



MEMORANDUM

To: Marcus Peccia, City Manager
 Cadillac City Council Members
From: Owen Roberts, Director of Finance
Subject: Interim Financial Update as of December 31, 2014
Date: March 6, 2015

Following is a summary of financial results for the six months ended December 31, 2014. These reports represent the year-to-date financial results of City operations after 50% of the fiscal year has been completed. Budget amounts represent the current FY2015 budget as amended.

General Fund YTD Revenue by Type

Type	FY2015			FY2014
	FY15 Budget	YTD Actual	YTD Actual - % of Budget	Prior YTD Actual
Taxes	\$4,207,000	\$2,116,202	50%	\$2,111,721
Licenses	121,000	33,453	28%	31,370
Intergovernmental Revenue	1,201,000	637,725	53%	422,393
Charges for Services	904,500	442,385	49%	414,542
Fines and Forfeits	20,000	5,196	26%	5,243
Miscellaneous	17,500	13,218	76%	11,749
Interest and Rents	36,500	15,233	42%	18,426
	<u>\$6,507,500</u>	<u>\$3,263,412</u>	50%	<u>\$3,015,444</u>

For the most part, revenues are tracking with expectations at this point in the year. Typically, revenues run slightly behind pace throughout the year but are “caught up” when final year-end accruals are made for revenues received after the end of the fiscal year.

Other revenue highlights include:

- **Licenses:** Just one quarterly payment for franchise fees has been received from Charter Communications. Each quarterly payment is received in arrears after the quarter has been completed and these revenues are actually expected to exceed budgeted amounts for the year.
- **Intergovernmental Revenues** are primarily from the State of Michigan for state-shared revenue and are received in arrears. This revenue line is still projected to slightly exceed budget by the time year-end payments are received.

- **Fines and Forfeits** are amounts received from Wexford County as a cost-sharing of fines and fees levied by the courts. These revenues have been on a downward trend the last couple of years, and future budgets will need to be adjusted accordingly.

Year-to-Date Expenditures – General Fund

Type	FY2015			FY2014
	FY15 Budget	YTD Actual	YTD Actual - % of Budget	Prior YTD Actual
Legislative	\$44,200	\$24,555	56%	\$21,142
Office of the City Manager	253,200	121,360	48%	120,619
Financial Services	220,000	109,186	50%	136,911
City Clerk/Treasurer	278,600	155,107	56%	156,737
Election Services	14,500	11,824	82%	6,643
Assessing Services	131,000	67,131	51%	66,659
Legal Services	187,000	131,146	70%	136,929
Engineering Services	178,200	86,937	49%	89,275
City Complex	281,300	161,097	57%	145,488
Police Department	1,972,600	872,997	44%	932,220
Code Enforcement	31,500	14,991	48%	14,845
Fire Department	1,303,300	623,142	48%	574,563
Public Works	836,700	388,515	46%	353,364
Culture and Recreation	251,800	163,826	65%	113,191
Economic Development	158,400	81,071	51%	76,623
Intergovernmental	101,200	100,636	99%	34,519
Transfers to Other Funds	400,000	200,000	50%	0
	\$6,643,500	\$3,313,521	50%	\$2,979,728

The following expenditure trends and issues are noted:

- In the **Legislative** department, annual membership fees have been paid to the Michigan Municipal League and a significant supplement to the City’s Code of Ordinances was completed by the Municipal Code Corporation.
- Costs related to the August primary election have been incurred. At this time, there is only one more election scheduled for the year, the general November election.
- **Legal Services** are slightly ahead of anticipated pace at this point. These costs are further broken down later in this report.
- The full annual cost of liability insurance has been incurred in the **City Complex** department.
- In **Culture and Recreation**, the Parks Department has purchased a new riding lawn mower and much of cost of the summer and fall parks maintenance crew has already been incurred.

- Annual **Intergovernmental** contributions have been made in full. These include the contribution to CAPS for community schools operations, and the annual contribution to the Wexford County Airport.

Analysis of Other Funds

Budgets for the City’s other funds are appropriated on a total fund basis. Year-to-date results are presented below.

Fund	FY2015		FY2014	
	FY15 Budget	YTD Actual	YTD Actual - % of Budget	Prior YTD Actual
Major Street Fund	\$864,100	\$326,016	38%	\$221,316
Local Street Fund	574,000	187,071	33%	326,303
Cemetery Operating Fund	139,300	77,002	55%	85,749
Milfoil Eradication Fund	124,500	28,143	23%	24,600
Cadillac Development Fund	67,900	24,365	36%	23,232
Naval Reserve Fund	22,500	7,502	33%	7,042
H.L. Green Operating Fund	500	0	0%	0
Industrial Park Fund	49,100	9,636	20%	9,111
S.A. Capital Projects Fund	986,500	184,692	19%	0
Rotary Park Project Fund	150,000	84,518	56%	0
Lakefront Park Playground Fund	136,000	134,828	99%	0
Auto Parking Fund	69,100	20,833	30%	27,506
Building Authority Operating Fund	105,600	42,089	40%	37,486
Water & Sewer Fund	3,898,700	1,939,619	50%	1,802,541
Information Technology Fund	201,300	114,279	57%	112,264
Stores & Garage Fund	563,100	277,285	49%	275,830
Self-Insurance Fund	1,360,500	654,652	48%	686,772
Employee Safety Fund	11,800	5,951	50%	3,297
2004 GO Debt Service Fund	89,000	80,478	90%	75,639
Cemetery Perpetual Care Fund	12,500	12,500	100%	0
Capital Projects Fund	500	500	100%	500
P&F Retirement Fund	805,000	398,500	50%	364,745
DDA Operating Fund	37,900	20,009	53%	22,629
DDA Capital Projects Fund	4,500	2,840	63%	0
LDFA Operating Fund	361,300	115,111	32%	124,619
LDFA Capital Projects Fund	100,500	500	0%	0
LDFA Utility Fund	15,300	4,494	29%	3,707
BRA Operating Fund	25,500	18,997	74%	0
	<u>\$10,776,500</u>	<u>\$4,772,410</u>	44%	<u>\$4,234,888</u>

All funds are currently tracking within expectations. The spending in several funds is slightly ahead of pace at this point in the year. This is primarily due to annual “subscription-based” services, like software support fees, that are typically paid in the early part of the year but cover the entire fiscal year. Annual debt principal costs were already made as well from the 2004 GO Debt Service Fund. Transfers to other funds, like from the Cemetery Perpetual Care Fund to the Cemetery Operating Fund have been made in full for the year.

Legal Costs

The following is presented to help analyze the sources of the current legal costs that have been incurred as of December 31, 2014:

Type of Issue	Hours	Costs
FOIA	137.40	\$24,045
Labor	141.20	24,789
Litigation	93.40	23,176
Taxation	12.00	2,543
Ethics Complaints	20.60	3,605
Council Meetings	60.70	10,623
Legislation	22.50	3,938
Utilities ⁽²⁾	32.00	5,740
Other ⁽¹⁾⁽²⁾	221.60	47,885
Prosecution ⁽³⁾	N/A	7,560
	741.40	\$153,902

(1) For the current fiscal year, 'Other' services consist primarily of fees related to the recent annexation. These fees total \$31,260 YTD.

(2) All or a portion of these costs were for Utilities-related issues and have been paid for by the Water and Sewer Fund.

(3) Paid to the Wexford County Prosecutor's Office.

As can be seen in the above analysis and the related footnotes, the City continues to incur a high level of legal costs. Some of these costs, like the costs related to the annexation of property, are related to issues that may likely have a significant positive impact on the future of the City. Unfortunately, several other issues have continued to generate legal fees related to litigation and review of sensitive information that is part of several Freedom of Information Act (FOIA) requests.

Year-to-Date Capital Outlay

The following capital purchases and investments have been made thus far in FY2015:

Fund	Purchase/Investment	Cost	Appropriation
General Fund	Police Patrol Vehicle	29,349	30,000
General Fund	Radios (Police)	112,235	8,000
General Fund	Riding Lawn Mower	7,999	9,000
Major Street Fund	Lake Street	61,248	200,000
Cemetery Operating Fund	Riding Lawn Mower	7,999	9,000
Water and Sewer Fund *	Water Supply Improvements	9,847	500,000
Water and Sewer Fund	Laboratory Stills	11,050	30,000
Information Technology **	Computer Replacement	1,865	20,000
Water and Sewer Fund	Heavy Duty Service Truck	24,579	30,000
Water and Sewer Fund	Regular Duty Service Truck	25,516	20,000
Stores & Garage Fund	Service Truck	26,376	25,000
Stores & Garage Fund	Underbody Plow	9,732	9,000

* *In progress. Project will be completed over the next 2-3 fiscal years.*

** *Computers replaced as needed throughout the year.*

Several additional capital purchases and investments are still appropriated for the year:

Fund	Purchase/Investment	Appropriation
General Fund	Radios (Police)	8,000
Major Street Fund	Street Signs	7,500
Local Street Fund	Street Signs	7,500
Water and Sewer Fund	Street Construction	350,000
Water and Sewer Fund	R& D Pump	10,000
Water and Sewer Fund	Manhole Rehabilitation	25,000
Water and Sewer Fund	Lift Station Influent Gate Valves	75,000
Water and Sewer Fund	13th Street Pond Transformer	10,000
Industrial Park Fund	Industrial Park Entrance Signs	25,000
Capital Projects Fund	Street Construction	985,000
Stores & Garage Fund	Wheel Loader/Snow Bucket	175,000
Information Technology	Computer Replacement	20,000

Investments

Details of the City's investments as of December 31, 2014 are presented in the next several pages.

Questions

If there are any questions, please do not hesitate to contact me at 779.7333, or by email at oroberts@cadillac-mi.net.

City of Cadillac

Investment Summary

December 31, 2014

Yield and Maturity Summary

Weighted Average Yield	0.90%	
Weighted Average Maturity (Days)	792	2.17 Years
<i>Current 3-year Treasury Yield</i>	<i>1.10%</i>	

Investments by Type Summary

Type:	Amortized Cost	Market Value	% of Total
Money Market	2,524,828.13	2,524,828.13	22.43%
Investment Pool	186,322.99	186,322.99	1.66%
Cash Equivalent	753,607.04	753,607.04	6.70%
Bank CD	5,669,792.91	5,652,029.11	50.38%
U.S. Agency	2,120,093.77	2,108,938.00	18.83%
	<u>11,254,644.85</u>	<u>11,225,725.27</u>	<u>100.00%</u>

Investments by Institutions Summary

Manager Summary	Amortized Cost	Market Value	% of Total
Chemical Bank	3,430,836.57	3,430,836.57	30.48%
Comerica	2,746,769.08	2,733,068.56	24.41%
Fifth Third Bank	209,826.95	209,826.95	1.86%
Mercantile Bank	1,279,271.14	1,279,271.14	11.37%
Flagstar	127,011.07	127,011.07	1.13%
MBIA	186,322.99	186,322.99	1.66%
MBS	3,274,607.04	3,259,387.99	29.09%
	<u>11,254,644.85</u>	<u>11,225,725.27</u>	<u>100.00%</u>

City of Cadillac

Investment Summary

December 31, 2014

Summary by Fund

Fund	Fund #	Cost	Face Amount	Premium/ (Discount)	Earned Prem/(Disc)	Unamortized Prem/(Disc)	Total Investment Value	Market Value	Accrued Interest
General Fund	101	2,223,631.05	2,223,631.05	0.00	0.00	0.00	2,223,631.05	2,220,136.65	11,626.18
Cemetery Perpetual Care Fund	150	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Projects Fund	152	200,802.19	200,802.19	0.00	0.00	0.00	200,802.19	202,078.19	39.45
Major Street Fund	202	135,084.72	135,084.72	0.00	0.00	0.00	135,084.72	135,084.72	800.52
Local Street Fund	203	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cemetery Operating Fund	209	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Milfoil Eradication Fund	211	102,458.61	102,458.61	0.00	0.00	0.00	102,458.61	102,458.61	992.54
Brownfield Remediation	243	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cadillac Development Fund	244	1,061,597.97	1,061,597.97	0.00	0.00	0.00	1,061,597.97	1,058,174.95	1,465.71
LDFA Operating Fund	250	1,235,992.16	1,235,992.16	0.00	0.00	0.00	1,235,992.16	1,231,593.76	23,510.28
Naval Reserve	286	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
H.L. Green Operating Fund	288	102,458.61	102,458.61	0.00	0.00	0.00	102,458.61	102,458.61	1,133.27
Industrial Park Fund	412	406,521.41	406,521.41	0.00	0.00	0.00	406,521.41	398,112.44	43.78
DDA Projects Fund	419	277,911.35	277,911.35	0.00	0.00	0.00	277,911.35	277,123.35	604.78
LDFA Capital Projects Fund	495	982,740.07	982,740.07	(0.00)	(0.00)	0.00	982,740.07	984,253.66	323.19
Auto Parking Fund	504	126,728.02	126,728.02	0.00	0.00	0.00	126,728.02	126,356.02	530.65
B.A. Operating	569	100,653.14	100,653.14	0.00	0.00	0.00	100,653.14	100,424.14	9.86
Water & Sewer Fund	592	2,881,647.74	2,887,147.74	(5,500.00)	(593.77)	(4,906.23)	2,882,241.51	2,874,815.64	1,088.41
LDFA Utilities Fund	594	253,413.44	253,413.44	0.00	0.00	0.00	253,413.44	251,441.44	536.47
Data Processing Fund	636	106,114.78	106,114.78	(0.00)	(0.00)	0.00	106,114.78	106,114.78	1,114.64
Stores & Garage Fund	640	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Self-Insurance Fund	677	976,758.99	976,758.99	0.00	0.00	0.00	976,758.99	975,561.49	18,994.06
2004 GO Debt Service Fund	356	79,536.82	79,536.82	0.00	0.00	0.00	79,536.82	79,536.82	0.00
		<u>11,254,051.07</u>	<u>11,259,551.07</u>	<u>(5,500.00)</u>	<u>(593.77)</u>	<u>(4,906.23)</u>	<u>11,254,644.85</u>	<u>11,225,725.27</u>	<u>62,813.80</u>

City of Cadillac

Investment Analysis

12/31/2014

Investment (Amount; Coupon; Final Maturity)	Type	Cost	Face Amount	Premium/ (Discount)	Earned Prem/(Disc)	Unamortized Prem/(Disc)	Total Investment Value	Market Value	Accrued Interest
Bank of Birmingham Mich (145,000;1%;8/23/16) Total		145,000.00	145,000.00	0.00	0.00	0.00	145,000.00	146,467.40	31.78
Bank of Birmingham Mich (200,000;0.8%;8/28/17) Total		200,000.00	200,000.00	0.00	0.00	0.00	200,000.00	200,632.00	8.77
Bank of Holland MI (249,000;.9%;5/5/17) Total		249,000.00	249,000.00	0.00	0.00	0.00	249,000.00	246,500.04	159.63
Bank of Northern Mich Petoskey (120,000;0.75%;11/21/16) Total		120,000.00	120,000.00	0.00	0.00	0.00	120,000.00	120,099.60	98.63
Bank of Northern Mich Petoskey (120,000;1.25%;11/27/17) Total		120,000.00	120,000.00	0.00	0.00	0.00	120,000.00	120,088.80	8.22
Chemical Bank (106,114.78;0.9%;10/31/17) Total		106,114.78	106,114.78	0.00	0.00	0.00	106,114.78	106,114.78	1,114.64
Chemical Bank (150,600.73;0.9%;10/10/17) Total		150,600.73	150,600.73	0.00	0.00	0.00	150,600.73	150,600.73	1,659.91
Chemical Bank (151,658.20;1.20%;10/10/18) Total		151,658.20	151,658.20	0.00	0.00	0.00	151,658.20	151,658.20	408.85
Chemical Bank (206,047.35;1.4%;10/28/17) Total		206,047.35	206,047.35	0.00	0.00	0.00	206,047.35	206,047.35	6,267.23
Chemical Bank (210,059.79;1.20%;10/28/18) Total		210,059.79	210,059.79	0.00	0.00	0.00	210,059.79	210,059.79	441.99
Commercial Bank Alma Total		92,000.00	92,000.00	0.00	0.00	0.00	92,000.00	87,681.52	6.81
Commercial Bank Alma (100,000;1.35%;12/30/19) Total		100,000.00	100,000.00	0.00	0.00	0.00	100,000.00	95,306.00	7.40
FIFTH THIRD BANK (69,942.95;1.49%;2/28/18) Total		69,942.95	69,942.95	0.00	0.00	0.00	69,942.95	69,942.95	873.69
FIFTH THIRD BANK (69,942;1%;4/28/17) Total		69,942.00	69,942.00	0.00	0.00	0.00	69,942.00	69,942.00	727.09
FIFTH THIRD BANK (69,942;1%;6/28/16) Total		69,942.00	69,942.00	0.00	0.00	0.00	69,942.00	69,942.00	586.36
First National Bank (98,000;1.4%;11/21/18) Total		98,000.00	98,000.00	0.00	0.00	0.00	98,000.00	96,515.30	33.83
Firstbank (105,196.64;1.15%;2/25/17) Total		105,196.64	105,196.64	0.00	0.00	0.00	105,196.64	105,196.64	1,020.84
Firstbank (105,196.65;1.45%;2/25/18) Total		105,196.65	105,196.65	0.00	0.00	0.00	105,196.65	105,196.65	1,287.15
Firstbank (131,894.72;1.45%;10/30/18) Total		131,894.72	131,894.72	0.00	0.00	0.00	131,894.72	131,894.72	2,237.33
Firstbank (200,000;2.2%;2/25/15) Total		200,000.00	200,000.00	0.00	0.00	0.00	200,000.00	200,000.00	16,936.99
Firstbank (204,450.34;1.35%;10/29/16) Total		204,450.34	204,450.34	0.00	0.00	0.00	204,450.34	204,450.34	5,996.56
Firstbank (222,522.62;1.45%;2/27/18) Total		222,522.62	222,522.62	0.00	0.00	0.00	222,522.62	222,522.62	5,940.44
Firstbank (310,010.17;1.65%;10/29/17) Total		310,010.17	310,010.17	0.00	0.00	0.00	310,010.17	310,010.17	11,113.23
Flagstar Bank (127,011.07;.60%;10/14/15) Total		127,011.07	127,011.07	0.00	0.00	0.00	127,011.07	127,011.07	162.85
Isabella Bank (200,000;1.25%;8/30/17) Total		200,000.00	200,000.00	0.00	0.00	0.00	200,000.00	200,250.00	6.85
JP Morgan Chase (200,000;.75%;1/25/18) Total		200,000.00	200,000.00	0.00	0.00	0.00	200,000.00	198,210.00	653.42
Mason State Bank (100,000;1.8%;1/30/2019) Total		100,000.00	100,000.00	0.00	0.00	0.00	100,000.00	99,334.00	4.93
Mercantile Bank GR (248,000;1.1%;2/10/17) Total		248,000.00	248,000.00	0.00	0.00	0.00	248,000.00	247,256.00	1,061.30
Northpointe Bank GGR (249,000;0.4%;12/21/15) Total		249,000.00	249,000.00	0.00	0.00	0.00	249,000.00	248,429.79	24.56
Northstar Bank Bad Axe (200,000;1.25%;9/28/18) Total		200,000.00	200,000.00	0.00	0.00	0.00	200,000.00	200,462.00	6.85
Northwestern Bank (123,118.18;1%;5/5/17) Total		123,118.18	123,118.18	0.00	0.00	0.00	123,118.18	123,118.18	1,420.08
Northwestern Bank (135,084.72;.35%;10/22/14) Total		135,084.72	135,084.72	0.00	0.00	0.00	135,084.72	135,084.72	800.52
TCF National Bank (100,000;.45%;4/30/15) Total		100,000.00	100,000.00	0.00	0.00	0.00	100,000.00	100,028.00	76.44
TCF National Bank (100,000;.55%;10/30/15) Total		100,000.00	100,000.00	0.00	0.00	0.00	100,000.00	100,171.00	93.42
Traverse City State Bank (125,000;0.85%;2/28/18) Total		125,000.00	125,000.00	0.00	0.00	0.00	125,000.00	123,400.00	5.82
Traverse City State Bank (125,000;1.05%;5/28/18) Total		125,000.00	125,000.00	0.00	0.00	0.00	125,000.00	121,128.75	10.27
Wells Fargo Bank (200,000;0.8%;12/22/17) Total		200,000.00	200,000.00	0.00	0.00	0.00	200,000.00	201,276.00	39.45
	Bank CD Total	5,669,792.91	5,669,792.91	0.00	0.00	0.00	5,669,792.91	5,652,029.11	61,334.13
MBS Cash Account Total		753,607.04	753,607.04	0.00	0.00	0.00	753,607.04	753,607.04	0.00
	Cash Equivalent Total	753,607.04	753,607.04	0.00	0.00	0.00	753,607.04	753,607.04	0.00
MBIA Total		186,322.99	186,322.99	(0.00)	(0.00)	0.00	186,322.99	186,322.99	0.00
	Investment Pool Total	186,322.99	186,322.99	(0.00)	(0.00)	0.00	186,322.99	186,322.99	0.00
Comerica Money Market Funds Total		176,675.31	176,675.31	0.00	0.00	0.00	176,675.31	176,675.31	0.00
Northwestern Bank Cash Account Total		12,266.14	12,266.14	0.00	0.00	0.00	12,266.14	12,266.14	0.00
Northwestern Bank Investment Account Total		2,335,886.68	2,335,886.68	0.00	0.00	0.00	2,335,886.68	2,335,886.68	0.00
	Money Market Total	2,524,828.13	2,524,828.13	0.00	0.00	0.00	2,524,828.13	2,524,828.13	0.00
FHLB (100,000; 2%; 10/29/27) Total		94,500.00	100,000.00	(5,500.00)	(593.77)	(4,906.23)	95,093.77	96,508.00	345.21
FHLMC (300,000; 1.25%; 6/27/18) Total		300,000.00	300,000.00	0.00	0.00	0.00	300,000.00	297,849.00	20.55
FHLMC (475,000;1.02%;4/28/17) Total		475,000.00	475,000.00	0.00	0.00	0.00	475,000.00	473,841.00	849.53
FNMA (250,000;1.5%;6/28/27) Total		250,000.00	250,000.00	0.00	0.00	0.00	250,000.00	250,122.50	20.55

City of Cadillac

Investment Analysis

12/31/2014

Investment (Amount; Coupon; Final Maturity)	Type	Cost	Face Amount	Premium/ (Discount)	Earned Prem/(Disc)	Unamortized Prem/(Disc)	Total Investment Value	Market Value	Accrued Interest
FNMA Med Term Step-UP (250,000;0.7%;12/13/17) Total		250,000.00	250,000.00	0.00	0.00	0.00	250,000.00	249,370.00	76.71
FNMA Med Term Step-UP (250,000;1.0%;12/27/19) Total		250,000.00	250,000.00	0.00	0.00	0.00	250,000.00	243,127.50	13.70
FNMA Med Term Step-Up (500,000;0.8%;12/13/17) Total		500,000.00	500,000.00	0.00	0.00	0.00	500,000.00	498,120.00	153.42
	U.S. Agency Total	2,119,500.00	2,125,000.00	(5,500.00)	(593.77)	(4,906.23)	2,120,093.77	2,108,938.00	1,479.67
	Grand Total	11,254,051.07	11,259,551.07	(5,500.00)	(593.77)	(4,906.23)	11,254,644.85	11,225,725.27	62,813.80