fund portion only)	\$ 4,700,000
Retiree healthcare premiums	\$ 2,756,000
Retiree prescription costs	<u>\$ 1,121,000</u>
Legacy costs – current	\$ 8,577,000
Budgeted General Fund revenue	\$22,324,000
% of budget going towards legacy costs	38%
Health insurance for active employees – General Fund	\$ 1,500,000

City of Lincoln Park Health Care Costs



Does not include pre-funding of retiree health care. During 2003 the City started a new prescription program.

City of Lincoln Park

Retirement System Required Contributions

The City's retirement contributions have increased in recent years due to the following:

- Mixed investment results over the past several years
- The contribution is likely to increase in the future given the recent market losses

	Municipal Employees	Police & Fire Employees
2002	\$841,000	\$631,000
2003	\$833,000	\$683,000
2004	\$905,000	\$834,000
2005	\$937,000	\$928,000
2006	\$1,068,000	\$1,316,000
2007	\$1,486,000	\$1,819,000
2008	\$1,632,000	\$2,172,000
2009	\$1,726,000	\$2,354,000
2010	\$1,812,000	\$2,569,000
2011	\$2,093,000	\$2,926,000

Value of Pension Assets and Funded Ratio

Police and Fire System

	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio
06/30/03	46,303,000	47,487,000	1,184,000	98
06/30/04	43,611,000	54,615,000	11,004,000	80
06/30/05	35,339,000	53,553,000	18,214,000	66
06/30/06	32,519,000	55,488,000	22,969,000	59
06/30/07	31,170,000	57,948,000	26,778,000	54
06/30/08	29,698,000	58,931,000	29,233,000	50
06/30/09	24,777,000	59,537,000	34,760,000	42

General Employees' System

	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio
06/30/03	21,182,000	30,852,000	9,670,000	69
06/30/04	21,194,000	36,581,000	15,387,000	58
06/30/05	16,342,000	35,581,000	19,239,000	46
06/30/06	15,410,000	37,149,000	21,739,000	42
06/30/07	15,553,000	37,010,000	21,457,000	42
06/30/08	15,581,000	37,370,000	21,789,000	42
06/30/09	13,644,000	38,468,000	24,824,000	35

City of Lincoln Park

Expenditure Projections

	FY 2010-11	FY 2011-12	FY 2012-13
Fiscal 2010 Actual Expenditures	\$23,454,508	\$23,454,508	\$23,454,508
Increased Pension Contribution (per Actuary)	614,129	614,129	614,129
Additional Projected Pension Contribution FY 2012	-	386,742	386,742
Additional Projected Pension Contribution FY 2013	-	-	249,676
Adjusted Expenditures	\$24,068,637	\$24,455,379	\$24,705,055

City of Lincoln Park

Five Year Fund Balance Projection

Year	2007-2008 Actual	2008-2009 Actual	2009-2010 Actual	2010-2011 Budget	2011-2012	2012-2013
Beginning Fund Balance	\$2,705,253	\$3,219,216	\$4,222,360	\$4,456,949	\$2,513,399	(\$1,419,891)
Projected Revenue	\$22,153,020	\$24,638,575	\$23,689,097	\$22,125,087	\$20,522,089	\$20,157,119
Projected Expenditures	\$21,639,057	\$23,635,431	\$23,454,508	\$24,068,637	\$24,455,379	\$24,705,055
Net Increase (decrease) for year	\$427,902	\$1,003,144	\$234,589	(\$1,943,550)	(\$3,933,290)	(\$4,547,936)
Ending Fund Balance	\$3,219,216	\$4,222,360	\$4,456,949	\$2,513,399	(\$1,419,891)	(\$5,967,827)

Steps the City Has Taken

- Reduced operations to basic, core services
- Reduced staffing by 61 full-time employees since 1998 (1/3 less staff now)
- Change to defined contribution pension plan for new hires
- Vacated many open positions
- Overtime reductions
- Renewed additional millages
- Negotiated labor concessions

The Road Ahead

- Budgets have been slashed – little room to make further cuts without further reducing services
- Payroll and other fringe benefits are the only significant costs that are controllable
- It is extremely difficult to impact other areas of spending such as insurance, street lighting, vehicle maintenance, utilities, etc.
- Difficult reductions in expenditures are necessary to ensure financial stability.