

CITY OF MUSKEGON

CITY COMMISSION MEETING

DECEMBER 10, 2019 @ 5:30 P.M.

**MUSKEGON CITY COMMISSION CHAMBERS
933 TERRACE STREET, MUSKEGON, MI 49440**

AGENDA

- ☐ **CALL TO ORDER:**
- ☐ **PRAYER:**
- ☐ **PLEDGE OF ALLEGIANCE:**
- ☐ **ROLL CALL:**
- ☐ **HONORS AND AWARDS:**
 - A. Recognition of LLS, Inc – Good Buddy Bucks Program**
 - B. Recognition of Max McKee/Mart Dock for Sponsorship and Participation in Youth Activities**
 - C. Firearm Activity Information Presentation** Public Safety
- ☐ **PUBLIC COMMENT ON AGENDA ITEMS:**
- ☐ **CONSENT AGENDA:**
 - A. Approval of Minutes** City Clerk
 - B. Transmittal of June 30, 2019 Comprehensive Annual Financial Report**
Finance
<https://www.muskegon-mi.gov/cresources/2019%20CAFR%20Web%20Version.pdf>
 - C. Equipment Replacement** DPW/Equipment Division
 - D. MDOT Agreement – Lakeshore Drive at Beach Street** Public Works
 - E. Coastal Zone Grant Application** Public Works
 - F. Allocation of Expected Muskegon County Senior Millage Additional Funds**
Community & Neighborhood Services
 - G. Approval of Lead Abatement Contract for 602 Ada**
Community & Neighborhood Services

H. Approval of Rehab Contract for 602 Ada

Community & Neighborhood Services

I. Approval of Rehab Contract for 567 Leonard

Community & Neighborhood Services

J. Approval of Neighborhood Enterprise Zone Certificate for 1245 5th Street
Planning

K. Revocation of Alley Vacation Resolutions Planning

L. Non-Union Pay Benefits City Manager

M. Arena Restrooms – Phase 2 City Manager

N. Community Relations Committee Recommendations Clerk

☐ **PUBLIC HEARINGS:**

A. Public Hearing on the Docks Brownfield Plan, 1490 Edgewater Economic
Development

☐ **UNFINISHED BUSINESS:**

☐ **NEW BUSINESS:**

A. 1601 Beach Lessor Agreement Development Services

B. Arena Naming Rights Sponsorship City Manager

☐ **ANY OTHER BUSINESS:**

☐ **PUBLIC COMMENT ON NON-AGENDA ITEMS:**

- ▶ **Reminder: Individuals who would like to address the City Commission shall do the following:**
- ▶ Fill out a request to speak form attached to the agenda or located in the back of the room.
- ▶ Submit the form to the City Clerk.
- ▶ Be recognized by the Chair.
- ▶ Step forward to the microphone.
- ▶ State name and address.
- ▶ Limit of 3 minutes to address the Commission.
- ▶ (Speaker representing a group may be allowed 10 minutes if previously registered with City Clerk.)

☐ **CLOSED SESSION:**

☐ **ADJOURNMENT:**

ADA POLICY: THE CITY OF MUSKEGON WILL PROVIDE NECESSARY AUXILIARY AIDS AND SERVICES TO INDIVIDUALS WHO WANT TO ATTEND THE MEETING UPON TWENTY-FOUR HOUR NOTICE TO THE CITY OF MUSKEGON. PLEASE CONTACT ANN MARIE MEISCH, CITY CLERK, 933 TERRACE STREET, MUSKEGON, MI 49440 OR BY CALLING (231) 724-6705 OR TTY/TDD DIAL 7-1-1-22 TO REQUEST A REPRESENTATIVE TO DIAL (231) 724-6705.

Memorandum

To: Mayor and Commissioners

From: Frank Peterson

Re: City Commission Meeting

Date: December 5, 2019

Here is a quick outline of the items on our agendas:

Work Session:

1. State Representative Terry Sabo will be in attendance to recognize Commissioners Turnquist and Warren for their years of service.
2. The City's Auditor will be in attendance to present the audit findings. This is usually done at a regular session, but he is unavailable Tuesday. The formal action to accept the audit will not take place until Tuesday's regular session.
3. Staff will be prepared to discuss a proposal from Platinum Contracting to renovate the men's and women's restrooms along the Shoreline Drive side of the arena. Originally, staff thought this could wait until next fiscal year, but a number of logistical and maintenance issues have arisen, and staff feels that undertaking the renovation this winter will be in the best interest of the city and the facility. Key decision points include the following:
 1. Leaky pipes that cannot be easily addressed without removing a number of toilet fixtures, bathroom partitions, and likely some cinder block walls. Note that much of the plumbing is original to the building – and most of the toilets and sinks are pushing 25 years old.
 2. We are below required counts for women's restrooms. The renovation will include slightly shrinking the men's room to provide more space to expand the women's room.
 3. We originally committed to adding a nursing mother area on the concourse. That has proven more difficult than originally anticipated because of the impacts of both the convention center and the plumbing requirements for more women's toilets. The construction will create two adjacent areas that will become nursing mother areas – one accessed from outside of the women's restroom (that full families can use) and one accessed from inside the women's restroom.

4. Impact of deferred maintenance on the locker rooms below the restrooms. Wet spots on the lockers and the rubber flooring, and inability to address lighting issues.
5. The timing is better now than it ever will be. We are booking some potential major events this summer, which will make losing these restrooms difficult – even for a few weeks. However, we have a window of time right now where we have three sets of restrooms – that window will close when the new restaurant breaks ground later this winter. From a timing and logistics standpoint, this is the absolute best time to temporarily close the restrooms.
4. Naming Rights Sponsorship for the LC Walker Arena. Staff worked diligently with Mercy Health to finalize the proposed contract for naming rights. Here are some highlights to note:
 1. The agreement is for 15 years – expiring 12/31/2034.
 2. The naming provides exclusivity – stopping us from selling other sponsorships to their competitors without their written approval. This is normal, and it exists in many other sponsorship arrangements at the arena. Note that this section requires the use of their logo along Western Ave and on the marquee sign.
 3. The payment schedule has the city collecting the full \$1.6 Million over 8.5 years. Additionally, Mercy agrees to invest \$10,000 (matching a city investment of \$10,000) to memorialize LC Walker in the arena in some way.
 4. This section governs how we treat our trademarked logos.
 5. This section states that the City and WC Hockey believe they have to power/ability to enter into this agreement.
 6. This section states that Mercy believes they have to power/ability to enter into this agreement.
 7. This section talks about the ways in which the agreement could be terminated, and what happens if it is the Team/City's fault or Mercy's fault. Note, if we default, we may have to pay back some dollars on a prorated basis because Mercy is paying for much of the sponsorship in advance. If Mercy defaults, we would keep those dollars, plus, if they default before 7/1/2021, they would pay to remove their own signage.
 8. If litigation occurs as a result of the naming, we would come together and have the option of either making changes to address the litigation or jointly defending the terms of the agreement – with a 50/50 split on costs.
 9. We agree to try to protect each other's confidential information, but are still able to comply with FOIA.
 10. Allows us to sign the agreement in counterparts.
 11. Provides for contact info regarding each entity.

12. This section talks about how/if the agreement could be assigned to other parties. Essentially, we need to get each other's consent. However, we can assign the WC Hockey portion in the event of a change in team ownership/affiliation.

Regular Session:

1. Under Honors/Awards:
 - a. Recognition of LLS, Inc for their commitment to the Good Buddy Bucks program.
 - b. Recognition of Max McKee and the Mart Dock for their sponsorship and participation in youth activities.
 - c. Presentation from Department of Public Safety on firearm information and activity (this was rescheduled from the previous meeting).
2. Under the Consent Agenda, we are asking the Commission to consider the following:
 - a. Approval of meeting minutes from the most-recent City Commission meeting.
 - b. Transmittal of the 6/30/19 Audited Financial Statements.
 - c. Purchase of one aerial truck for \$179,509.80
 - d. Approval of the contract with MDOT to construct the traffic circle at Beach and Lakeshore Drive.
 - e. Authorization of an application to the Coastal Zone Grant program.
 - f. Approval of the allocation of Senior Millage dollars to a number of programs throughout the community.
 - g. Approval of the lead abatement contract for the CNS home remodel project at 602 Ada.
 - h. Approval of the rehabilitation contract for the CNS home remodel project at 602 Ada.
 - i. Approval of the rehabilitation contract for the CNS home remodel project at 567 Leonard.
 - j. Approval of an NEZ Certificate for 1245 5th Street.
 - k. Approval of a request to rescind the resolution originally vacating the alley way behind the MATS bus station. The requirements of the 1992 vacation were never met, and the City would prefer to maintain the alley to assist in the redevelopment of the Western Avenue side of that block.
 - l. Staff is seeking approval of the non-union pay/benefit schedule for 2020.
 - m. Staff is seeking approval to accept the proposal from Platinum Contracting to remodel the restrooms in the LC Walker Arena.
3. Under Public Hearings hear the following:
 - a. Public hearing on The Docks Brownfield Plan Amendment.
4. Under New Business, we are asking the Commission to consider the following:

- a. We are asking that a lessor agreement be signed for the Deck expansion project at 1601 Beach. This document is required for the business owners to secure the funding necessary to undertake their expansion.
- b. We are seeking approval of the naming rights contract with Mercy Health to rename the LC Walker Arena as “Mercy Health Arena.”

Let me know if you have any questions/comments/concerns

Frank



Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date: December 10, 2019	Title: Approval of Minutes
Submitted By: Ann Marie Meisch, MMC	Department: City Clerk
Brief Summary: To approve the minutes of the November 26, 2019 Regular Meeting.	
Detailed Summary: N/A	
Amount Requested: N/A	Amount Budgeted: N/A
Fund(s) or Account(s): N/A	Fund(s) or Account(s): N/A
Recommended Motion: To approve the minutes.	
For City Clerk Use Only: Commission Action:	

CITY OF MUSKEGON

CITY COMMISSION MEETING

NOVEMBER 26, 2019 @ 5:30 P.M.

**MUSKEGON CITY COMMISSION CHAMBERS
933 TERRACE STREET, MUSKEGON, MI 49440**

MINUTES

The Regular Commission Meeting of the City of Muskegon was held at City Hall, 933 Terrace Street, Muskegon, MI at 5:30 p.m., Tuesday, November 26, 2019, Pastor EJ Wood, All Shores Wesleyan Church, opened the meeting with a prayer, after which the Commission and public recited the Pledge of Allegiance to the Flag.

ROLL CALL FOR THE REGULAR COMMISSION MEETING:

Present: Mayor Stephen J. Gawron, Vice Mayor Eric Hood, Commissioners Byron Turnquist, Ken Johnson, Debra Warren, Dan Rinsema-Sybenga, and Willie German, Jr., City Manager Frank Peterson, City Attorney John Schrier, and City Clerk Ann Meisch.

HONORS AND AWARDS:

A. City of Muskegon Employees – Years of Service Awards

The Mayor and Commissioners congratulated and thanked city employees for various levels of years of distinguished, loyal service. Certificates of Appreciation were presented to those employees that were in attendance.

B. LC Walker Arena Renaming to Mercy Health Arena Information Presentation City Manager

City Manager Frank Peterson presented information relevant to the naming rights sponsorship opportunity for the LC Walker Arena.

PUBLIC COMMENT ON AGENDA ITEMS: Public comments were received.

2019-91 CONSENT AGENDA:

A. Approval of Minutes City Clerk

SUMMARY OF REQUEST: To approve the minutes of the November 12, 2019 Regular Meeting.

STAFF RECOMMENDATION: To approve the minutes.

B. Extension of Temporary Employment Services Agreement EEO & Employee Relations

SUMMARY OF REQUEST: To approve a one-year contract extension with GoodTemps Temporary Staffing Services, Inc. for temporary and seasonal employment services. The current agreement expires on December 31, 2019 and has an option for a one-year extension.

STAFF RECOMMENDATION: To approve the agreement with GoodTemps Temporary staffing Services, Inc. and authorize the Mayor and City Clerk to sign the agreement extension.

C. First Quarter 2019-2020 Budget Reforecast

Finance

SUMMARY OF REQUEST: At this time staff is transmitting the First Quarter 2019-20 Budget Reforecast which outlines proposed changes to the budget that have come about as result of changes in revenue projects, policy priorities, labor contracts, updated economic conditions, or other factors.

General Fund revenue adjustments include the City of Muskegon receiving an additional \$91,000 from the State of Michigan for Fire Protection.

Building Code Inspections and Enforcement has reduced contractual expenses by \$200,000 mostly due to reduction in the cost of mowing/maintaining City owned lots.

The Major Street Fund and the Water and Sewer Funds have significant changes to their capital budgets mostly due to projects coming in over budget.

STAFF RECOMMENDATION: To approve the 1st Quarter 2019-20 Budget Reforecast.

D. New Copiers and Updated Maintenance Agreement with Applied Imaging

Finance

SUMMARY OF REQUEST: Staff is seeking approval to purchase 14 new copiers on a 60-month lease and update our maintenance agreement with Applied Imaging.

All but one of the copiers are replacing existing copiers we have had since 2011. One of the copiers is a new copier for the office at the LC Walker Arena. The City has had a relationship with Applied Imaging for copiers and printers since 2011 and have been very happy with the product and their service. Applied Imaging is the current supplier under the State of Michigan MITN Cooperative. The new copiers will lower our maintenance costs to .007 cent per copy for black and white copies and .059 for color copies. This is down from .01232 and .07885 respectively. The proposed monthly savings will be \$681.80 for an annual savings of \$8,181.60.

STAFF RECOMMENDATION: To authorize staff to enter into agreements to lease 14 new copiers and lower the per copy maintenance agreement currently in place with Applied Imaging.

E. Police Cruiser Replacement DPW/Equipment

SUMMARY OF REQUEST: The Equipment Division is requesting permission to purchase four Chevy Tahoe Police Cruisers from Berger Chevrolet, the Mi Deal State Contract holder. The cost is \$35,822.00 each, for a total of \$143,288.00.

STAFF RECOMMENDATION: To authorize staff to move forward with the purchase.

F. Hurst Combi Rescue Tool Sets Public Safety/Fire Department

SUMMARY OF REQUEST: To authorize the purchase of two Hurst Combi Rescue Tool Sets. Cost for one set is \$13,550 from Apollo Fire Equipment, offered to the City of Muskegon at consortium pricing. Each set includes shipping, training, and the additional equipment needed to use and mount the rescue tools. The purchase equals \$27,100, which is \$100 more than the budgeted \$27,000.

STAFF RECOMMENDATION: To approve the purchase of two Hurst Combi Rescue Tool Sets for Fire Department rescue efforts.

G. Setting The Docks Brownfield Public Hearing Economic Development

SUMMARY OF REQUEST: The Brownfield Redevelopment Authority recommended approval of Brownfield Plan Amendment for The Docks (Damfino Development, LLC) at 1490 Edgewater Street and now the city commission must schedule a public hearing on that plan for December 10, 2019.

Damfino Development LLC submitted a Brownfield Plan Amendment for the Docks at 1490 Edgewater to the Brownfield Redevelopment Authority, which approved it on November 12, 2019. The city commission must set a public hearing on the plan for December 10, 2019 A resolution setting the December 10 public hearing is provided.

STAFF RECOMMENDATION: To approve the resolution setting a public hearing for December 10, 2019 on the Docks Brownfield Plan Amendment and notify the appropriate taxing units.

J. PILOT Ordinance Revision City Manager

SUMMARY OF REQUEST: Staff is seeking an amendment to Section 82-51(1) of the Code of Ordinances regulating Payment in Lieu of Taxes to allow for a 1% PILOT fee. The change is necessary to reduce the Royale Glen PILOT to 1%.

STAFF RECOMMENDATION: To adopt the ordinance as presented.

Motion by Commissioner Rinsema-Sybenga, second by Vice Mayor Hood, to accept the consent agenda, except items H, I, K, and L.

ROLL VOTE: Ayes: Warren, German, Rinsema-Sybenga, Turnquist, Johnson, Gawron, and Hood

Nays: None

MOTION PASSES

2019-92 ITEMS REMOVED FROM CONSENT AGENDA:

H. Brownfield Agreement for 1208 Eighth Economic Development

SUMMARY OF REQUEST: A request to approve a brownfield redevelopment and reimbursement agreement for 1208 Eight Street among the city, Core Development and the city's Brownfield Redevelopment Authority.

The Muskegon City Commission approved a Brownfield Plan for Core Development on November 12, 2019. The next step is for the city, Core Development and the Brownfield Redevelopment Authority to approve a development and reimbursement agreement. The BRA unanimously approved that agreement on November 12, 2019. The brownfield plan is for a former Volkswagen dealership building to be renovated into a commercial-office building with a private investment of \$700,000. The Brownfield Plan calls for eligible costs of \$145,129 to be reimbursed the developer over the next 30 years from property tax increments, included in that is \$40,000 for the city's public improvements for on-street parking.

STAFF RECOMMENDATION: To approve the Development and Reimbursement Agreement for the 1208 Eighth Street Brownfield and authorize the mayor to sign the agreement.

Motion by Commissioner Johnson, second by Commissioner Rinsema-Sybenga, to approve the Development and Reimbursement Agreement for the 1208 Eighth Street Brownfield and authorize the mayor to sign the agreement.

ROLL VOTE: Ayes: German, Rinsema-Sybenga, Turnquist, Johnson, Gawron, Hood, and Warren

Nays: None

MOTION PASSES

I. Veteran's Memorial Park Pump City Manager

SUMMARY OF REQUEST: Staff is seeking to commit \$24,233 toward the cost to install a water control structure at Veteran's Memorial Park.

In an effort to address flooding at the memorial park, staff is seeking to partner with Muskegon County, the City of North Muskegon, and NOAA to install a replacement seawall and a new pump. NOAA funds will be used to replace the seawall, while the funds from the local government will be used to replace the pump that operated for many years in the reservoir. The arrangement is the same as had been in place for approximately 30 years before the previous seawall was removed. This partnership should address the ongoing flooding.

STAFF RECOMMENDATION: To authorize the expense of up to \$24,233 toward the replacement of the Veteran's Memorial Causeway reservoir pump.

Motion by Commissioner Warren, second by Commissioner German, to authorize the expense of up to \$24,233 toward the replacement of the Veteran's Memorial Causeway reservoir pump.

ROLL VOTE: Ayes: Rinsema-Sybenga, Turnquist, Johnson, Gawron, Hood, Warren, and German

Nays: None

MOTION PASSES

K. Royale Glen PILOT Extension City Manager

SUMMARY OF REQUEST: Staff is seeking approval of the Second Amendment to the Contract for Housing Exemption as well as the Development Agreement with Hackley-Barclay Limited Dividend Housing Association.

In an effort to free up capital for necessary improvements at Royale Glen Townhomes, staff has negotiated two agreements. The first agreement is the Second Amendment to the Contract for Housing Exemption and the second agreement is a Development Agreement for Campbell Field. The owner will receive a reduction in taxes and fees in exchange for a commitment to invest \$600,000 in residential improvements and contribute \$156,000 for the city to use as desired on improvements to Campbell Field. Staff is currently seeking community input on Campbell Field, and would expect to make the improvements in the next 12-18 months.

STAFF RECOMMENDATION: To approve the Second Amendment to the Contract for Housing Exemption and the corresponding Development Agreement with Hackley-Barclay Limited Dividend Housing Association, and authorize the Mayor and Clerk to sign.

Motion by Commissioner German, second by Commissioner Warren, to approve the Second Amendment to the Contract for Housing Exemption and the corresponding Development Agreement with Hackley-Barclay Limited Dividend Housing Association, and authorize the Mayor and Clerk to sign.

ROLL VOTE: Ayes: Turnquist, Johnson, Gawron, Hood, Warren, German, and Rinsema-Sybenga

Nays: None

MOTION PASSES

L. Convention Center Naming Rights City Manager

STAFF RECOMMENDATION: Staff is seeking authorization to enter into a contract with WC Hockey, LLC to assist in selling the naming rights to the Muskegon Convention Center.

In an effort to raise additional capital to ensure the highest quality convention center without levying additional taxes or fees, staff is seeking strategic

advertising partners with in the new convention center. The goal is to raise at least \$1 Million over a period not to exceed 20 years. The proposed agreement would allow the city to partner with WC Hockey to identify an advertising partner and negotiate the best deal for the convention center. WC Hockey would be paid a commission based on the income created.

STAFF RECOMMENDATION: To approve the agreement and authorize the City Manager to sign.

Motion by Commissioner German, second by Commissioner Rinsema-Sybenga, to approve the agreement and authorize the City Manager to sign.

ROLL VOTE: Ayes: Johnson, Gawron, Hood, Warren, German, and Rinsema-Sybenga

Nays: Turnquist

MOTION PASSES

2019-93 NEW BUSINESS:

A. Marihuana Facilities Application Planning

SUMMARY OF REQUEST: Request to approve the Marihuana Facilities Application that includes a social equity component.

STAFF RECOMMENDATION: To approve the Marihuana Facilities Application.

Motion by Commissioner German, second by Commissioner Rinsema-Sybenga, to approve the Marihuana Facilities Application.

Motion by Commissioner Rinsema-Sybenga, second by Vice Mayor Hood, to call the question.

ROLL VOTE: Ayes: Hood, Rinsema-Sybenga, Turnquist, and Gawron

Nays: Warren, German, and Johnson

MOTION FAILS

Motion by Commissioner Johnson, second by Commissioner Warren, to amend the original motion to approve the Marihuana Facilities Application by amending Appendix 3 under MSEP REVENUE by removing the \$35,000 cap from the 35% of all local excise tax receipts being allocated to the City's MSEP, and under ALLOCATION OF MSEP RESOURCES by amending number 3 to include youth support and changing the ALLOCATION OF MSEP RESOURCES percentages to:

- 1. From 55% to 30% for business micro-loans/grants for those that have had a low-level marihuana conviction.**
- 2. From 30% to 35% will be dedicated towards facilitating marihuana related expungement clinics. and,**

3. From 15% to 35% for education and community outreach for responsible marihuana consumption related to harm reduction (and youth support).

ROLL VOTE: Ayes: Warren, German, Turnquist, and Johnson

Nays: Rinsema-Sybenga, Gawron, and Hood

MOTION PASSES

VOTE ON ORIGINAL MOTION – WITH AMENDMENT:

ROLL VOTE: Ayes: Gawron, Hood, Warren, Rinsema-Sybenga, Turnquist, and Johnson

Nays: German

MOTION PASSES

ANY OTHER BUSINESS:

A. Firearm Activity Information Presentation Public Safety

This presentation was postponed to December 10, 2019.

PUBLIC COMMENT ON NON-AGENDA ITEMS: Comments were received from the public.

ADJOURNMENT: The City Commission meeting adjourned at 9:12 p.m.

Respectfully Submitted,

Ann Marie Meisch, MMC – City Clerk



Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date: December 10, 2019	Title: Transmittal of 6/30/19 Comprehensive Annual Financial Report
Submitted By: Beth Lewis	Department: Finance
Brief Summary: The City's June 30, 2019 Comprehensive Annual Financial Report (CAFR) will be distributed to the City Commissioners via email and hard copy. The CAFR will also be available on the City's website. The CAFR includes the annual independent auditor's report as required by state law. At this time the CAFR is being formally transmitted to the City Commission. The CAFR has been prepared in accordance with all current Governmental Accounting Standards Board (GASB) pronouncements and also includes the single audit of federal grants received by the City.	
Detailed Summary:	
Amount Requested: N/A	Amount Budgeted: N/A
Fund(s) or Account(s):	Fund(s) or Account(s):
Recommended Motion: To accept the June 30, 2019 CAFR and authorize staff to transmit the CAFR to appropriate federal, state and private agencies.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	



Comprehensive Annual Financial Report City of Muskegon

Fiscal Year Ended June 30, 2019

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**CITY OF MUSKEGON,
MICHIGAN**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

**Prepared By
FINANCIAL SERVICES DIVISION**

**Elizabeth Lewis
Finance Director**

**Kenneth Grant
Assistant Finance Director**

**Sarah Petersen
City Treasurer**

**James Maurer
Information Systems Director**

**Mike VanderMolen
Management Assistant**

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City of Muskegon

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City of Muskegon

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Affirmative Action
(231)724-6703
FAX (231)722-1214

Assessor/
Equalization Co.
(231)724-6386
FAX (231)724-1129

Cemetery/Forestry
(231)724-6783
FAX (231)724-4188

City Manager
(231)724-6724
FAX (231)722-1214

Clerk
(231)724-6705
FAX (231)724-4178

Comm. & Neigh.
Services
(231)724-6717
FAX (231)726-2501

Computer Info.
Technology
(231)724-4126
FAX (231)722-4301

Engineering
(231)724-6707
FAX (231)727-6904

Finance
(231)724-6713
FAX (231)726-2325

Fire Department
(231)724-6795
FAX (231)724-6985

Human Resources
Co. (Civil Service)
(231)724-6442
FAX (231)724-6840

Income Tax
(231)724-6770
FAX (231)724-6768

Mayor's Office
(231)724-6701
FAX (231)722-1214

Planning/Zoning
(231)724-6702
FAX (231)724-6790

Police Department
(231)724-6750
FAX (231)722-5140

Public Works
(231)724-4100
FAX (231)722-4188

SafeBuilt
(Inspections)
(231)724-6715
FAX (231)728-4371

Treasurer
(231)724-6720
FAX (231)724-6768

Water Billing
(231)724-6718
FAX (231)724-6768

Water Filtration
(231)724-4106
FAX (231)755-5290



December 2, 2019

To the Honorable Mayor, Members of the City Commission and Citizens of the City of Muskegon:

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Brickley Delong, PC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Muskegon's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the government

The City of Muskegon operates under a commission-manager form of government and provides a full range of traditional municipal services. Policy-making and legislative authority are vested in the governing board (Commission) consisting of the mayor and six commissioners. Two commissioners are elected at large and each of the four ward commissioners is elected by the voters of their respective wards. Commission members serve four-year terms, with the two at large members elected every four years in odd years and the four ward commissioners elected every four years in even years. The Mayor is also elected at-large for a four-year term. The Mayor and Commission appoint the City of Muskegon's manager.



The City of Muskegon provides a full range of services, including police and fire protection; solid waste collection; parks and recreation activities; the construction and maintenance of streets and roadways; street snowplowing; traffic control; building inspections; licenses and permits; water distribution and sewer disposal services; community and economic development; and general administrative support services. The City also provides treated drinking water to several surrounding communities.

The Commission is required to adopt an initial budget for the fiscal year no later than the last regular meeting in June preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City of Muskegon's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager and department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the Commission.

Local economy

The City of Muskegon is located in western Michigan on the shores of Lake Michigan. The City covers 18 square miles (including 4 miles of water) and, with a 2010 census population of 38,401, is the largest city on the eastern shore of Lake Michigan. The City is located in Muskegon County and is part of the Muskegon-Norton Shores Metropolitan Statistical Area (MSA).

Muskegon is home to many outstanding sports, recreation and cultural activities:

- Muskegon is the eastern terminus for the high speed cross-lake ferry. Connecting Muskegon with Milwaukee, Wisconsin, the *Lake Express* service ferries 100,000-plus passengers each season between the two cities. 2019 marks the ferry service's sixteenth successful year of operations.
- Muskegon is home to the annual Miss Michigan pageant.
- Pere Marquette beach is nationally recognized as one of the best beaches in the nation and is the only beach in Michigan to receive and maintain the Blue Wave Certification by the Clean Beaches Council. The Blue Wave certification identifies the nation's cleanest, safest and most environmentally well-managed beaches.
- Muskegon is home to successful summertime festivals that attract thousands of visitors to the community. These include *Taste of Muskegon*, which attracts thousands of visitors to Muskegon each June, *Bike Time* and *Rebel Road*, which attract motorcycle enthusiasts to the City in July, the *Unity Christian Music Festival*, *Shoreline Jazz Festival*, *Great Lakes Surf Festival*, and the *Burning Foot Beer Fest* in August, and the *Muskegon Polish Festival* and *Michigan Irish Music Festival* in September.



- Muskegon is the cultural hub for west Michigan with numerous museums and live performances. The Muskegon Museum of Art has one of the largest and premier art collections in the Midwest, and the Muskegon County Museum provides insight into the area's history. The former residences of Muskegon's lumber barons, Charles H. Hackley and Thomas Hume, proudly display the glory of the Victorian age. The Fire Barn Museum takes visitors back to an 1890's Muskegon Fire Station. The West Shore Symphony and Muskegon Civic Theater bring the stage of the Frauenthal Center for the Performing Arts to life throughout the year. The Heritage Museum provides historic perspective on the city's industrial roots.
- Muskegon's port welcomed 15 Great Lakes cruise ships in 2019 and expects nearly 30 ships to visit in 2020.
- Muskegon is home to three historic museum ships that attract thousands of visitors each year:
 - *USS Silversides*, a rare surviving World War II submarine maintained in pristine condition is docked at the Muskegon Lake Channel;
 - *LST-393*, a landing craft used in the D-day invasion and one of only two such vessels remaining in existence is docked downtown Muskegon at the West Michigan Dock and Market; and the
 - *Milwaukee Clipper*, a Great Lakes passenger ship built before the *Titanic* that for many years served as a cross-lake ferry between Muskegon and Milwaukee is docked in the Lakeside Business District.

Muskegon has a diverse local economy. The manufacturing sector is strong in the areas of aerospace, plastics, defense, metals and castings, office furniture and automotive parts. The City of Muskegon also benefits from being home to large government, corrections, healthcare, and educational employers. Even though these institutions are exempt from paying property taxes, local income tax withholdings remitted by these employers provide stability to City finances.

The local economy has seen slight decrease in the unemployment rate which stood at 4.8 percent at the end of the fourth quarter of 2018 compared with 4.2 percent at the end of the second quarter of 2019.

The City fully recognizes the difficulties it faces as an older urban rust-belt community. Thus, we have attempted to position ourselves as a leader in fiscal stability and sustainability.



Long-term financial planning and major initiatives

Unassigned fund balance in the General Fund at year end was 23.0% of total General Fund revenues. This amount was well above the policy guidelines set by the Commission for budgetary and planning purposes (i.e., 13% of total actual General Fund revenue for the preceding year). Adequate fund balances are maintained to allow the City to continue providing services to the community in case of unexpected emergencies or requirements and/or economic downturns.

The City incorporates a five-year fiscal forecast into its yearly budget process. The forecast is a macro-level projection of major revenue sources, expenses and fund balances, taking into account identifiable factors, recent trends and management's judgment as to future developments. The City recently purchased a new web-based information source providing financial information and forecasting for municipal governments and schools. This new system should provide staff with enhanced information to improve forecasting.

Among the City's major initiatives and accomplishments in fiscal year 2018-19 were the following:

- Downtown Muskegon experienced the commencement of a number of mixed use development projects. Two adaptive reuse projects were undertaken in the, with a total investment in excess of \$5 million. Three major new construction projects have been announced with the Lakeview Lofts Phase 2 project, The Leonard project, and the Foundry Square Project, with a total investment in excess of \$25 million. Other downtown projects of note include a \$6 million investment from Platinum Construction in the Western Place Townhomes, an \$8 million investment to upgrade the former Holiday Inn to a Delta Marriott Hotel, and the construction of Pigeon Hill Brewing's new 20,000 square foot brewing facility.
- After several years of perseverance, a plan was put forth to redevelop the former Sappi Paper Mill site in Lakeside. The 120-acre site has already experienced the demolition of more than 1-million square feet of industrial buildings, and the owners have completed a multi-phased visioning process with Miami, Florida-based DPZ Co-Design – a world-renown master-planning group that focuses on high-value developments that embrace the design philosophies of New Urbanism.
- The City broke ground on a new \$19.5 Million convention center that will be attached to the both the Delta Marriott hotel and the L.C. Walker Arena.
- Construction of Midtown Square Phase 2, which consists of 10 townhouses and 6 single family homes in the Nelson neighborhood, was started in 2019.
- KL Outdoor, the world's largest manufacturer of kayaks, opened its new 500,000 square foot distribution center in the Port City Industrial Park in early 2019.



- Mercy Health Partners, Muskegon's largest employer completed a \$280 million expansion to its existing hospital. The hospital organization is currently exploring opportunities for redevelopment of its other underutilized facilities.

Relevant financial policies

The City of Muskegon has adopted a comprehensive set of financial policies used to ensure adequate protection of the City's assets from loss, theft, or misuse, and provide adequate accounting data to allow for preparation of financial statements in conformity with generally accepted accounting principles.

Budgetary control is maintained through an annual budget resolution passed by the City Commission. Budgetary control at the functional level is maintained by review of estimated expenditures prior to making purchases. Encumbrances are not recorded in the City's funds. The City does, however, utilize an informal monitoring system to facilitate budgetary control over proposed purchases. Essentially, this system entails the use of on-line budgetary information that details year-to-date "actual versus budgeted" expenditure comparisons by budget category. This information is accessible to appropriate personnel to enable them to ascertain the budget status of an expenditure category prior to authorizing additional purchases.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muskegon for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the 32nd consecutive year that the City has received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

MUSKEGON



West Michigan's Shoreline City
www.shorelinecity.com

The preparation of this report would not have been possible without the skill, effort, and dedication of the Finance Division and the entire city staff. We express appreciation to those staff members who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Commissioners for their support for maintaining the highest standards of professionalism in the management of the City of Muskegon's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Frank Peterson".

Frank Peterson
City Manager

A handwritten signature in blue ink, appearing to read "Elizabeth Lewis".

Elizabeth Lewis
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Muskegon
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

Organizational Structure 2019-20



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF MUSKEGON, MICHIGAN
LIST OF PRINCIPAL OFFICIALS**

June 30, 2019

ELECTED OFFICIALS

Mayor. Stephen J. Gawron
At Large

Vice Mayor-Commissioner. Eric Hood
Ward 1

Commissioner. Willie German
Ward 2

Commissioner. Debra Warren
Ward 3

Commissioner. Byron Turnquist
Ward 4

Commissioner. Ken Johnson
At Large

Commissioner. Dan Rinsema-Sybenga
At Large

APPOINTED OFFICIALS

City Manager. Frank Peterson

City Attorney. John C. Schrier

Finance Director. Elizabeth Lewis

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

City Commission
City of Muskegon
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension and other post-employment benefit information on pages 21 through 32 and 84 through 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskegon, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information for nonmajor funds, schedule of indebtedness, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

City Commission
City of Muskegon
Page 3

Other Matters—Continued

Other Information—Continued

The combining and individual nonmajor fund financial statements, budgetary comparison information for nonmajor funds, schedule of indebtedness, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison information for nonmajor funds, schedule of indebtedness, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive, flowing style.

Muskegon, Michigan
December 2, 2019

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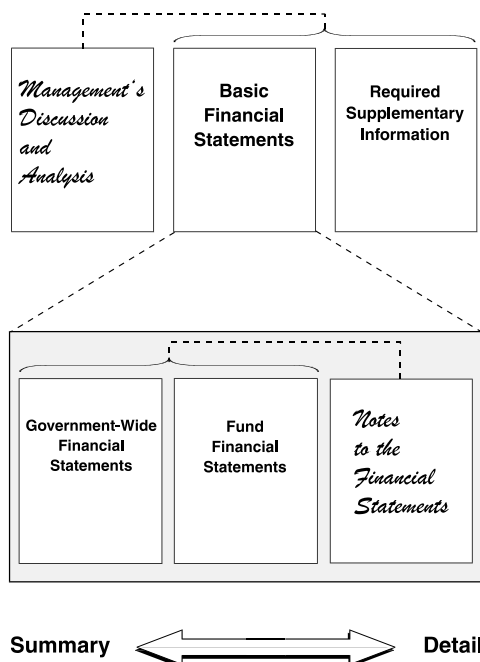
2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Muskegon's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets/deferred outflows of resources of the City of Muskegon exceeded its liabilities/deferred inflows of resources by \$102,663,852 as of June 30, 2019. The City has a deficit in unrestricted net position of \$11,930,527. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities.
- The City's total combined net position decreased by \$1,581,766 during the year ended June 30, 2019.
- The City's governmental funds reported combined ending fund balance of \$16,575,017, a decrease of \$1,155,778 (7%) from the prior year.
- The City's General Fund reported a total fund balance of \$8,505,195, an increase of \$113,629 from the prior year balance of \$8,391,566. The favorable increase is primarily the result of conservative budgeting.

OVERVIEW OF THE FINANCIAL STATEMENTS



This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting individual City operations in greater detail than the government-wide statements.

- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains available for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about activities the City operates *like private businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include detailed notes that explain some of the information in the financial statements and provide additional data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The figure above shows how the required parts of this annual report are arranged and related to one another.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets/deferred outflows of resources and liabilities/deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets/deferred outflows of resources and liabilities/deferred inflow of resources—is one way to measure the City's overall financial health or *position*. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively. However, to assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements include not only the City of Muskegon itself (known as the *primary government*), but also legally separate *component units* for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements of the City include the *governmental activities*. Most of the City's basic services are included here, such as public

representation services, administrative services, financial services, public safety, public works, highways, streets and bridges, community and economic development, culture and recreation, general administration, and interest on long-term debt. Income taxes, federal grants, property taxes and revenues from the State of Michigan finance most of these activities.

Also included in the government-wide statements are the City's business-type activities: water, sewer and marina operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's major *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee and are intended to be self-supporting are generally reported in proprietary funds. The City uses three proprietary funds: water, sewer, and marina and launch ramp. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- The City uses *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

- *Component units* – Finally, the City of Muskegon's Comprehensive Annual Financial report includes six component units: the Downtown Development Authority (DDA), the Tax Increment Finance Authority (TIFA), the Local Development Finance Authority (LDFA) and, the Brownfield Redevelopment Authority (BRA 1, BRA 2 and BRA 3). Component units are separate legal entities for which the City of Muskegon has some level of financial accountability. The component units of the City exist primarily for the issuance and repayment of debt to finance projects in specific areas of the City. Accordingly, they are discussed below under the *Capital Assets and Debt Administration* heading.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The Statement of Net Position provides an overview of the City's assets/deferred outflows of resources, liabilities/deferred inflow of resources and net position. Over time this can provide a good indicator of the City's fiscal health. The total net position of the City was \$102,663,852 as of June 30, 2019. This is a decrease of \$1,581,766 from reported net position for the prior year. An overview of the City's net position follows:

City's Net Position (In Thousands of Dollars)							
	Governmental Activities		Business-Type Activities		Total		Percentage
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	Change
Current and other assets	\$23,349	\$23,800	\$6,718	\$9,781	\$30,067	\$33,581	-10.46%
Capital assets	73,229	66,940	47,886	45,594	121,115	112,534	7.63%
Total Assets	96,578	90,740	54,604	55,375	151,182	146,115	3.47%
Deferred outflows of resources	10,997	2,282	764	159	11,761	2,441	381.81%
Total Assets and Deferred Outflows of Resources	107,575	93,022	55,368	55,534	162,943	148,556	9.68%
Long-term liabilities	42,851	27,960	7,517	7,200	50,368	35,160	43.25%
Other liabilities	6,482	3,876	3,061	2,995	9,543	6,871	38.89%
Total Liabilities	49,333	31,836	10,578	10,195	59,911	42,031	42.54%
Deferred inflows of resources	344	2,131	24	148	368	2,279	-83.85%
Total Liabilities and Deferred Outflows of Resources	49,677	33,967	10,602	10,343	60,279	44,310	36.04%
Net Position							
Net investment in capital assets	66,734	61,268	41,742	38,550	108,476	99,818	8.67%
Restricted	5,519	6,138	599	599	6,118	6,737	-9.19%
Unrestricted	-14,355	-8,351	2,425	6,041	-11,930	-2,310	416.45%
Total Net Position	\$57,898	\$59,055	\$44,766	\$45,190	\$102,664	\$104,245	-1.52%

The bulk of the City's net position of \$108,475,672 represents investments in capital assets net of accumulated depreciation, less the remaining balance of debt issued to acquire those assets. These infrastructure assets are used to provide public services to citizens and are not available for spending.

Another \$6,118,707 of the City's net position are legally restricted as to use. The City has a deficit in unrestricted net position of \$11,930,527. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities. The City's unrestricted net position decreased \$9,620,984 during the year.

Changes in net position. The City's total revenues were \$60,502,468 for the year ended June 30, 2019. This represents a 7.27% increase over total revenues collected during the prior fiscal year. Approximately 39.6% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another 18.9% came from grants from the state and federal governments and 28.4% was from local property and income taxes. The remainder was comprised of state revenues and other sources such as franchise fees and investment income.

The total cost of all City programs and services for the year ended June 30, 2019 was \$62,084,234. This represents a 20.0% increase from reported expenses for the last fiscal year ended June 30, 2018. 72.1% of the City's expenses were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining 28.9% represents the costs of the City's business-type activities, specifically, water, sewer and marina operations.

The table on the following page (*Changes in City's Net Position*) further breaks down the change in total net position into period-to-period changes in individual revenue and expense categories.

As can be seen, net position for governmental activities decreased \$1,157,410 and the net position for business-type activities decreased by \$424,356. For governmental activities, most of these changes are related to the increased net pension liability and net other postemployment benefits liability. For business-type activities, the changes similarly represent the impact of the increased net pension liability and other postemployment benefits liability.

Changes in City's Net Position

(In thousands of dollars)

	Governmental		Business-Type				
	Activities		Activities		Total		Percentage
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	Change
Program revenues							
Charges for services	\$7,632	\$7,440	\$16,344	\$15,989	\$23,976	\$23,429	2.33%
Operating grants and contributions	6,893	6,479	511	43	7,404	6,522	13.52%
Capital grants and contributions	4,015	2,306	-	-	4,015	2,306	74.11%
General revenues							
Property taxes	8,230	8,450	-	-	8,230	8,450	-2.60%
Income taxes	8,940	8,995	-	-	8,940	8,995	-0.61%
State shared revenues	5,102	4,955	-	-	5,102	4,955	2.97%
All other	2,811	1,719	24	28	2,835	1,747	62.28%
Total revenues	43,623	40,344	16,879	16,060	60,502	56,404	7.27%
Governmental activities expenses							
Public representation	1,336	1,348	-	-	1,336	1,348	-0.89%
Administrative services	801	507	-	-	801	507	57.99%
Financial services	2,701	1,995	-	-	2,701	1,995	35.39%
Public safety	20,433	12,404	-	-	20,433	12,404	64.73%
Public works	4,438	3,472	-	-	4,438	3,472	27.82%
Highways, streets and bridges	7,186	6,917	-	-	7,186	6,917	3.89%
Community and economic development	2,890	5,015	-	-	2,890	5,015	-42.37%
Culture and recreation	4,542	3,995	-	-	4,542	3,995	13.69%
General administration	302	376	-	-	302	376	-19.68%
Interest on long-term debt	151	165	-	-	151	165	-8.48%
Business-type activities expenses							
Sewer	-	-	9,120	8,094	9,120	8,094	12.68%
Water	-	-	7,753	7,091	7,753	7,091	9.34%
Marina and launch ramp	-	-	430	377	430	377	14.06%
Total expenses	44,780	36,194	17,303	15,562	62,083	51,756	19.95%
Change in net position	(1,157)	4,150	(424)	498	(1,581)	4,648	-134.01%
Net position at beginning of year	59,055	54,906	45,190	44,692	104,245	99,598	4.67%
Net position at end of year	\$57,898	\$59,056	\$44,766	\$45,190	\$102,664	\$104,246	-1.52%

Governmental Activities

The following table (*Net Cost of Selected City Functions*) presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid specifically related to the function). The *net cost* reflects the portion of costs funded by local tax dollars and other general resources:

- The operational cost of all governmental activities during the year ended June 30, 2019 was \$44,781,159.
- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was \$17,170,460, or about 39% of the total.
- The remaining cost was paid by user charges to those directly benefitting from the programs or by state and federal grants and contributions.

Net Cost of Selected City Functions
(in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>% Change</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>% Change</u>
Governmental activities						
Public safety	\$20,433	\$12,404	64.73%	\$18,049	\$9,550	88.99%
Public works	4,438	3,472	27.82%	3,747	2,726	37.45%
Highways, streets and bridges	7,186	6,917	3.89%	544	721	-24.55%
Community and economic development	2,890	5,015	-42.37%	(1,118)	2,174	-151.43%
Culture and recreation	4,542	3,995	13.69%	1,600	2,162	-25.99%
All other	5,291	4,391	20.50%	3,419	2,637	29.65%
Total governmental activities	\$44,780	\$36,194	23.72%	\$26,241	\$19,970	31.40%

Business-Type Activities

The financial goal of the City's business-type activities (i.e. water, sewer and marina and launch ramp operations) is to operate on a self-supporting basis without making significant profit or needing general tax subsidies. For the fiscal year ended June 30, 2019, the City's total business-type activities realized an overall decrease in net position of \$424,356.

Sewer Fund net position decreased \$979,425 primarily as result of an increased wastewater treatment costs. The Water Fund saw a net position increase of \$798,122. This is primarily attributable to the managing costs and achieving economies of scale with the addition of Fruitport Township and the City of Norton Shores as wholesale customers. Marina and Launch Ramp Fund net position decreased \$128,974 due to lower revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The fund financial statements provide detailed information about the major City funds, not the City as a whole. The City's major funds for the fiscal year ended June 30, 2019 were the General Fund, the Major Street and Trunkline Fund, and the State Grants Fund.

General Fund Highlights

The General Fund receives most public attention since it is where local tax revenues are accounted for and where the most visible municipal services such as police, fire and parks are funded. The City reforecasts its General Fund budget on a quarterly basis taking into account changing economic conditions and policy priorities. The following table shows the General Fund year-end unassigned fund balance for the last five years.

Year Ended	Year-End Unassigned Fund Balance	Year-to-Year % Change	Prior Year's Revenues	Unassigned Fund Balance as a % of Prior Year Revenues (Policy Target=13%)
6/30/2019	\$6,563,511	1.46%	\$28,729,919	22.85%
6/30/2018	6,469,108	5.22%	27,051,766	23.91%
6/30/2017	6,148,292	0.81%	25,821,114	23.81%
6/30/2016	6,098,977	3.67%	24,890,399	24.50%
6/30/2015	5,883,318	19.10%	23,960,758	24.55%

For the year ended June 30, 2019, General Fund revenues were \$67,827 higher than the final amended budget estimate. This variance is primarily due to higher than expected property tax income.

General Fund expenditures were \$164,907 higher than projected in the final amended budget. This was mostly due to salary and wages in Police and Fire coming in higher than expectations.

Major Street and Trunkline and State Grant Fund Highlights

The Major Street and Trunkline Fund accounts for all of the City's street construction and maintenance activities on its primary road system. Primary funding comes from the State of Michigan. For the year ended June 30, 2019, the fund balance of the Major Street and Trunkline Fund decreased \$533,616 which is attributable to an increase in construction projects including Lakeshore Drive from Laketon to McCracken.

The State Grants Fund received an upfront payment of \$4,000,000 on a Michigan Enhancement Grant at the former prison site. The project is expected to be complete in FY2019-20.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the City had invested \$119,363,274 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. This is an increase of \$6,828,680 from capital assets reported as of June 30, 2018. The increase is due to current year additions exceeding normal depreciation of assets. Note F of the notes to the basic financial statements provides detailed information on the City's capital asset investment.

Long-Term Debt

At June 30, 2019, the City had \$12,855,959 in bonds and other long-term obligations outstanding. This represents

Bond Ratings

The City's limited full faith and credit bonds (bonds guaranteed by the City's taxing powers) were upgraded by Standard & Poor's from a rating of "A+" to "AA-" in early 2016. The City's rating remained at "AA-" in 2019. The City's Water System revenue bonds carry the "AA-" S&P rating.

an 11.0% decrease from the prior year. The City did not issue any new debt during the fiscal year.

Additional information concerning the City's long-term debt is presented in Note H to the basic financial statements.

City's Long Term Debt – Bonds and Other Obligations							
(In thousands of dollars)							
	Governmental		Business-Type				
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>		Percentage
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change</u>
Due w ithin one year	\$818	\$550	\$780	\$1,529	\$1,598	\$2,079	-23.14%
Due in more than one year	<u>6,283</u>	<u>6,655</u>	<u>4,975</u>	<u>5,719</u>	<u>11,258</u>	<u>12,374</u>	<u>-9.02%</u>
Total bonds & other obligations	\$7,101	\$7,205	\$5,755	\$7,248	\$12,856	\$14,453	-11.05%

In addition to direct City debt, component units such as the Downtown Development Authority (DDA) and Local Development Finance Authority (LDFA) had outstanding debt totaling \$3,167,419 at year-end as shown in the table below. This represents a decrease of 11.1% from the prior year.

Debt issued by component units typically is secured by the limited full faith and credit of the City and so is an important consideration in assessing the City's overall fiscal health. Additional information concerning component units' long-term debt is presented in Note H to the basic financial statements and is summarized as follows:

Component Unit Long Term Debt – Bonds and Other Obligations (In thousands of dollars)							
	Downtown Development Authority		Local Development Finance Authority		Total		Percentage Change
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	
Due within one year	\$1,000	\$0	\$390	\$375	\$1,390	\$375	270.67%
Due in more than one year	<u>0</u>	<u>1,000</u>	<u>1,777</u>	<u>2,188</u>	<u>1,777</u>	<u>3,188</u>	-44.26%
Total bonds & other obligations	\$1,000	\$1,000	\$2,167	\$2,563	\$3,167	\$3,563	-11.11%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2019-20 capital budget anticipates spending \$24,906,226 for capital projects, consisting of street improvements, water and sewer system improvements, scheduled equipment replacements, improvements to the L. C. Walker Arena, the rehab of houses in a city neighborhood and the replacement of fire department rescue equipment. These improvements will be funded by anticipated

grants (\$4,650,000), State Revolving Loan revenue (\$13,500,000) revenues generated from operations and fund balance.

From an operating standpoint, the City's 2019-20 budget will be relatively stable while the City attempts to maintain a healthy fund balance and allow time to plan for and address economic challenges with a long-term solution:

- The full-time personnel complement will be increased from 232 positions to 245 positions for a net gain of 13.
- Some user fees will be increased and new fees recommended during the course of the year.
- The City will continue to look for opportunities to partner with other entities to deliver quality services in a cost effective manner (e.g. Farmers' Market kitchen management, Marsh Field and recreation programs).

City operations depend on five major sources of revenue: local income taxes, local property taxes, state-shared revenues, state street funds, and water and sewer utility fees. Together, these five income sources account for about three-quarters of total revenues.

Local Income Tax

The City income tax was approved by voters in 1993 and now is the primary source of funding for police, fire, parks and other general operations. The income tax rate is 1% on City residents and ½ of 1% on non-residents working in the City. The income tax provides key advantages for core cities such as Muskegon. First, it allows the City to regionalize its tax structure by taxing non-residents who work here and use City services. Second, it allows the City to benefit from development occurring outside City limits because City residents employed by non-City employers pay income taxes. Finally, the income tax generates revenue from workers at not-for-profit hospitals, churches, government agencies, colleges and other institutions that are traditionally exempt from paying local property taxes. This is particularly important for Muskegon since it is the regional center for many such institutions.

Income tax revenues decreased 0.8% from \$8,758,674 for the year ended June 30, 2019 to \$8,691,673 for the year ended June 30, 2019. For 2019-20, the City has estimated income tax revenue to be \$8,700,000.

Year	City Income Tax Revenues	Percent Change
6/30/2019	\$8,691,673	-0.8%
6/30/2018	8,758,674	1.7%
6/30/2017	8,610,812	5.6%
6/30/2016	8,151,902	-1.5%
6/30/2015	8,274,666	5.7%

Local Property Tax

City charter and state law authorize the City to levy a general operating millage up to 10 mills and a maximum sanitation millage of 3 mills. Millage rates are applied to the taxable value of property in the City to arrive at the City's property tax levy.

For 2019-20, the City tax levy will be at 10 mills for general operations and 3 mills for sanitation service. We project that \$7,040,000 in total property tax revenue will be collected during fiscal year 2019-20.

It should be noted that several property tax appeals are currently pending. The impact of these appeals on City finances is being monitored closely.

State Shared Revenues

State shared sales tax revenues represent about 14% of total General Fund revenue. The City's state shared revenue allocation is made up of two parts. The constitutional component is a fixed percentage of total state sales tax collections that is allocated to cities on a per capita basis and that cannot be reduced by the legislature. The non-constitutional component is determined by a complex formula and is subject to adjustment through the State's annual budget process. Both components depend, of course, on overall state sales tax collections. The City's recent state shared revenue history is summarized as follows:

Year	State Shared Revenues	Percent Change
6/30/2019	\$4,271,438	2.8%
6/30/2018	4,153,072	2.8%
6/30/2017	4,046,147	4.1%
6/30/2016	3,886,514	-0.1%
6/30/2015	3,889,178	2.0%

For 2019-20, the City projects \$4,376,711 in state shared revenues.

Street Funds

The State also returns to the City a share of gasoline tax revenues to help fund maintenance and construction of major and local streets within the City. These revenues have been more stable than general state sales tax state-shared revenues have been:

Year	Street Revenues from State	Percent Change
6/30/2019	\$5,134,277	1.4%
6/30/2018	5,060,936	25.9%
6/30/2017	4,020,630	10.8%
6/30/2016	3,981,345	1.0%
6/30/2015	3,592,756	10.8%

Based on recent legislative changes, the City began seeing increases in street funding that will carry into future years. At this time, the City is projecting an increase in street revenues for fiscal year 2019-20 up to \$5,507,650.

Water and Sewer Fees

From a government-wide entity perspective, combined water and sewer fees represent one of the City's largest income streams, totaling \$15,616,060 during the year ended June 30, 2019. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. During the year ended June 30, 2019 water rates increased by 4%. Water rates will increase by 4% in each of the next four fiscal years to pay for improvements being made at the Water Filtration Plant. The City began providing treated water to the City of Norton Shores and Fruitport Charter Township in May 2015. The addition of these two new large municipal customers allows the spreading of water treatment costs over a larger customer base while remaining well within the plant's rated treatment capacity.

Due to the impact of continued increases in wastewater treatment charges from the Muskegon County Wastewater Treatment System, the City Commission passed a resolution effective July 1, 2016, which ties the sewer rate the City will charge to its customers to a multiplier of the rate that the county bills the City for wastewater treatment. This rate change is expected to help maintain the financial viability of the City's sewer system.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report, need additional financial information, or wish to obtain separate financial statements for the City's component units, contact the City's Finance Department at (231) 724-6713 or by e-mail (finance@shorelinecity.com).

FINANCIAL STATEMENTS

City of Muskegon
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and investments	\$ 16,619,698	\$ 2,312,963	\$ 18,932,661	\$ 167,080
Assets managed by others	1,234,689	-	1,234,689	-
Receivables	3,868,011	2,767,193	6,635,204	-
Due from other governmental units	1,982,232	471,664	2,453,896	-
Internal balances	(926,936)	926,936	-	-
Inventories	9,325	125,717	135,042	-
Prepaid items	562,101	113,029	675,130	-
Total current assets	23,349,120	6,717,502	30,066,622	167,080
Noncurrent assets				
Restricted cash and investments	-	599,500	599,500	-
Advances to component units	852,752	-	852,752	-
Notes receivable, less amounts due within one year	299,250	-	299,250	-
Capital assets, net				
Nondepreciable	18,855,320	3,866,864	22,722,184	400,000
Depreciable	53,221,288	43,419,802	96,641,090	1,107,825
Total noncurrent assets	73,228,610	47,886,166	121,114,776	1,507,825
Total assets	96,577,730	54,603,668	151,181,398	1,674,905
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	8,431,476	586,145	9,017,621	-
Related to other postemployment benefits	2,565,944	178,381	2,744,325	-
Total deferred outflows of resources	10,997,420	764,526	11,761,946	-
Total assets and deferred outflows of resources	107,575,150	55,368,194	162,943,344	1,674,905
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	2,837,431	780,413	3,617,844	12,250
Due to other governmental units	115,294	1,501,360	1,616,654	-
Unearned revenues - unused Farmers Market tokens	106,366	-	106,366	-
Unearned revenues - expenditure-driven grants	2,604,645	-	2,604,645	-
Bonds and other obligations, due within one year	817,899	779,900	1,597,799	1,390,000
Total current liabilities	6,481,635	3,061,673	9,543,308	1,402,250
Noncurrent liabilities				
Advances from primary government	-	-	-	852,752
Bonds and other obligations, less amounts due within one year	6,283,492	4,974,668	11,258,160	1,777,419
Net pension liability	27,664,870	1,923,226	29,588,096	-
Net other postemployment benefits liability	8,902,759	618,908	9,521,667	-
Total noncurrent liabilities	42,851,121	7,516,802	50,367,923	2,630,171
Total liabilities	49,332,756	10,578,475	59,911,231	4,032,421
DEFERRED INFLOWS OF RESOURCES				
Related to other postemployment benefits	344,324	23,937	368,261	-
Total liabilities and deferred inflows of resources	49,677,080	10,602,412	60,279,492	4,032,421
NET POSITION				
Net investment in capital assets	66,734,006	41,741,666	108,475,672	(659,594)
Restricted				
Highways, streets and bridges	3,397,011	-	3,397,011	-
Debt service	-	599,500	599,500	-
L.C. Walker Arena	26,636	-	26,636	-
Law enforcement	36,337	-	36,337	-
Downtown BID	137,794	-	137,794	-
Perpetual care				
Expendable	336,104	-	336,104	-
Non-expendable	1,577,180	-	1,577,180	-
Other purposes	8,145	-	8,145	-
Unrestricted	(14,355,143)	2,424,616	(11,930,527)	(1,697,922)
Total net position	\$ 57,898,070	\$ 44,765,782	\$ 102,663,852	\$ (2,357,516)

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
Public representation services	\$ 1,336,014	\$ 250,931	\$ -	\$ -	\$ (1,085,083)	\$ -	\$ (1,085,083)	\$ -
Administrative services	800,887	604,290	15,000	-	(181,597)	-	(181,597)	-
Financial services	2,700,775	921,748	40,000	-	(1,739,027)	-	(1,739,027)	-
Public safety	20,433,642	2,292,158	92,989	-	(18,048,495)	-	(18,048,495)	-
Public works	4,438,358	691,312	-	-	(3,747,046)	-	(3,747,046)	-
Highways, streets and bridges	7,185,642	191,883	5,620,645	828,688	(544,426)	-	(544,426)	-
Community and economic development	2,890,216	786,120	1,035,805	2,186,409	1,118,118	-	1,118,118	-
Culture and recreation	4,541,739	1,853,547	88,091	1,000,000	(1,600,101)	-	(1,600,101)	-
General administration	302,582	40,400	-	-	(262,182)	-	(262,182)	-
Interest on long-term debt	151,304	-	-	-	(151,304)	-	(151,304)	-
Total governmental activities	44,781,159	7,632,389	6,892,530	4,015,097	(26,241,143)	-	(26,241,143)	-
Business-type activities								
Sewer	9,119,941	8,098,828	-	-	-	(1,021,113)	(1,021,113)	-
Water	7,752,703	7,946,983	510,533	-	-	704,813	704,813	-
Marina and launch ramp	430,431	298,312	-	-	-	(132,119)	(132,119)	-
Total business-type activities	17,303,075	16,344,123	510,533	-	-	(448,419)	(448,419)	-
Total primary government	\$ 62,084,234	\$ 23,976,512	\$ 7,403,063	\$ 4,015,097	(26,241,143)	(448,419)	(26,689,562)	-
Component units								
Local Development Finance Authority - SmartZone	\$ 230,341	\$ -	\$ -	\$ 360,000	-	-	-	129,659
Downtown Development Authority	1,010,930	-	-	-	-	-	-	(1,010,930)
Tax Increment Finance Authority	40,000	-	-	-	-	-	-	(40,000)
Brownfield Redevelopment Authority I	30,813	-	-	-	-	-	-	(30,813)
Brownfield Redevelopment Authority II	162,000	-	-	-	-	-	-	(162,000)
Brownfield Redevelopment Authority III	205,552	-	-	-	-	-	-	(205,552)
Total component units	\$ 1,679,636	\$ -	\$ -	\$ 360,000	-	-	-	(1,319,636)
General revenues								
Property taxes					8,230,573	-	8,230,573	1,728,439
Income taxes					8,939,887	-	8,939,887	-
Cable franchise agreement					380,343	-	380,343	-
Grants and contributions not restricted to specific programs					5,102,602	-	5,102,602	19,425
Unrestricted investment earnings					546,533	24,063	570,596	1,476
Miscellaneous					550,381	-	550,381	-
Gain on sale of capital asset					1,333,414	-	1,333,414	-
Total general revenues					25,083,733	24,063	25,107,796	1,749,340
Change in net position					(1,157,410)	(424,356)	(1,581,766)	429,704
Net position at July 1, 2018					59,055,480	45,190,138	104,245,618	(2,787,220)
Net position at June 30, 2019					\$ 57,898,070	\$ 44,765,782	\$ 102,663,852	\$ (2,357,516)

The accompanying notes are an integral part of this statement.

City of Muskegon
BALANCE SHEET
Governmental Funds
June 30, 2019

	General Fund	Major Street and Trunkline Fund	State Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 7,302,304	\$ 2,675,521	\$ 2,265,863	\$ 2,967,912	\$ 15,211,600
Assets managed by others	-	-	-	1,234,689	1,234,689
Receivables					
Accounts and loans (net of allowance for uncollectibles)	199,254	37,098	18,555	1,032,316	1,287,223
Property taxes	17,778	-	-	-	17,778
Income taxes	1,576,085	-	-	-	1,576,085
Special assessments	-	5,448	-	2,072	7,520
Due from other governmental units	763,628	680,166	77,741	460,697	1,982,232
Due from other funds	814,694	-	-	-	814,694
Advances to component units	-	-	-	284,251	284,251
Prepaid items	231,684	24,033	-	33,524	289,241
Total assets	\$ 10,905,427	\$ 3,422,266	\$ 2,362,159	\$ 6,015,461	\$ 22,705,313
LIABILITIES					
Accounts payable	\$ 1,436,433	\$ 126,967	\$ 64,456	\$ 306,754	\$ 1,934,610
Accrued liabilities	414,048	8,866	-	28,461	451,375
Due to other governmental units	28,897	86,262	-	135	115,294
Due to other funds	-	-	-	390,487	390,487
Unearned revenues - unused Farmers Market tokens	-	-	-	106,366	106,366
Unearned revenues - expenditure-driven grants	854	-	2,286,435	317,356	2,604,645
Total liabilities	1,880,232	222,095	2,350,891	1,149,559	5,602,777
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - income taxes	520,000	-	-	-	520,000
Unavailable revenues - special assessments	-	5,447	-	2,072	7,519
Total deferred inflows of resources	520,000	5,447	-	2,072	527,519
FUND BALANCES					
Nonspendable					
Prepaid items	231,684	24,033	-	33,524	289,241
Perpetual care	10,000	-	-	1,567,180	1,577,180
Restricted					
Highways, streets and bridges	-	3,170,691	-	932,055	4,102,746
Law enforcement	-	-	-	36,337	36,337
Downtown BID	-	-	-	137,794	137,794
Perpetual care	-	-	-	336,104	336,104
Other purposes	-	-	-	8,145	8,145
Assigned for capital projects and public improvements	1,700,000	-	11,268	1,812,691	3,523,959
Unassigned	6,563,511	-	-	-	6,563,511
Total fund balances	8,505,195	3,194,724	11,268	4,863,830	16,575,017
Total liabilities, deferred inflows of resources and fund balances	\$ 10,905,427	\$ 3,422,266	\$ 2,362,159	\$ 6,015,461	\$ 22,705,313

The accompanying notes are an integral part of this statement.

City of Muskegon
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 June 30, 2019

Total fund balance—governmental funds \$ 16,575,017

Amounts reported for governmental activities in the Statement of Net Position
 are different because:

Capital assets used in governmental activities are not current financial
 resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$ 136,662,003	
Accumulated depreciation	<u>(67,529,371)</u>	69,132,632

Other long-term assets are not available to pay for current period
 expenditures and, therefore, are reported as unavailable revenues
 in the governmental funds.

Income taxes	520,000	
Special assessments	<u>7,520</u>	527,520

Long-term liabilities in governmental activities are not due and payable in the
 current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	(47,700)	
Bonds and notes payable	(5,342,602)	
Compensated absences	(1,643,495)	
Net pension liability and related deferred outflows/inflows of resources	(18,410,575)	
Net other post employment benefits liability and related outflows/inflows of resources	<u>(6,395,314)</u>	(31,839,686)

Internal service funds are used by management to charge the costs of certain activities
 to individual funds. The assets and liabilities of the internal service funds are reported
 with governmental activities in the Statement of Net Position.

Net position of the internal service funds	4,500,167	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(997,580)</u>	<u>3,502,587</u>

Net position of governmental activities		<u>\$ 57,898,070</u>
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The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2019

	General Fund	Major Street and Trunkline Fund	State Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 16,582,030	\$ -	\$ -	\$ -	\$ 16,582,030
Licenses and permits	2,452,807	-	-	-	2,452,807
Intergovernmental revenues					
Federal	57,894	627,218	77,287	1,035,785	1,798,184
State	5,134,277	4,544,248	2,032,776	1,212,348	12,923,649
Local	40,000	-	-	1,014,500	1,054,500
Charges for services	2,841,826	21,582	-	1,567,011	4,430,419
Fines and forfeitures	462,120	-	-	26,458	488,578
Investment earnings and rental income	716,917	15,628	-	25,366	757,911
Income from assets managed by others	-	-	-	38,668	38,668
Other	459,901	92,669	-	1,022,239	1,574,809
Total revenues	28,747,772	5,301,345	2,110,063	5,942,375	42,101,555
EXPENDITURES					
Current					
Public representation services	1,281,107	-	-	-	1,281,107
Administrative services	739,301	-	-	-	739,301
Financial services	2,394,866	-	-	-	2,394,866
Public safety	16,094,531	-	-	36,665	16,131,196
Public works	3,493,577	-	-	169,238	3,662,815
Highways, streets and bridges	-	5,601,688	-	1,691,544	7,293,232
Community and economic development	736,679	-	-	-	736,679
Culture and recreation	1,824,540	-	-	2,080,437	3,904,977
Other governmental functions	281,711	-	-	-	281,711
Debt service					
Principal	65,000	210,000	19,313	-	294,313
Interest and fees	165,851	23,273	781	-	189,905
Capital outlay	801,483	-	2,104,074	4,982,715	7,888,272
Total expenditures	27,878,646	5,834,961	2,124,168	8,960,599	44,798,374
Excess of revenues over (under) expenditures	869,126	(533,616)	(14,105)	(3,018,224)	(2,696,819)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	1,541,041	1,541,041
Transfers in	5,989	-	-	1,204,247	1,210,236
Transfers out	(761,486)	-	(5,989)	(442,761)	(1,210,236)
Total other financing sources (uses)	(755,497)	-	(5,989)	2,302,527	1,541,041
Net change in fund balances	113,629	(533,616)	(20,094)	(715,697)	(1,155,778)
Fund balances at July 1, 2018	8,391,566	3,728,340	31,362	5,579,527	17,730,795
Fund balances at June 30, 2019	<u>\$ 8,505,195</u>	<u>\$ 3,194,724</u>	<u>\$ 11,268</u>	<u>\$ 4,863,830</u>	<u>\$ 16,575,017</u>

The accompanying notes are an integral part of this statement.

City of Muskegon
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2019

Net change in fund balances—total governmental funds \$ (1,155,778)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (4,683,977)	
Capital outlay	<u>9,363,862</u>	4,679,885

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		15,347
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The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt		294,313
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Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	2,600	
Amortization of premiums and discounts	<u>36,000</u>	38,600

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	(227,454)	
Change in net pension liability and related deferred outflows/inflows of resources	(3,561,112)	
Change in net other post employment benefits liability and related deferred outflows/inflows of resources	<u>(995,975)</u>	(4,784,541)

The internal service funds are used by management to charge the costs of certain activities used to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.

Change in net position of the internal service funds	(359,315)	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>114,079</u>	<u>(245,236)</u>
Change in net position of governmental activities		<u><u>\$ (1,157,410)</u></u>

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
ASSETS					
Current assets					
Cash and investments	\$ -	\$ 1,864,757	\$ 448,206	\$ 2,312,963	\$ 1,408,098
Receivables	1,349,103	1,400,782	17,308	2,767,193	1,278,655
Due from other governmental units	-	471,664	-	471,664	-
Inventories	16,952	108,765	-	125,717	9,325
Prepaid items	48,658	61,835	2,536	113,029	272,860
Total current assets	1,414,713	3,907,803	468,050	5,790,566	2,968,938
Noncurrent assets					
Restricted cash and investments	-	599,500	-	599,500	-
Advances to component units	-	-	-	-	568,502
Capital assets					
Land	16,188	103,500	22,562	142,250	65,000
Land improvements	-	62,948	1,888,965	1,951,913	301,715
Buildings, improvements and systems	21,969,809	70,358,328	2,322,488	94,650,625	1,559,334
Machinery and equipment	113,289	3,073,170	60,620	3,247,079	9,650,051
Construction in progress	624,436	3,045,178	55,000	3,724,614	-
Less accumulated depreciation	(11,136,687)	(42,052,427)	(3,240,701)	(56,429,815)	(8,632,124)
Net capital assets	11,587,035	34,590,697	1,108,934	47,286,666	2,943,976
Total noncurrent assets	11,587,035	35,190,197	1,108,934	47,886,166	3,512,478
Total assets	13,001,748	39,098,000	1,576,984	53,676,732	6,481,416
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	135,264	450,881	-	586,145	360,705
Related to other postemployment benefits	41,165	137,216	-	178,381	109,773
Total deferred outflows of resources	176,429	588,097	-	764,526	470,478
Total assets and deferred outflows of resources	13,178,177	39,686,097	1,576,984	54,441,258	6,951,894
LIABILITIES					
Current liabilities					
Accounts payable	118,653	503,621	38,456	660,730	367,339
Accrued liabilities	19,782	98,249	1,652	119,683	36,409
Due to other governmental units	630,357	871,003	-	1,501,360	-
Due to other funds	70,644	-	-	70,644	353,563
Bonds and other obligations, due within one year	8,500	771,400	-	779,900	19,300
Total current liabilities	847,936	2,244,273	40,108	3,132,317	776,611
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	42,400	4,932,268	-	4,974,668	95,994
Net pension liability	443,821	1,479,405	-	1,923,226	1,183,524
Net other postemployment benefits liability	142,825	476,083	-	618,908	380,867
Total noncurrent liabilities	629,046	6,887,756	-	7,516,802	1,660,385
Total liabilities	1,476,982	9,132,029	40,108	10,649,119	2,436,996
DEFERRED INFLOWS OF RESOURCES					
Related to other postemployment benefits	5,524	18,413	-	23,937	14,731
Total liabilities and deferred inflows of resources	1,482,506	9,150,442	40,108	10,673,056	2,451,727
NET POSITION					
Net investment in capital assets	11,587,035	29,045,697	1,108,934	41,741,666	2,943,976
Restricted for debt service	-	599,500	-	599,500	-
Unrestricted	108,636	890,458	427,942	1,427,036	1,556,191
Total net position	<u>\$ 11,695,671</u>	<u>\$ 30,535,655</u>	<u>\$ 1,536,876</u>	43,768,202	<u>\$ 4,500,167</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				997,580	
Net position of business-type activities				<u>\$ 44,765,782</u>	

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Proprietary Funds
For the year ended June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
OPERATING REVENUES					
Charges for services	\$ 7,936,080	\$ 7,679,980	\$ 294,969	\$ 15,911,029	\$ 9,056,117
Other	162,748	777,536	3,343	943,627	83,569
Total operating revenues	8,098,828	8,457,516	298,312	16,854,656	9,139,686
OPERATING EXPENSES					
Administration	495,523	1,007,771	5,354	1,508,648	333,374
Insurance premiums and claims	-	-	-	-	5,166,291
Wastewater treatment	6,587,735	-	-	6,587,735	-
Wastewater maintenance	1,542,751	-	-	1,542,751	-
Filtration plant operations	-	2,349,699	-	2,349,699	-
Water distribution	-	2,315,052	-	2,315,052	-
Other operations	-	-	318,193	318,193	3,707,321
Depreciation	459,109	1,857,523	106,040	2,422,672	449,622
Total operating expenses	9,085,118	7,530,045	429,587	17,044,750	9,656,608
Operating income (loss)	(986,290)	927,471	(131,275)	(190,094)	(516,922)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	6,865	14,897	2,301	24,063	30,081
Gain on sale of capital assets	-	-	-	-	127,526
Interest expense	-	(144,246)	-	(144,246)	-
Total nonoperating revenue (expenses)	6,865	(129,349)	2,301	(120,183)	157,607
Change in net position	(979,425)	798,122	(128,974)	(310,277)	(359,315)
Net position at July 1, 2018	12,675,096	29,737,533	1,665,850		4,859,482
Net position at June 30, 2019	\$ 11,695,671	\$ 30,535,655	\$ 1,536,876		\$ 4,500,167
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				(114,079)	
Change in net position of business-type activities				\$ (424,356)	

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 7,988,174	\$ 7,571,644	\$ 302,122	\$ 15,861,940	\$ 83,823
Receipts from interfund services provided	35,637	158,243	-	193,880	7,741,332
Other receipts	-	-	-	-	657,986
Payments to suppliers	(7,642,117)	(2,322,817)	(203,936)	(10,168,870)	(6,646,662)
Payments to employees	(634,222)	(1,863,317)	(29,091)	(2,526,630)	(1,420,335)
Payments for interfund services used	(663,210)	(923,190)	(66,447)	(1,652,847)	(815,458)
Net cash provided by (used for) operating activities	(915,738)	2,620,563	2,648	1,707,473	(399,314)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund borrowing	70,644	-	-	70,644	353,563
Advances to component units	-	-	-	-	84,512
Net cash provided by (used for) noncapital financing activities	70,644	-	-	70,644	438,075
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(919,685)	(2,290,586)	(33,904)	(3,244,175)	(941,398)
Principal paid on capital debt	-	(1,495,000)	-	(1,495,000)	-
Interest paid on capital debt	-	(158,260)	-	(158,260)	-
Proceeds from sale of capital assets	-	-	-	-	163,012
Net cash provided by (used for) capital and related financing activities	(919,685)	(3,943,846)	(33,904)	(4,897,435)	(778,386)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	6,865	14,897	2,301	24,063	30,081
Net increase (decrease) in cash and investments	(1,757,914)	(1,308,386)	(28,955)	(3,095,255)	(709,544)
Cash and investments July 1, 2018	1,757,914	3,772,643	477,161	6,007,718	2,117,642
Cash and investments at June 30, 2019	\$ -	\$ 2,464,257	\$ 448,206	\$ 2,912,463	\$ 1,408,098
Reconciliation of cash and investments to the Statement of Net Position					
Cash and investments	\$ -	\$ 1,864,757	\$ 448,206	\$ 2,312,963	\$ 1,408,098
Restricted cash and investments	-	599,500	-	599,500	-
	\$ -	\$ 2,464,257	\$ 448,206	\$ 2,912,463	\$ 1,408,098
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (986,290)	\$ 927,471	\$ (131,275)	\$ (190,094)	\$ (516,922)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	459,109	1,857,523	106,040	2,422,672	449,622
Change in assets and liabilities					
Receivables	(75,017)	(727,629)	3,810	(798,836)	(656,545)
Inventories	(150)	(20,781)	-	(20,931)	(552)
Prepaid items	913	3,134	(102)	3,945	(8,650)
Accounts payable	(398,567)	311,525	23,203	(63,839)	137,588
Accrued liabilities	84,264	269,320	972	354,556	196,145
Net cash provided by (used for) operating activities	\$ (915,738)	\$ 2,620,563	\$ 2,648	\$ 1,707,473	\$ (399,314)

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 June 30, 2019

	Agency Funds
ASSETS	
Cash and investments	\$ 944,538
Accounts receivable	30,521
Total assets	\$ 975,059
LIABILITIES	
Accounts payable	\$ 333,678
Due to other governmental units	446,320
Deposits held for others	195,061
Total liabilities	\$ 975,059

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2019

	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Brownfield Redevelopment Authority III	Total
ASSETS							
Current assets							
Cash and investments	\$ 25,897	\$ 80,457	\$ 13,181	\$ 15,763	\$ 16,067	\$ 15,715	\$ 167,080
Noncurrent assets							
Capital assets, net							
Nondepreciable	400,000	-	-	-	-	-	400,000
Depreciable	1,107,825	-	-	-	-	-	1,107,825
Total noncurrent assets	1,507,825	-	-	-	-	-	1,507,825
Total assets	1,533,722	80,457	13,181	15,763	16,067	15,715	1,674,905
LIABILITIES							
Current liabilities							
Accrued liabilities	12,250	-	-	-	-	-	12,250
Bonds and other obligations, due within one year	390,000	1,000,000	-	-	-	-	1,390,000
Total current liabilities	402,250	1,000,000	-	-	-	-	1,402,250
Noncurrent liabilities							
Advances from primary government	-	-	-	852,752	-	-	852,752
Bonds and other obligations, less amounts due within one year	1,777,419	-	-	-	-	-	1,777,419
Total noncurrent liabilities	1,777,419	-	-	852,752	-	-	2,630,171
Total liabilities	2,179,669	1,000,000	-	852,752	-	-	4,032,421
NET POSITION							
Net investment in capital assets	(659,594)	-	-	-	-	-	(659,594)
Unrestricted	13,647	(919,543)	13,181	(836,989)	16,067	15,715	(1,697,922)
Total net position	\$ (645,947)	\$ (919,543)	\$ 13,181	\$ (836,989)	\$ 16,067	\$ 15,715	\$ (2,357,516)

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
Discretely Presented Component Units
For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Position						Total
		Capital Grants and Contributions	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Brownfield Redevelopment Authority III	
Local Development Finance Authority - SmartZone									
Community and economic development	\$ 172,648	\$ -	\$ (172,648)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (172,648)
Interest on long-term debt	57,693	360,000	302,307	-	-	-	-	-	302,307
Total Local Development Finance Authority - SmartZone	230,341	360,000	129,659	-	-	-	-	-	129,659
Downtown Development Authority									
Economic development	1,010,930	-	-	(1,010,930)	-	-	-	-	(1,010,930)
Tax Increment Finance Authority									
Community and economic development	40,000	-	-	-	(40,000)	-	-	-	(40,000)
Brownfield Redevelopment Authority I									
Interest on long-term debt	30,813	-	-	-	-	(30,813)	-	-	(30,813)
Brownfield Redevelopment Authority II									
Community and economic development	162,000	-	-	-	-	-	(162,000)	-	(162,000)
Brownfield Redevelopment Authority III									
Community and economic development	205,552	-	-	-	-	-	-	(205,552)	(205,552)
Total discretely presented component units	\$ 1,679,636	\$ 360,000	129,659	(1,010,930)	(40,000)	(30,813)	(162,000)	(205,552)	(1,319,636)
General revenues									
Property taxes			97,583	1,085,354	37,658	134,828	163,340	209,676	1,728,439
Grants and contributions not restricted to specific programs			2,871	-	7,170	4,362	5,022	-	19,425
Unrestricted investment income			55	549	40	30	261	541	1,476
Total general revenues			100,509	1,085,903	44,868	139,220	168,623	210,217	1,749,340
Change in net position			230,168	74,973	4,868	108,407	6,623	4,665	429,704
Net position at July 1, 2018			(876,115)	(994,516)	8,313	(945,396)	9,444	11,050	(2,787,220)
Net position at June 30, 2019			\$ (645,947)	\$ (919,543)	\$ 13,181	\$ (836,989)	\$ 16,067	\$ 15,715	\$ (2,357,516)

The accompanying notes are an integral part of this statement.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Muskegon (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City of Muskegon was incorporated October 6, 1919, under the provisions of the Home Rule Act of the State of Michigan. The City is a municipal corporation governed by an elected mayor and six-member City Commission and is administered by a city manager appointed by the City Commission. The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely Presented Component Units

Downtown Development Authority (DDA). The DDA's sole purpose is the collection of property tax incremental revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the downtown district. Members of the DDA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves the DDA budget and must approve any debt issuance. The DDA is presented as a governmental fund type.

Tax Increment Finance Authority (TIFA). The TIFA's sole purpose is the collection of property tax incremental revenues and promotion of economic development activities (including issuance of debt) in a sub-section of the downtown district. Members of the TIFA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves the TIFA budget and must approve any debt issuance. The TIFA is presented as a governmental fund type.

Local Development Finance Authority (LDFA). The City has created three separate local development finance authority districts under the aegis of the LDFA to promote and facilitate economic growth in the Port City Industrial Park, the Medendorp Industrial Park, and the SmartZone Hi-Tech Park (SmartZone). Currently only the SmartZone is active. The LDFA's sole purpose is the collection of property tax incremental revenues and the construction of public facilities within the districts. Members of the LDFA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves budgets and must approve any debt issuance. The LDFA districts are presented as governmental fund types.

Brownfield Redevelopment Authority (BRA). There are three separate designated areas under the aegis of the BRA – the Betten-Henry Street site, the former downtown mall site, and the Terrace Point site. The Authority's sole purpose is the collection of property tax incremental revenues and promotion of environmental remediation (including issuance of debt) in designated brownfield areas. Members of the BRA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves the BRA budget and must approve any debt issuance. The BRA areas are presented as governmental fund types.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Reporting Entity—Continued

Discretely Presented Component Units—Continued

Complete financial statements of the component units can be obtained from their administrative offices, 933 Terrace Street, Muskegon, Michigan 49443.

Related Organizations

The following organizations are related to the City's financial reporting entity:

Muskegon Hospital Finance Authority. The Muskegon Hospital Finance Authority was created by the City of Muskegon in accordance with the laws of the State of Michigan. Members of the Hospital Finance Authority are appointed by the City, but the City is not financially accountable for the Authority and therefore the Authority is excluded from the accompanying financial statements. The Hospital Finance Authority's sole purpose is to issue tax-exempt debt for the benefit of Mercy Health Partners Hospital which is located within the City. The Authority has no assets or financial activity and does not prepare financial statements. The Hospital Finance Authority has no taxing power. As of June 30, 2019, there was no outstanding debt issued by the Hospital Finance Authority. The City is not obligated in any manner for repayment of debt issued by the Hospital Finance Authority, as any debt is payable solely from contractual payments from the hospitals.

Muskegon Housing Commission. The Muskegon Housing Commission was created by the City of Muskegon in accordance with the laws of the State of Michigan. Members of the Housing Commission are appointed by the City, but the City is not financially accountable for the Commission and therefore the Commission is excluded from the accompanying financial statements. The Housing Commission's main purpose is to administer activities that provide adequate housing facilities for low-income families and the elimination of housing conditions that are detrimental to the public peace, health, safety, and welfare. The Commission's policy is to prepare its financial statements on the basis prescribed by the Department of Housing and Urban Development. Accordingly, the summary information below (which is required by federal regulations), is not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Summary financial information for the fiscal year ended September 30, 2018, the date of its latest audited financial statements is as follows:

Total assets and deferred outflows of resources	\$ 3,767,019
Total liabilities and deferred inflows of resources	<u>(484,398)</u>
Total net position	<u>\$ 3,282,621</u>
Total operating income	\$ 1,909,539
Total operating expenses	(2,304,825)
Total nonoperating revenues	565
Capital contributions	<u>32,686</u>
Change in net position	<u>\$ (362,035)</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the City's discretely presented component units are reported in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street and Trunkline Fund accounts for gas and weight tax allocations to the City by the Michigan Department of Transportation for construction and maintenance of major streets within the City.

The State Grants Fund accounts for grant revenues received from the State of Michigan for the purpose of improvements and/or rehabilitation of City property, environmental remediation at lakeshore sites or new infrastructure in the City's downtown.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

The City reports the following three major proprietary funds:

The Sewer Fund accounts for user charges, operating expenses and debt service of the City's sewer system.

The Water Fund accounts for user charges, operating expenses and debt service of the City's water system.

The Marina and Launch Ramp Fund accounts for user fees collected and operating expenses for the Hartshorn Marina and boat launch ramp facilities.

Additionally, the City reports the following fund types:

Internal Service Funds account for internal engineering services for City projects; the purchase, operation, and depreciation of all City owned equipment; the payment of insurance claims and benefits; and the operation, maintenance, and depreciation of the City's public service building to other funds of the government on a cost reimbursement basis.

The Agency Funds are used to account for employee payroll withholdings, property taxes collected by the City on behalf of other governments, and deposits made by housing rehabilitation program participants.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Income taxes, property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value (generally based on quoted market prices).

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Cash and Investments—Continued

The component unit's cash and investments are maintained within the City's investment pool.

For the purpose of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash and cash equivalents because the investments are not identifiable to the specific funds and the assets can be withdrawn at any time, similar to a demand deposit account.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased in the business-type activities.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to obtain the historical cost of the initial reporting of these assets by recording the actual costs incurred by the City.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets—Continued

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	5-25
Leasehold improvements	10-25
Buildings and improvements	25-50
Utility buildings, improvements and systems	40-100
Furniture, vehicles and equipment	5-20
Infrastructure	15-50
Shared improvements	20

Defined Benefit Plan

The City offers a defined benefit pension plan to its employees through Municipal Employees Retirement System (MERS). The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the Plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The City offers a defined benefit retiree healthcare benefits to retirees. The City records a net other postemployment benefit (OPEB) liability for the difference between the total OPEB liability calculated by the actuary and the OPEB Plan's fiduciary net position. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Commission has by resolution authorized the city manager to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City has a minimum fund balance policy requiring unassigned fund balance be at least 13 percent of prior year actual revenues.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and lien on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2018 state taxable value for real/personal property of the City totaled approximately \$555,616,000 of which approximately \$33,373,000 was captured by the component units. The ad valorem taxes levied consisted of 10.0, 3.0 and .0899 mills for the City's general operating, sanitation and community promotion purposes. These amounts are recognized in the General Fund with captured amounts shown in the TIFA, LDFA SmartZone, DDA, BRA I, BRA II, and BRA III component units.

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The liability for these compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e. presentation of prior year's totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read. Also, certain items in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and special revenue funds.

The appropriated budget is prepared by fund, function and department. The City Manager and department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control is the department level for the General Fund and the total expenditure or “fund” level for all other funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Excess of Expenditures Over Appropriations

During the year ended June 30, 2019, actual expenditures exceeded appropriations for:

	Final Budget	Actual
General Fund		
Administrative Services		
Clerk	\$ 460,548	\$ 542,248
Public safety		
Police department	9,678,626	9,880,736
Fire department	3,925,000	3,989,048
Public works		
Street lighting	490,000	551,818
General sanitation	1,932,345	2,107,545
L.C. Walker Arena Fund		
Culture and recreation	1,582,871	1,805,697

These overexpenditures were funded with available fund balance.

Fund Deficit

As of June 30, 2019, the City’s Public Service Building Fund had an unrestricted net position deficit of \$154,992. This deficit will be eliminated through future operations and an interfund transfer.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2019, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	S&P	Percent
Money market funds	\$ 10,378	1	AAA	0.2 %
Negotiable certificates of deposit	1,702,078	31	not rated	10.7
US agency obligations	3,301,972	198	AA+	20.7
Local units of government obligations	503,280	10	AAA	3.2
Local units of government obligations	295,056	3	A+	1.9
Local units of government obligations	610,127	32	AA-	3.8
External investment pool	2,009,569	2	AAA	12.6
Commercial paper	6,117,413	2	A2/P2	38.4
Commercial paper	1,383,200	6	A1/P1	8.5
Total fair value	\$ 15,933,073			100.0 %
Portfolio weighted average maturity		47		

The City voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of "qualified" investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the City's investments is the same as the value of the Pool's shares.

Deposit and Investment Risks

Interest rate risk

The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At least 10 percent of the City's total portfolio must be in instruments maturing in 30 days.

Credit risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The City has a concentration of credit risk policy that limits investment in commercial paper, eligible bankers' acceptances and time certificates of deposit to 25 percent each of the total portfolio. The City has more than 5 percent of its investments in the following securities:

Security	Percent of Total Investments
Federal Home Loan Mortgage Corporation obligations	15.9%
General Electric Co commercial paper	10.6%
Intesa Funding LLC commercial paper	15.3%
Catholic Health Initiatives commercial paper	18.1%
Bank of China LTD commercial paper	9.9%

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2019, \$5,439,391 of the City's bank balance of \$5,939,391 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City's investment policy sets certain credit requirements that a bank must meet for the City to deposit funds in it.

Custodial credit risk - investments

This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has a custodial credit risk policy for investments that requires that all investments that are held with a third-party for safekeeping be in the City's name.

Foreign currency risk

The City is not authorized to invest in investments which have this type of risk.

Restricted Assets

Restrictions are placed on assets by bond ordinance and City Commission action. At June 30, 2019, restricted cash and investments in the Water Fund of \$599,500 were restricted by bond ordinance.

NOTE D—ASSETS MANAGED BY OTHERS

As allowed by MCL 123.874 and MCL 128.4, the City is permitted to place monies in community foundations.

The Funds

The City has four funds with the Community Foundation of Muskegon County (Community Foundation).

Lakeshore Trails Improvement Fund

The Lakeshore Trails Improvement Fund was established by the City primarily to be used for the general support of the bike trails, which are located in the City of Muskegon. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

Cemetery Perpetual Care Fund

The City of Muskegon Cemetery Perpetual Care Fund was established by the City primarily to be used for the care and maintenance of the cemeteries that are operated by the City. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

Pere Marquette and Margaret Drake Elliot Park Fund

The Pere Marquette and Margaret Drake Elliot Park Fund (Marquette and Elliot Park Fund) was established by the City to be used for capital improvements at Pere Marquette and Margaret Drake Elliot Parks. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

Darl and Kathleen Staley Charity Fund

The Darl and Kathleen Staley Charity Fund (Staley Charity Fund) was established after the City received monies from the Staley's estate. The Fund is to be used for capital improvements needs at City parks. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE D—ASSETS MANAGED BY OTHERS—Continued

The Funds—Continued

The Community Foundation invests the contributions to the funds in various types of marketable equity and debt securities, U.S. Treasuries, commercial paper, and certificates of deposit. The majority of investments are uninsured and uncollateralized.

Reporting of the Assets of the Funds

The investments held at the Community Foundation, which were contributed by the City to the funds along with the earnings on these investments, are reported at fair value as assets of the City. The contributions to these funds made by third party donors directly to the Community Foundation have been excluded from the assets of the City.

Summary of the Community Foundation Funds

A summary of revenues, expenses, and changes in the assets at fair value of the funds for the year ended June 30, 2019 follows:

	Lakeshore Trails Improvement Fund	Cemetery Perpetual Care Fund	Marquette and Elliot Park Fund	Staley Charity Fund	Totals
Revenues					
Contributions	\$ 3,132	\$ -	\$ -	\$ -	\$ 3,132
Dividends and interest	1,391	18,021	2,840	9,797	32,049
Realized and unrealized loss on investments	1,871	23,158	3,636	12,577	41,242
	<u>6,394</u>	<u>41,179</u>	<u>6,476</u>	<u>22,374</u>	<u>76,423</u>
Expenses					
Administration fees	264	5,725	1,610	3,703	11,302
Revenues over expenses	6,130	35,454	4,866	18,671	65,121
Total assets at beginning of year	<u>51,035</u>	<u>1,181,335</u>	<u>107,622</u>	<u>370,573</u>	<u>1,710,565</u>
Total assets at end of year	57,165	1,216,789	112,488	389,244	1,775,686
Less assets recorded as those of the Foundation	<u>(39,265)</u>	<u>-</u>	<u>(112,488)</u>	<u>(389,244)</u>	<u>(540,997)</u>
Assets reported on the Balance Sheet/ Statement of Net Position	<u><u>\$ 17,900</u></u>	<u><u>\$ 1,216,789</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,234,689</u></u>

The Board of Trustees of the Community Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The authority to modify restrictions is sometimes referred to as “variance power” and is a legal standard imposed on all community foundations.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE E—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City the ability to access.
- Level 2 Inputs to the valuation methodology include the following:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Money market funds: Valued at amortized cost, which approximates fair value.

Negotiable certificates of deposit, US agency obligations, local units of government obligations, commercial paper: Valued at the closing price reported on the active market on which the individual securities are traded.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE E—FAIR VALUE MEASUREMENTS—Continued

External investment pools and assets managed by others: The assets are valued based upon the City's allocable share of the Michigan CLASS and Community Foundation of Muskegon County (Pools) pooled investment portfolios. The allocable shares are based on the value of the underlying assets owned by the Pools, minus their liabilities.

The assets managed by others are valued monthly by the Pools and are allocated based upon each organization's calculated share of the Pools' pooled investment portfolios. Each entity with an interest within the pooled investments receives statements from the Pools indicating the additions to the investments (via contributions), withdrawals from the investments (via grants), and the investment returns allocated via a unitization process. The City calculates the fair value of its share of the pooled investment assets held by the Pools based on the estimated fair value of the underlying assets. The Pools control the investments and make all management and investment decisions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value on a recurring basis as of June 30, 2019:

Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 10,378	\$ -	\$ 10,378
Negotiable certificates of deposit	1,702,078	-	-	1,702,078
US agency obligations	3,301,972	-	-	3,301,972
Local units of government obligations	1,408,463	-	-	1,408,463
External investment pools	-	2,009,569	-	2,009,569
Commercial paper	7,500,613	-	-	7,500,613
Assets managed by others	-	1,234,689	-	1,234,689
Total assets at fair value	\$ 13,913,126	\$ 3,254,636	\$ -	\$ 17,167,762

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,649,465	\$ 2,002,863	\$ -	\$ 14,652,328
Construction in progress	1,640,959	7,258,894	4,696,861	4,202,992
Total capital assets, not being depreciated	14,290,424	9,261,757	4,696,861	18,855,320
Capital assets, being depreciated:				
Land improvements	4,685,117	624,913	-	5,310,030
Leasehold improvements	534,821	-	-	534,821
Buildings and improvements	24,212,249	782,393	-	24,994,642
Furniture, vehicles and equipment	15,158,636	1,078,798	235,691	16,001,743
Infrastructure	74,424,280	3,254,260	2,042,286	75,636,254
Shared improvements	6,905,293	-	-	6,905,293
Total capital assets, being depreciated	125,920,396	5,740,364	2,277,977	129,382,783
Less accumulated depreciation:				
Land improvements	1,930,968	160,495	-	2,091,463
Leasehold improvements	476,110	9,598	-	485,708
Buildings and improvements	17,337,487	445,794	-	17,783,281
Furniture, vehicles and equipment	11,799,624	614,761	200,205	12,214,180
Infrastructure	37,269,412	3,557,687	2,042,286	38,784,813
Shared improvements	4,456,786	345,264	-	4,802,050
Total accumulated depreciation	73,270,387	5,133,599	2,242,491	76,161,495
Total capital assets, being depreciated, net	52,650,009	606,765	35,486	53,221,288
Capital assets, net	\$ 66,940,433	\$ 9,868,522	\$ 4,732,347	\$ 72,076,608
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 142,250	\$ -	\$ -	\$ 142,250
Construction in progress	699,869	4,056,558	1,031,813	3,724,614
Total capital assets, not being depreciated	842,119	4,056,558	1,031,813	3,866,864
Capital assets, being depreciated:				
Land improvements	1,888,965	62,948	-	1,951,913
Buildings, improvements and systems	93,652,787	997,838	-	94,650,625
Machinery and equipment	3,217,433	29,646	-	3,247,079
Total capital assets, being depreciated	98,759,185	1,090,432	-	99,849,617
Less accumulated depreciation:				
Land improvements	1,824,072	7,004	-	1,831,076
Buildings, improvements and systems	49,458,687	2,359,163	-	51,817,850
Machinery and equipment	2,724,384	56,505	-	2,780,889
Total accumulated depreciation	54,007,143	2,422,672	-	56,429,815
Total capital assets, being depreciated, net	44,752,042	(1,332,240)	-	43,419,802
Capital assets, net	\$ 45,594,161	\$ 2,724,318	\$ 1,031,813	\$ 47,286,666

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE F—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

Administrative services	\$ 2,485
Financial services	806
Public safety	157,792
Public works	2,126
Highways, streets and bridges	4,029,931
Community and economic development	75,717
Culture and recreation	394,249
General administration	20,871
Internal Service Fund depreciation	449,622
	<u><u>\$ 5,133,599</u></u>

Business-type activities:

Sewer	\$ 459,109
Water	1,857,523
Marina and Launch Ramp	106,040
	<u><u>\$ 2,422,672</u></u>

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Component units:				
Capital assets, not being depreciated:				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital assets, being depreciated:				
Building and improvements	3,798,258	-	-	3,798,258
Less accumulated depreciation:				
Building and improvements	2,517,785	172,648	-	2,690,433
Total capital assets, being depreciated, net	1,280,473	(172,648)	-	1,107,825
Capital assets, net	<u><u>\$ 1,680,473</u></u>	<u><u>\$ (172,648)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,507,825</u></u>

Depreciation

Depreciation expense was charged to economic development.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	L.C. Walker Arena Fund	\$ 229,130
General Fund	Senior Millage Fund	2,346
General Fund	Lead Abatement Fund	32,146
General Fund	Community Development Block Grant Fund	126,865
General Fund	Sewer Fund	70,644
General Fund	General Insurance Fund	353,563
		<u><u>\$ 814,694</u></u>

The outstanding balances between funds result from the payable funds having negative positions in the City's cash and investment pool.

Component Unit Advance:

The Cemetery Perpetual Care Fund, Equipment Fund, and General Insurance Fund advanced the BRA I \$852,752 to enable the BRA I to retire a redevelopment commitment early. The advance will be repaid with future tax captures.

Interfund Transfers:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
		Nonmajor Governmental Funds	
General Fund	\$ 5,989	State Grants Fund	\$ 5,989
Nonmajor Governmental Funds			
Local Streets Fund	250,000	General Fund	761,486
L.C. Walker Arena Fund	476,486		
Farmers Market and			
Kitchen 242 Fund	35,000		
	<u>761,486</u>		<u>761,486</u>
Nonmajor Governmental Funds		Nonmajor Governmental Funds	
		Economic Development -	
EDC Revolving Loan Fund	442,761	Sappi Fund	442,761
	<u><u>\$ 1,210,236</u></u>		<u><u>\$ 1,210,236</u></u>

The General Fund transferred funds to the Major Streets and Trunkline Fund for future capital improvements and to the L.C. Walker Arena Fund and other funds for operation subsidies. The Economic Development – Sappi Fund was closed into the EDC Revolving Loan Fund. Other transfers between funds were made to meet grant matching requirements or other operational needs.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE H—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the City for the year ended June 30, 2019.

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Governmental activities:					
Public placement debt					
General obligation debt	\$ 5,340,000	\$ -	\$ 275,000	\$ 5,065,000	\$ 505,000
Premium	293,903	-	36,000	257,903	-
Direct borrowings and direct placements					
Intergovernmental obligations	39,012	-	19,313	19,699	19,699
Compensated absences	1,531,745	1,596,272	1,369,228	1,758,789	293,200
Governmental activities long-term liabilities	<u>\$ 7,204,660</u>	<u>\$ 1,596,272</u>	<u>\$ 1,699,541</u>	<u>\$ 7,101,391</u>	<u>\$ 817,899</u>
Business-type activities:					
Public placement debt					
Revenue obligations	\$ 7,040,000	\$ -	\$ 1,495,000	\$ 5,545,000	\$ 745,000
Premium	4,614	-	4,614	-	-
Compensated absences	203,558	192,728	186,718	209,568	34,900
Business-type activities long-term liabilities	<u>\$ 7,248,172</u>	<u>\$ 192,728</u>	<u>\$ 1,686,332</u>	<u>\$ 5,754,568</u>	<u>\$ 779,900</u>
Component units:					
Public placement debt					
General obligation debt	\$ 2,485,000	\$ -	\$ 375,000	\$ 2,110,000	\$ 390,000
Premium	78,326	-	20,907	57,419	-
Direct borrowings and direct placements					
Intergovernmental obligations	1,000,000	-	-	1,000,000	1,000,000
Component unit long- term liabilities	<u>\$ 3,563,326</u>	<u>\$ -</u>	<u>\$ 395,907</u>	<u>\$ 3,167,419</u>	<u>\$ 1,390,000</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE H—LONG-TERM DEBT—Continued

Public Placement Debt

General Obligation Debt

The City has issued general obligation debt to provide funds for the acquisition and construction of major capital facilities. General obligation debt is a direct obligation and pledges the full faith and credit of the City. This debt is generally issued as serial bonds with varying amounts of principal maturing each year. Certain debt issued by the City's component units is also backed by the full faith and credit of the City if there is a shortfall in tax increment revenues. General obligation debt outstanding as of June 30, 2019 is as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
General obligation debt:				
Governmental activities:				
2011 Capital Improvement Bonds	\$ 2,000,000	2.98%	September 2021	\$ 665,000
2016 Limited Tax General Obligation Refunding Bonds	4,535,000	2% - 4%	October 2032	4,400,000
				<u><u>\$ 5,065,000</u></u>
Component units:				
2012 LDFA Tax Increment Refunding Bonds	\$ 4,100,000	3% - 4%	November 2025	<u><u>\$ 2,110,000</u></u>

Revenue Obligations

The City has issued bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue obligations outstanding as of June 30, 2019 are as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Business-type activities:				
Revenue obligations:				
2004 Drinking Water State Revolving Fund	\$ 13,900,000	2.13%	October 2025	<u><u>\$ 5,545,000</u></u>

The City has pledged future water customer revenues, net of specified operating expenses, to repay the 2004 Drinking Water State Revolving Fund Loan. Proceeds from the issuance were used to make improvements to the City's water supply system. The bond is payable solely from water customer net revenues and is payable through 2025. Annual principal and interest payments on the bond are expected to require less than 35 percent of net revenues through 2025. The total principal and interest remaining to be paid on the bond is \$5,966,974. Principal and interest paid for the year ended June 30, 2019 and total customer net revenues were \$1,653,259 and \$2,799,891, respectively.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2019.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE H—LONG-TERM DEBT—Continued

Direct Borrowings and Direct Placements

Intergovernmental Obligations

The City has long-term contractual obligations with other governmental entities for program purposes. Intergovernmental contractual obligations outstanding as of June 30, 2019 are as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Intergovernmental Contractual Obligations:				
Governmental activities:				
2008 State of Michigan Brownfield Redevelopment Loan	\$ 500,000	2%	March 2020	<u><u>\$ 19,699</u></u>
Component units:				
1989 DDA Promissory Note to Muskegon County	\$ 1,000,000	0%	August 2019	<u><u>\$ 1,000,000</u></u>

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on June 30, 2019 was approximately \$2,832,000. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for public placement debt and for direct borrowings and direct placements outstanding as of June 30, 2019 follow:

Year Ending June 30,	Governmental Activities				Business-type Activities	
	Public Placement Debt		Direct Borrowings and Direct Placements		Public Placement Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 505,000	\$ 176,364	\$ 19,699	\$ 394	\$ 745,000	\$ 109,916
2021	515,000	161,107	-	-	760,000	93,925
2022	535,000	145,402	-	-	775,000	77,616
2023	300,000	132,900	-	-	790,000	60,988
2024	300,000	122,400	-	-	810,000	43,988
2025-2029	1,620,000	420,400	-	-	1,665,000	35,541
2030-2033	1,290,000	102,800	-	-	-	-
	<u><u>\$ 5,065,000</u></u>	<u><u>\$ 1,261,373</u></u>	<u><u>\$ 19,699</u></u>	<u><u>\$ 394</u></u>	<u><u>\$ 5,545,000</u></u>	<u><u>\$ 421,974</u></u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE H—LONG-TERM DEBT—Continued

Year Ending June 30,	Component Units			
	Public Placement Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2020	\$ 390,000	\$ 65,800	\$ 1,000,000	\$ -
2021	395,000	50,100	-	-
2022	245,000	37,300	-	-
2023	255,000	28,575	-	-
2024	265,000	20,775	-	-
2025-2029	560,000	16,950	-	-
2030-2033	-	-	-	-
	\$ 2,110,000	\$ 219,500	\$ 1,000,000	\$ -

Annual debt service requirements to maturity by type of debt as of June 30, 2019 follow:

Year Ending June 30,	General Obligation Debt		Revenue Obligations	Intergovernmental	
	Governmental	Component	Business-type	Governmental	Component
	Activities	Units	Activities	Activities	Units
2020	\$ 681,364	\$ 455,800	\$ 854,916	\$ 20,093	\$ 1,000,000
2021	676,107	445,100	853,925	-	-
2022	680,402	282,300	852,616	-	-
2023	432,900	283,575	850,988	-	-
2024	422,400	285,775	853,988	-	-
2025-2029	2,040,400	576,950	1,700,541	-	-
2030-2033	1,392,800	-	-	-	-
	\$ 6,326,373	\$ 2,329,500	\$ 5,966,974	\$ 20,093	\$ 1,000,000

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE I—OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMRMA for its insurance coverage. The MMRMA is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. A \$150,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the fund's claim liability amount in 2019 and 2018 were as follows:

Year Ended	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
June 30, 2019	\$ 78,289	\$ 227,646	\$ 81,355	\$ 224,580
June 30, 2018	110,132	94,450	126,293	78,289

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City is self-insured for employee health care benefits for those employees selecting the City plan over other options. Under this plan, the General Insurance Fund provides coverage for up to a maximum of up to \$500,000 per covered individual's lifetime. As of June 30, 2019, the claims liability including incurred but not reported claims was \$51,401. A liability was recorded in the accompanying financial statements for the estimated claims liability. The claims liability was based on past experience, a review of pending claims and other social and economic factors. The above estimate was not discounted and there were no outstanding claims for which annuity contracts have been purchased in the claimant's name. No significant reductions in insurance coverage were made in the last fiscal year. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. Changes in the fund's claim liability amount in 2019 and 2018 were as follows:

Year Ended	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
June 30, 2019	\$ 33,784	\$ 1,643,632	\$ 1,626,015	\$ 51,401
June 30, 2018	53,504	1,267,269	1,286,989	33,784

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE I—OTHER INFORMATION—Continued

Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Commitment

The City has a contract for street projects including water system improvements as of June 30, 2019 with a remaining amount of approximately \$4,694,000. Approximately \$800,000 of these costs is being financed by a grant with the remainder coming from the Major Street and Trunkline and Water funds.

Leases

The City leases an office facility under a noncancelable operating lease that expires June 2022 with the option by the tenant to renew the term of the lease for two successive periods of five years each. The City received rental income (including pro-rata utility usage) of \$45,292 for the year ended June 30, 2019. The future minimum rental income for this lease is as follows:

Year Ending June 30,	Amount
2020	\$ 55,919
2021	55,463
2022	55,584
	<u>\$ 166,966</u>

NOTE J—TAX ABATEMENTS

Industrial Facilities Exemption

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Developments Act, (known as the Industrial Facilities Exemptions or IFTs) PA 198 of 1974, as amended. The IFTs provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at half the local property tax millage rate applicable to other real and personal property in the City for a term of one to twelve years as determined by the City.

For the year ended June 30, 2019, the City abated property taxes revenues totaling \$48,914 under this program.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE J—TAX ABATEMENTS—Continued

Brownfield Redevelopment Authority

The City entered into property tax abatement agreements with local businesses under the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Brownfield properties are those in which the redevelopment or reuse of property may be complicated by the presence or perception of contamination. Brownfields use tax increment financing where growth in taxable value above the initial value of the Brownfield is captured and used to repay the developer for remediation costs.

For the year ended June 30, 2019, the City abated property taxes revenues totaling \$134,118 under this program.

Payment in Lieu of Taxes (PILOT)

The City uses the State Housing Development Authority Act, PA 346 of 1966, as amended, to enter into agreements that provide for a service charge in lieu of taxes to encourage the development of housing of its elderly citizens of low and moderate income.

For the year ended June 30, 2019, the City abated property taxes revenues totaling \$190,106 under this program.

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Defined Benefit Pension Plan

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Plan covers all full-time employees hired prior to January 2005. Beginning in January 2005, the various employee divisions began to be closed. By July 2006, all employee divisions were closed.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Benefits Provided—Continued

Benefits provided are based on the following by employee division:

		Vesting	Normal	Early	Reduced
	Multplier	Period	Retirement	Retirement	Early Retirement
		Age			
Non-Union General	2.25%*	5 years	60	55/25	50/25 or 55/15
Non-Union Police	3.00%	10 years	55	53/25	50/25
Clerical	2.25%*	5 years	60	55/25	50/25 or 55/15
Department of Public Works	2.25%*	10 years	60	55/30	50/25 or 55/15
Police Patrol	3.00%*	10 years	55	50/25	Not applicable
Police Command	3.00%	10 years	55	50/25	Not applicable
Fire	2.75%	10 years	55	53/25	50/25

*Effective January 2017, the multiplier for Non-Union General and Department of Public Works was changed to 2.00% and the multiplier for Police Patrol was changed to 2.675%. Effective December 2018, the multiplier for Clerical was changed to 2.00%.

Final average compensation is calculated based on 3 years.

Employees Covered by Benefit Terms

At December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	325
Inactive employees entitled to but not yet receiving benefits	39
Active employees	98
Total employees covered by MERS	<u><u>462</u></u>

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2019, the City had a flat-dollar employer contribution to the Plan of \$1,902,696 in lieu of a percentage of covered employee payroll, as the Plan is closed to new employees. Member contributions range from 4 percent to 6.5 percent.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.75 percent, in the long-term
Investment rate of return	7.75 percent, net of administrative and investment expenses

Although no specific price inflation assumptions are needed for the valuation, the 2.5 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009 through 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	55.5%	8.65%	4.80%	2.50%	3.42%
Global fixed income	18.5%	3.76%	0.70%	2.50%	0.23%
Real assets	13.5%	9.72%	1.31%	2.50%	0.97%
Diversifying strategies	12.5%	7.50%	0.94%	2.50%	0.63%
Total	100.0%		7.75%		5.25%

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent for 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension	Plan	Net Pension
	Liability (a)	Fiduciary	Liability
		Position (b)	(a)-(b)
Balance at January 1, 2018	\$ 107,675,977	\$ 90,759,017	\$ 16,916,960
Changes for the year			
Service cost	806,565	-	806,565
Interest	8,345,836	-	8,345,836
Difference between expected and actual experience	3,642,392	-	3,642,392
Contributions - employer	-	2,671,175	(2,671,175)
Contributions - employee	-	848,562	(848,562)
Net investment income	-	(3,452,538)	3,452,538
Administrative expenses	-	(173,509)	173,509
Benefit payments including refund of employee contributions	(7,512,608)	(7,512,608)	-
Other changes	(229,967)	-	(229,967)
Net changes	5,052,218	(7,618,918)	12,671,136
Balance at December 31, 2018	\$ 112,728,195	\$ 83,140,099	\$ 29,588,096

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	Current Discount		
	1% Decrease (7%)	Rate (8%)	1% Increase (9%)
City's net pension liability	\$ 41,105,878	\$ 29,588,096	\$ 19,768,942

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expense.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense of \$6,178,991. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ 1,821,196	\$ -
Net differences between projected and actual net investment income	6,244,567	-
Contributions subsequent to the measurement date*	951,858	-
Total	<u><u>\$ 9,017,621</u></u>	<u><u>\$ -</u></u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 4,069,409
2021	675,908
2022	1,217,912
2023	2,102,534

Payables to the Pension Plan

At June 30, 2019, the City reported a payable of \$185,266 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Contribution Pension Plan

The City also maintains a defined contribution plan offered by MERS for its full-time employees hired after the defined benefit plan was closed to new participants.

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the City Commission as determined by negotiated labor contracts. The City is required to contribute 3 percent to 12.5 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are required to contribute 0 percent to 6 percent of annual compensation depending on employee group. For the year ended June 30, 2019, City and employee contributions were \$628,802 and \$307,981, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in City contributions and earnings on City contributions by 20 percent for each full year of service, leaving employees fully vested after five years of service. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended June 30, 2019, forfeitures reduced the City's pension expense by \$54,132.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. Payments from the deferred compensation plan are not available to participants until termination, retirement, death, or unforeseeable emergency. Active participants are allowed to borrow from their accumulated assets for limited purposes such as family education costs, medical costs, or down payment for a new home. The City must approve program loans.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided by Internal Revenue Code Section 401(f).

NOTE L—OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

The City's defined benefit OPEB Plan, the City of Muskegon Retiree Healthcare Plan (OPEB Plan), provides healthcare benefits to certain employees and their spouses upon retirement. The Plan is a defined benefit plan administered by the City Commission. The benefits are provided under collective bargaining agreements and at the discretion of the City Commission. The OPEB Plan does not issue a publicly available report.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE L—OTHER POSTEMPLOYMENT BENEFITS—CONTINUED

Retiree Healthcare Plan—Continued

Benefits Provided

The OPEB Plan provides medical and dental insurances for eligible retirees and spouses who meet the following criteria:

		Vesting	Normal	Early
	Eligibility	Period	Retirement	Retirement
			Age	
Non-Union General	Hired before January 1, 2011	5 years	60	55/25
Non-Union Police	Hired before January 1, 2011	10 years	55	53/25
Clerical	Hired before January 1, 2009	10 years	60	55/30
Department of Public Works	Hired before January 1, 2011	10 years	60	55/30
Police Patrol	Hired before January 1, 2012	10 years	55	50/25
Police Command	Hired before January 1, 2010	10 years	55	50/25
Fire	Hired before January 1, 2010	10 years	55	53/25

Benefits are provided through a third party insurer.

Employees Covered by Benefit Terms

At the December 31, 2017 valuation, the following employees were covered the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	283
Inactive employees entitled to but not yet receiving benefits	44
Covered spouses/dependents	124
Active employees	140
Total employees covered by OPEB Plan	591

Contributions

The OPEB Plan's funding policy is that the City will make contributions equal to the recommended annual contribution. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. For the year ended June 30, 2019, the City made payments for postemployment healthcare benefits of \$1,260,887.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as December 31, 2017, which was rolled forward to December 31, 2018.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation, rolled forward to the measurement date, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	2.0 percent
Investment rate of return	7.75 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates	Pre-65: 8.5 percent graded down to 4.5 percent by .25 percent per year Post-65: 7.5 percent graded down to 4.5 percent by .25 percent per year

Mortality

Mortality rates for police and fire were as set forth in the Public Safety 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale. Mortality rates for others were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale.

Investment Rate of Return

The long-term rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of December 31, 2017 actuarial valuation, rolled forward to the measurement date, are summarized in the following table:

Asset Class	Target Allocation	Target Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	55.5%	8.65%	4.80%	2.50%	3.42%
Global fixed income	18.5%	3.76%	0.70%	2.50%	0.23%
Real assets	13.5%	9.72%	1.31%	2.50%	0.97%
Diversifying strategies	12.5%	7.50%	0.94%	2.50%	0.63%
Total	100.0%		7.75%		5.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. The employer is assumed to make annual contributions to the trust contributions equal to the actuarially determined contribution in future years. Given this assumption, the assets are projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion/crossover date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used for December 31, 2017 was 7.75%.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Position (b)	Net OPEB Liability (a)-(b)
Balance at January 1, 2018	\$ 26,648,337	\$ 20,779,578	\$ 5,868,759
Changes for the year			
Service cost	178,243	-	178,243
Interest	2,035,720	-	2,035,720
Difference between expected and actual experience	(992,432)	-	(992,432)
Changes of assumptions	2,349,210	-	2,349,210
Contributions - employer	-	671,363	(671,363)
Net investment income	-	(699,603)	699,603
Administrative expenses	-	(53,927)	53,927
Benefit payments including refund of employee contributions	(1,118,442)	(1,118,442)	-
Net changes	2,452,299	(1,200,609)	3,652,908
Balance at December 31, 2018	\$ 29,100,636	\$ 19,578,969	\$ 9,521,667

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net OPEB liability	\$ 12,438,007	\$ 9,521,667	\$ 7,056,199

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate for pre-65 of 8 percent, decreasing to 4.5 percent and post-65 of 7.5 percent decreasing to 4.5 percent, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 3.5 percent or 6.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (9 percent decreasing to 5.5 percent or 8.5 percent decreasing to 5.5 percent) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City's net OPEB liability	\$ 6,751,322	\$ 9,521,667	\$ 12,803,283

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is not available in a separately issued financial report. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,858,653. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 368,261
Changes in assumptions	871,719	-
Net difference between projected and actual net investment income	1,443,458	-
Contributions subsequent to the measurement date*	429,148	-
Total	<u>\$ 2,744,325</u>	<u>\$ 368,261</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2020.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ 831,904
2021	328,447
2022	328,447
2023	458,118

Payables to the OPEB Plan

At June 30, 2019, the City did not have a payable to the OPEB Plan.

Healthcare Savings Plan

The City also maintains a defined contribution OPEB Plan (Health Care Savings Plan or HCSP) which provides certain health care benefits to plan member and legal dependents upon termination of employment. The HCSP covers all City employees hired after July 1, 2012 in lieu of the traditional retiree healthcare plan. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee defined contribution OPEB Plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Depending on employee group, the Plan covers all qualified City employees hired after January 2009 to December 2012 in lieu of the traditional retiree healthcare plan. The City is required to contribute 1 or 2 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are also required to contribute 1 or 2 percent of annual compensation. Qualified employees are also required to contribute 1 or 2 percent of annual compensation. Additionally, some employees, regardless of hire date, may make voluntary contributions to the HCSP.

Employees are immediately vested in all contributions and earnings of those contributions.

For the year ended June 30, 2019, City and employee contributions were \$118,996 and \$162,069, respectively.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the City's 2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the City's 2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE N—SUBSEQUENT EVENTS

On August 30, 2019, the City obtained a State Revolving Fund (SRF) Loan for the Sewer Fund of \$11,500,000 and a Drinking Water Revolving Fund (DWRP) Loan for the Water Fund of \$2,000,000.

On October 29, 2019, the City issued Capital Improvement Bonds of \$19,420,000 for the construction of a convention center and a Capital Improvement Note of \$3,000,000 for various housing projects in the Nelson neighborhood.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2019
 (with comparative actual amounts for the year ended June 30, 2018)

	2019			2018	
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
REVENUES					
Taxes					
City income taxes	\$ 8,600,000	\$ 8,700,000	\$ 8,691,673	\$ (8,327)	\$ 8,758,674
Property taxes	7,462,325	7,110,078	7,168,126	58,048	7,439,738
Industrial facilities taxes	76,468	76,468	106,297	29,829	95,774
Payments in lieu of taxes	580,877	580,877	615,934	35,057	582,869
Total taxes	16,719,670	16,467,423	16,582,030	114,607	16,877,055
Licenses and permits					
Business licenses	75,000	75,000	52,345	(22,655)	81,650
Liquor licenses	50,043	55,000	55,467	467	53,487
Marihuana facilities licenses	25,000	100,000	115,700	15,700	-
Cable TV fees	370,000	380,000	380,343	343	368,495
Rental property registration	353,500	367,500	363,915	(3,585)	369,509
Burial permits	80,000	80,000	68,275	(11,725)	82,645
Building permits	1,800,000	1,100,000	933,745	(166,255)	1,458,084
Electrical permits	220,000	180,000	169,690	(10,310)	225,271
Plumbing permits	80,000	80,000	102,101	22,101	85,789
Mechanical permits	130,000	130,000	137,826	7,826	146,354
Vacant building fees	75,000	40,000	72,665	32,665	94,315
Other inspections	-	2,000	735	(1,265)	-
Total licenses and permits	3,258,543	2,589,500	2,452,807	(136,693)	2,965,599
Intergovernmental revenues					
Federal grants	40,000	40,000	57,894	17,894	23,988
State					
Grants	715,000	826,000	862,839	36,839	837,603
State shared revenue	4,180,392	4,268,904	4,271,438	2,534	4,153,072
Total intergovernmental revenues - State	4,895,392	5,094,904	5,134,277	39,373	4,990,675

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2019
 (with comparative actual amounts for the year ended June 30, 2018)

	2019				2018
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
Charges for services					
Tax administration fees	\$ 327,000	\$ 327,000	\$ 340,217	\$ 13,217	\$ 331,723
Utility administration fees	310,000	310,000	310,000	-	310,000
Reimbursement for elections	-	-	13,455	13,455	100
Brownfield authority admin fee	162,000	162,000	162,000	-	154,800
Indirect cost reimbursements	1,119,973	1,119,973	1,114,735	(5,238)	1,027,986
Site plan review fee	6,000	6,000	6,900	900	6,800
Sale of cemetery lots	25,000	25,000	31,159	6,159	39,103
Police miscellaneous	136,638	141,638	143,322	1,684	140,223
Police impound fees	35,000	35,000	39,470	4,470	39,935
Landlord's alert fee	30,000	30,000	30,323	323	35,627
Fire protection - state property	74,000	81,750	81,766	16	74,342
Zoning fees	15,000	15,000	19,070	4,070	18,430
Muskegon Heights zoning	6,000	6,000	10,465	4,465	8,190
Clerk fees	-	5,000	5,432	432	7,851
Clerk fees - passport fees	80,000	80,000	82,662	2,662	71,672
Tax abatement application fees	3,000	3,000	3,802	802	4,970
Treasurer fees	67,000	67,000	84,289	17,289	68,022
False alarm fees	3,500	9,000	10,365	1,365	9,540
Miscellaneous cemetery income	16,000	16,000	14,547	(1,453)	17,902
Fire miscellaneous	9,500	15,500	14,506	(994)	17,755
Sanitation stickers	271,100	276,100	249,043	(27,057)	238,312
Lot cleanup fees	48,000	39,500	35,697	(3,803)	59,452
Reimbursements - lot mowing and demolitions	5,000	5,000	1,067	(3,933)	7,376
Special events reimbursements	55,000	55,000	26,505	(28,495)	55,671
Recreation program fees	4,500	4,500	11,029	6,529	9,066
Total charges for services	2,812,211	2,834,961	2,841,826	6,865	2,754,848
Fines and forfeitures					
Income tax - penalty and interest	200,000	200,000	207,424	7,424	229,678
Late fees on current taxes	20,000	20,000	16,790	(3,210)	15,942
Interest on late invoices	11,000	11,000	11,516	516	14,534
Parking fines	55,000	55,000	57,782	2,782	53,336
Court fines	115,000	130,000	137,732	7,732	120,989
Civil infractions	17,000	15,500	30,876	15,376	21,785
Total fines and forfeitures	418,000	431,500	462,120	30,620	456,264
Investment earnings and rental income					
Interest income	-	100,000	108,155	8,155	95,057
Net increase (decrease) in the fair value of investments	-	300,000	344,122	44,122	(122,586)
City right of way rental	6,800	6,800	6,800	-	6,800
Fire station lease - Central Dispatch	30,000	50,000	45,292	(4,708)	30,528
Parking rentals	48,750	68,750	68,500	(250)	48,750
Great Lakes Naval Memorial lease	15,000	-	-	-	-
McGraft Park rentals	70,000	97,000	96,084	(916)	63,510
Other park rentals	44,800	55,000	47,964	(7,036)	45,631
Total investment earnings and rental income	215,350	677,550	716,917	39,367	167,690

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2019
 (with comparative actual amounts for the year ended June 30, 2018)

	2019				2018
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
Other					
Police sale and auction proceeds	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)	\$ -
CDBG program reimbursements	325,000	351,726	332,857	(18,869)	346,481
Fisherman's Landing reimbursement	17,500	17,500	-	(17,500)	-
Contributions	20,000	20,000	2,046	(17,954)	11,871
Contributions - Veteran's Park maintenance	18,500	18,500	-	(18,500)	-
Community Foundation for Muskegon County	10,000	10,000	24,892	14,892	9,772
Miscellaneous and sundry	83,000	85,381	100,106	14,725	85,676
Total other	475,000	504,107	459,901	(44,206)	453,800
Total revenues	28,874,166	28,679,945	28,747,772	67,827	28,729,919
EXPENDITURES					
Current					
Public representation services					
City commission	91,290	91,290	88,892	2,398	77,876
City promotions and public relations	55,000	80,000	81,890	(1,890)	65,353
City manager	429,299	399,299	379,819	19,480	409,564
Contributions to outside agencies	430,173	430,173	384,968	45,205	489,687
City attorney	350,000	360,000	345,538	14,462	341,093
Total public representation services	1,355,762	1,360,762	1,281,107	79,655	1,383,573
Administrative services					
City clerk	455,048	460,548	542,248	(81,700)	424,224
Civil service	198,440	206,990	195,275	11,715	113,554
Affirmative action	-	-	1,778	(1,778)	135
Total administrative services	653,488	667,538	739,301	(71,763)	537,913
Financial services					
Finance administration	578,651	561,000	570,805	(9,805)	576,620
Assessing	332,000	332,000	335,977	(3,977)	329,708
Arena administration	-	-	13,510	(13,510)	15,487
Income tax administration	349,936	353,936	362,595	(8,659)	328,809
Information systems	489,914	579,914	550,516	29,398	444,386
City treasurer	567,034	567,734	561,463	6,271	496,235
Total financial services	2,317,535	2,394,584	2,394,866	(282)	2,191,245
Public safety					
Police department	10,439,994	9,678,626	9,880,736	(202,110)	9,538,680
Fire department	3,431,866	3,925,000	3,989,048	(64,048)	3,930,210
Fire safety inspections	3,215,780	2,415,100	2,224,747	190,353	1,611,103
Total public safety	17,087,640	16,018,726	16,094,531	(75,805)	15,079,993

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2019
 (with comparative actual amounts for the year ended June 30, 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
Public works					
Street lighting	\$ 490,000	\$ 490,000	\$ 551,818	\$ (61,818)	\$ 529,471
Community event support	103,159	103,159	73,216	29,943	100,611
General sanitation	1,849,345	1,932,345	2,107,545	(175,200)	1,924,434
Storm water management	10,000	4,000	4,000	-	13,365
City hall maintenance	329,502	337,253	316,868	20,385	242,222
Cemeteries maintenance	428,582	428,582	440,130	(11,548)	420,155
Total public works	3,210,588	3,295,339	3,493,577	(198,238)	3,230,258
Community and economic development					
Planning, zoning and economic development	574,189	417,648	376,679	40,969	434,867
Environmental services	-	-	-	-	1,094,602
Edison Landing subsidy	360,000	360,000	360,000	-	350,000
Downtown Development Authority subsidy	-	-	-	-	315,000
Total community and economic development	934,189	777,648	736,679	40,969	2,194,469
Culture and recreation					
Parks maintenance	1,756,158	1,671,228	1,676,222	(4,994)	1,569,234
McGraft Park maintenance	87,576	87,576	133,573	(45,997)	96,916
General and inner city recreation programs	-	-	12,050	(12,050)	2,551
Forestry	-	-	92	(92)	-
Graffiti removal	-	-	-	-	153
Parking operations	-	-	2,393	(2,393)	1,988
Farmers market and flea market	-	-	210	(210)	8
Total culture and recreation	1,843,734	1,758,804	1,824,540	(65,736)	1,670,850
Other governmental functions					
Insurance premiums	268,695	287,041	292,037	(4,996)	294,675
Other	100,000	100,000	(10,326)	110,326	60,566
Total other governmental functions	368,695	387,041	281,711	105,330	355,241
Debt service					
Principal	65,000	65,000	65,000	-	70,000
Interest and fees	164,750	164,750	165,851	(1,101)	167,081
Total debt service	229,750	229,750	230,851	(1,101)	237,081
Capital outlay	555,000	823,547	801,483	22,064	130,375
Total expenditures	28,556,381	27,713,739	27,878,646	(164,907)	27,010,998
Excess of revenues over (under) expenditures	317,785	966,206	869,126	(97,080)	1,718,921

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2019
 (with comparative actual amounts for the year ended June 30, 2018)

	2019			2018	
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 5,989	\$ 5,989	\$ -
Transfers out	(460,000)	(695,000)	(761,486)	(66,486)	(1,385,000)
Total other financing sources (uses)	(460,000)	(695,000)	(755,497)	(60,497)	(1,385,000)
Net change in fund balance	<u>\$ (142,215)</u>	<u>\$ 271,206</u>	113,629	<u>\$ (157,577)</u>	333,921
Fund balance at beginning of year			8,391,566		8,057,645
Fund balance at end of year			<u>\$ 8,505,195</u>		<u>\$ 8,391,566</u>

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
Major Street and Trunkline Fund
For the year ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues				
Federal	\$ 880,000	\$ -	\$ 627,218	\$ 627,218
State	4,196,906	4,762,671	4,544,248	(218,423)
Charges for services	-	-	21,582	21,582
Investment earnings	10,000	10,000	15,628	5,628
Other	71,000	100,000	92,669	(7,331)
Total revenues	5,157,906	4,872,671	5,301,345	428,674
EXPENDITURES				
Current				
Highways, streets and bridges	6,989,695	7,079,923	5,601,688	1,478,235
Debt service				
Principal	210,000	210,000	210,000	-
Interest and fees	25,000	25,000	23,273	1,727
Total expenditures	7,224,695	7,314,923	5,834,961	1,479,962
Net change in fund balance	\$ (2,066,789)	\$ (2,442,252)	(533,616)	\$ 1,908,636
Fund balance at July 1, 2018			3,728,340	
Fund balance at June 30, 2019			\$ 3,194,724	

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

City of Muskegon
Required Supplemental Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	\$ 806,565	\$ 1,018,541	\$ 1,130,408	\$ 1,194,909	\$ 1,190,507
Interest	8,345,836	8,429,233	8,345,661	8,034,035	7,817,503
Differences between expected and actual experience	3,642,392	1,326,122	(1,697,797)	(647,017)	-
Changes in assumptions	-	-	-	4,779,382	-
Benefit payments, including refunds of employee contributions	(7,512,608)	(6,937,544)	(6,417,825)	(6,363,249)	(6,407,932)
Other changes	(229,967)	(4,485,289)	-	-	-
Net change in total pension liability	5,052,218	(648,937)	1,360,447	6,998,060	2,600,078
Total pension liability at beginning of year	107,675,977	108,324,914	106,964,467	99,966,407	97,366,329
Total pension liability at end of year (a)	\$ 112,728,195	\$ 107,675,977	\$ 108,324,914	\$ 106,964,467	\$ 99,966,407
PLAN FIDUCIARY NET POSITION					
Contributions-employer	\$ 2,671,175	\$ 1,801,016	\$ 1,996,512	\$ 1,420,218	\$ 1,166,652
Contributions-employee	848,562	687,391	563,898	566,045	564,409
Net investment income	(3,452,538)	10,964,115	8,890,951	(1,237,895)	5,282,031
Benefit payments, including refunds or employee contributions	(7,512,608)	(6,937,544)	(6,417,825)	(6,363,249)	(6,407,932)
Administrative expense	(173,509)	(173,921)	(175,718)	(183,599)	(193,139)
Net change in plan fiduciary net position	(7,618,918)	6,341,057	4,857,818	(5,798,480)	412,021
Plan fiduciary net position at beginning of year	90,759,017	84,417,960	79,560,142	85,358,622	84,946,601
Plan fiduciary net position at end of year (b)	\$ 83,140,099	\$ 90,759,017	\$ 84,417,960	\$ 79,560,142	\$ 85,358,622
City's net pension liability at end of year (a)-(b)	\$ 29,588,096	\$ 16,916,960	\$ 23,906,954	\$ 27,404,325	\$ 14,607,785
Plan fiduciary net position as a percentage of the total pension liability	73.75%	84.29%	77.93%	74.38%	85.39%
Covered payroll	\$ 6,565,169	\$ 7,645,789	\$ 8,460,078	\$ 9,108,948	\$ 9,171,511
City's net pension liability as a percentage of covered payroll	450.68%	221.26%	282.59%	300.85%	159.27%

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

City of Muskegon
Required Supplemental Information
PENSION SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years

	Year Ended June 30									Period Ended June 30*
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,902,696	\$1,798,140	\$ 1,897,158	\$ 1,546,440	\$ 1,293,996	\$ 1,043,040	\$ 1,035,772	\$ 1,160,870	\$ 1,211,612	\$ 688,832
Contributions in relation to the actuarially determined contribution	2,218,663	1,964,214	2,276,200	1,753,272	1,293,996	1,543,040	1,035,772	1,160,870	2,211,612	688,832
Contribution deficiency (excess)	\$ (315,967)	\$ (166,074)	\$ (379,042)	\$ (206,832)	\$ -	\$ (500,000)	\$ -	\$ -	\$ (1,000,000)	\$ -
Covered payroll	\$ 6,561,169	\$7,645,789	\$ 8,460,078	\$ 9,108,948	\$ 9,171,511	\$ 9,198,938	\$10,185,425	\$10,650,990	\$ 11,533,186	\$12,613,654
Contributions as percentage of covered payroll	33.8%	25.7%	26.9%	19.2%	14.1%	16.8%	10.2%	10.9%	19.2%	5.5%

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	5 to 14 years depending on division
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	7.75 percent, net of investment and administrative expenses
Retirement age	Varies depending on plan adoption
Mortality	50 percent Female/50 percent Male RP-2014 Group Annuity Mortality Table

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

City of Muskegon
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
 Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	2018	2017
TOTAL OPEB LIABILITY		
Service cost	\$ 178,243	\$ 165,423
Interest	2,035,720	1,954,979
Differences between expected and actual experience	(992,432)	-
Changes of assumptions	2,349,210	-
Benefit payments, including refunds of employee contributions	(1,118,442)	(1,064,376)
Net change in total OPEB liability	2,452,299	1,056,026
Total OPEB liability at beginning of year	26,648,337	25,592,311
Total OPEB liability at end of year (a)	\$ 29,100,636	\$ 26,648,337
PLAN FIDUCIARY NET POSITION		
Contributions-employer	\$ 671,363	\$ 736,039
Net investment income	(699,603)	2,110,019
Benefit payments, including refunds or employee contributions	(1,118,442)	(1,064,376)
Administrative expense	(53,927)	(52,313)
Net change in plan fiduciary net position	(1,200,609)	1,729,369
Plan fiduciary net position at beginning of year	20,779,578	19,050,209
Plan fiduciary net position at end of year (b)	\$ 19,578,969	\$ 20,779,578
City's net OPEB liability at end of year (a)-(b)	\$ 9,521,667	\$ 5,868,759
Plan fiduciary net position as a percentage of the total OPEB liability	67.28%	77.98%
Covered payroll	Not Available	\$ 8,095,840
City's net OPEB liability as a percentage of covered payroll	Not Available	72.49%

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

City of Muskegon
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CONTRIBUTIONS
 Last Ten Fiscal Years (Amounts were determined as of June 30 of each fiscal year)

	Year Ended June 30									Period Ended June 30*
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,470,562	\$ 956,532	\$ 606,506	\$ 639,428	\$ 659,451	\$ 696,634	\$ 728,863	\$ 832,891	\$ 1,079,000	\$ 530,000
Contributions in relation to the actuarially determined contribution	1,260,887	687,642	606,506	639,428	659,451	696,634	728,863	832,891	1,079,000	530,000
Contribution deficiency (excess)	\$ 209,675	\$ 268,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	Not Available	\$ 8,095,840	\$10,830,000	\$10,830,000	\$10,005,000	\$10,005,000	\$12,365,000	\$12,365,000	\$13,293,000	\$13,293,000
Contributions as percentage of covered payroll	Not Available	8.5%	5.6%	5.9%	6.6%	7.0%	5.9%	6.7%	8.1%	4.0%

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, 2017 and rolled forward to December 31, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal (level percentage of compensation)

Amortization method Level percentage of payroll, Closed

Remaining amortization period 8 years

Asset valuation method Equal to market value of assets

Inflation 2.5 percent

Salary increases 3.5 percent

Investment rate of return 7.75 percent (including inflation), net of administrative and investment expenses

Retirement age 55 - 60 years of age

Mortality Mortality rates for police and fire were as set forth in the Public safety 2010 Employee and Healthy Retiree, headcount weighted, MP 2018 improvement scale.
 Morality rates for others were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale.

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

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OTHER SUPPLEMENTAL INFORMATION

DESCRIPTION OF OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

The special revenue funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes.

Local Street – to account for gas and weight allocations to the City by the Michigan Department of Transportation for construction and maintenance of local streets within the City.

L.C. Walker Arena – to account for revenues received for the operation and maintenance of L.C. Walker Arena.

Criminal Forfeitures – to account for receipts generated through the sale of assets seized through criminal court proceedings.

Downtown BID – to account for the collection of special assessment revenue in the downtown to be used for improvement and maintenance of downtown public infrastructure.

Tree Replacement – to account for contributions and other revenues earmarked for tree replacement throughout the City.

Farmers Market and Kitchen 242 – to account for revenues received for the City’s Farmers Market and Kitchen 242.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital assets other than those financed by proprietary funds and trust funds.

Public Improvement – to account for grants, private contributions, sale of property and other resources used to finance various capital projects.

Michcon Remediation – to account for reimbursements received from Michcon Gas Company for environmental remediation of their former downtown site.

EDC Revolving Loan – to account for funds received upon repayment of Urban Development Action Grant loans and subsequently relaned to small business enterprises.

Community Development Block Grant – to account for categorical grants received from the U. S. Department of Housing and Urban Development for the construction of major city public improvements and the rehabilitation of residential housing and other qualifying expenditures.

**DESCRIPTION OF
OTHER GOVERNMENTAL FUNDS—CONTINUED**

Capital Projects Funds—Continued

HOME Rehabilitation – to account for grant revenues received from the U. S. Department of Housing and Urban Development for the purpose of providing housing assistance to low and moderate income households in the City.

Lead Abatement – to account for grant revenues received from the U. S. Department of Health and Human Services for the purpose of abatement of lead from homes in the City.

Senior Millage – to account for proceeds from the County millage for senior services that were distributed to the City for specific projects.

Economic Development - Sappi – to account for funds contributed to the City for economic redevelopment of vacated industrial property sites.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care – to account for charges for services collected and investment income earned and to account for transfers to the General Fund to partially cover cemetery care expenses.

City of Muskegon
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2019

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
ASSETS				
Cash and investments	\$ 2,967,912	\$ 1,172,856	\$ 1,394,313	\$ 400,743
Assets managed by others	1,234,689	-	17,900	1,216,789
Receivables				
Accounts and loans (net of allowance for uncollectibles)	1,032,316	356,959	673,856	1,501
Special assessments	2,072	2,072	-	-
Due from other governmental units	460,697	182,913	277,784	-
Advances to component units	284,251	-	-	284,251
Prepaid items	33,524	33,524	-	-
Total assets	\$ 6,015,461	\$ 1,748,324	\$ 2,363,853	\$ 1,903,284
LIABILITIES				
Accounts payable	\$ 306,754	\$ 243,099	\$ 63,655	\$ -
Accrued liabilities	28,461	19,802	8,659	-
Due to other governmental units	135	-	135	-
Due to other funds	390,487	229,130	161,357	-
Unearned revenues - unused Farmers Market tokens	106,366	106,366	-	-
Unearned revenues - expenditure-driven grants	317,356	-	317,356	-
Total liabilities	1,149,559	598,397	551,162	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - special assessments	2,072	2,072	-	-
FUND BALANCES				
Nonspendable				
Prepaid items	33,524	33,524	-	-
Perpetual care	1,567,180	-	-	1,567,180
Restricted				
Highways, streets and bridges	932,055	932,055	-	-
Law enforcement	36,337	36,337	-	-
Downtown BID	137,794	137,794	-	-
Perpetual care	336,104	-	-	336,104
Other purposes	8,145	8,145	-	-
Assigned for capital projects and public improvements	1,812,691	-	1,812,691	-
Total fund balances	4,863,830	1,147,855	1,812,691	1,903,284
Total liabilities, deferred inflows of resources and fund balances	\$ 6,015,461	\$ 1,748,324	\$ 2,363,853	\$ 1,903,284

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended June 30, 2019

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
REVENUES				
Intergovernmental revenues				
Federal	\$ 1,035,785	\$ -	\$ 1,035,785	\$ -
State	1,212,348	1,212,348	-	-
Local	1,014,500	-	1,014,500	-
Charges for services	1,567,011	1,497,098	39,654	30,259
Fines and forfeitures	26,458	26,458	-	-
Investment earnings	25,366	5,231	8,097	12,038
Income from assets managed by others	38,668	-	3,213	35,455
Other	1,022,239	458,219	564,020	-
Total revenues	5,942,375	3,199,354	2,665,269	77,752
EXPENDITURES				
Current				
Public safety	36,665	36,665	-	-
Public works	169,238	169,238	-	-
Highways, streets and bridges	1,691,544	1,691,544	-	-
Culture and recreation	2,080,437	2,080,437	-	-
Capital outlay	4,982,715	1,116	4,981,599	-
Total expenditures	8,960,599	3,979,000	4,981,599	-
Excess of revenues over (under) expenditures	(3,018,224)	(779,646)	(2,316,330)	77,752
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,541,041	-	1,541,041	-
Transfers in	1,204,247	761,486	442,761	-
Transfers out	(442,761)	-	(442,761)	-
Total other financing sources (uses)	2,302,527	761,486	1,541,041	-
Net change in fund balances	(715,697)	(18,160)	(775,289)	77,752
Fund balances at July 1, 2018	5,579,527	1,166,015	2,587,980	1,825,532
Fund balances at June 30, 2019	\$ 4,863,830	\$ 1,147,855	\$ 1,812,691	\$ 1,903,284

City of Muskegon
COMBINING BALANCE SHEET
Other Special Revenue Funds
June 30, 2019

	Total Other Special Revenue Funds	Local Street	L.C. Walker Arena	Criminal Forfeitures	Downtown BID	Tree Replacement	Farmers Market and Kitchen 242
ASSETS							
Cash and investments	\$ 1,172,856	\$ 927,310	\$ -	\$ 36,337	\$ 155,839	\$ 1,921	\$ 51,449
Receivables							
Accounts	356,959	7,550	273,223	-	-	-	76,186
Special assessments	2,072	2,072	-	-	-	-	-
Due from other governmental units	182,913	182,913	-	-	-	-	-
Prepaid items	33,524	6,888	26,636	-	-	-	-
Total assets	\$ 1,748,324	\$ 1,126,733	\$ 299,859	\$ 36,337	\$ 155,839	\$ 1,921	\$ 127,635
LIABILITIES							
Accounts payable	\$ 243,099	\$ 171,758	\$ 39,802	\$ -	\$ 18,045	\$ -	\$ 13,494
Accrued liabilities	19,802	13,960	4,291	-	-	-	1,551
Due to other funds	229,130	-	229,130	-	-	-	-
Unearned revenues - unused Farmers Market tokens	106,366	-	-	-	-	-	106,366
Total liabilities	598,397	185,718	273,223	-	18,045	-	121,411
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - special assessments	2,072	2,072	-	-	-	-	-
FUND BALANCES							
Nonspendable - prepaid items	33,524	6,888	26,636	-	-	-	-
Restricted							
Highways, streets and bridges	932,055	932,055	-	-	-	-	-
Law enforcement	36,337	-	-	36,337	-	-	-
Downtown BID	137,794	-	-	-	137,794	-	-
Other purposes	8,145	-	-	-	-	1,921	6,224
Total fund balances	1,147,855	938,943	26,636	36,337	137,794	1,921	6,224
Total liabilities, deferred inflows of resources and fund balances	\$ 1,748,324	\$ 1,126,733	\$ 299,859	\$ 36,337	\$ 155,839	\$ 1,921	\$ 127,635

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Special Revenue Funds
For the year ended June 30, 2019

	Total Other Special Revenue Funds	Local Street	L.C. Walker Arena	Criminal Forfeitures	Downtown BID	Tree Replacement	Farmers Market and Kitchen 242
REVENUES							
Intergovernmental revenues - State	\$ 1,212,348	\$ 1,212,348	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	1,497,098	41,330	1,306,297	-	-	-	149,471
Fines and forfeitures	26,458	-	-	26,458	-	-	-
Investment earnings	5,231	4,215	-	206	598	5	207
Other	458,219	208,109	7,413	-	170,645	10,000	62,052
Total revenues	3,199,354	1,466,002	1,313,710	26,664	171,243	10,005	211,730
EXPENDITURES							
Current							
Public safety	36,665	-	-	36,665	-	-	-
Public works	169,238	-	-	-	169,238	-	-
Highways, streets and bridges	1,691,544	1,691,544	-	-	-	-	-
Culture and recreation	2,080,437	-	1,805,697	-	-	9,437	265,303
Capital outlay	1,116	-	1,116	-	-	-	-
Total expenditures	3,979,000	1,691,544	1,806,813	36,665	169,238	9,437	265,303
Excess of revenues over (under) expenditures	(779,646)	(225,542)	(493,103)	(10,001)	2,005	568	(53,573)
OTHER FINANCING SOURCES							
Transfers in	761,486	250,000	476,486	-	-	-	35,000
Net change in fund balances	(18,160)	24,458	(16,617)	(10,001)	2,005	568	(18,573)
Fund balances at July 1, 2018	1,166,015	914,485	43,253	46,338	135,789	1,353	24,797
Fund balances at June 30, 2019	\$ 1,147,855	\$ 938,943	\$ 26,636	\$ 36,337	\$ 137,794	\$ 1,921	\$ 6,224

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
Other Special Revenue Funds
For the year ended June 30, 2019

	Local Street			L.C. Walker Arena		
	Final Budget	Actual	Variance - Positive (Negative)	Final Budget	Actual	Variance - Positive (Negative)
REVENUES						
Intergovernmental revenues - State	\$ 1,194,979	\$ 1,212,348	\$ 17,369	\$ -	\$ -	\$ -
Charges for services	20,000	41,330	21,330	1,195,000	1,306,297	111,297
Investment earnings	3,500	4,215	715	-	-	-
Other	2,000	208,109	206,109	5,000	7,413	2,413
Total revenues	1,220,479	1,466,002	245,523	1,200,000	1,313,710	113,710
EXPENDITURES						
Current						
Highways, streets and bridges	1,795,119	1,691,544	103,575	-	-	-
Culture and recreation	-	-	-	1,582,871	1,805,697	(222,826)
Capital outlay	-	-	-	70,000	1,116	68,884
Total expenditures	1,795,119	1,691,544	103,575	1,652,871	1,806,813	(153,942)
Excess of revenues over (under) expenditures	(574,640)	(225,542)	349,098	(452,871)	(493,103)	(40,232)
OTHER FINANCING SOURCES						
Transfers in	250,000	250,000	-	400,000	476,486	76,486
Net change in fund balances	\$ (324,640)	24,458	\$ 349,098	\$ (52,871)	(16,617)	\$ 36,254
Fund balances at July 1, 2018		914,485			43,253	
Fund balances at June 30, 2019		\$ 938,943			\$ 26,636	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 Other Special Revenue Funds
 For the year ended June 30, 2019

	Criminal Forfeitures			Downtown BID		
	Final budget	Actual	Variance - Positive (Negative)	Final Budget	Actual	Variance - Positive (Negative)
REVENUES						
Fines and forfeitures	\$ 1,000	\$ 26,458	\$ 25,458	\$ -	\$ -	\$ -
Investment earnings	400	206	(194)	-	598	598
Other	-	-	-	161,647	170,645	8,998
Total revenues	1,400	26,664	25,264	161,647	171,243	9,596
EXPENDITURES						
Current						
Public safety	50,000	36,665	13,335	-	-	-
Public works	-	-	-	161,647	169,238	(7,591)
Total expenditures	50,000	36,665	13,335	161,647	169,238	(7,591)
Net change in fund balances	<u><u>\$ (48,600)</u></u>	(10,001)	<u><u>\$ 38,599</u></u>	<u><u>\$ -</u></u>	2,005	<u><u>\$ 2,005</u></u>
Fund balance at July 1, 2018		<u>46,338</u>			<u>135,789</u>	
Fund balance at June 30, 2019		<u><u>\$ 36,337</u></u>			<u><u>\$ 137,794</u></u>	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
Other Special Revenue Funds
For the year ended June 30, 2019

	Tree Replacement			Farmers Market and Kitchen 242		
	Final Budget	Actual	Variance - Positive (Negative)	Final Budget	Actual	Variance - Positive (Negative)
REVENUES						
Charges for services	\$ 5,000	\$ -	\$ (5,000)	\$ 175,483	\$ 149,471	\$ (26,012)
Investment earnings	-	5	5	200	207	7
Other	-	10,000	10,000	75,021	62,052	(12,969)
Total revenues	5,000	10,005	5,005	250,704	211,730	(38,974)
EXPENDITURES						
Current						
Culture and recreation	5,000	9,437	(4,437)	252,614	265,303	(12,689)
Excess of revenues over (under) expenditures	-	568	568	(1,910)	(53,573)	(51,663)
OTHER FINANCING SOURCES						
Transfers in	-	-	-	35,000	35,000	-
Net change in fund balances	<u>\$ -</u>	568	<u>\$ 568</u>	<u>\$ 33,090</u>	(18,573)	<u>\$ (51,663)</u>
Fund balance at July 1, 2018		<u>1,353</u>			<u>24,797</u>	
Fund balance at June 30, 2019		<u>\$ 1,921</u>			<u>\$ 6,224</u>	

City of Muskegon
COMBINING BALANCE SHEET
Other Capital Projects Funds
June 30, 2019

	Total Other Capital Projects Funds	Public Improvement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	HOME Rehabilitation	Lead Abatement	Senior Millage	Economic Development - Sappi
ASSETS									
Cash and investments	\$ 1,394,313	\$ 214,693	\$ 225,282	\$ 907,610	\$ -	\$ 46,728	\$ -	\$ -	\$ -
Assets managed by others	17,900	17,900	-	-	-	-	-	-	-
Receivables									
Accounts and loans (net of allowance for uncollectibles)	673,856	287,784	-	288,627	5,500	91,945	-	-	-
Due from other governmental units	277,784	-	-	-	143,107	94,940	36,712	3,025	-
Total assets	\$ 2,363,853	\$ 520,377	\$ 225,282	\$ 1,196,237	\$ 148,607	\$ 233,613	\$ 36,712	\$ 3,025	\$ -
LIABILITIES									
Accounts payable	\$ 63,655	\$ 44,429	\$ -	\$ -	\$ 16,047	\$ 295	\$ 2,884	\$ -	\$ -
Accrued liabilities	8,659	-	-	-	5,695	603	1,682	679	-
Due to other governmental units	135	-	-	-	-	135	-	-	-
Due to other funds	161,357	-	-	-	126,865	-	32,146	2,346	-
Unearned revenues - expenditure-driven grants	317,356	317,356	-	-	-	-	-	-	-
Total liabilities	551,162	361,785	-	-	148,607	1,033	36,712	3,025	-
FUND BALANCES									
Assigned for capital projects and public improvements	1,812,691	158,592	225,282	1,196,237	-	232,580	-	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ 2,363,853	\$ 520,377	\$ 225,282	\$ 1,196,237	\$ 148,607	\$ 233,613	\$ 36,712	\$ 3,025	\$ -

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Capital Projects Funds
 For the year ended June 30, 2019

	Total Other Capital Projects Funds	Public Improvement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	HOME Rehabilitation	Lead Abatement	Senior Millage	Economic Development - Sappi
REVENUES									
Intergovernmental revenues									
Federal	\$ 1,035,785	\$ -	\$ -	\$ -	\$ 757,982	\$ 184,979	\$ 92,824	\$ -	\$ -
Local	1,014,500	1,014,500	-	-	-	-	-	-	-
Charges for services	39,654	33,154	-	6,500	-	-	-	-	-
Investment earnings	8,097	2,776	1,123	4,198	-	-	-	-	-
Income from assets managed by others	3,213	3,213	-	-	-	-	-	-	-
Other	564,020	473,286	-	61,846	25,863	-	-	3,025	-
Total revenues	2,665,269	1,526,929	1,123	72,544	783,845	184,979	92,824	3,025	-
EXPENDITURES									
Capital outlay	4,981,599	3,672,248	-	51,992	818,988	342,522	92,824	3,025	-
Excess of revenues over (under) expenditures	(2,316,330)	(2,145,319)	1,123	20,552	(35,143)	(157,543)	-	-	-
OTHER FINANCING SOURCES (USES)									
Proceeds from sale of capital assets	1,541,041	1,205,888	-	-	35,143	300,010	-	-	-
Transfers in	442,761	-	-	442,761	-	-	-	-	-
Transfers out	(442,761)	-	-	-	-	-	-	-	(442,761)
Total other financing sources (uses)	1,541,041	1,205,888	-	442,761	35,143	300,010	-	-	(442,761)
Net change in fund balances	(775,289)	(939,431)	1,123	463,313	-	142,467	-	-	(442,761)
Fund balances at July 1, 2018	2,587,980	1,098,023	224,159	732,924	-	90,113	-	-	442,761
Fund balances at June 30, 2019	\$ 1,812,691	\$ 158,592	\$ 225,282	\$ 1,196,237	\$ -	\$ 232,580	\$ -	\$ -	\$ -

DESCRIPTION OF INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of a governmental unit or to other governments on a cost-reimbursement basis.

A list and description of internal service funds maintained by the City follows:

Engineering Services – to account for salary, benefit and other costs related to the provision of internal engineering services for City projects; to account for charges to the user funds and projects to cover those expenses.

Equipment – to account for the purchase, operation, maintenance and depreciation of all City-owned vehicles and equipment; to account for charges to the user funds and departments to cover those expenses.

General Insurance – to account for the payment of claims and benefits, excess liability premiums and operating expenses; to account for charges to other funds and departments to cover the expenses.

Public Service Building – to account for the operation, maintenance and depreciation of the City's Public Service Building; to account for charges to the user funds and departments to cover these expenses.

City of Muskegon
COMBINING STATEMENT OF NET POSITION
Internal Service Funds
June 30, 2019

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
ASSETS					
Current assets					
Cash and investments	\$ 1,408,098	\$ 106,203	\$ 680,873	\$ -	\$ 621,022
Accounts receivable	1,278,655	410	682	1,277,563	-
Inventories	9,325	-	9,325	-	-
Prepaid items	272,860	1,564	61,744	204,130	5,422
Total current assets	2,968,938	108,177	752,624	1,481,693	626,444
Noncurrent assets					
Advances to component units	568,502	-	284,251	284,251	-
Capital assets					
Land	65,000	-	-	-	65,000
Land improvements	301,715	-	-	-	301,715
Buildings and improvements	1,559,334	-	-	-	1,559,334
Machinery and equipment	9,650,051	26,355	9,529,332	-	94,364
Less accumulated depreciation	(8,632,124)	(26,355)	(6,893,427)	-	(1,712,342)
Net capital assets	2,943,976	-	2,635,905	-	308,071
Total noncurrent assets	3,512,478	-	2,920,156	284,251	308,071
Total assets	6,481,416	108,177	3,672,780	1,765,944	934,515
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	360,705	-	135,264	-	225,441
Related to other postemployment benefits	109,773	-	41,165	-	68,608
Total deferred outflows of resources	470,478	-	176,429	-	294,049
Total assets and deferred outflows of resources	6,951,894	108,177	3,849,209	1,765,944	1,228,564
LIABILITIES					
Current liabilities					
Accounts payable	367,339	1,030	66,691	283,849	15,769
Accrued liabilities	36,409	5,466	12,282	1,211	17,450
Due to other funds	353,563	-	-	353,563	-
Bonds and other obligations, due within one year	19,300	1,900	7,400	800	9,200
Total current liabilities	776,611	8,396	86,373	639,423	42,419
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	95,994	9,311	36,765	3,803	46,115
Net pension liability	1,183,524	-	443,822	-	739,702
Net other postemployment benefits liability	380,867	-	142,825	-	238,042
Total noncurrent liabilities	1,660,385	9,311	623,412	3,803	1,023,859
Total liabilities	2,436,996	17,707	709,785	643,226	1,066,278
DEFERRED INFLOWS OF RESOURCES					
Related to other postemployment benefits	14,731	-	5,524	-	9,207
Total liabilities and deferred inflows of resources	2,451,727	17,707	715,309	643,226	1,075,485
NET POSITION					
Net investment in capital assets	2,943,976	-	2,635,905	-	308,071
Unrestricted	1,556,191	90,470	497,995	1,122,718	(154,992)
Total net position	\$ 4,500,167	\$ 90,470	\$ 3,133,900	\$ 1,122,718	\$ 153,079

City of Muskegon
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Internal Service Funds
For the year ended June 30, 2019

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
OPERATING REVENUES					
Charges for services	\$ 9,056,117	\$ 403,437	\$ 2,665,596	\$ 4,937,950	\$ 1,049,134
Other	83,569	29,006	51,151	2,892	520
Total operating revenues	9,139,686	432,443	2,716,747	4,940,842	1,049,654
OPERATING EXPENSES					
Administration	333,374	33,594	107,283	39,384	153,113
Insurance premiums and claims	5,166,291	-	-	5,166,291	-
Other operations	3,707,321	358,627	2,266,018	73,342	1,009,334
Depreciation	449,622	-	404,484	-	45,138
Total operating expenses	9,656,608	392,221	2,777,785	5,279,017	1,207,585
Operating income (loss)	(516,922)	40,222	(61,038)	(338,175)	(157,931)
NONOPERATING REVENUES					
Investment earnings	30,081	212	14,793	12,030	3,046
Gain on sale of capital assets	127,526	-	127,526	-	-
Total nonoperating revenues	157,607	212	142,319	12,030	3,046
Change in net position	(359,315)	40,434	81,281	(326,145)	(154,885)
Net position at July 1, 2018	4,859,482	50,036	3,052,619	1,448,863	307,964
Net position at June 30, 2019	\$ 4,500,167	\$ 90,470	\$ 3,133,900	\$ 1,122,718	\$ 153,079

City of Muskegon
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the year ended June 30, 2019

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 83,823	\$ 30,310	\$ 50,621	\$ 2,892	\$ -
Receipts from interfund services provided	7,741,332	403,437	2,665,596	3,623,165	1,049,134
Other receipts	657,986	-	-	657,466	520
Payments to suppliers	(6,646,662)	(75,945)	(1,344,629)	(4,872,611)	(353,477)
Payments to employees	(1,420,335)	(231,025)	(390,347)	(230,141)	(568,822)
Payments for interfund services used	(815,458)	(91,862)	(613,103)	(3,801)	(106,692)
Net cash provided by (used for) operating activities	(399,314)	34,915	368,138	(823,030)	20,663
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund borrowing	353,563	-	-	353,563	-
Collections on advances to component units	84,512	-	42,256	42,256	-
Net cash provided by (used for) noncapital financing activities	438,075	-	42,256	395,819	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(941,398)	-	(941,398)	-	-
Proceeds from sale of capital assets	163,012	-	163,012	-	-
Net cash provided by (used for) capital and related financing activities	(778,386)	-	(778,386)	-	-
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	30,081	212	14,793	12,030	3,046
Net increase (decrease) in cash and investments	(709,544)	35,127	(353,199)	(415,181)	23,709
Cash and investments at July 1, 2018	2,117,642	71,076	1,034,072	415,181	597,313
Cash and investments at June 30, 2019	\$ 1,408,098	\$ 106,203	\$ 680,873	\$ -	\$ 621,022
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (516,922)	\$ 40,222	\$ (61,038)	\$ (338,175)	\$ (157,931)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	449,622	-	404,484	-	45,138
Change in assets and liabilities					
Receivables	(656,545)	1,304	(530)	(657,319)	-
Inventories	(552)	-	(552)	-	-
Prepaid items	(8,650)	114	(5,415)	(3,893)	544
Accounts payable	137,588	391	(46,811)	171,691	12,317
Accrued liabilities	196,145	(7,116)	78,000	4,666	120,595
Net cash provided by (used for) operating activities	\$ (399,314)	\$ 34,915	\$ 368,138	\$ (823,030)	\$ 20,663

DESCRIPTION OF FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments or other funds.

A list and description of the fiduciary funds maintained by the City follows:

AGENCY FUNDS are used to account for assets held as an agent for another organization or individual.

Collector – to account for the collections and disbursement of funds to other entities and individuals and to account for payroll withholdings and their remittance to the appropriate governmental agencies.

Current Tax – to account for levy, collection and payment of taxes levied for the general and other funds of the City, county, public school districts, and other governmental entities.

Rehab Loan Escrow – to account for deposits made by housing rehabilitation program participants and their expenditures for the intended purposes.

City of Muskegon
COMBINING STATEMENT OF ASSETS AND LIABILITIES
 Agency Funds
 June 30, 2019

	Total Agency Funds	Collector	Current Tax	Rehab Loan Escrow
ASSETS				
Cash and investments	\$ 944,538	\$ 944,157	\$ -	\$ 381
Accounts receivable	30,521	30,521	-	-
Total assets	\$ 975,059	\$ 974,678	\$ -	\$ 381
LIABILITIES				
Accounts payable	\$ 333,678	\$ 333,297	\$ -	\$ 381
Due to other governmental units	446,320	446,320	-	-
Deposits held for others	195,061	195,061	-	-
Total liabilities	\$ 975,059	\$ 974,678	\$ -	\$ 381

City of Muskegon
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the year ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<u>COLLECTOR FUND</u>				
ASSETS				
Cash and investments	\$ 946,219	\$ 9,512,447	\$ 9,514,509	\$ 944,157
Accounts receivable	17,482	388,662	375,623	30,521
Total assets	\$ 963,701	\$ 9,901,109	\$ 9,890,132	\$ 974,678
LIABILITIES				
Accounts payable	\$ 663,816	\$ 4,986,228	\$ 5,316,747	\$ 333,297
Due to other governmental units	90,460	2,637,303	2,281,443	446,320
Deposits held for others	209,425	2,842,514	2,856,878	195,061
Total liabilities	\$ 963,701	\$ 10,466,045	\$ 10,455,068	\$ 974,678
<u>CURRENT TAX FUND</u>				
ASSETS				
Cash and investments	\$ -	\$ 22,353,959	\$ 22,353,959	\$ -
LIABILITIES				
Due to other governmental units	\$ -	\$ 22,945,162	\$ 22,945,162	\$ -
Due to component units	-	1,728,439	1,728,439	-
Deposits held for others	-	141,759	141,759	-
Total liabilities	\$ -	\$ 24,815,360	\$ 24,815,360	\$ -
<u>REHAB LOAN ESCROW FUND</u>				
ASSETS				
Cash and investments	\$ 381	\$ -	\$ -	\$ 381
LIABILITIES				
Accounts payable	\$ 381	\$ -	\$ -	\$ 381
<u>ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 946,600	\$ 31,866,406	\$ 31,868,468	\$ 944,538
Accounts receivable	17,482	388,662	375,623	30,521
Total assets	\$ 964,082	\$ 32,255,068	\$ 32,244,091	\$ 975,059
LIABILITIES				
Accounts payable	\$ 664,197	\$ 4,986,228	\$ 5,316,747	\$ 333,678
Due to other governmental units	90,460	25,582,465	25,226,605	446,320
Due to component units	-	1,728,439	1,728,439	-
Deposits held for others	209,425	2,984,273	2,998,637	195,061
Total liabilities	\$ 964,082	\$ 35,281,405	\$ 35,270,428	\$ 975,059

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DESCRIPTION OF DISCRETELY PRESENTED COMPONENT UNITS

A list and description of the discretely presented component units maintained by the City are as follows:

Downtown Development Authority – to account for the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the downtown.

Local Development Finance Authority - SmartZone – to account for the collection of tax increment revenues and the construction of public facilities to promote and facilitate economic growth in the SmartZone Hi-Tech Park.

Tax Increment Finance Authority – to account for the collection of tax increment revenues, the issuance and repayment of debt to promote and facilitate economic growth in a sub section of the downtown.

Brownfield Redevelopment Authority – to account for the collection of tax increment revenues for environmental remediation in designated brownfield areas. Currently there are two designated brownfield areas capturing tax increments.

- Area I – Betten-Henry Street brownfield site.
- Area II – Former downtown mall brownfield site.
- Area III – Terrace Point brownfield site.

City of Muskegon
COMBINING BALANCE SHEET
Discretely Presented Component Units
June 30, 2019

	Total Discretely Presented Component Units	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Brownfield Redevelopment Authority III
ASSETS							
Cash and investments	\$ 167,080	\$ 25,897	\$ 80,457	\$ 13,181	\$ 15,763	\$ 16,067	\$ 15,715
LIABILITIES							
Advances from primary government	\$ 852,752	\$ -	\$ -	\$ -	\$ 852,752	\$ -	\$ -
FUND BALANCES (DEFICITS)							
Unassigned	(685,672)	25,897	80,457	13,181	(836,989)	16,067	15,715
Total liabilities and fund balances (deficits)	\$ 167,080	\$ 25,897	\$ 80,457	\$ 13,181	\$ 15,763	\$ 16,067	\$ 15,715

City of Muskegon
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2019

Total fund balances (deficits)—governmental funds		\$ (685,672)
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not current financial
resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$ 4,198,258	
Accumulated depreciation	<u>(2,690,433)</u>	1,507,825

Long-term liabilities in governmental activities are not due and payable in the
current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	(12,250)	
Bonds and notes payable	<u>(3,167,419)</u>	<u>(3,179,669)</u>

Net position of governmental activities		<u><u>\$ (2,357,516)</u></u>
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City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
Discretely Presented Component Units
For the year ended June 30, 2019

	Total Discretely Presented Component Units	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Brownfield Redevelopment Authority III
REVENUES							
Property taxes	\$ 1,728,439	\$ 97,583	\$ 1,085,354	\$ 37,658	\$ 134,828	\$ 163,340	\$ 209,676
Intergovernmental revenues							
State	19,425	2,871	-	7,170	4,362	5,022	-
Local	360,000	360,000	-	-	-	-	-
Investment earnings	1,476	55	549	40	30	261	541
Total revenues	2,109,340	460,509	1,085,903	44,868	139,220	168,623	210,217
EXPENDITURES							
Current							
Community and economic development	1,418,482	-	1,010,930	40,000	-	162,000	205,552
Debt service							
Principal	375,000	375,000	-	-	-	-	-
Interest and fees	111,913	81,100	-	-	30,813	-	-
Total expenditures	1,905,395	456,100	1,010,930	40,000	30,813	162,000	205,552
Net change in fund balances (deficits)	203,945	4,409	74,973	4,868	108,407	6,623	4,665
Fund balances (deficits) at July 1, 2018	(889,617)	21,488	5,484	8,313	(945,396)	9,444	11,050
Fund balances (deficits) at June 30, 2019	<u><u>\$ (685,672)</u></u>	<u><u>\$ 25,897</u></u>	<u><u>\$ 80,457</u></u>	<u><u>\$ 13,181</u></u>	<u><u>\$ (836,989)</u></u>	<u><u>\$ 16,067</u></u>	<u><u>\$ 15,715</u></u>

City of Muskegon
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES**
Discretely Presented Component Units
For the year ended June 30, 2019

Net change in fund balances—total governmental funds	\$ 203,945
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(172,648)
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The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt	375,000
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Changes in accrual of interest and amortization of premiums and discounts

Change in accrued interest payable	\$ 2,500		
Amortization of premiums	20,907	23,407	

Change in net position of governmental activities		\$ 429,704	
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SCHEDULE OF INDEBTEDNESS

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2019

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2018	6/30/2019	Annual Interest Payable
Business-Type Activities Bonds and Loans Payable:							
Water supply system bonds	4/1/2010	\$ 5,995,000	4.25%	05/01/19	\$ 770,000	\$ -	\$ -
					770,000	-	-
Type of debt: revenue bond							
Revenue pledged: water system net revenues							
Drinking Water State Revolving Fund	3/2/2004	\$ 13,900,000	2.13%	10/01/18	725,000	-	-
			2.13%	10/01/19	745,000	745,000	109,916
			2.13%	10/01/20	760,000	760,000	93,925
Type of debt: state loan							
Revenue pledged: water system net revenues							
			2.13%	10/01/21	775,000	775,000	77,616
			2.13%	10/01/22	790,000	790,000	60,988
			2.13%	10/01/23	810,000	810,000	43,988
			2.13%	10/01/24	825,000	825,000	26,616
			2.13%	10/01/25	840,000	840,000	8,925
					6,270,000	5,545,000	421,974
TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE					\$ 7,040,000	\$ 5,545,000	\$ 421,974
Governmental Activities Bonds and Loans Payable:							
Capital Improvement refunding bonds of 2016 (\$257,903 unamortized premium)	3/8/2016	\$ 4,815,000	2.00%	10/01/18	\$ 65,000	\$ -	\$ -
			2.00%	10/01/19	290,000	290,000	159,750
			3.00%	10/01/20	295,000	295,000	150,975
			3.00%	10/01/21	305,000	305,000	141,975
Type of debt: limited G.O. bonds							
Revenue pledged: general revenue							
			3.00%	10/01/22	300,000	300,000	132,900
			3.00%	10/01/23	300,000	300,000	122,400
			4.00%	10/01/24	320,000	320,000	110,000
			4.00%	10/01/25	325,000	325,000	97,100
			4.00%	10/01/26	325,000	325,000	84,100
			4.00%	10/01/27	325,000	325,000	71,100
			4.00%	10/01/28	325,000	325,000	58,100
			4.00%	10/01/29	325,000	325,000	45,100
			4.00%	10/01/30	325,000	325,000	32,100
			4.00%	10/01/31	320,000	320,000	19,200
			4.00%	10/01/32	320,000	320,000	6,400
					4,465,000	4,400,000	1,231,200
Capital improvement bonds of 2011 (streets)	9/30/2011	\$ 2,000,000	2.98%	09/01/18	210,000	-	-
			2.98%	09/01/19	215,000	215,000	16,614
			2.98%	09/01/20	220,000	220,000	10,132
Type of debt: limited G.O. bond							
Revenue pledged: gas tax, general revenues							
			2.98%	09/01/21	230,000	230,000	3,427
					875,000	665,000	30,173
State of Michigan environmental assessment loan	6/18/2010	\$ 500,000	2.00%	03/18/19	19,313	-	-
			2.00%	03/18/20	19,699	19,699	394
					39,012	19,699	394
Type of debt: state loan							
Revenue pledged: general revenues							
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					\$ 5,379,012	\$ 5,084,699	\$ 1,261,767
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					\$ 12,419,012	\$ 10,629,699	\$ 1,683,741

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2019

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2018	6/30/2019	Annual Interest Payable
Discretely Presented Component Unit Bonds and Loans Payable:							
Downtown Development Authority promissory note to Muskegon County	8/10/1989	\$ 1,000,000	0.00%	08/30/19	\$ 1,000,000	\$ 1,000,000	\$ -
					1,000,000	1,000,000	-
Type of debt: intergovernmental note Revenue pledged: DDA tax increments							
Local Development Finance Authority	3/20/2012	\$ 4,100,000	4.00%	11/01/18	375,000	-	-
Smartzone Refunding Bonds			4.00%	11/01/19	390,000	390,000	65,800
(\$57,419 unamortized premium)			4.00%	11/01/20	395,000	395,000	50,100
			4.00%	11/01/21	245,000	245,000	37,300
Type of debt: limited G.O. bond			3.00%	11/01/22	255,000	255,000	28,575
Revenue pledged: LDFA tax increments, general revenues			3.00%	11/01/23	265,000	265,000	20,775
			3.00%	11/01/24	275,000	275,000	12,675
			3.00%	11/01/25	285,000	285,000	4,275
					2,485,000	2,110,000	219,500
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE					\$ 3,485,000	\$ 3,110,000	\$ 219,500
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE					\$ 15,904,012	\$ 13,739,699	\$ 1,903,241

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Statistical Section

This part of the City of Muskegon's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	126
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	131
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	138
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	142
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	144

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

City of Muskegon

NET ASSETS/NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2010	2011	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)	2019
<u>Governmental Activities</u>										
Net Investment in Capital Assets	\$ 67,809,630	\$ 67,944,957	\$ 66,862,806	\$ 63,842,092	\$ 63,731,255	\$ 63,514,691	\$ 64,326,891	\$ 62,520,466	\$ 61,267,518	\$ 66,734,006
Restricted	3,059,208	3,656,410	3,526,343	4,572,848	4,023,895	4,807,531	4,140,342	3,777,410	6,138,596	5,519,207
Unrestricted	<u>13,828,231</u>	<u>12,598,197</u>	<u>12,836,573</u>	<u>13,299,523</u>	<u>12,811,852</u>	<u>491,914</u>	<u>(4,142,119)</u>	<u>(5,566,349)</u>	<u>(8,350,634)</u>	<u>(14,355,143)</u>
Total Governmental Net Assets/Net Position	<u>\$ 84,697,069</u>	<u>\$ 84,199,564</u>	<u>\$ 83,225,722</u>	<u>\$ 81,714,463</u>	<u>\$ 80,567,002</u>	<u>\$ 68,814,136</u>	<u>\$ 64,325,114</u>	<u>\$ 60,731,527</u>	<u>\$ 59,055,480</u>	<u>\$ 57,898,070</u>
<u>Business-type Activities</u>										
Net Investment in Capital Assets	\$ 41,105,739	\$ 40,419,728	\$ 40,147,600	\$ 40,032,858	\$ 39,365,043	\$ 39,231,223	\$ 39,013,529	\$ 38,114,686	\$ 38,549,547	\$ 41,741,666
Restricted	672,000	672,000	672,000	599,500	599,500	599,500	599,500	599,500	599,500	599,500
Unrestricted	<u>7,630,396</u>	<u>9,211,610</u>	<u>8,961,713</u>	<u>8,491,848</u>	<u>8,377,093</u>	<u>6,423,540</u>	<u>5,762,272</u>	<u>6,382,906</u>	<u>6,041,091</u>	<u>2,424,616</u>
Total Business-type Activities Net Assets/Net Position	<u>\$ 49,408,135</u>	<u>\$ 50,303,338</u>	<u>\$ 49,781,313</u>	<u>\$ 49,124,206</u>	<u>\$ 48,341,636</u>	<u>\$ 46,254,263</u>	<u>\$ 45,375,301</u>	<u>\$ 45,097,092</u>	<u>\$ 45,190,138</u>	<u>\$ 44,765,782</u>
<u>Primary Government</u>										
Net Investment in Capital Assets	\$ 108,915,369	\$ 108,364,685	\$ 107,010,406	\$ 103,874,950	\$ 103,096,298	\$ 102,745,914	\$ 103,340,420	\$ 100,635,152	\$ 99,817,065	\$ 108,475,672
Restricted	3,731,208	4,328,410	4,198,343	5,172,348	4,623,395	5,407,031	4,739,842	4,376,910	6,738,096	6,118,707
Unrestricted	<u>21,458,627</u>	<u>21,809,807</u>	<u>21,798,286</u>	<u>21,791,371</u>	<u>21,188,945</u>	<u>6,915,454</u>	<u>1,620,153</u>	<u>816,557</u>	<u>(2,309,543)</u>	<u>(11,930,527)</u>
Total Primary Government Net Assets/Net Position	<u>\$ 134,105,204</u>	<u>\$ 134,502,902</u>	<u>\$ 133,007,035</u>	<u>\$ 130,838,669</u>	<u>\$ 128,908,638</u>	<u>\$ 115,068,399</u>	<u>\$ 109,700,415</u>	<u>\$ 105,828,619</u>	<u>\$ 104,245,618</u>	<u>\$ 102,663,852</u>

(a) In 2013, the City implemented GASB 63 and 65 which changed the elements of the financial statements.

(b) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.

(c) In 2018, the City implemented GASB 75 which changed how governments measure and report other postemployment benefit liabilities.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	Period Ended June 30	Year Ended June 30								
	2010	2011	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)	2019
EXPENSES										
<u>Governmental Activities</u>										
Public representation	\$ 445,251	\$ 854,249	\$ 866,809	\$ 893,981	\$ 1,030,006	\$ 939,907	\$ 1,107,551	\$ 1,113,897	\$ 1,347,618	\$ 1,336,014
Administrative services	317,873	645,585	566,161	565,307	543,425	614,757	663,077	679,139	507,275	800,887
Financial services	1,209,694	2,373,141	2,399,147	2,241,061	2,171,958	2,547,766	2,331,236	2,483,519	1,995,426	2,700,775
Public safety	6,332,728	13,390,888	13,213,251	12,987,842	12,946,466	14,243,233	17,118,742	16,910,473	12,404,126	20,433,642
Public works	1,640,946	3,471,051	2,958,367	3,201,806	3,361,422	3,183,627	3,109,454	3,551,230	3,471,618	4,438,358
Highways, streets and bridges	3,680,196	7,013,216	6,568,448	6,672,374	7,053,326	7,165,703	7,251,882	6,996,540	6,917,260	7,185,642
Community and economic development	1,275,026	2,830,867	2,447,373	2,499,404	2,417,518	2,712,131	5,223,431	3,738,566	5,015,160	2,890,216
Culture and recreation	759,392	1,524,331	1,601,316	1,592,358	1,671,185	1,806,790	3,551,692	3,918,814	3,994,582	4,541,739
General administration	210,117	794,115	791,197	322,348	366,634	389,248	326,452	301,287	376,112	302,582
Interest on long-term debt	139,006	272,940	283,186	291,535	277,345	271,607	248,223	172,591	165,023	151,304
Total Governmental Activities Expenses	16,010,229	33,170,383	31,695,255	31,268,016	31,839,285	33,874,769	40,931,740	39,866,056	36,194,200	44,781,159
<u>Business-type Activities</u>										
Water	2,958,795	5,869,241	5,974,173	6,228,788	6,016,192	6,047,244	6,750,826	7,206,564	7,090,770	7,752,703
Sewer	2,525,067	5,288,622	6,202,359	7,226,839	7,582,602	8,460,509	8,669,469	8,876,690	8,093,752	9,119,941
Marina and launch ramp	150,055	292,889	310,174	426,553	503,997	305,990	327,832	336,912	377,614	430,431
Total Business-type Activities Expenses	5,633,917	11,450,752	12,486,706	13,882,180	14,102,791	14,813,743	15,748,127	16,420,166	15,562,136	17,303,075
Total Primary Government Expenses	\$ 21,644,146	\$ 44,621,135	\$ 44,181,961	\$ 45,150,196	\$ 45,942,076	\$ 48,688,512	\$ 56,679,867	\$ 56,286,222	\$ 51,756,336	\$ 62,084,234
PROGRAM REVENUES										
<u>Governmental Activities</u>										
Charges for Services										
Public representation	\$ 100,177	\$ 196,886	\$ 196,886	\$ 173,739	\$ 189,444	\$ 188,638	\$ 226,559	\$ 228,767	\$ 232,736	\$ 250,931
Administrative services	129,630	263,473	270,886	268,535	325,937	415,308	474,737	572,739	539,178	604,290
Financial services	475,031	879,905	881,229	830,919	871,632	823,547	925,474	895,924	903,322	921,748
Public safety	536,419	1,109,659	1,136,942	1,133,666	1,407,722	1,218,644	1,248,911	1,824,114	2,794,347	2,292,158
Public works	209,203	642,082	480,487	671,494	796,739	571,426	379,877	646,876	743,110	691,312
Highways, streets and bridges	139,009	451,473	230,241	245,609	351,962	258,475	234,861	256,190	188,248	191,883
Community and economic development	186,572	457,952	617,379	432,240	477,486	576,863	444,632	706,195	348,933	786,120
Culture and recreation	129,025	300,367	315,010	606,818	535,211	368,168	1,229,067	1,463,839	1,651,304	1,853,547
General administration	59,373	116,690	116,690	287,729	50,728	48,764	52,512	37,892	38,549	40,400
Operating grants and contributions	3,131,811	5,425,165	4,651,576	4,681,345	4,664,098	5,071,239	5,330,825	5,208,818	6,478,526	6,892,530
Capital grants and contributions	255,234	2,257,163	1,568,005	886,108	1,408,424	3,496,623	3,804,656	862,074	2,305,620	4,015,097
Total Governmental Program Revenues	5,351,484	12,100,815	10,465,331	10,218,202	11,079,383	13,037,695	14,352,111	12,703,428	16,223,873	18,540,016
<u>Business-type Activities</u>										
Water	2,891,169	5,454,760	5,254,095	5,890,614	6,099,480	6,375,869	7,485,013	7,430,314	7,445,669	7,946,983
Sewer	3,441,924	6,652,851	6,455,634	7,058,315	6,633,911	6,363,808	6,305,554	7,620,208	8,217,497	8,098,828
Marina and launch ramp	156,767	194,311	208,370	234,229	228,339	255,638	287,547	278,753	325,917	298,312
Operating grants and contributions	-	-	-	6,188	-	-	-	2,436	42,531	510,533
Capital grants and contributions	-	20,074	-	88,046	327,240	474,681	765,363	784,969	-	-
Total Business-type program revenues	6,489,860	12,321,996	11,918,099	13,277,392	13,288,970	13,469,996	14,843,477	16,116,680	16,031,614	16,854,656
Total Primary Government program revenues	\$ 11,841,344	\$ 24,422,811	\$ 22,383,430	\$ 23,495,594	\$ 24,368,353	\$ 26,507,691	\$ 29,195,588	\$ 28,820,108	\$ 32,255,487	\$ 35,394,672
NET (EXPENSE) REVENUE										
Governmental Activities	\$ (10,658,745)	\$ (21,069,568)	\$ (21,229,924)	\$ (21,049,814)	\$ (20,759,902)	\$ (20,837,074)	\$ (26,579,629)	\$ (27,162,628)	\$ (19,970,327)	\$ (26,241,143)
Business-type Activities	855,943	871,244	(568,607)	(604,788)	(813,821)	(1,343,747)	(904,650)	(303,486)	469,478	(448,419)
Total Primary Government net expense	\$ (9,802,802)	\$ (20,198,324)	\$ (21,798,531)	\$ (21,654,602)	\$ (21,573,723)	\$ (22,180,821)	\$ (27,484,279)	\$ (27,466,114)	\$ (19,500,849)	\$ (26,689,562)

City of Muskegon
CHANGES IN NET ASSETS/NET POSITION
Last Ten Fiscal Years

	Period Ended June 30	Year Ended June 30								
	2010	2011	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)	2019
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/NET POSITION										
<u>Governmental Activities</u>										
Property taxes	\$ 8,681,256	\$ 8,844,004	\$ 8,383,224	\$ 7,592,847	\$ 7,383,236	\$ 7,894,189	\$ 8,366,212	\$ 8,389,243	\$ 8,450,103	\$ 8,230,573
Income taxes	3,505,264	6,866,967	7,663,534	8,057,145	7,762,719	8,478,231	8,386,775	8,707,279	8,995,294	8,939,887
Franchise fees	178,239	362,103	342,376	358,785	358,754	369,965	372,117	378,955	368,495	380,343
Grants and contributions not restricted for specific programs	1,832,066	3,846,859	3,577,848	3,700,871	3,813,221	3,989,178	4,051,050	4,630,111	4,955,168	5,102,602
Unrestricted investment earnings	104,086	193,435	100,073	73,157	146,590	99,733	189,408	106,653	92,771	546,533
Miscellaneous	51,638	432,880	154,531	102,388	124,085	805,432	626,014	512,738	545,536	550,381
Gain on sale of capital asset	65,155	25,815	34,496	44,899	23,836	20,302	99,031	844,062	712,415	1,333,414
Transfers	(3,760)	-	-	-	-	-	-	-	-	-
Total Governmental Program Revenues	14,413,944	20,572,063	20,256,082	19,930,092	19,612,441	21,657,030	22,090,607	23,569,041	24,119,782	25,083,733
<u>Business-type Activities</u>										
Unrestricted investment earnings	15,990	23,959	46,582	33,148	31,251	29,879	25,688	25,277	28,550	24,063
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Transfers	3,760	-	-	-	-	-	-	-	-	-
Total Business-type program revenues	19,750	23,959	46,582	33,148	31,251	29,879	25,688	25,277	28,550	24,063
Total Primary Government program revenues	\$ 14,433,694	\$ 20,596,022	\$ 20,302,664	\$ 19,963,240	\$ 19,643,692	\$ 21,686,909	\$ 22,116,295	\$ 23,594,318	\$ 24,148,332	\$ 25,107,796
CHANGE IN NET ASSETS/NET POSITION										
Governmental Activities	\$ 3,755,199	\$ (497,505)	\$ (973,842)	\$ (1,119,722)	\$ (1,147,461)	\$ 819,956	\$ (4,489,022)	\$ (3,593,587)	\$ 4,149,455	\$ (1,157,410)
Business-type Activities	875,693	895,203	(522,025)	(571,640)	(782,570)	(1,313,868)	(878,962)	(278,209)	498,028	(424,356)
Total Primary Government	\$ 4,630,892	\$ 397,698	\$ (1,495,867)	\$ (1,691,362)	\$ (1,930,031)	\$ (493,912)	\$ (5,367,984)	\$ (3,871,796)	\$ 4,647,483	\$ (1,581,766)

- (a) In 2013, the City implemented GASB 63 and 65 which changed the elements of the financial statements.
(b) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.
(c) In 2018, the City implemented GASB 75 which changed how governments measure and report other postemployment benefit liabilities.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2010	2011 (a)	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved	\$ 300,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	251,173	178,468	447,341	300,952	220,178	232,332	209,353	222,458	241,684
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	2,385,728	2,075,738	2,292,495	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Unassigned	-	3,374,481	4,265,839	4,613,722	5,495,145	5,883,318	6,098,977	6,148,292	6,469,108	6,563,511
Unreserved	5,737,485	-	-	-	-	-	-	-	-	-
Total general fund	\$ 6,038,454	\$ 6,011,382	\$ 6,520,045	\$ 7,353,558	\$ 7,496,097	\$ 7,803,496	\$ 8,031,309	\$ 8,057,645	\$ 8,391,566	\$ 8,505,195
All other governmental funds										
Reserved	\$ 3,887,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	1,704,256	1,568,318	1,547,793	1,556,347	2,073,747	1,597,371	1,716,825	1,589,699	1,624,737
Restricted	-	1,375,779	3,485,073	2,749,396	2,305,385	3,159,130	2,995,610	2,726,754	5,130,188	4,621,126
Assigned	-	2,073,027	2,055,904	2,087,359	1,729,457	2,146,050	1,373,669	3,510,747	2,619,342	1,823,959
Unassigned	-	(238,104)	(191,282)	(82,048)	(100,054)	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	2,163,041	-	-	-	-	-	-	-	-	-
Capital project funds	6,035	-	-	-	-	-	-	-	-	-
Permanent funds	16,979	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 6,073,344	\$ 4,914,958	\$ 6,918,013	\$ 6,302,500	\$ 5,491,135	\$ 7,378,927	\$ 5,966,650	\$ 7,954,326	\$ 9,339,229	\$ 8,069,822

(a) In fiscal 2011, the City adopted GASB 54 which changed fund balance classifications.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	Period Ended June 30	Year Ended June 30								
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 11,855,182	\$ 15,146,430	\$ 15,506,668	\$ 14,832,027	\$ 14,954,904	\$ 15,830,137	\$ 16,178,761	\$ 16,667,272	\$ 16,877,055	\$ 16,582,030
Intergovernmental	4,785,494	11,525,749	9,899,379	9,403,554	9,945,065	12,301,594	11,711,788	10,743,434	13,488,014	15,776,333
Charges for services	1,338,194	2,769,204	2,596,328	2,769,227	2,569,335	2,468,889	3,468,938	3,918,217	4,229,797	4,430,419
Other	1,768,895	3,461,292	3,237,189	2,795,952	3,256,324	4,003,105	3,868,958	4,005,126	5,251,208	5,312,773
Total revenues	19,747,765	32,902,675	31,239,564	29,800,760	30,725,628	34,603,725	35,228,445	35,334,049	39,846,074	42,101,555
Expenditures										
Public representation	448,703	851,918	867,762	892,113	1,031,984	930,788	1,064,503	1,080,032	1,383,573	1,281,107
Administrative services	303,555	586,328	515,988	508,130	497,025	554,330	577,454	624,284	537,913	739,301
Financial services	1,241,430	2,352,709	2,407,131	2,196,917	2,197,651	2,476,740	2,068,208	2,236,941	2,191,245	2,394,866
Public safety	6,578,735	13,087,976	12,963,122	12,724,094	12,987,898	13,285,004	13,476,557	14,086,619	15,156,977	16,131,196
Public works	1,589,090	3,079,342	2,835,000	2,878,328	2,918,305	2,876,576	2,864,878	3,206,050	3,377,174	4,176,904
Highways, streets and bridges	1,823,089	3,226,377	2,756,010	2,815,337	3,011,611	2,986,909	3,102,391	3,096,875	4,554,968	2,963,498
Community and economic development	1,330,794	3,109,693	2,850,593	2,578,073	2,687,933	2,957,071	5,415,436	3,878,547	3,962,759	2,930,725
Culture and recreation	639,852	1,197,020	1,265,743	1,248,174	1,308,481	1,444,471	3,100,338	3,523,178	3,713,177	4,050,986
Other governmental functions	200,623	1,775,128	770,910	299,812	643,666	369,408	305,807	280,416	355,241	281,711
Debt service										
Principal	303,466	1,345,183	289,597	395,211	402,492	417,842	428,199	283,563	288,934	294,313
Interest	136,013	267,258	268,315	292,554	278,412	272,946	257,516	211,242	197,723	189,905
Issuance costs	-	-	-	-	-	-	97,578	-	-	-
Capital outlay	980,822	3,301,273	2,948,610	3,230,586	3,577,837	3,992,111	3,867,579	2,328,615	3,134,369	9,363,862
Total expenditure	15,576,172	34,180,205	30,738,781	30,059,329	31,543,295	32,564,196	36,626,444	34,836,362	38,854,053	44,798,374
Excess of revenues over (under) expenditures	4,171,593	(1,277,530)	500,783	(258,569)	(817,667)	2,039,529	(1,397,999)	497,687	992,021	(2,696,819)
Other financing sources (uses)										
Transfers in	342,188	1,348,694	510,907	1,356,229	743,035	853,910	1,563,094	1,805,000	1,370,000	1,210,236
Transfers out	(359,971)	(1,376,740)	(613,953)	(784,275)	(771,081)	(942,933)	(1,638,094)	(1,818,000)	(1,385,000)	(1,210,236)
Bonds issued	-	-	2,000,000	-	-	-	97,578	-	-	-
Sale of capital assets	75,465	120,118	113,981	190,263	176,887	244,685	190,957	1,529,325	741,803	1,541,041
Total other financing sources (uses)	57,682	92,072	2,010,935	762,217	148,841	155,662	213,535	1,516,325	726,803	1,541,041
Net change in fund balances	\$ 4,229,275	\$ (1,185,458)	\$ 2,511,718	\$ 503,648	\$ (668,826)	\$ 2,195,191	\$ (1,184,464)	\$ 2,014,012	\$ 1,718,824	\$ (1,155,778)
Debt service as a percentage of noncapital expenditures	3.01%	5.22%	2.01%	2.56%	2.43%	2.42%	2.09%	1.52%	1.36%	1.37%

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Property Tax	% of Total	Income Tax	% of Total	Intergovernmental	% of Total	Charges for Service	% of Total	Licenses and Permits	% of Total	Fines and Fees	% of Total	Interest and Rent	% of Total	Other	% of Total	Total	% Change
2010*	\$ 8,487,125	43.0%	\$ 3,368,057	17.1%	\$ 4,785,494	24.2%	\$ 1,338,194	6.8%	\$ 584,162	3.0%	\$ 297,043	1.5%	\$ 193,873	1.0%	\$ 693,817	3.5%	\$ 19,747,765	-39.9%
2011	8,546,677	26.0%	6,599,753	20.1%	11,525,749	35.0%	2,769,204	8.4%	1,179,639	3.6%	447,254	1.4%	412,498	1.3%	1,421,901	4.3%	32,902,675	66.6%
2012	8,093,864	25.9%	7,412,804	23.7%	9,899,379	31.7%	2,596,328	8.3%	1,223,034	3.9%	459,401	1.5%	307,891	1.0%	1,246,863	4.0%	31,239,564	-5.1%
2013	7,325,555	24.6%	7,506,472	25.2%	9,403,554	31.6%	2,769,227	9.3%	1,238,285	4.2%	435,893	1.5%	267,397	0.9%	854,377	2.9%	29,800,760	-4.6%
2014	7,123,481	23.2%	7,831,423	25.5%	9,945,065	32.4%	2,569,335	8.4%	1,570,137	5.1%	418,691	1.4%	352,153	1.1%	915,343	3.0%	30,725,628	3.1%
2015	7,555,471	21.8%	8,274,666	23.9%	12,301,594	35.5%	2,468,889	7.1%	1,361,721	3.9%	452,004	1.3%	343,105	1.0%	1,846,275	5.3%	34,603,725	12.6%
2016	8,026,859	22.8%	8,151,902	23.1%	11,711,788	33.2%	3,468,938	9.8%	1,443,144	4.1%	459,181	1.3%	455,671	1.3%	1,510,962	4.3%	35,228,445	1.8%
2017	8,056,460	22.8%	8,610,812	24.4%	10,743,434	30.4%	3,918,217	11.1%	1,884,341	5.3%	494,369	1.4%	290,578	0.8%	1,335,838	3.8%	35,334,049	0.3%
2018	8,118,381	20.4%	8,758,674	22.0%	13,488,014	33.9%	4,229,797	10.6%	2,965,599	7.4%	457,172	1.1%	212,069	0.5%	1,616,368	4.1%	39,846,074	12.8%
2019	7,890,357	18.7%	8,691,673	20.6%	15,776,333	37.5%	4,430,419	10.5%	2,452,807	5.8%	488,578	1.2%	757,911	1.8%	1,613,477	3.8%	42,101,555	5.7%

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

Taxable, Assessed and Equalized and Estimated Actual Valuation of Property

Last Ten Fiscal Years

Taxable Valuation of Property

Ad Valorem Assessment Roll								Industrial and Commercial Facilities Assessment Roll				Total Taxable Valuation	Total City	Taxable Value As a Percent Actual
Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT			
2009	\$ 376,545,791	\$ 157,682	\$ 147,276,887	\$ 114,185,691	\$ 638,166,051	\$ 111,493,852	\$ 749,659,903	\$ 5,259,649	\$ 25,616,400	\$ -	\$ 30,876,049	\$ 780,535,952	11.0680	91.48%
2010	332,105,030	-	144,721,736	109,507,141	586,333,907	104,029,037	690,362,944	4,111,154	9,129,000	-	13,240,154	703,603,098	12.0680	94.04%
2011	331,901,631	-	144,675,509	87,261,346	563,838,486	93,465,537	657,304,023	3,071,654	9,129,000	-	12,200,654	669,504,677	12.0749	94.95%
2012	312,930,252	-	134,635,427	81,575,476	529,141,155	91,750,891	620,892,046	3,587,223	6,161,900	-	9,749,123	630,641,169	12.0789	96.40%
2013	310,252,865	-	118,856,014	76,331,458	505,440,337	91,730,093	597,170,430	6,677,737	7,472,900	-	14,150,637	611,321,067	12.0865	96.97%
2014	312,031,296	-	115,070,943	61,196,955	488,299,194	91,020,452	579,319,646	3,874,303	6,512,600	-	10,386,903	589,706,549	13.0875	96.26%
2015	314,055,244	-	116,448,947	54,898,389	485,402,580	95,098,912	580,501,492	3,149,352	7,772,000	-	10,921,352	591,422,844	13.0869	95.28%
2016	314,299,363	-	114,855,236	50,232,295	479,386,894	74,155,243	553,542,137	3,628,098	5,690,600	-	9,318,698	562,860,835	13.0905	93.60%
2017	319,768,625	-	113,497,599	50,381,292	483,647,516	67,760,237	551,407,753	3,692,357	4,627,400	-	8,319,757	559,727,510	13.0908	91.38%
2018	331,347,976	-	113,370,852	48,272,032	492,990,860	65,728,440	558,719,300	3,990,263	3,739,800	-	7,730,063	566,449,363	13.0899	89.69%

Assessed and Equalized Valuation of Property

Ad Valorem Assessment Roll								Industrial and Commercial Facilities Assessment Roll				Total Assessed Valuation	Estimated Actual Value
Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT		
2009	\$ 426,002,850	\$ 191,100	\$ 161,996,600	\$ 122,301,800	\$ 710,492,350	\$ 111,497,300	\$ 821,989,650	\$ 5,606,100	\$ 25,616,400	\$ -	\$ 31,222,500	\$ 853,212,150	\$ 1,706,424,300
2010	354,044,700	-	154,185,000	122,703,400	630,933,100	104,020,200	734,953,300	4,120,400	9,129,000	-	13,249,400	748,202,700	1,496,405,400
2011	354,307,945	-	154,700,200	90,467,700	599,475,845	93,456,700	692,932,545	3,080,900	9,129,000	-	12,209,900	705,142,445	1,410,284,890
2012	327,226,000	-	141,238,834	84,084,000	552,548,834	91,740,800	644,289,634	3,719,300	6,161,900	-	9,881,200	654,170,834	1,308,341,668
2013	321,604,220	-	123,831,400	79,037,400	524,473,020	91,720,300	616,193,320	6,766,000	7,472,900	-	14,238,900	630,432,220	1,260,864,440
2014	326,690,900	-	120,803,800	63,704,200	511,198,900	91,004,400	602,203,300	3,877,300	6,512,600	-	10,389,900	612,593,200	1,225,186,400
2015	335,445,400	-	122,235,800	57,024,100	514,705,300	95,084,900	609,790,200	3,149,800	7,772,000	-	10,921,800	620,712,000	1,241,424,000
2016	342,767,600	-	122,574,300	52,323,600	517,665,500	74,140,100	591,805,600	3,851,200	5,690,600	-	9,541,800	601,347,400	1,202,694,800
2017	363,318,800	-	120,587,210	52,278,900	536,184,910	67,745,200	603,930,110	3,957,900	4,639,600	-	8,597,500	612,527,610	1,225,055,220
2018	382,994,200	-	124,938,600	50,130,470	558,063,270	65,713,100	623,776,370	4,017,100	3,739,800	-	7,756,900	631,533,270	1,263,066,540

Property is assessed at 50% of true cash value. The assessed and equalized valuation of taxable property is determined as of December 31st of each year and is the basis upon which taxes are levied during the succeeding fiscal year. The passage of Proposal A in May, 1994 altered how tax values are determined. Beginning in the 1995-1996 fiscal year, property taxes are based on taxable value instead of state equalized value. Proposal A also capped taxable value of each parcel of property, adjusted for additions and losses, at the previous year's rate of inflation or 5% whichever is less, until the property is sold or transferred. When ownership of a parcel of property is transferred, the taxable value becomes 50% of true cash value, or the state equalized valuation. The Industrial and Commercial Facilities Tax Acts permit certain property to be taxed at one-half the tax rate for a period up to twelve years.

City of Muskegon
Principal Property Taxpayers

June 30, 2019

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Taxpayer	6/30/2019			6/30/2009		
	Taxable Valuation	Rank	Percent of Total Taxable Valuation	Taxable Valuation	Rank	Percent of Total Taxable Valuation
Consumers Energy	\$ 21,607,450	1	3.8%	\$ 78,615,856	1	10.1%
DTE Gas Company	8,875,500	2	1.5%	5,852,200	6	0.7%
Melching	5,703,429	3	1.0%			
Michigan Electric Transmission	5,251,200	4	0.9%			
Muskegon SC Holdings LLC	4,256,304	5	0.7%			
Mercy Health	4,160,820	6	0.7%			
Muskegon Investments I LLC	3,600,000	7	0.6%			
Glen Oaks Apartments LLC	3,422,070	8	0.6%	4,776,500	7	0.6%
Adac Plastics	2,907,135	9	0.5%			
RCG Muskegon LLC	2,654,600	10	0.5%			
Sappi (S.D. Warren Co.)				31,205,687	2	4.0%
Johnson Technology				7,679,263	3	1.0%
Adac Plastics				7,379,563	4	0.9%
Esco Company				6,578,855	5	0.8%
Honeywell Inc				4,738,900	8	0.6%
Faram Muskegon LLC				4,570,300	9	0.6%
Lorin Industries				4,318,889	10	0.6%
Total - 10 Largest	62,438,508		10.9%	155,716,013		19.9%
Total - All Other	510,872,320		89.1%	624,819,939		80.1%
	\$ 573,310,828		100.0%	\$ 780,535,952		100.0%

Source: Muskegon County Equalization Department; City of Muskegon Treasurer's Office

City of Muskegon

Property Tax Rates - Direct and Overlapping Government Units
Property Tax Rates Per \$1,000 Taxable Valuation
Last Ten Fiscal Years

Year	City-Wide Rates				Library District	Library Debt
	Operating	Promotion	Sanitation	Total City		
2009	8.9000	0.0680	2.1000	11.0680	2.4000	-
2010	9.5000	0.0680	2.5000	12.0680	2.4000	-
2011	9.5000	0.0749	2.5000	12.0749	2.4000	-
2012	9.5000	0.0789	2.5000	12.0789	2.4000	-
2013	9.5000	0.0865	2.5000	12.0865	2.4000	-
2014	10.0000	0.0875	3.0000	13.0875	2.4000	-
2015	10.0000	0.0869	3.0000	13.0869	2.4000	0.5611
2016	10.0000	0.0905	3.0000	13.0905	2.4000	0.4962
2017	10.0000	0.0908	3.0000	13.0908	2.4000	0.4999
2018	10.0000	0.0899	3.0000	13.0899	2.4000	0.4866

Year	Overlapping - County-Wide Rates						
	Muskegon County	Intermediate School	Special Education	Vocational Education	Community College	MAISD Gen Ed	Community College Debt
2009	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2010	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2011	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2012	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2013	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2014	6.6557	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2015	6.6357	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2016	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2017	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2018	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400

Year	Overlapping - School District				Grand Total	
	Operating	Debt	Total	State Education	Homestead	Non-Homestead
2009	18.0000	5.6000	23.6000	6.0000	37.7254	55.7254
2010	18.0000	5.7500	23.7500	6.0000	38.8754	56.8754
2011	18.0000	6.2500	24.2500	6.0000	39.3823	57.3823
2012	18.0000	7.1000	25.1000	6.0000	40.2363	58.2363
2013	18.0000	7.1000	25.1000	6.0000	40.2439	58.2439
2014	18.0000	7.6000	25.6000	6.0000	43.0449	61.0449
2015	18.0000	6.8000	24.8000	6.0000	42.7854	60.7854
2016	18.0000	6.3500	24.3500	6.0000	42.5341	60.5341
2017	18.0000	7.6800	25.6800	6.0000	43.8681	61.8681
2018	18.0000	8.3600	26.3600	6.0000	44.5339	62.5339

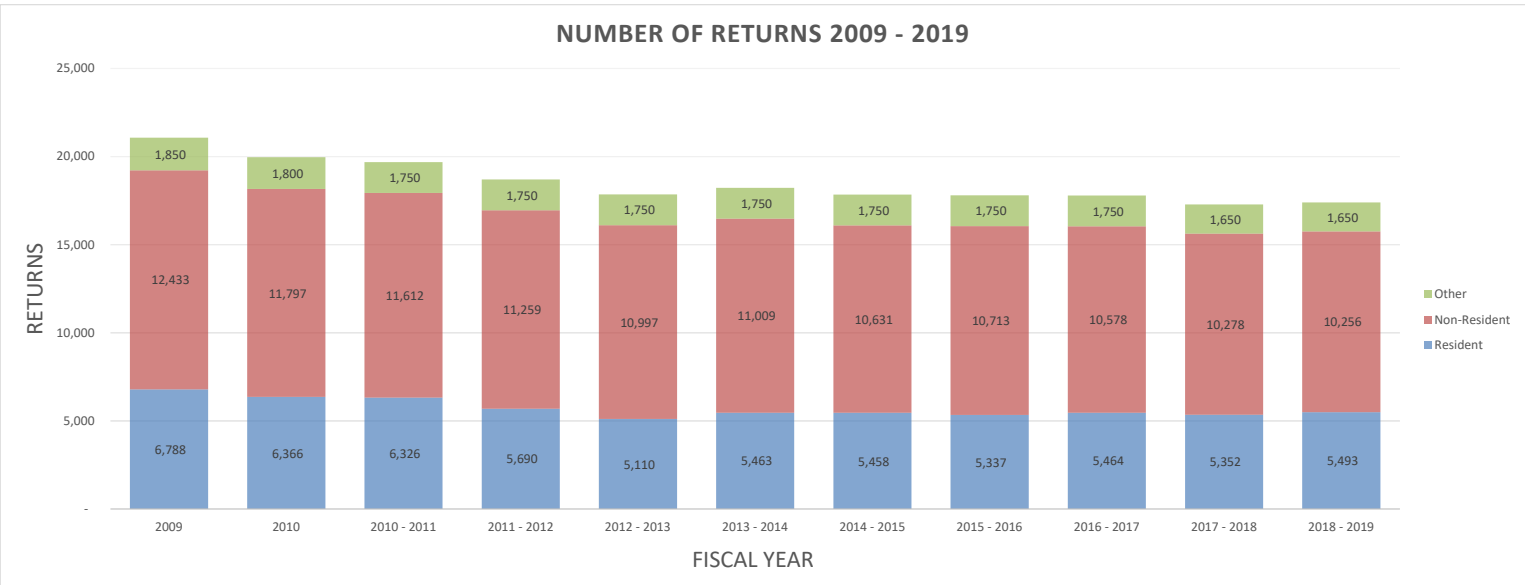
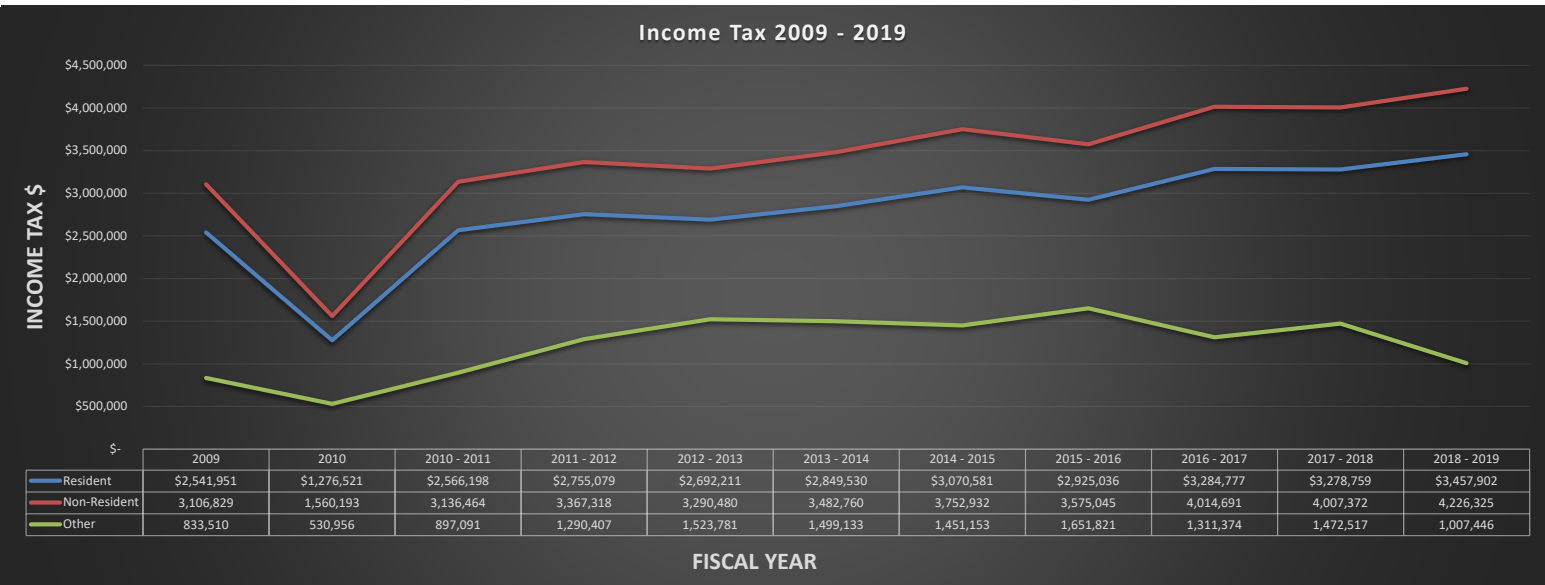
City of Muskegon
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as % of Levy	Charge backs On Uncollected Delinquent Taxes	Outstanding Delinquent Personal	Outstanding Delinquent Specific	Percent of Delinquent Taxes to Levy
2009	\$ 8,700,017	\$ 7,522,462	86.5%	\$ 1,102,891	\$ 8,625,353	99.1%	\$ 25,755	\$ 73,440	\$ 34,758	1.54%
2010	8,945,500	7,784,052	87.0%	1,077,056	8,861,108	99.1%	58,027	70,745	13,647	1.59%
2011	8,583,284	7,457,610	86.9%	1,030,902	8,488,512	98.9%	54,707	80,068	12,935	1.72%
2012	7,872,541	6,882,534	87.4%	915,950	7,798,484	99.1%	27,163	68,945	5,113	1.29%
2013	7,668,166	6,703,147	87.4%	912,362	7,615,509	99.3%	102,713	45,361	7,296	2.03%
2014	8,032,955	7,069,804	88.0%	917,806	7,987,610	99.4%	57,680	41,074	2,788	1.26%
2015	8,132,782	7,247,701	89.1%	848,266	8,095,967	99.5%	62,345	33,407	1,862	1.20%
2016	7,719,829	6,828,816	88.5%	853,639	7,682,455	99.5%	42,063	23,671	1,365	0.87%
2017	7,633,290	6,776,856	88.8%	795,164	7,572,020	99.2%	51,584	43,665	11,728	1.40%
2018	9,545,232	8,631,502	90.4%	839,208	9,470,710	99.2%	-	53,873	13,529	0.71%

SOURCE: City of Muskegon Treasurer' Office

City of Muskegon
Total Income Tax Collect and Number of Returns Filed - Graphical
Last Ten Fiscal Years



* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

City of Muskegon
Total Income Tax Collect and Number of Returns Filed - Data
Last Ten Fiscal Years

Income Tax 2009 - 2019

Year	2009	2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019
Resident	\$2,541,951	\$1,276,521	\$2,566,198	\$2,755,079	\$2,692,211	\$2,849,530	\$3,070,581	\$2,925,036	\$3,284,777	\$3,278,759	\$3,457,902
Non-Resident	3,106,829	1,560,193	3,136,464	3,367,318	3,290,480	3,482,760	3,752,932	3,575,045	4,014,691	4,007,372	4,226,325
Other	833,510	530,956	897,091	1,290,407	1,523,781	1,499,133	1,451,153	1,651,821	1,311,374	1,472,517	1,007,446
Total Income Tax	\$6,482,290	\$3,367,670	\$6,599,753	\$7,412,804	\$7,506,472	\$7,831,423	\$8,274,666	\$8,151,902	\$8,610,842	\$8,758,648	\$8,691,673

Number of Returns 2009 - 2019

Year	2009	2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019
Resident	6,788	6,366	6,326	5,690	5,110	5,463	5,458	5,337	5,464	5,352	5,493
Non-Resident	12,433	11,797	11,612	11,259	10,997	11,009	10,631	10,713	10,578	10,278	10,256
Other	1,850	1,800	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,650	1,650
Total Returns	21,071	19,963	19,688	18,699	17,857	18,222	17,839	17,800	17,792	17,280	17,399

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 * The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Year	Governmental Activities				Business-Type Activities				
	General Obligation Limited Tax Bonds	Special Assessment Bonds	State Loans	Total Governmental Activities	Revenue Bonds	State Loans	Total Business- Type Activities	Total Primary Government	Per Capita
2010*	\$ 6,444,605	\$ -	\$ 1,065,428	\$ 7,510,033	\$ 5,995,000	\$ 11,570,000	\$ 17,565,000	\$ 25,075,033	\$ 639
2011	5,920,000	-	244,850	6,164,850	5,415,000	10,955,000	16,370,000	22,534,850	587
2012	7,725,000	-	150,253	7,875,253	4,815,000	10,325,000	15,140,000	23,015,253	599
2013	7,350,000	-	130,042	7,480,042	4,205,000	9,685,000	13,890,000	21,370,042	577
2014	6,954,535	-	112,550	7,067,085	3,630,728	9,030,000	12,660,728	19,727,813	533
2015	6,555,436	-	94,708	6,650,144	2,949,368	8,360,000	11,309,368	17,959,512	483
2016	6,243,903	-	76,509	6,320,412	2,246,962	7,675,000	9,921,962	16,242,374	436
2017	5,940,903	-	57,946	5,998,849	1,523,661	6,980,000	8,503,661	14,502,510	378
2018	5,633,903	-	39,012	5,672,915	774,614	6,270,000	7,044,614	12,717,529	331
2019	5,322,903	-	19,699	5,342,602	-	5,545,000	5,545,000	10,887,602	284

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

NOTE: None of the debt issued by the City is payable through the levy of property tax millages.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

DIRECT AND OVERLAPPING DEBT

June 30, 2019

Name of Governmental Unit	Total Debt Outstanding	Self Supporting	Debt Supported by City General Revenues
<u>Direct Debt</u>			
City of Muskegon:			
Revenue Bonds	\$ 5,545,000	\$ 5,545,000	\$ -
Capital Improvement Bonds	5,322,903	-	5,322,903
Intergovernmental Bonds	19,699	-	19,699
Component Unit Debt:			
Downtown Development Authority	1,000,000	1,000,000	-
Local Development Finance Authority	2,167,419	2,167,419	-
Total City Direct Debt	\$ 14,055,021	\$ 8,712,419	\$ 5,342,602

	Gross	City Share as Percent of Gross	Net
<u>Overlapping Debt</u>			
Muskegon School District	\$ 7,470,000	95.40%	\$ 7,126,380
Orchard View School District	39,635,467	18.05%	7,154,202
Reith's Puffer School District	64,727,524	0.73%	472,511
Hackley Public Library	2,305,000	95.40%	2,198,970
Muskegon County	113,057,178	12.49%	14,120,842
Muskegon Community College	33,835,000	12.49%	4,225,992
Total Overlapping Debt	\$ 261,030,169		35,298,896
Total City Direct and Overlapping Debt			\$ 40,641,498

NOTE: None of the debt issued by the City is payable through the levy of property tax millages.

The percentage of overlapping debt is estimated using taxable property values. Applicable percentages were estimated by determining the portion of the City's taxable value that is within each overlapping government unit's boundaries. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

SOURCE: Municipal Advisory Council of Michigan and City of Muskegon Finance Department. The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 82,198,965	\$ 78,308,925	\$ 73,585,150	\$ 68,555,700	\$ 61,706,477	\$ 61,510,980	\$ 60,962,090	\$ 61,333,841	\$ 64,124,907	\$ 101,083,635
Total net debt applicable to limit	14,435,033	12,929,850	14,375,253	13,655,042	12,847,550	11,969,708	11,313,794	10,290,785	9,240,855	8,510,021
Legal debt margin	<u>\$ 67,763,932</u>	<u>\$ 65,379,075</u>	<u>\$ 59,209,897</u>	<u>\$ 54,900,658</u>	<u>\$ 48,858,927</u>	<u>\$ 49,541,272</u>	<u>\$ 49,648,296</u>	<u>\$ 51,043,056</u>	<u>\$ 54,884,052</u>	<u>\$ 92,573,614</u>
Total net debt applicable to the limit as a percentage of debt limit	17.56%	16.51%	19.54%	19.92%	20.82%	19.46%	18.56%	16.78%	14.41%	8.42%

Legal Debt Margin Calculation for 2019:

Assessed Valuation:	\$ 1,010,836,357
Legal Debt Limit (10%)	101,083,635
Total Indebtedness:	\$ 14,055,021
Debt not Subject to Limitation:	
Paid by Special Assessment	-
Revenue Bonds	(5,545,000)
Debt Subject to Limitation	<u>8,510,021</u>
Legal Debt Margin	<u><u>\$ 92,573,614</u></u>

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon
REVENUE BOND COVERAGE

Last Ten Fiscal Years

Water Supply System

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2010*	\$ 2,904,735	\$ 1,575,275	\$ 1,329,460	\$ 535,000	\$ 271,522	\$ 806,522	1.65
2011	5,467,785	3,294,530	2,173,255	1,195,000	451,323	1,646,323	1.32
2012	5,273,720	3,441,078	1,832,642	1,230,000	410,187	1,640,187	1.12
2013	5,907,784	3,729,276	2,178,508	1,250,000	384,694	1,634,694	1.33
2014	6,109,144	3,511,477	2,597,667	1,295,000	352,634	1,647,634	1.58
2015	6,388,474	3,774,508	2,613,966	1,330,000	320,857	1,650,857	1.58
2016	7,498,376	4,460,076	3,038,300	1,370,000	283,360	1,653,360	1.84
2017	7,449,646	4,997,912	2,451,734	1,405,000	246,434	1,651,434	1.48
2018	7,507,323	4,949,807	2,557,516	1,450,000	203,106	1,653,106	1.55
2019	8,472,413	5,672,522	2,799,891	1,495,000	158,260	1,653,260	1.69

Sewage Disposal System

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2010*			No Direct System Indebtedness				
2011			No Direct System Indebtedness				
2012			No Direct System Indebtedness				
2013			No Direct System Indebtedness				
2014			No Direct System Indebtedness				
2015			No Direct System Indebtedness				
2016			No Direct System Indebtedness				
2017			No Direct System Indebtedness				
2018			No Direct System Indebtedness				
2019			No Direct System Indebtedness				

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

For years in which "revenue bond coverage" is less than 1.00, the shortfall was made up either by use of net position or by transfer in.

(a) "Gross Revenue" equals total operating revenues plus interest income.

(b) "Direct Operating Expenses" equal total operating expenses net of depreciation expense.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Income	Median Age	Public School Enrollment	Building Permits		Unemployment
						Number	Value	
2010	39,259	\$ 735,734,614	18,741	32.8	5,931	374	\$ 11,900,915	17.8%
2011	38,401	737,646,617	19,209	34.1	5,162	835	18,829,825	13.8%
2012	38,225	752,622,470	19,689	34.1	5,428	891	21,932,738	8.5%
2013	37,046	747,644,037	20,182	34.1	4,367	826	24,613,938	12.0%
2014	37,213	769,789,707	20,686	34.1	4,808	1,108	54,065,115	9.6%
2015	37,213	789,034,450	21,203	35.8	4,387	1,102	46,541,966	10.3%
2016	37,213	808,760,311	21,733	35.8	4,206	1,112	58,924,856	8.3%
2017	38,349	854,285,543	22,277	35.8	3,985	1,075	78,271,395	4.8%
2018	38,401	876,830,025	22,834	35.4	3,732	1,202	171,523,877	4.1%
2019	38,401	898,750,775	23,404	35.4	3,589	1,295	94,667,004	4.2%

SOURCE: US Census Bureau, Muskegon Area Intermediate School District (MAISD), City of Muskegon Inspections Department, Michigan Department of Technology, Management, & Budget

**City of Muskegon
PRINCIPAL EMPLOYERS**

Current Year and Ten Years Ago

Employer	2019			2009		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Mercy General Health Partners*	4,709	1	31.3%	3,227	1	19.3%
County of Muskegon	1,056	2	7.0%	980	2	5.9%
ADAC Automotive	901	3	6.0%	400	8	2.4%
G.E. Aviation (formerly Johnson Technology Inc.)	454	4	3.0%	474	5	2.8%
Port City Group	430	5	2.9%			
Muskegon Area Intermediate	415	6	2.8%			
Muskegon Public Schools	403	7	2.7%	697	4	4.2%
Muskegon Community College	355	8	2.4%			
Betten	255	9	1.7%			
SAF Holland USA	175	10	1.2%			
State of Michigan				772	3	4.6%
Verizon				325	9	1.9%
City of Muskegon				281	10	1.7%
Knoll Group				450	6	2.7%
Baker College				430	7	2.6%

* Hackley Hospital merged with the former Mercy Hospital to become Mercy General Health Partners.

SOURCE: City of Muskegon; Muskegon Area First; Michigan Department of Energy, Labor & Economic Growth

City of Muskegon

BUDGETED FULL-TIME CITY GOVERNMENT POSITIONS BY DEPARTMENT

Last Ten Fiscal Years

Department	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	-	0.40	0.40	0.40	0.40	-	-	-	-	-
Affirmative Action	1.50	1.10	1.10	1.10	1.10	1.30	1.30	1.46	0.40	1.00
Cemetaries	2.50	2.20	1.75	1.25	1.25	1.25	1.25	1.25	1.25	1.25
City Clerk & Elections	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.54	3.80	3.80
City Commission	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
City Hall Maintenance	1.00	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
City Manager's Office	2.25	2.25	2.25	2.25	2.25	2.05	2.05	1.75	2.75	2.75
City Treasurer's Office	5.00	5.00	5.00	5.00	4.50	5.50	5.50	5.50	5.50	5.50
Civil Service	2.00	1.00	-	-	-	-	-	-	-	-
Environmental Services	2.00	2.00	5.00	5.00	5.00	2.00	2.00	2.00	2.00	-
Farmers Market	0.05	0.05	0.05	0.05	0.05	0.05	0.05	-	0.20	1.20
Finance Administration	3.00	3.00	3.00	2.00	2.00	3.00	3.00	3.00	3.60	3.00
Fire	36.00	33.00	35.00	28.00	28.83	32.00	35.00	35.00	35.00	26.00
Fire Safety Inspections	9.00	8.00	6.00	6.00	0.83	-	-	-	-	-
General Recreation	2.00	-	-	-	-	-	-	-	-	-
Income Tax Administration	5.00	5.00	5.00	5.00	4.50	3.50	3.50	3.50	3.50	3.50
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.50
Parks	7.15	6.00	6.05	6.05	6.00	6.00	6.00	7.05	7.05	10.05
Planning, Zoning & Economic Development	5.00	4.00	3.00	3.00	3.00	3.40	3.40	3.45	3.45	5.45
Police	88.00	88.00	88.00	88.00	87.34	88.00	88.00	88.00	88.00	89.00
Sanitation	-	0.30	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Senior Transit	-	-	0.05	0.05	0.05	-	-	-	-	-
MVH-Major Streets	12.00	12.00	11.70	10.70	10.70	10.70	10.70	10.70	10.70	12.20
MVH-Local Streets	7.00	7.00	6.70	6.70	6.70	6.70	6.70	6.70	6.70	7.20
Community Development	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.55	3.55
Home Program	0.25	0.25	-	-	-	-	-	-	-	-
Lead Program	0.75	0.75	-	-	-	-	-	-	-	-
Sewer Maintenance	10.20	10.20	9.75	9.75	9.80	9.80	9.80	9.80	9.80	9.80
Water Filtration	10.00	10.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Water Maintenance	12.40	12.40	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75
Hartshorn Marina Fund	0.05	0.05	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Public Service Building	8.95	8.05	7.95	8.45	8.45	8.50	8.50	8.50	8.50	8.50
Engineering	5.45	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95	5.95
Equipment	7.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
	256.00	244.00	241.00	233.00	227.00	228.00	231.00	232.45	233.50	232.50

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

SOURCE: City of Muskegon Finance Department

City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Administrative Services</u>										
Elections										
Number of registered voters	26,136	26,330	26,324	26,098	26,025	24,014	24,005	24,612	26,136	25,182
Number of votes cast:										
Last general election	15,271	8,106	1,933	13,487	3,029	7,763	2,547	13,179	15,271	11,407
Last city election	2,254	8,106	1,933	2,131	3,029	7,763	2,547	13,179	2,254	1,938
Percentage of registered voters voting:										
Last general election	58%	31%	7%	52%	12%	32%	11%	54%	58%	45%
Last city election	9%	31%	7%	8%	12%	32%	11%	54%	9%	8%
<u>Financial Services</u>										
Property Tax Bills	-	15,351	15,261	15,291	15,211	14,528	14,611	14,243	14,229	14,180
Income Tax Returns	19,963	19,688	18,699	17,857	18,222	17,839	17,800	17,792	17,280	17,399
Paper Check Issued to Vendors	1,486	2,986	3,746	1,677	1,404	1,527	1,608	1,675	1,782	1,863
Electronic Payments to Vendors	450	884	1,334	1,251	1,579	1,471	1,849	1,998	2,104	2,307
<u>Public Safety</u>										
Fire Protection										
Number of firefighter and officer positions	37	37	36	41	38	35	35	35	23	29
Number of emergency calls	2,062	4,402	4,676	4,563	4,354	4,881	4,938	4,895	4,948	5,106
Police Protection										
Number of sworn officer positions	79	79	79	79	76	76	76	75	79	80
Part I (Major) Crimes	1,305	2,859	2,772	2,647	2,240	2,107	1,989	2,816	2,357	1,728
<u>Public Works</u>										
Refuse Collected (Tons per Year)	6,042	12,703	10,153	9,958	10,217	10,512	10,994	11,009	10,801	10,753
Recyclables Collected (Tons per Year)	-	-	-	-	-	-	-	-	-	-
<u>Water & Sewer</u>										
Number of consumers	12,966	13,037	13,109	13,144	13,086	13,223	13,307	13,248	13,104	13,343
Average daily water consumption (GPD)	7,163,000	8,417,000	7,700,000	7,651,000	7,666,000	8,293,570	11,027,945	10,947,233	9,559,304	10,867,590
Water main breaks repaired	6	12	5	11	30	15	16	12	15	11
Sewer flows (Millions Gallons per Year)	965	1,625	1,695	1,777	1,833	2,013	1,794	1,815	1,832	2,048
Sewer Service Calls	263	591	522	508	532	501	521	462	451	443

* The City changed its fiscal year end from December 31 to June 30.

SOURCE: City of Muskegon Departments

City of Muskegon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Public Safety</u>										
Fire Protection										
Number of stations	3	3	3	3	3	3	3	3	3	3
Police Protection										
Number of stations	1	1	1	1	1	1	1	1	1	1
<u>Highways, Streets and Bridges</u>										
Miles of Streets	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95	197.19
Number of streetlights	3,125	3,065	2,838	2,838	2,838	2,838	2,900	2,984	2,967	2,930
<u>Culture and Recreation</u>										
Number of parks (acres)	701	701	701	701	701	701	701	701	701	701
Lake Michigan beaches (acres)	119	119	119	119	119	119	119	119	119	119
Hockey/Entertainment Arena	1	1	1	1	1	1	1	1	1	1
<u>Sewer</u>										
Sanitary sewers (miles)	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04
Storm sewers (miles)	184.35	184.35	184.35	184.35	184.25	184.35	184.35	184.35	184.35	184.35
<u>Water</u>										
Water mains (miles)	195.69	195.69	195.40	195.95	195.95	195.95	195.95	195.95	195.95	195.27

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

SOURCE: City of Muskegon Departments

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Commission
City of Muskegon
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muskegon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Muskegon's basic financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Muskegon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Muskegon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Muskegon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness, as **Finding 2019-001**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Muskegon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BRICKLEY DELONG

City Commission
City of Muskegon
Page 2

City of Muskegon's Response to Finding

City of Muskegon's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. City of Muskegon's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive, flowing style.

Muskegon, Michigan
December 2, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

City Commission
City of Muskegon
Muskegon, Michigan

Report on Compliance for Each Major Federal Program

We have audited City of Muskegon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Muskegon's major federal programs for the year ended June 30, 2019. City of Muskegon's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Muskegon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Muskegon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Muskegon's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Muskegon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

City Commission
City of Muskegon
Page 2

Report on Internal Control Over Compliance

Management of City of Muskegon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Muskegon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Muskegon's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Muskegon, Michigan
December 2, 2019

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	Federal CFDA Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2018	Adjustments and Transfers	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2019	Passed Through to Subrecipients
<i>U.S. Department of Housing and Urban Development</i>								
Direct programs								
Community Development Block Grants/Entitlement Grants	14.218							
B-14-MC-26-0026		\$ 897,025	\$ 106,372	\$ (18,111)	\$ 88,261	\$ -	\$ -	\$ -
B-15-MC-26-0026		895,410	6,544	(286)	6,258	-	-	-
B-16-MC-26-0026		886,662	166,991	(128,469)	38,147	-	375	-
B-17-MC-26-0026		871,542	211,843	146,866	589,758	258,702	27,653	-
B-18-MC-26-0026		937,658	-	-	384,201	499,280	115,079	-
Program Income		61,006	-	-	61,006	61,006	-	-
Total Community Development Block Grants/ Entitlement Grants		4,549,303	491,750	-	1,167,631	818,988	143,107	-
HOME Investment Partnerships Program	14.239							
M-15-MC-26-0215		268,639	17,527	(3,075)	14,452	-	-	-
M-16-MC-26-0215		264,277	146,173	32,388	149,195	2,093	31,459	-
M-17-MC-26-0215		249,537	174,316	(29,313)	145,003	-	-	-
M-18-MC-26-0215		327,681	-	-	119,405	182,886	63,481	-
Program Income		300,010	-	-	300,010	300,010	-	-
Total HOME Investment Partnerships Program		1,410,144	338,016	-	728,065	484,989	94,940	-
Total U.S. Department of Housing and Urban Development		5,959,447	829,766	-	1,895,696	1,303,977	238,047	-

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	Federal CFDA Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2018	Adjustments and Transfers	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2019	Passed Through to Subrecipients
<i>U.S. Department of Justice</i>								
Direct programs								
Bulletproof Vest Partnership Grant 2017 Grant	16.607	\$ 5,570	\$ -	\$ -	\$ 4,739	\$ 4,739	\$ -	\$ -
Edward Byrne Memorial Justice Assistance Grant Program 2017-DJ-BX-0961	16.738	39,155	-	-	39,155	39,155	-	-
Total direct programs		44,725	-	-	43,894	43,894	-	-
Passed through Ottawa County								
Edward Byrne Memorial Justice Assistance Grant Program 2017-MU-BX-0191	16.738	14,000	-	-	-	14,000	14,000	-
Total U.S. Department of Justice		58,725	-	-	43,894	57,894	14,000	-
<i>U.S. Environmental Protection Agency</i>								
Direct programs								
Brownfields Assessment and Cleanup Cooperative Agreements 00E01538	66.818	400,000	71,753	-	149,040	77,287	-	-
<i>U.S. Department of Health and Human Services</i>								
Passed through Michigan Department of Health and Human Services								
Children's Health Insurance Program E20192797-001	93.767	880,005	-	-	56,112	92,824	36,712	-
TOTAL FEDERAL ASSISTANCE		\$ 7,298,177	\$ 901,519	\$ -	\$ 2,144,742	\$ 1,531,982	\$ 288,759	\$ -

The accompanying notes are an integral part of this schedule.

City of Muskegon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2019

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or change in net position of the City.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
3. The following is a reconciliation of federal revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances of the City of Muskegon's financial statements for the year ended June 30, 2019 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements	
General Fund	\$ 57,894
Major Street and Trunkline Fund	627,218
Other governmental funds	<u>1,113,072</u>
	1,798,184
Plus program income	361,016
Less MDOT contracted projects as shown below	<u>(627,218)</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,531,982</u>

4. The Michigan Department of Transportation (MDOT) requires that cities report all federal and state grants pertaining to their city. During the year ended June 30, 2019 the federal aid received and expended by the City of Muskegon was \$627,218 for contracted projects as shown below. Contracted projects are defined as projects performed by private contractors and paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the City of Muskegon administers the grant and either performs the work or contracts it out.

	<u>Federal CFDA Number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<i>U.S Department of Transportation, Federal Highway Administration (contracted projects)</i>			
Passed through the Michigan Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		
Proj EMRP 1761(016) Fed Item HK 1620 Contract 17-5353		\$ 287,218	\$ 287,218
Proj 1800(854)(853) Contract 18-5340		<u>340,000</u>	<u>340,000</u>
Total U.S. Department of Transportation,			
Federal Highway Administration (contracted projects)		<u>\$ 627,218</u>	<u>\$ 627,218</u>

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

SECTION I—SUMMARY OF AUDITOR’S RESULTS

A. Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

B. Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? yes X none reported
2. Type of auditor’s report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no
4. Identification of major programs:

CFDA Number(s)

14.218

Name of Federal Program/Cluster

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Entitlement
Grants**

5. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
6. Auditee qualified as low-risk auditee? yes X no

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2019-001: MATERIAL WEAKNESS—Year-End Closing Procedures for Accounts Payable

Criteria: Costs should be recognized as an expenditure in the appropriate accounting period.

Condition: Certain costs paid after the end of the year were not recorded as payables at year-end.

Cause: The City properly recorded payables for expenditures incurred during the year under audit and paid after year-end in July, but did not record payables for expenditures incurred during the year under audit and paid in August or later.

Effect: The City's expenditures and payables were understated and required adjustment.

Context: We tested disbursements after year-end and identified \$307,558 in unrecorded payables.

Repeat Finding: This is not a repeat finding.

Recommendation: The City should review its policies and procedures surrounding year-end payables and improve them to insure that expenditures are recorded in the correct accounting period.

Views of Responsible Officials: The City agrees with the finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings reported in relation to major federal awards during the single audit for the year ended June 30, 2019

CLIENT DOCUMENTS

Affirmative Action
(231)724-6703
FAX (231)722-1214

Assessor/
Equalization Co.
(231)724-6386
FAX (231)724-1129

Cemetery/Forestry
(231)724-6783
FAX (231)724-4188

City Manager
(231)724-6724
FAX (231)722-1214

Clerk
(231)724-6705
FAX (231)724-4178

Comm. & Neigh.
Services
(231)724-6717
FAX (231)726-2501

Computer Info.
Technology
(231)724-4126
FAX (231)722-4301

Engineering
(231)724-6707
FAX (231)727-6904

Finance
(231)724-6713
FAX (231)726-2325

Fire Department
(231)724-6795
FAX (231)724-6985

Human Resources
Co. (Civil Service)
(231)724-6442
FAX (231)724-6840

Income Tax
(231)724-6770
FAX (231)724-6768

Mayor's Office
(231)724-6701
FAX (231)722-1214

Planning/Zoning
(231)724-6702
FAX (231)724-6790

Police Department
(231)724-6750
FAX (231)722-5140

Public Works
(231)724-4100
FAX (231)722-4188

SafeBuilt
(Inspections)
(231)724-6715
FAX (231)728-4371

Treasurer
(231)724-6720
FAX (231)724-6768

Water Billing
(231)724-6718
FAX (231)724-6768

Water Filtration
(231)724-4106
FAX (231)755-5290



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 2, 2019

U.S. Department of Housing and Urban Development
Washington, D.C.

City of Muskegon respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2018 dated December 21, 2018.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** findings reported in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-001: Time and Effort Documentation Procedures

U.S. Department of Housing and Urban Development

Community Development Block Grant/Entitlement Grants (CDBG)

CFDA: 14.218

Award Numbers: B-14-MC-26-0026

B-15-MC-26-0026

B-16-MC-26-0026

B-17-MC-26-0026

Award Year Ends: No expiration

Specific Requirement: Allowable Costs/Cost Principles

Recommendation: The City should require all employees who fall under Uniform Guidance requirements for documenting time charged to federal award programs to properly prepare the appropriate after-the-fact time and effort documentation.

Current Status: The recommendation was implemented during the year ended June 30, 2019. **No** findings were noted during the single audit for the year ended June 30, 2019.

Sincerely,

Elizabeth Lewis
Finance Director

Affirmative Action
(231)724-6703
FAX (231)722-1214

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FAX (231)724-6768

Water Filtration
(231)724-4106
FAX (231)755-5290



CORRECTIVE ACTION PLAN

December 2, 2019

U.S. Department of Housing and Urban Development
Washington, D.C.

City of Muskegon respectfully submits the following Corrective Action Plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2019

The findings from the Schedule of Findings and Responses for the year ended June 30, 2019 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2019-001: MATERIAL WEAKNESS – Year-End Closing Procedures for Accounts Payable

Recommendation: The City should review its policies and procedures surrounding year-end payables and improve them to insure that expenditures are recorded in the correct accounting period.

Action Taken: The Assistant Finance Director will review all payables entered from June 30th until the beginning of the audit each year to ensure that payables are posted to the correct fiscal year.

Responsible Person and Anticipated Completion Date: Assistant Finance Director – September 1, 2020.

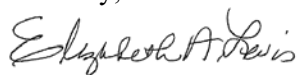
U.S. Department of Housing and Urban Development
December 2, 2019
Page 2

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings reported in relation to major federal awards during the single audit for the year ended June 30, 2019

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Elizabeth Lewis at (231) 724-6917.

Sincerely,

A handwritten signature in cursive script, appearing to read "Elizabeth Lewis".

Elizabeth Lewis
Finance Director



Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date: 12/10/2019	Title: Equipment Replacement
Submitted By: Joe Buckingham	Department: DPW/Equipment
Brief Summary: The Equipment Division is requesting permission to purchase one (1) International 2021 HV607 Cab and Chassis from West Michigan International, the Mi Deal State contract holder. We are also asking permission for Terex Utilities to build and assemble the aerial boom and body of the truck. The amount requested is \$179,509.80.	
Detailed Summary:	
Amount Requested: \$179,509.80	Amount Budgeted: \$185,000.00
Fund(s) or Account(s): Equipment CIP fund	Fund(s) or Account(s): 661-60932-5730
Recommended Motion: Authorize staff to move forward with purchase.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

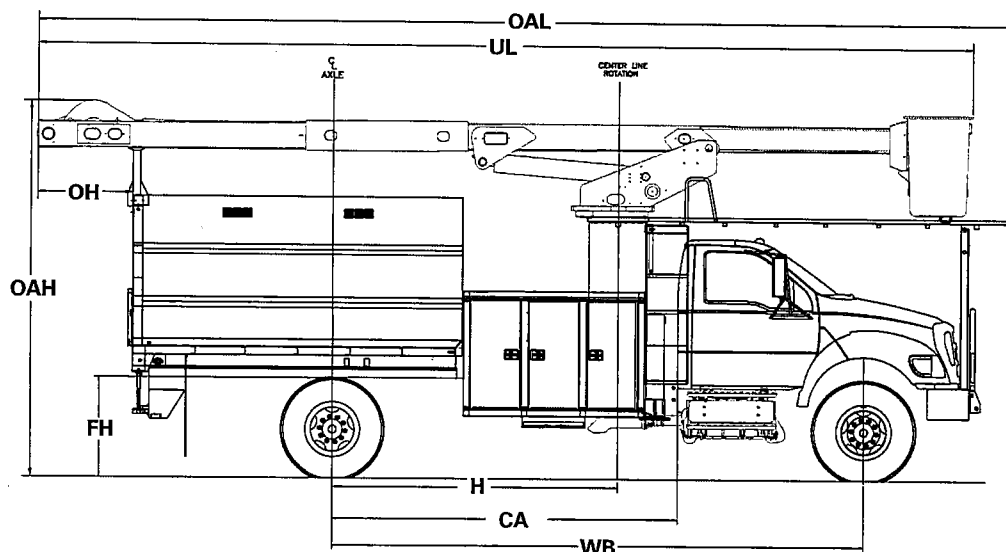


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XT PRO SERIES Overcenter Aerial Device For Tree Trimming

AERIAL DEVICES

Terex® Aerial Devices are known throughout the industry. They come with a long history featuring quality and innovative design.



Measurements	XT PRO 56	XT PRO 60	XT PRO 60/70
	BC	BC	BC
Typical Frame Height (FH)	40 in. (101.6 cm)	40 in. (101.6 cm)	40 in. (101.6 cm)
Typical Cab Height (CH)	108 in. (274.3 cm)	108 in. (274.3 cm)	108 in. (274.3 cm)
Offset (O)	94.8 in. (240.8 cm)	106.8 in. (271.3 cm)	140.8 in. (357.6 cm)
Overall Height (OAH)	12' 6" (3.8 m)	12' 6" (3.8 m)	12' 6" (3.8 m)
Overall Length (OAL)	30' 4" (9.2 m)	32' 5" (9.9 m)	32' 5" (9.9 m)
Unit Length (UL)	27' 8" (9.0 m)	31' 1" (9.5 m)	31' 1" (9.5 m)
Overhang Length (OH)	3' 11" (1.2 m)	3' 2" (1.0 m)	3' 2" (1.0 m)
Center of Rotation (H)	96.0 in. (244.6 cm)	114.0 in. (290.0 cm)	114.0 in. (290.0 cm)
Cab to Axle (CA)	120 in. (304.8 cm)	138 in. (350.5 cm)	138 in. (350.5 cm)
Wheel Base (WB)	192 in. (487.7 cm)	210 in. (533.4 cm)	210 in. (533.4 cm)
Front Axle (FA)	9,000 lb. (4,082 kg)	10,500 lb. (4,763 kg)	13,000 lb. (5,897 kg)
Rear Axle (RA)	17,000 lb. (7,711 kg)	17,000 lb. (7,711 kg)	19,000 lb. (8,618 kg)
Gross Vehicle Weight Rating (GVWR)	26,000 lb. (11,793 kg)	27,500 lb. (12,474 kg)	33,000 lb. (14,969 kg)
Recommended Weight for Stability	19,000 lb. (8,618 kg)	21,000 lb. (9,525 kg)	21,000 lb. (9,525 kg)
Frame Section Modulus	18.0 in ³	18.0 in ³	18.0 in ³
Frame Yield Strength	50,000 psi	50,000 psi	50,000 psi
Frame RBM	900,000 in-lbs	900,000 in-lbs	900,000 in-lbs


TEREX®

500 Oakwood Drive
PO BOX 1150
Watertown, SD 57201-6150
USA

Phone: (605) 882-4000
Facsimile: (605) 882-1842
www.terexutilities.com
E-mail: utilities.info@terex.com

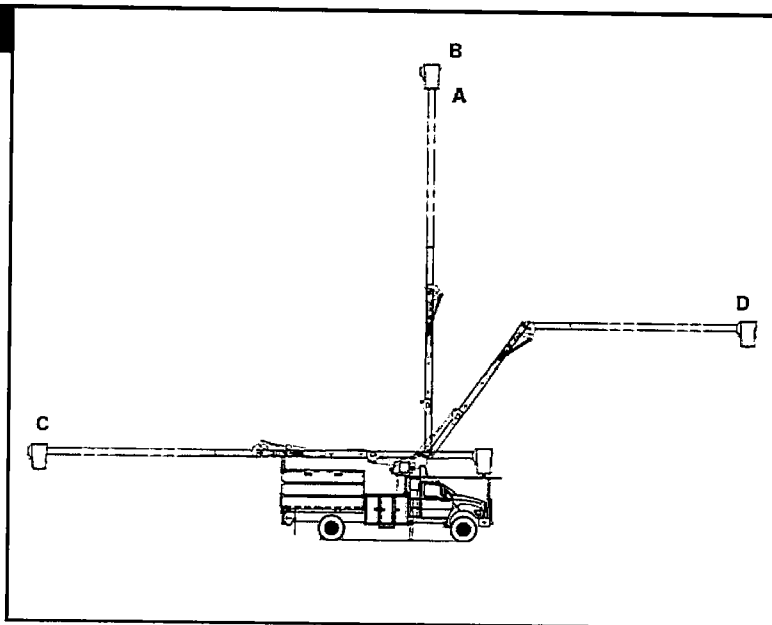
Distributed By:

XT PRO SERIES

Overcenter Aerial Device For Tree Trimming

STANDARD EQUIPMENT

- Side Mounted 24" x 24" x 40" One Person Platform
- Platform Capacity of up to 400 lbs. (181 Kg)
- Control-Plus "3-D" Single Stick at Platform
- Safety Harness With Attached Lanyard
- Continuous Unrestricted Worm Gear Rotation
- Category "C" Rating Per ANSI A92.2
- Rectangular, Bi-Axial Epoxy Resin, Filament Wound Fiberglass Booms
- Individual Lever Lower Controls
- Mechanical Platform Leveling
- Full Pressure, Open-Center Hydraulic System
- 33 Gallon Hydraulic Oil Reservoir
- Padded Boom Rests with Upper Boom Tie Down
- Boom / Outrigger Interlock
- Moving Outrigger Alarm
- Truck Level Indicator
- 10-Year Leveling Chain
- Dual Hydraulic Tool Outlet at Boom Tip
- Manual Platform Tilt
- Finish Painted



CAPACITIES & DIMENSIONAL DATA (Based on a 40 Inch Frame Height)

	A Bottom of Platform Height	B Working Height	C Overcenter Side Reach	D Non-Overcenter Side Reach	E Upper Boom Articulation	F Lower Boom Articulation
XT PRO 56	56.0 ft (17.0 m)	61.0 ft (18.6 m)	45.6 ft (13.9 m)	41.5 ft (12.6 m)	250°	125°
XT PRO 60	60.0 ft (18.3 m)	65.0 ft (19.8 m)	49.9 ft (15.2 m)	45.0 ft (13.7 m)	250°	125°
XT PRO 60/70*	70.0 ft (21.3 m)	75.0 ft (22.9 m)	49.9 ft (15.2 m)	45.0 ft (13.7 m)	250°	125°

* Includes Optional 10' Longitudinal Elevator

OPTIONAL EQUIPMENT

- Liner With or Without Steps
- Start/Stop
- 2-Speed
- Auxiliary Let Down System
- 10' Longitudinal Elevator for Forestry Units

Effective Date: August 2016. Product specifications and prices are subject to change without notice or obligation. The photographs and/or drawings in this document are for illustrative purposes only. Refer to the appropriate Operator's Manual for instructions on the proper use of this equipment. Failure to follow the appropriate Operator's Manual when using our equipment or to otherwise act irresponsibly may result in serious injury or death. The only warranty applicable to our equipment is the standard written warranty applicable to the particular product and sale and Terex makes no other warranty, express or implied. Products and services listed may be trademarks, service marks or trade-names of Terex Corporation and/or its subsidiaries in the USA and other countries. All rights are reserved. Terex® is a registered trademark of Terex Corporation in the USA and many other countries. Copyright 2010 Terex Corporation.





Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date: 12/10/2019	Title: MDOT Agreement – Lakeshore Drive @ Beach Street
Submitted By: Leo Evans	Department: Public Works
Brief Summary: Staff is requesting approval of the contract with MDOT for the construction of the round-a-bout at Lakeshore Drive and Beach Street and approval of the resolution authorizing the Mayor and Clerk to sign the contract.	
Detailed Summary: This is the standard contract governing projects that are constructed using federal funds through MDOT. The estimated cost for the project construction is \$274,800 with \$250,000 of that being eligible for reimbursement with federal funds through the Congestion, Mitigation and Air Quality (CMAQ) program.	
Amount Requested: \$ 0	Amount Budgeted: \$ 0
Fund(s) or Account(s):	Fund(s) or Account(s):
Recommended Motion: Approve the attached contract and resolution and authorize the mayor and clerk to sign both.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

RESOLUTION _____

RESOLUTION FOR APPROVAL OF A CONTRACT AGREEMENT BETWEEN THE MICHIGAN DEPARTMENT OF TRANSPORTATION AND THE CITY OF MUSKEGON FOR ROUNDABOUT CONSTRUCTION WORK ALONG LAKESHORE DRIVE AT BEACH STREET, INCLUDING HOT MIX ASPHALT SURFACING, CONCRETE CURB AND GUTTER, AND PERMANENT PAVEMENT MARKING WORK.

Moved by Commissioner _____ and supported by Commissioner _____ that the following Resolution be adopted:

WHEREAS, entry by the City of Muskegon into Contract no. **19-5543** between the Michigan Department of Transportation and the City of Muskegon for the **Roundabout construction at the intersection of Lakeshore Drive and Beach Street** within the City is in the best interests of the City of Muskegon.

RESOLVED, that entry by the City into Contract Agreement Number **19-5543** be and the same is hereby authorized and approved and the Mayor and Clerk are authorized to execute said contract for and on behalf of the City of Muskegon.

Adopted this ____ day of _____, 2019.

BY

Stephen J. Gawron, Mayor

ATTEST

Ann Meisch, City Clerk

CERTIFICATION

This resolution was adopted at a meeting of the City Commission, held on DECEMBER 10, 2019. The meeting was properly held and noticed pursuant to the Open Meetings Act of the State of Michigan, Act 267 of the Public Acts of 1976.

CITY OF MUSKEGON

By _____
Ann Meisch, City Clerk



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

PAUL C. AJEGBA
DIRECTOR

November 7, 2019

Ms. Ann Meisch, City Clerk
City of Muskegon
933 Terrace Street
Muskegon, Michigan 49440



Dear Ms. Meisch:

RE: Contract Number: 19-5543
Control Section: CMG 61000
Job Number: 205232CON
Location: Intersection of Lakeshore and Beach

Enclosed is one (1) original and one (1) copy of the above referenced contract between your organization and the Michigan Department of Transportation (MDOT). Please take time to read and understand this contract.

If you have questions on the content of this contract, or revisions are required, please contact Monica Uribe, Local Government Contract Engineer at uribem1@michigan.gov or (517) 335-2266.

1. Attach two (2) original certified resolutions. The resolution should include:
 - The name of officials authorized to sign the contract.
 - MDOT Contract Number 19-5543.

If you need an example of a resolution, please contact Kathy Fulton at fultonk@michigan.gov or (517) 335-4404.

2. Please return signed contracts and resolutions for MDOT Execution within 35 days from the date of this letter to:

Kathy J. Fulton, Contract Technician
MDOT – Development Services Division, 2nd Floor
425 West Ottawa Street, P.O. Box 30050
Lansing, MI 48909

MDOT will return a copy of the executed contract to your organization.

Enclosure

CMAQ

DA

Control Section	CMG 61000
Job Number	205232CON
Project	20A0(056)
CFDA No.	20.205 (Highway Research Planning & Construction)
Contract No.	19-5543

PART I

THIS CONTRACT, consisting of PART I and PART II (Standard Agreement Provisions), is made by and between the MICHIGAN DEPARTMENT OF TRANSPORTATION, hereinafter referred to as the "DEPARTMENT"; and the CITY OF MUSKEGON, a Michigan municipal corporation, hereinafter referred to as the "REQUESTING PARTY"; for the purpose of fixing the rights and obligations of the parties in agreeing to the following improvements, in the City of Muskegon, Michigan, hereinafter referred to as the "PROJECT" and estimated in detail on EXHIBIT "I", dated November 4, 2019, attached hereto and made a part hereof:

Roundabout construction work along Lakeshore Drive at Beach Street; including hot mix asphalt surfacing, concrete curb and gutter, and permanent pavement marking work; and all together with necessary related work.

WITNESSETH:

WHEREAS, pursuant to Federal law, monies have been provided for the performance of certain improvements on public roads; and

WHEREAS, the reference "FHWA" in PART I and PART II refers to the United States Department of Transportation, Federal Highway Administration; and

WHEREAS, the PROJECT, or portions of the PROJECT, at the request of the REQUESTING PARTY, are being programmed with the FHWA, for implementation with the use of Federal Funds under the following Federal program(s) or funding:

CONGESTION MITIGATION AND AIR QUALITY ACT

WHEREAS, the parties hereto have reached an understanding with each other regarding the performance of the PROJECT work and desire to set forth this understanding in the form of a written contract.

NOW, THEREFORE, in consideration of the premises and of the mutual undertakings of the parties and in conformity with applicable law, it is agreed:

1. The parties hereto shall undertake and complete the PROJECT in accordance with the terms of this contract.

2. The term "PROJECT COST", as herein used, is hereby defined as the cost of the physical construction necessary for the completion of the PROJECT, including any other costs incurred by the DEPARTMENT as a result of this contract, except construction engineering and inspection.

No charges will be made by the DEPARTMENT to the PROJECT for any inspection work or construction engineering.

The costs incurred by the REQUESTING PARTY for preliminary engineering, construction engineering, construction materials testing, inspection, and right-of-way are excluded from the PROJECT COST as defined by this contract.

The Michigan Department of Environment, Great Lakes, and Energy (EGLE) has informed the DEPARTMENT that it adopted new administrative rules (R 325.10101, et. seq.) which prohibit any governmental agency from connecting and/or reconnecting lead and/or galvanized service lines to existing and/or new water main. Questions regarding these administrative rules should be directed to EGLE. The cost associated with replacement of any lead and/or galvanized service lines, including but not limited to contractor claims, will be the sole responsibility of the REQUESTING PARTY.

3. The DEPARTMENT is authorized by the REQUESTING PARTY to administer on behalf of the REQUESTING PARTY all phases of the PROJECT, including advertising and awarding the construction contract for the PROJECT or portions of the PROJECT. Such administration shall be in accordance with PART II, Section II of this contract.

Any items of the PROJECT COST incurred by the DEPARTMENT may be charged to the PROJECT.

4. The REQUESTING PARTY, at no cost to the PROJECT or to the DEPARTMENT, shall:

- A. Design or cause to be designed the plans for the PROJECT.
- B. Appoint a project engineer who shall be in responsible charge of the PROJECT and ensure that the plans and specifications are followed.
- C. Perform or cause to be performed the construction engineering, construction materials testing, and inspection services necessary for the completion of the PROJECT.

The REQUESTING PARTY will furnish the DEPARTMENT proposed timing sequences for trunkline signals that, if any, are being made part of the improvement. No timing adjustments shall be made by the REQUESTING PARTY at any trunkline intersection, without prior issuances by the DEPARTMENT of Standard Traffic Signal Timing Permits.

5. The PROJECT COST shall be met in part by contributions by the Federal Government. Federal Congestion Mitigation and Air Quality Act Funds shall be applied to the eligible items of the PROJECT COST up to the lesser of: (1) \$250,000, or (2) an amount such that 100 percent, the normal Federal participation ratio for such funds, is not exceeded at the time of the award of the construction contract. The balance of the PROJECT COST, after deduction of Federal Funds, shall be charged to and paid by the REQUESTING PARTY in the manner and at the times hereinafter set forth.

Any items of PROJECT COST not reimbursed by Federal Funds shall be the sole responsibility of the REQUESTING PARTY.

6. No working capital deposit will be required for this PROJECT.

In order to fulfill the obligations assumed by the REQUESTING PARTY under the provisions of this contract, the REQUESTING PARTY shall make prompt payments of its share of the PROJECT COST upon receipt of progress billings from the DEPARTMENT as herein provided. All payments will be made within 30 days of receipt of billings from the DEPARTMENT. Billings to the REQUESTING PARTY will be based upon the REQUESTING PARTY'S share of the actual costs incurred less Federal Funds earned as the PROJECT progresses.

7. Upon completion of construction of the PROJECT, the REQUESTING PARTY will promptly cause to be enacted and enforced such ordinances or regulations as may be necessary to prohibit parking in the roadway right-of-way throughout the limits of the PROJECT.

8. The performance of the entire PROJECT under this contract, whether Federally funded or not, will be subject to the provisions and requirements of PART II that are applicable to a Federally funded project.

In the event of any discrepancies between PART I and PART II of this contract, the provisions of PART I shall prevail.

Buy America Requirements (23 CFR 635.410) shall apply to the PROJECT and will be adhered to, as applicable, by the parties hereto.

9. The REQUESTING PARTY certifies that it is not aware if and has no reason to believe that the property on which the work is to be performed under this agreement is a facility, as defined by the Michigan Natural Resources and Environmental Protection Act [(NREPA), PA 451, 1994, as amended 2012]; MCL 324.20101(1)(s). The REQUESTING PARTY also certifies that it is not a liable party pursuant to either Part 201 or Part 213 of NREPA, MCL 09/06/90 STPLS.FOR 11/4/19

324.20126 et seq. and MCL 324.21323a et seq. The REQUESTING PARTY is a local unit of government that has acquired or will acquire property for the use of either a transportation corridor or public right-of-way and was not responsible for any activities causing a release or threat of release of any hazardous materials at or on the property. The REQUESTING PARTY is not a person who is liable for response activity costs, pursuant to MCL 324.20101 (vv) and (ww).

10. If, subsequent to execution of this contract, previously unknown hazardous substances are discovered within the PROJECT limits, which require environmental remediation pursuant to either state or federal law, the REQUESTING PARTY, in addition to reporting that fact to the Department of Environmental Quality, shall immediately notify the DEPARTMENT, both orally and in writing of such discovery. The DEPARTMENT shall consult with the REQUESTING PARTY to determine if it is willing to pay for the cost of remediation and, with the FHWA, to determine the eligibility, for reimbursement, of the remediation costs. The REQUESTING PARTY shall be charged for and shall pay all costs associated with such remediation, including all delay costs of the contractor for the PROJECT, in the event that remediation and delay costs are not deemed eligible by the FHWA. If the REQUESTING PARTY refuses to participate in the cost of remediation, the DEPARTMENT shall terminate the PROJECT. The parties agree that any costs or damages that the DEPARTMENT incurs as a result of such termination shall be considered a PROJECT COST.

11. If federal and/or state funds administered by the DEPARTMENT are used to pay the cost of remediating any hazardous substances discovered after the execution of this contract and if there is a reasonable likelihood of recovery, the REQUESTING PARTY, in cooperation with the Department of Environmental Quality and the DEPARTMENT, shall make a diligent effort to recover such costs from all other possible entities. If recovery is made, the DEPARTMENT shall be reimbursed from such recovery for the proportionate share of the amount paid by the FHWA and/or the DEPARTMENT and the DEPARTMENT shall credit such sums to the appropriate funding source.

12. The DEPARTMENT'S sole reason for entering into this contract is to enable the REQUESTING PARTY to obtain and use funds provided by the Federal Highway Administration pursuant to Title 23 of the United States Code.

Any and all approvals of, reviews of, and recommendations regarding contracts, agreements, permits, plans, specifications, or documents, of any nature, or any inspections of work by the DEPARTMENT or its agents pursuant to the terms of this contract are done to assist the REQUESTING PARTY in meeting program guidelines in order to qualify for available funds. Such approvals, reviews, inspections and recommendations by the DEPARTMENT or its agents shall not relieve the REQUESTING PARTY and the local agencies, as applicable, of their ultimate control and shall not be construed as a warranty of their propriety or that the DEPARTMENT or its agents is assuming any liability, control or jurisdiction.

The providing of recommendations or advice by the DEPARTMENT or its agents does not relieve the REQUESTING PARTY and the local agencies, as applicable of their exclusive jurisdiction of the highway and responsibility under MCL 691.1402 et seq., as amended.

When providing approvals, reviews and recommendations under this contract, the DEPARTMENT or its agents is performing a governmental function, as that term is defined in MCL 691.1401 et seq., as amended, which is incidental to the completion of the PROJECT.

Upon completion of the PROJECT, the REQUESTING PARTY shall accept the facilities constructed as built to specifications within the contract documents. It is understood that the REQUESTING PARTY shall own the facilities and shall operate and maintain the facilities in accordance with applicable law.

13. The DEPARTMENT, by executing this contract, and rendering services pursuant to this contract, has not and does not assume jurisdiction of the highway, described as the PROJECT for purposes of MCL 691.1402 et seq., as amended. Exclusive jurisdiction of such highway for the purposes of MCL 691.1402 et seq., as amended, rests with the REQUESTING PARTY and other local agencies having respective jurisdiction.

14. The REQUESTING PARTY shall approve all of the plans and specifications to be used on the PROJECT and shall be deemed to have approved all changes to the plans and specifications when put into effect. It is agreed that ultimate responsibility and control over the PROJECT rests with the REQUESTING PARTY and local agencies, as applicable.

15. The REQUESTING PARTY agrees that the costs reported to the DEPARTMENT for this contract will represent only those items that are properly chargeable in accordance with this contract. The REQUESTING PARTY also certifies that it has read the contract terms and has made itself aware of the applicable laws, regulations, and terms of this contract that apply to the reporting of costs incurred under the terms of this contract.

16. Each party to this contract will remain responsible for any and all claims arising out of its own acts and/or omissions during the performance of the contract, as provided by this contract or by law. In addition, this is not intended to increase or decrease either party's liability for or immunity from tort claims. This contract is also not intended to nor will it be interpreted as giving either party a right of indemnification, either by contract or by law, for claims arising out of the performance of this contract.

17. The parties shall promptly provide comprehensive assistance and cooperation in defending and resolving any claims brought against the DEPARTMENT by the contractor, vendors or suppliers as a result of the DEPARTMENT'S award of the construction contract for the PROJECT. Costs incurred by the DEPARTMENT in defending or resolving such claims shall be considered PROJECT COSTS.

18. The DEPARTMENT shall require the contractor who is awarded the contract for the construction of the PROJECT to provide insurance in the amounts specified and in accordance with the DEPARTMENT'S current Standard Specifications for Construction and to:

- A. Maintain bodily injury and property damage insurance for the duration of the PROJECT.

- B. Provide owner's protective liability insurance naming as insureds the State of Michigan, the Michigan State Transportation Commission, the DEPARTMENT and its officials, agents and employees, the REQUESTING PARTY and any other county, county road commission, or municipality in whose jurisdiction the PROJECT is located, and their employees, for the duration of the PROJECT and to provide, upon request, copies of certificates of insurance to the insureds. It is understood that the DEPARTMENT does not assume jurisdiction of the highway described as the PROJECT as a result of being named as an insured on the owner's protective liability insurance policy.
- C. Comply with the requirements of notice of cancellation and reduction of insurance set forth in the current standard specifications for construction and to provide, upon request, copies of notices and reports prepared to those insured.

19. This contract shall become binding on the parties hereto and of full force and effect upon the signing thereof by the duly authorized officials for the parties hereto and upon the adoption of the necessary resolutions approving said contract and authorizing the signatures thereto of the respective officials of the REQUESTING PARTY, a certified copy of which resolution shall be attached to this contract.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed as written below.

CITY OF MUSKEGON

MICHIGAN DEPARTMENT
OF TRANSPORTATION

By _____
Title:

By _____
Department Director MDOT

By _____
Title:



November 4, 2019

EXHIBIT I

CONTROL SECTION	CMG 61000
JOB NUMBER	205232CON
PROJECT	20A0(056)

ESTIMATED COST

CONTRACTED WORK

Estimated Cost	\$274,800
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COST PARTICIPATION

GRAND TOTAL ESTIMATED COST	\$274,800
Less Federal Funds*	<u>\$250,000</u>
BALANCE (REQUESTING PARTY'S SHARE)	\$ 24,800

*Federal Funds for the PROJECT are limited to an amount as described in Section 5.

NO DEPOSIT

DOT

TYPE B
BUREAU OF HIGHWAYS
03-15-93

PART II

STANDARD AGREEMENT PROVISIONS

SECTION I COMPLIANCE WITH REGULATIONS AND DIRECTIVES

SECTION II PROJECT ADMINISTRATION AND SUPERVISION

SECTION III ACCOUNTING AND BILLING

SECTION IV MAINTENANCE AND OPERATION

SECTION V SPECIAL PROGRAM AND PROJECT CONDITIONS

SECTION I

COMPLIANCE WITH REGULATIONS AND DIRECTIVES

- A. To qualify for eligible cost, all work shall be documented in accordance with the requirements and procedures of the DEPARTMENT.
- B. All work on projects for which reimbursement with Federal funds is requested shall be performed in accordance with the requirements and guidelines set forth in the following Directives of the Federal-Aid Policy Guide (FAPG) of the FHWA, as applicable, and as referenced in pertinent sections of Title 23 and Title 49 of the Code of Federal Regulations (CFR), and all supplements and amendments thereto.
 - 1. Engineering
 - a. FAPG (6012.1): Preliminary Engineering
 - b. FAPG (23 CFR 172): Administration of Engineering and Design Related Service Contracts
 - c. FAPG (23 CFR 635A): Contract Procedures
 - d. FAPG (49 CFR 18.22): Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments—Allowable Costs
 - 2. Construction
 - a. FAPG (23 CFR 140E): Administrative Settlement Costs-Contract Claims
 - b. FAPG (23 CFR 140B): Construction Engineering Costs
 - c. FAPG (23 CFR 17): Recordkeeping and Retention Requirements for Federal-Aid Highway Records of State Highway Agencies
 - d. FAPG (23 CFR 635A): Contract Procedures
 - e. FAPG (23 CFR 635B): Force Account Construction
 - f. FAPG (23 CFR 645A): Utility Relocations, Adjustments and Reimbursement

- g. FAPG (23 CFR 645B): Accommodation of Utilities (PPM 30-4.1)
 - h. FAPG (23 CFR 655F): Traffic Control Devices on Federal-Aid and other Streets and Highways
 - i. FAPG (49 CFR 18.22): Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments—Allowable Costs
3. Modification Or Construction Of Railroad Facilities
- a. FAPG (23 CFR 140I): Reimbursement for Railroad Work
 - b. FAPG (23 CFR 646B): Railroad Highway Projects
- C. In conformance with FAPG (23 CFR 630C) Project Agreements, the political subdivisions party to this contract, on those Federally funded projects which exceed a total cost of \$100,000.00 stipulate the following with respect to their specific jurisdictions:
- 1. That any facility to be utilized in performance under or to benefit from this contract is not listed on the Environmental Protection Agency (EPA) List of Violating Facilities issued pursuant to the requirements of the Federal Clean Air Act, as amended, and the Federal Water Pollution Control Act, as amended.
 - 2. That they each agree to comply with all of the requirements of Section 114 of the Federal Clean Air Act and Section 308 of the Federal Water Pollution Control Act, and all regulations and guidelines issued thereunder.
 - 3. That as a condition of Federal aid pursuant to this contract they shall notify the DEPARTMENT of the receipt of any advice indicating that a facility to be utilized in performance under or to benefit from this contract is under consideration to be listed on the EPA List of Violating Facilities.
- D. Ensure that the PROJECT is constructed in accordance with and incorporates all committed environmental impact mitigation measures listed in approved environmental documents unless modified or deleted by approval of the FHWA.
- E. All the requirements, guidelines, conditions and restrictions noted in all other pertinent Directives and Instructional Memoranda of the FHWA will apply to this contract and will be adhered to, as applicable, by the parties hereto.

SECTION II

PROJECT ADMINISTRATION AND SUPERVISION

- A. The DEPARTMENT shall provide such administrative guidance as it determines is required by the PROJECT in order to facilitate the obtaining of available federal and/or state funds.
- B. The DEPARTMENT will advertise and award all contracted portions of the PROJECT work. Prior to advertising of the PROJECT for receipt of bids, the REQUESTING PARTY may delete any portion or all of the PROJECT work. After receipt of bids for the PROJECT, the REQUESTING PARTY shall have the right to reject the amount bid for the PROJECT prior to the award of the contract for the PROJECT only if such amount exceeds by ten percent (10%) the final engineer's estimate therefor. If such rejection of the bids is not received in writing within two (2) weeks after letting, the DEPARTMENT will assume concurrence. The DEPARTMENT may, upon request, readvertise the PROJECT. Should the REQUESTING PARTY so request in writing within the aforesaid two (2) week period after letting, the PROJECT will be cancelled and the DEPARTMENT will refund the unused balance of the deposit less all costs incurred by the DEPARTMENT.
- C. The DEPARTMENT will perform such inspection services on PROJECT work performed by the REQUESTING PARTY with its own forces as is required to ensure compliance with the approved plans & specifications.
- D. On those projects funded with Federal monies, the DEPARTMENT shall as may be required secure from the FHWA approval of plans and specifications, and such cost estimates for FHWA participation in the PROJECT COST.
- E. All work in connection with the PROJECT shall be performed in conformance with the Michigan Department of Transportation Standard Specifications for Construction, and the supplemental specifications, Special Provisions and plans pertaining to the PROJECT and all materials furnished and used in the construction of the PROJECT shall conform to the aforesaid specifications. No extra work shall be performed nor changes in plans and specifications made until said work or changes are approved by the project engineer and authorized by the DEPARTMENT.

- F. Should it be necessary or desirable that portions of the work covered by this contract be accomplished by a consulting firm, a railway company, or governmental agency, firm, person, or corporation, under a subcontract with the REQUESTING PARTY at PROJECT expense, such subcontracted arrangements will be covered by formal written agreement between the REQUESTING PARTY and that party.

This formal written agreement shall: include a reference to the specific prime contract to which it pertains; include provisions which clearly set forth the maximum reimbursable and the basis of payment; provide for the maintenance of accounting records in accordance with generally accepted accounting principles, which clearly document the actual cost of the services provided; provide that costs eligible for reimbursement shall be in accordance with clearly defined cost criteria such as 49 CFR Part 18, 48 CFR Part 31, 23 CFR Part 140, OMB Circular A-87, etc. as applicable; provide for access to the department or its representatives to inspect and audit all data and records related to the agreement for a minimum of three years after the department's final payment to the local unit.

All such agreements will be submitted for approval by the DEPARTMENT and, if applicable, by the FHWA prior to execution thereof, except for agreements for amounts less than \$100,000 for preliminary engineering and testing services executed under and in accordance with the provisions of the "Small Purchase Procedures" FAPG (23 CFR 172), which do not require prior approval of the DEPARTMENT or the FHWA.

Any such approval by the DEPARTMENT shall in no way be construed as a warranty of the subcontractor's qualifications, financial integrity, or ability to perform the work being subcontracted.

- G. The REQUESTING PARTY, at no cost to the PROJECT or the DEPARTMENT, shall make such arrangements with railway companies, utilities, etc., as may be necessary for the performance of work required for the PROJECT but for which Federal or other reimbursement will not be requested.
- H. The REQUESTING PARTY, at no cost to the PROJECT, or the DEPARTMENT, shall secure, as necessary, all agreements and approvals of the PROJECT with railway companies, the Railroad Safety & Tariffs Division of the DEPARTMENT and other concerned governmental agencies other than the FHWA, and will forward same to the DEPARTMENT for such reviews and approvals as may be required.
- I. No PROJECT work for which reimbursement will be requested by the REQUESTING PARTY is to be subcontracted or performed until the DEPARTMENT gives written notification that such work may commence.

- J. The REQUESTING PARTY shall be responsible for the payment of all costs and expenses incurred in the performance of the work it agrees to undertake and perform.
- K. The REQUESTING PARTY shall pay directly to the party performing the work all billings for the services performed on the PROJECT which are authorized by or through the REQUESTING PARTY.
- L. The REQUESTING PARTY shall submit to the DEPARTMENT all paid billings for which reimbursement is desired in accordance with DEPARTMENT procedures.
- M. All work by a consulting firm will be performed in compliance with the applicable provisions of 1980 PA 299, Subsection 2001, MCL 339.2001; MSA 18.425(2001), as well as in accordance with the provisions of all previously cited Directives of the FHWA.
- N. The project engineer shall be subject to such administrative guidance as may be deemed necessary to ensure compliance with program requirement and, in those instances where a consultant firm is retained to provide engineering and inspection services, the personnel performing those services shall be subject to the same conditions.
- O. The DEPARTMENT, in administering the PROJECT in accordance with applicable Federal and State requirements and regulations, neither assumes nor becomes liable for any obligations undertaken or arising between the REQUESTING PARTY and any other party with respect to the PROJECT.
- P. In the event it is determined by the DEPARTMENT that there will be either insufficient Federal funds or insufficient time to properly administer such funds for the entire PROJECT or portions thereof, the DEPARTMENT, prior to advertising or issuing authorization for work performance, may cancel the PROJECT, or any portion thereof, and upon written notice to the parties this contract shall be void and of no effect with respect to that cancelled portion of the PROJECT. Any PROJECT deposits previously made by the parties on the cancelled portions of the PROJECT will be promptly refunded.
- Q. Those projects funded with Federal monies will be subject to inspection at all times by the DEPARTMENT and the FHWA.

SECTION III

ACCOUNTING AND BILLING

A. Procedures for billing for work undertaken by the REQUESTING PARTY:

1. The REQUESTING PARTY shall establish and maintain accurate records, in accordance with generally accepted accounting principles, of all expenses incurred for which payment is sought or made under this contract, said records to be hereinafter referred to as the "RECORDS". Separate accounts shall be established and maintained for all costs incurred under this contract.

The REQUESTING PARTY shall maintain the RECORDS for at least three (3) years from the date of final payment of Federal Aid made by the DEPARTMENT under this contract. In the event of a dispute with regard to the allowable expenses or any other issue under this contract, the REQUESTING PARTY shall thereafter continue to maintain the RECORDS at least until that dispute has been finally decided and the time for all available challenges or appeals of that decision has expired.

The DEPARTMENT, or its representative, may inspect, copy, or audit the RECORDS at any reasonable time after giving reasonable notice.

If any part of the work is subcontracted, the REQUESTING PARTY shall assure compliance with the above for all subcontracted work.

In the event that an audit performed by or on behalf of the DEPARTMENT indicates an adjustment to the costs reported under this contract, or questions the allowability of an item of expense, the DEPARTMENT shall promptly submit to the REQUESTING PARTY, a Notice of Audit Results and a copy of the audit report which may supplement or modify any tentative findings verbally communicated to the REQUESTING PARTY at the completion of an audit.

Within sixty (60) days after the date of the Notice of Audit Results, the REQUESTING PARTY shall: (a) respond in writing to the responsible Bureau or the DEPARTMENT indicating whether or not it concurs with the audit report, (b) clearly explain the nature and basis for any disagreement as to a disallowed item of expense and, (c) submit to the DEPARTMENT a written explanation as to any questioned or no opinion expressed item of expense, hereinafter referred to as the "RESPONSE". The RESPONSE shall be clearly stated and provide any supporting documentation necessary to resolve any disagreement or questioned or no opinion expressed item of expense. Where the documentation is voluminous, the REQUESTING PARTY may supply appropriate excerpts and make alternate

arrangements to conveniently and reasonably make that documentation available for review by the DEPARTMENT. The RESPONSE shall refer to and apply the language of the contract. The REQUESTING PARTY agrees that failure to submit a RESPONSE within the sixty (60) day period constitutes agreement with any disallowance of an item of expense and authorizes the DEPARTMENT to finally disallow any items of questioned or no opinion expressed cost.

The DEPARTMENT shall make its decision with regard to any Notice of Audit Results and RESPONSE within one hundred twenty (120) days after the date of the Notice of Audit Results. If the DEPARTMENT determines that an overpayment has been made to the REQUESTING PARTY, the REQUESTING PARTY shall repay that amount to the DEPARTMENT or reach agreement with the DEPARTMENT on a repayment schedule within thirty (30) days after the date of an invoice from the DEPARTMENT. If the REQUESTING PARTY fails to repay the overpayment or reach agreement with the DEPARTMENT on a repayment schedule within the thirty (30) day period, the REQUESTING PARTY agrees that the DEPARTMENT shall deduct all or a portion of the overpayment from any funds then or thereafter payable by the DEPARTMENT to the REQUESTING PARTY under this contract or any other agreement, or payable to the REQUESTING PARTY under the terms of 1951 PA 51, as applicable. Interest will be assessed on any partial payments or repayment schedules based on the unpaid balance at the end of each month until the balance is paid in full. The assessment of interest will begin thirty (30) days from the date of the invoice. The rate of interest will be based on the Michigan Department of Treasury common cash funds interest earnings. The rate of interest will be reviewed annually by the DEPARTMENT and adjusted as necessary based on the Michigan Department of Treasury common cash funds interest earnings. The REQUESTING PARTY expressly consents to this withholding or offsetting of funds under those circumstances, reserving the right to file a lawsuit in the Court of Claims to contest the DEPARTMENT'S decision only as to any item of expense the disallowance of which was disputed by the REQUESTING PARTY in a timely filed RESPONSE.

The REQUESTING PARTY shall comply with the Single Audit Act of 1984, as amended, including, but not limited to, the Single Audit Amendments of 1996 (31 USC 7501-7507).

The REQUESTING PARTY shall adhere to the following requirements associated with audits of accounts and records:

- a. Agencies expending a total of \$500,000 or more in federal funds, from one or more funding sources in its fiscal year, shall comply with the requirements of the federal Office of Management and Budget (OMB) Circular A-133, as revised or amended.

The agency shall submit two copies of:

The Reporting Package
The Data Collection Form
The management letter to the agency, if one issued by the audit firm

The OMB Circular A-133 audit must be submitted to the address below in accordance with the time frame established in the circular, as revised or amended.

b. Agencies expending less than \$500,000 in federal funds must submit a letter to the Department advising that a circular audit was not required. The letter shall indicate the applicable fiscal year, the amount of federal funds spent, the name(s) of the Department federal programs, and the CFDA grant number(s). This information must also be submitted to the address below.

c. Address: Michigan Department of Education
Accounting Service Center
Hannah Building
608 Allegan Street
Lansing, MI 48909

d. Agencies must also comply with applicable State laws and regulations relative to audit requirements.

e. Agencies shall not charge audit costs to Department's federal programs which are not in accordance with the OMB Circular A-133 requirements.

f. All agencies are subject to the federally required monitoring activities, which may include limited scope reviews and other on-site monitoring.

2. Agreed Unit Prices Work - All billings for work undertaken by the REQUESTING PARTY on an agreed unit price basis will be submitted in accordance with the Michigan Department of Transportation Standard Specifications for Construction and pertinent FAPG Directives and Guidelines of the FHWA.

3. Force Account Work and Subcontracted Work - All billings submitted to the DEPARTMENT for Federal reimbursement for items of work performed on a force account basis or by any subcontract with a consulting firm, railway company, governmental agency or other party, under the terms of this contract, shall be prepared in accordance with the provisions of the pertinent FHPM Directives and the procedures of the DEPARTMENT. Progress billings may be submitted monthly during the time work is being performed provided, however, that no bill of a lesser amount than \$1,000.00 shall be submitted unless it is a final

or end of fiscal year billing. All billings shall be labeled either "Progress Bill Number _____", or "Final Billing".

4. Final billing under this contract shall be submitted in a timely manner but not later than six months after completion of the work. Billings for work submitted later than six months after completion of the work will not be paid.
5. Upon receipt of billings for reimbursement for work undertaken by the REQUESTING PARTY on projects funded with Federal monies, the DEPARTMENT will act as billing agent for the REQUESTING PARTY, consolidating said billings with those for its own force account work and presenting these consolidated billings to the FHWA for payment. Upon receipt of reimbursement from the FHWA, the DEPARTMENT will promptly forward to the REQUESTING PARTY its share of said reimbursement.
6. Upon receipt of billings for reimbursement for work undertaken by the REQUESTING PARTY on projects funded with non-Federal monies, the DEPARTMENT will promptly forward to the REQUESTING PARTY reimbursement of eligible costs.

B. Payment of Contracted and DEPARTMENT Costs:

1. As work on the PROJECT commences, the initial payments for contracted work and/or costs incurred by the DEPARTMENT will be made from the working capital deposit. Receipt of progress payments of Federal funds, and where applicable, State Critical Bridge funds, will be used to replenish the working capital deposit. The REQUESTING PARTY shall make prompt payments of its share of the contracted and/or DEPARTMENT incurred portion of the PROJECT COST upon receipt of progress billings from the DEPARTMENT. Progress billings will be based upon the REQUESTING PARTY'S share of the actual costs incurred as work on the PROJECT progresses and will be submitted, as required, until it is determined by the DEPARTMENT that there is sufficient available working capital to meet the remaining anticipated PROJECT COSTS. All progress payments will be made within thirty (30) days of receipt of billings. No monthly billing of a lesser amount than \$1,000.00 will be made unless it is a final or end of fiscal year billing. Should the DEPARTMENT determine that the available working capital exceeds the remaining anticipated PROJECT COSTS, the DEPARTMENT may reimburse the REQUESTING PARTY such excess. Upon completion of the PROJECT, payment of all PROJECT COSTS, receipt of all applicable monies from the FHWA, and completion of necessary audits, the REQUESTING PARTY will be reimbursed the balance of its deposit.

2. In the event that the bid, plus contingencies, for the contracted, and/or the DEPARTMENT incurred portion of the PROJECT work exceeds the estimated cost therefor as established by this contract, the REQUESTING PARTY may be advised and billed for the additional amount of its share.

C. General Conditions:

1. The DEPARTMENT, in accordance with its procedures in existence and covering the time period involved, shall make payment for interest earned on the balance of working capital deposits for all projects on account with the DEPARTMENT. The REQUESTING PARTY in accordance with DEPARTMENT procedures in existence and covering the time period involved, shall make payment for interest owed on any deficit balance of working capital deposits for all projects on account with the DEPARTMENT. This payment or billing is processed on an annual basis corresponding to the State of Michigan fiscal year. Upon receipt of billing for interest incurred, the REQUESTING PARTY promises and shall promptly pay the DEPARTMENT said amount.
2. Pursuant to the authority granted by law, the REQUESTING PARTY hereby irrevocably pledges a sufficient amount of funds received by it from the Michigan Transportation Fund to meet its obligations as specified in PART I and PART II. If the REQUESTING PARTY shall fail to make any of its required payments when due, as specified herein, the DEPARTMENT shall immediately notify the REQUESTING PARTY and the State Treasurer of the State of Michigan or such other state officer or agency having charge and control over disbursement of the Michigan Transportation Fund, pursuant to law, of the fact of such default and the amount thereof, and, if such default is not cured by payment within ten (10) days, said State Treasurer or other state officer or agency is then authorized and directed to withhold from the first of such monies thereafter allocated by law to the REQUESTING PARTY from the Michigan Transportation Fund sufficient monies to remove the default, and to credit the REQUESTING PARTY with payment thereof, and to notify the REQUESTING PARTY in writing of such fact.
3. Upon completion of all work under this contract and final audit by the DEPARTMENT or the FHWA, the REQUESTING PARTY promises to promptly repay the DEPARTMENT for any disallowed items of costs previously disbursed by the DEPARTMENT. The REQUESTING PARTY pledges its future receipts from the Michigan Transportation Fund for repayment of all disallowed items and, upon failure to make repayment for any disallowed items within ninety (90) days of demand made by the DEPARTMENT, the DEPARTMENT is hereby authorized to withhold an equal amount from the REQUESTING PARTY'S share of any future distribution of Michigan Transportation Funds in settlement of said claim.

4. The DEPARTMENT shall maintain and keep accurate records and accounts relative to the cost of the PROJECT and upon completion of the PROJECT, payment of all items of PROJECT COST, receipt of all Federal Aid, if any, and completion of final audit by the DEPARTMENT and if applicable, by the FHWA, shall make final accounting to the REQUESTING PARTY. The final PROJECT accounting will not include interest earned or charged on working capital deposited for the PROJECT which will be accounted for separately at the close of the State of Michigan fiscal year and as set forth in Section C(1).
5. The costs of engineering and other services performed on those projects involving specific program funds and one hundred percent (100%) local funds will be apportioned to the respective portions of that project in the same ratio as the actual direct construction costs unless otherwise specified in PART I.

SECTION IV

MAINTENANCE AND OPERATION

- A. Upon completion of construction of each part of the PROJECT, at no cost to the DEPARTMENT or the PROJECT, each of the parties hereto, within their respective jurisdictions, will make the following provisions for the maintenance and operation of the completed PROJECT:

1. All Projects:

Properly maintain and operate each part of the project, making ample provisions each year for the performance of such maintenance work as may be required, except as qualified in paragraph 2b of this section.

2. Projects Financed in Part with Federal Monies:

- a. Sign and mark each part of the PROJECT, in accordance with the current Michigan Manual of Uniform Traffic control Devices, and will not install, or permit to be installed, any signs, signals or markings not in conformance with the standards approved by the FHWA, pursuant to 23 USC 109(d).

- b. Remove, prior to completion of the PROJECT, all encroachments from the roadway right-of-way within the limits of each part of the PROJECT.

With respect to new or existing utility installations within the right-of-way of Federal Aid projects and pursuant to FAPG (23 CFR 645B): Occupancy of non-limited access right-of-way may be allowed based on consideration for traffic safety and necessary preservation of roadside space and aesthetic quality. Longitudinal occupancy of non-limited access right-of-way by private lines will require a finding of significant economic hardship, the unavailability of practicable alternatives or other extenuating circumstances.

- c. Cause to be enacted, maintained and enforced, ordinances and regulations for proper traffic operations in accordance with the plans of the PROJECT.
- d. Make no changes to ordinances or regulations enacted, or traffic controls installed in conjunction with the PROJECT work without prior review by the DEPARTMENT and approval of the FHWA, if required.

- B. On projects for the removal of roadside obstacles, the parties, upon completion of construction of each part of the PROJECT, at no cost to the PROJECT or the DEPARTMENT, will, within their respective jurisdictions, take such action as is necessary to assure that the roadway right-of-way, cleared as the PROJECT, will be maintained free of such obstacles.
- C. On projects for the construction of bikeways, the parties will enact no ordinances or regulations prohibiting the use of bicycles on the facility hereinbefore described as the PROJECT, and will amend any existing restrictive ordinances in this regard so as to allow use of this facility by bicycles. No motorized vehicles shall be permitted on such bikeways or walkways constructed as the PROJECT except those for maintenance purposes.
- D. Failure of the parties hereto to fulfill their respective responsibilities as outlined herein may disqualify that party from future Federal-aid participation in projects on roads or streets for which it has maintenance responsibility. Federal Aid may be withheld until such time as deficiencies in regulations have been corrected, and the improvements constructed as the PROJECT are brought to a satisfactory condition of maintenance.

SECTION V

SPECIAL PROGRAM AND PROJECT CONDITIONS

- A. Those projects for which the REQUESTING PARTY has been reimbursed with Federal monies for the acquisition of right-of-way must be under construction by the close of the twentieth (20th) fiscal year following the fiscal year in which the FHWA and the DEPARTMENT projects agreement covering that work is executed, or the REQUESTING PARTY may be required to repay to the DEPARTMENT, for forwarding to the FHWA, all monies distributed as the FHWA'S contribution to that right-of-way.
- B. Those projects for which the REQUESTING PARTY has been reimbursed with Federal monies for the performance of preliminary engineering must be under construction by the close of the tenth (10th) fiscal year following the fiscal year in which the FHWA and the DEPARTMENT projects agreement covering that work is executed, or the REQUESTING PARTY may be required to repay to the DEPARTMENT, for forwarding to the FHWA, all monies distributed as the FHWA'S contribution to that preliminary engineering.
- C. On those projects funded with Federal monies, the REQUESTING PARTY, at no cost to the PROJECT or the DEPARTMENT, will provide such accident information as is available and such other information as may be required under the program in order to make the proper assessment of the safety benefits derived from the work performed as the PROJECT. The REQUESTING PARTY will cooperate with the DEPARTMENT in the development of reports and such analysis as may be required and will, when requested by the DEPARTMENT, forward to the DEPARTMENT, in such form as is necessary, the required information.
- D. In connection with the performance of PROJECT work under this contract the parties hereto (hereinafter in Appendix "A" referred to as the "contractor") agree to comply with the State of Michigan provisions for "Prohibition of Discrimination in State Contracts", as set forth in Appendix A, attached hereto and made a part hereof. The parties further covenant that they will comply with the Civil Rights Acts of 1964, being P.L. 88-352, 78 Stat. 241, as amended, being Title 42 U.S.C. Sections 1971, 1975a-1975d, and 2000a-2000h-6 and the Regulations of the United States Department of Transportation (49 C.F.R. Part 21) issued pursuant to said Act, including Appendix "B", attached hereto and made a part hereof, and will require similar covenants on the part of any contractor or subcontractor employed in the performance of this contract.
- E. The parties will carry out the applicable requirements of the DEPARTMENT'S Disadvantaged Business Enterprise (DBE) program and 49 CFR, Part 26, including, but not limited to, those requirements set forth in Appendix C.

APPENDIX A
PROHIBITION OF DISCRIMINATION IN STATE CONTRACTS

In connection with the performance of work under this contract; the contractor agrees as follows:

1. In accordance with Public Act 453 of 1976 (Elliott-Larsen Civil Rights Act), the contractor shall not discriminate against an employee or applicant for employment with respect to hire, tenure, treatment, terms, conditions, or privileges of employment or a matter directly or indirectly related to employment because of race, color, religion, national origin, age, sex, height, weight, or marital status. A breach of this covenant will be regarded as a material breach of this contract. Further, in accordance with Public Act 220 of 1976 (Persons with Disabilities Civil Rights Act), as amended by Public Act 478 of 1980, the contractor shall not discriminate against any employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment or a matter directly or indirectly related to employment because of a disability that is unrelated to the individual's ability to perform the duties of a particular job or position. A breach of the above covenants will be regarded as a material breach of this contract.
2. The contractor hereby agrees that any and all subcontracts to this contract, whereby a portion of the work set forth in this contract is to be performed, shall contain a covenant the same as hereinabove set forth in Section 1 of this Appendix.
3. The contractor will take affirmative action to ensure that applicants for employment and employees are treated without regard to their race, color, religion, national origin, age, sex, height, weight, marital status, or any disability that is unrelated to the individual's ability to perform the duties of a particular job or position. Such action shall include, but not be limited to, the following: employment; treatment; upgrading; demotion or transfer; recruitment; advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.
4. The contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, age, sex, height, weight, marital status, or disability that is unrelated to the individual's ability to perform the duties of a particular job or position.
5. The contractor or its collective bargaining representative shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising such labor union or workers' representative of the contractor's commitments under this Appendix.
6. The contractor shall comply with all relevant published rules, regulations, directives, and orders of the Michigan Civil Rights Commission that may be in effect prior to the taking of bids for any individual state project.

7. The contractor shall furnish and file compliance reports within such time and upon such forms as provided by the Michigan Civil Rights Commission; said forms may also elicit information as to the practices, policies, program, and employment statistics of each subcontractor, as well as the contractor itself, and said contractor shall permit access to the contractor's books, records, and accounts by the Michigan Civil Rights Commission and/or its agent for the purposes of investigation to ascertain compliance under this contract and relevant rules, regulations, and orders of the Michigan Civil Rights Commission.
8. In the event that the Michigan Civil Rights Commission finds, after a hearing held pursuant to its rules, that a contractor has not complied with the contractual obligations under this contract, the Michigan Civil Rights Commission may, as a part of its order based upon such findings, certify said findings to the State Administrative Board of the State of Michigan, which State Administrative Board may order the cancellation of the contract found to have been violated and/or declare the contractor ineligible for future contracts with the state and its political and civil subdivisions, departments, and officers, including the governing boards of institutions of higher education, until the contractor complies with said order of the Michigan Civil Rights Commission. Notice of said declaration of future ineligibility may be given to any or all of the persons with whom the contractor is declared ineligible to contract as a contracting party in future contracts. In any case before the Michigan Civil Rights Commission in which cancellation of an existing contract is a possibility, the contracting agency shall be notified of such possible remedy and shall be given the option by the Michigan Civil Rights Commission to participate in such proceedings.
9. The contractor shall include or incorporate by reference, the provisions of the foregoing paragraphs (1) through (8) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Michigan Civil Rights Commission; all subcontracts and purchase orders will also state that said provisions will be binding upon each subcontractor or supplier.

Revised June 2011

APPENDIX B
TITLE VI ASSURANCE

During the performance of this contract, the contractor, for itself, its assignees, and its successors in interest (hereinafter referred to as the "contractor"), agrees as follows:

1. **Compliance with Regulations:** For all federally assisted programs, the contractor shall comply with the nondiscrimination regulations set forth in 49 CFR Part 21, as may be amended from time to time (hereinafter referred to as the Regulations). Such Regulations are incorporated herein by reference and made a part of this contract.
2. **Nondiscrimination:** The contractor, with regard to the work performed under the contract, shall not discriminate on the grounds of race, color, sex, or national origin in the selection, retention, and treatment of subcontractors, including procurements of materials and leases of equipment. The contractor shall not participate either directly or indirectly in the discrimination prohibited by Section 21.5 of the Regulations, including employment practices, when the contractor covers a program set forth in Appendix B of the Regulations.
3. **Solicitation for Subcontracts, Including Procurements of Materials and Equipment:** All solicitations made by the contractor, either by competitive bidding or by negotiation for subcontract work, including procurement of materials or leases of equipment, must include a notification to each potential subcontractor or supplier of the contractor's obligations under the contract and the Regulations relative to nondiscrimination on the grounds of race, color, or national origin.
4. **Information and Reports:** The contractor shall provide all information and reports required by the Regulations or directives issued pursuant thereto and shall permit access to its books, records, accounts, other sources of information, and facilities as may be determined to be pertinent by the Department or the United States Department of Transportation (USDOT) in order to ascertain compliance with such Regulations or directives. If required information concerning the contractor is in the exclusive possession of another who fails or refuses to furnish the required information, the contractor shall certify to the Department or the USDOT, as appropriate, and shall set forth the efforts that it made to obtain the information.
5. **Sanctions for Noncompliance:** In the event of the contractor's noncompliance with the nondiscrimination provisions of this contract, the Department shall impose such contract sanctions as it or the USDOT may determine to be appropriate, including, but not limited to, the following:
 - a. Withholding payments to the contractor until the contractor complies; and/or
 - b. Canceling, terminating, or suspending the contract, in whole or in part.

6. **Incorporation of Provisions:** The contractor shall include the provisions of Sections (1) through (6) in every subcontract, including procurement of material and leases of equipment, unless exempt by the Regulations or directives issued pursuant thereto. The contractor shall take such action with respect to any subcontract or procurement as the Department or the USDOT may direct as a means of enforcing such provisions, including sanctions for non-compliance, provided, however, that in the event a contractor becomes involved in or is threatened with litigation from a subcontractor or supplier as a result of such direction, the contractor may request the Department to enter into such litigation to protect the interests of the state. In addition, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

Revised June 2011

APPENDIX C

TO BE INCLUDED IN ALL FINANCIAL ASSISTANCE AGREEMENTS WITH LOCAL AGENCIES

Assurance that Recipients and Contractors Must Make (Excerpts from US DOT Regulation 49 CFR 26.13)

- A. Each financial assistance agreement signed with a DOT operating administration (or a primary recipient) must include the following assurance:**

The recipient shall not discriminate on the basis of race, color, national origin, or sex in the award and performance of any US DOT-assisted contract or in the administration of its DBE program or the requirements of 49 CFR Part 26. The recipient shall take all necessary and reasonable steps under 49 CFR Part 26 to ensure nondiscrimination in the award and administration of US DOT-assisted contracts. The recipient's DBE program, as required by 49 CFR Part 26 and as approved by US DOT, is incorporated by reference in this agreement. Implementation of this program is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement. Upon notification to the recipient of its failure to carry out its approved program, the department may impose sanctions as provided for under Part 26 and may, in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001 and/or the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. 3801 et seq.).

- B. Each contract MDOT signs with a contractor (and each subcontract the prime contractor signs with a subcontractor) must include the following assurance:**

The contractor, sub recipient or subcontractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of US DOT-assisted contracts. Failure by the contractor to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as the recipient deems appropriate.

WATCH MUSKEGON

Agenda Item Review Form Muskegon City Commission

Commission Meeting Date: 12/10/2019	Title: Coastal Zone Grant Application
Submitted By: Leo Evans	Department: Public Works
Brief Summary: Staff is requesting Commission approval to apply for a Coastal Zone Grant through the Michigan Department of Environment, Great Lakes, and Energy (MDEGLE) and approval of the attached resolution.	
Detailed Summary: Staff is working towards the submittal of a grant application to the MDEGLE for a Coastal Zone Grant. The focus of the grant application will be based on providing the city with a management plan for the 10+ miles of coastline on Lake Michigan and Muskegon Lake that can be incorporated into the Cities Master Plan to guide decisions about projects that fall along the coastline. The grant is also intended to help identify best practices for mitigating damage from flooding and erosion. Grants provide a 50/50 match and applications are due December 20 th .	
Amount Requested: \$ 15,000 +In-Kind Services	Amount Budgeted: \$ 0
Fund(s) or Account(s): Split between 101-80400-5300 (Planning) & 643-60447-5300 (Engineering)	Fund(s) or Account(s):
Recommended Motion: Authorize staff to apply for the coastal zone grant and approve the resolution of support.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

**MICHIGAN DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY
WATER RESOURCES DIVISION
COASTAL MANAGEMENT PROGRAM GRANT FUNDING OPPORTUNITY**

RESOLUTION OF SUPPORT

Resolution No. _____
City of Muskegon Commission

**RESOLUTION APPROVING SUBMISSION OF COASTAL GRANT APPLICATION
FOR Coastal Zone Management Plan**

WHEREAS, the City of Muskegon contains over 10 miles of Lake Michigan and Muskegon Lake coastline, and

WHEREAS, there are currently no management plans specifically targeted towards the coastline within the City, and

WHEREAS, funding is available through the Coastal Management Program, and

WHEREAS, total project cost is estimated at about \$15,000 + In-Kind Services, 50 percent of which would be funded through the Coastal Program and 50 percent would be a local match;

NOW, THEREFORE, BE IT RESOLVED, that the Muskegon City Commission approves the submission of the grant application to the Michigan Coastal Management Program in the amount of \$15,000 + In-Kind Services for the development of a Coastal Zone Management Plan and commits that the local match shall be provided if the project is funded.

Adopted this 10th day of December, 2019.

AYES:

NAYS:

ABSENT:

BY: _____

ATTEST: _____



**MICHIGAN DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE GREAT LAKES
COASTAL ZONE MANAGEMENT PROGRAM
COASTAL HEALTHY HABITAT, WATERS AND COMMUNITIES INITIATIVE GRANT FUNDING OPPORTUNITY**
The State is authorized to provide grant assistance pursuant to the Coastal Zone Management Act of 1972, as amended.

Coastal Zone Management Program Coastal Healthy Habitat, Waters and Communities Initiative

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**COASTAL ZONE MANAGEMENT PROGRAM
COASTAL HEALTHY HABITAT, WATERS, AND COMMUNITIES INITIATIVE
GRANT FUNDING OPPORTUNITY**

The State is authorized to provide grant assistance pursuant to the Coastal Zone Management Act of 1972, as amended.

I. Introduction

Bordered by four Great Lakes, Michigan is graced with the world's longest freshwater coastline containing vibrant communities and coastal habitats. The Michigan Coastal Zone Management (CZM) Program, housed in the Office of the Great Lakes, is committed to protecting, managing, and restoring healthy coastal habitats and ensuring water quality.

Healthy habitats and waters offer recreational and tourism opportunities in addition to a variety of beneficial ecological services. Coastal wetlands serve a vital function as habitat for plant and wildlife species, helps maintain water quality, provides flood storage and erosion control. Michigan has the world's largest expanse of freshwater sand dunes and many miles of beaches providing not only scenic beauty and abundant recreational opportunities, but also provides habitat and erosion control benefits. These coastal ecosystems support important resources, improve quality of water, provide recreational opportunities for the public's use and enjoyment, and increase the resilience of Michigan's coastal communities to the effects of changing climate conditions.

The CZM Program is pleased to announce this special funding opportunity made available by the National Oceanic and Atmospheric Administration (NOAA), pursuant to the Coastal Zone Management Act (CZMA) of 1972. The CZM Program anticipates \$300,000 in grant funds available in the funding cycle covered by this Grant Funding Opportunity (GFO).

This GFO seeks planning projects that support CZM Program's mission to preserve, protect, restore, and enhance coastal ecosystems and facilitate nature-based infrastructure solutions while improving access to the coast to enhance public use and enjoyment. Successful planning projects selected may be considered for future Department of Natural Resource funding.

The documents referenced in this GFO can be found at www.michigan.gov/coastalmanagement.

Complete applications will be evaluated for funding based on the following considerations:

- Extent to which the project furthers CZM Program Objectives.
- Clearly identifies the area covered by the planning project.
- Overall quality and clarity of the application.
- Organizational capability of the applicant to complete the project as proposed.
- Project readiness and feasibility for completion within the specified grant period.
- Cost-effectiveness.
- Degree of public benefit to be derived from the project.
- Measurability of project results.
- Level of local support.

The CZM Program encourages interested applicants to contact program staff early in the proposal development process for assistance and guidance. Questions may be directed to:

Karen Rae Boase, Coastal Habitat Coordinator
Phone: (517) 284-5037
Email: BoaseK@michigan.gov

Madeleine Gorman, Water Quality Coordinator
Phone: (517) 284-5042
Email: GormanM1@michigan.gov

**COASTAL ZONE MANAGEMENT PROGRAM
COASTAL HEALTHY HABITAT, WATERS, AND COMMUNITIES INITIATIVE
GRANT FUNDING OPPORTUNITY**

The State is authorized to provide grant assistance pursuant to the Coastal Zone Management Act of 1972, as amended.

II. CZM Program Objectives

The CZM Program provides technical assistance and funding opportunities to local partners for creative coastal projects to assist in the development of vibrant and resilient coastal communities through the

preservation, protection, restoring, and enhancing coastal ecosystems and ensuring water quality and facilitating nature-based solutions.

III. Planning Project Considerations

Consideration will be given to projects that contain one or more of the following elements:

- Planning projects that lead to implementation.
- Enhance coastal habitats and water quality, utilizing nature-based solutions that creates and enhance safe access for the public.
- Incorporate community engagement and outreach, including design and installation of interpretative signage/display.
- Demonstrate the interconnectedness between the protection of critical coastal resources such as beaches, coastal wetlands, sand dunes, and high-quality waters.
- Build knowledge and utilize metrics on the methodologies, effectiveness, costs, and challenges associated with implementing nature-based infrastructure solutions.
- Develop and/or utilize metrics for tracking the water quality impacts of the project and incorporate data collection into the project work plan.
- Provide protection for coastal resources, including activities to prevent the introduction and spread of new invasive species such as design and installation of interpretive signage/displays at high quality sites or cleaning/disposal stations for boaters and other recreational users.
- Decreases a coastal community's negative impacts on their water quality through increased stormwater infiltration, decreased pollutant loading, and decreased impervious surfaces.
- Recognize the connections between protecting coastal habitats and achieving healthy coastal waters.

Note: Planning projects shall be located entirely within the approved Michigan CZM Program coastal boundary.

IV. Funding Availability

A. Who is Eligible

- Coastal units of government including cities, counties, villages and townships.
- Regional planning agencies.
- Universities and school districts.
- Tribal governments.

B. Who is Ineligible

An applicant for whom any of the following existing conditions prior to this GFO is not eligible for funding:

- Inability to demonstrate financial stability.
- History of inability to manage or meet DNR contractual terms and conditions.

COASTAL ZONE MANAGEMENT PROGRAM
COASTAL HEALTHY HABITAT, WATERS, AND COMMUNITIES INITIATIVE
GRANT FUNDING OPPORTUNITY

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C. Grant Amounts

No less than \$10,000 and no greater than \$100,000.

D. Match Requirement

A one-to-one, non-federal match is required for all projects. Applicants are to provide documentation of committed match funds. Match may be in the form of cash, in-kind services, or donations.

E. Project Award Period

The anticipated project start date is January 1, 2019, with an end date no later than December 31, 2019. Projects will be evaluated on project readiness and feasibility for completion within this time frame.

F. Ineligible Uses for Grant Funds

- Land acquisition projects.
- Plans and designs for general recreational and athletic facilities, such as playground equipment, ball fields and courts.
- Plans and designs for restroom facilities.
- Dredging projects, including removal of contaminated sediments.
- Purchase of general purpose equipment, such as computers, cameras and/or printers.
- Large-scale beach renourishment projects.
- Shoreline hardened erosion control structures, such as groins, seawalls, etc.
- Private entity benefit.
- Permit fees.

G. Application Deadline

Complete applications must be postmarked or hand-delivered no later than September 4, 2018.

H. Application Submittal

Provide an electronic copy of the application (MS Word, PDF, or other text file) and associated materials as described below on a CD or USB flash drive (non-returnable) with a hard copy of the complete package submitted, including a cover letter signed by an authorized representative of the applicant on the applicant's letterhead.

Note: Faxed or e-mailed submissions will not be accepted. Late or incomplete applications will not be considered for funding.

V. Information for Applicants

Applications are considered public information under the Michigan Freedom of Information Act, PA 442 of 1976, as amended.

Successful applicants will be required to enter into a grant agreement with the DNR which includes standard terms and conditions, which are not subject to modifications. Failure of a successful applicant to accept these obligations will result in withdrawal of grant offer.

**COASTAL ZONE MANAGEMENT PROGRAM
COASTAL HEALTHY HABITAT, WATERS, AND COMMUNITIES INITIATIVE
GRANT FUNDING OPPORTUNITY**

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VI. Application Package

Applications can be no more than 12 pages in length with text no smaller than 11-point font size. Maps, photographs, illustrations, and letters of resolution and support are not subject to overall application page limit.

A cover letter signed by an authorized representative of the applicant and on the applicant's letterhead must accompany the application. Applications are to be submitted to the following:

Ronda Wuycheck, Program Manager
Michigan Coastal Zone Management Program
Office of the Great Lakes
Department of Natural Resources
P.O. Box 30028
Lansing, Michigan 48909-7528

A. Application Cover Page

The cover page should list the project title, location (e.g., city, township, village), county and the relevant Great Lake or connecting waterway. It must clearly state the grant amount requested, match amount provided, and total project cost. Information about the applicant must include:

- Applicant agency or organization name.
- Applicant mailing address.
- Authorized representative's e-mail address.
- Authorized representative's telephone number.
- Vendor ID/Address code.
- Applicant Federal ID number.
- Applicant DUNS number.
- Name, title and contact information of an organization contact person, if different from that of the applicant's authorized representative.
- Congressional District, State Senate District and State House District numbers of the project location.

B. Proposed Project Summary

Provide a summary (150 words or less) of the proposed project to explain the scope, coastal resources that are the focus of the effort, coastal significance and primary outcomes of the project.

C. Detailed Proposed Project Description

Provide the following information in the detailed proposed project description:

- ☐ Project scope, why the project is needed and how it addresses project considerations.
- ☐ List of key project tasks and the outcome(s) of each task.
- ☐ List of work products.
- ☐ Project schedule showing the progress and completion of key project tasks by quarter. The schedule must show that all tasks will be completed within the project period.
- ☐ Project includes a field component such as survey(s), educational, training or volunteer program/activities. The applicant must provide details on how these activities will be conducted in accordance with the appropriate regulations and will follow recognized best practices and take the necessary steps to minimize the risk of spreading invasive species and to minimize the impact to the human environment during this period.
- ☐ Source of secured match.

**COASTAL ZONE MANAGEMENT PROGRAM
COASTAL HEALTHY HABITAT, WATERS, AND COMMUNITIES INITIATIVE
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- ☐ Project coordinates in decimal degree format or degrees, minutes, seconds format. If there is no specific project point location (e.g., regional or statewide study), please provide coordinates for the location of your organization and label as such.

D. Project Tasks and Schedule

Display time lines for major tasks, target milestones for critical intermediate and final products, and key project outcomes/deliverables.

Tasks	Jan.- March 2019	April- June 2019	July- Sept 2019	Oct- Dec 2019	Work Products / Performance Metrics
1.					
2.					
3.					
4.					
5.					

E. Organizational Capability

Describe the qualifications of the individual(s) anticipated to work on the project and the experience of the applicant in managing grant projects.

F. Detailed Project Budget

Download and use one of the following budget forms based on your organization's approach towards project indirect costs:

- Use this budget form if the project does not require any reimbursement of indirect costs.
[OGL Project Budget Worksheet – Federal and Non Federal Funds \(www.michigan.gov/documents/deq/deq-ogl-BudgetProposal-FedandNonFedFunds_536539_7.xlsx\)](http://www.michigan.gov/documents/deq/deq-ogl-BudgetProposal-FedandNonFedFunds_536539_7.xlsx).
- Use this budget form if the project requires reimbursement of indirect costs, but the applicant does not have a Negotiated Indirect Cost Rate Agreement (NICRA). This budget form will calculate the indirect costs utilizing a 10% de minimis rate.
[OGL Project Budget Worksheet - 10 Percent De minimis \(www.michigan.gov/documents/deq/deq-ogl-Budget_Proposal-10percent-de-minimis_536541_7.xlsx\)](http://www.michigan.gov/documents/deq/deq-ogl-Budget_Proposal-10percent-de-minimis_536541_7.xlsx).
- Use this budget form if the applicant has a NICRA and is asking for reimbursement of indirect costs.
[OGL Project Budget Worksheet – \(NICRA\) Federally Negotiated Indirect Cost Rate \(www.michigan.gov/documents/deq/deq-ogl-Budget-Proposal-NICRAFederally-Negotiated-Rate_536547_7.xlsx\)](http://www.michigan.gov/documents/deq/deq-ogl-Budget-Proposal-NICRAFederally-Negotiated-Rate_536547_7.xlsx).

The completed budget spreadsheet file should be included in the CD or USB flash drive with the application and will not count toward the application page limit.

Applicants must provide proof of a successful audit for a period ending within the 24 months immediately preceding the proposal due date and, as appropriate, the organizational NICRA.

**COASTAL ZONE MANAGEMENT PROGRAM
COASTAL HEALTHY HABITAT, WATERS, AND COMMUNITIES INITIATIVE
GRANT FUNDING OPPORTUNITY**

The State is authorized to provide grant assistance pursuant to the Coastal Zone Management Act of 1972, as amended.

VI. Resolution of Support

Applications from local units of government must include a resolution of support or equivalent authorization from the legislative body. The resolution of support may be included in the submittal as a hard copy or PDF file and will not count toward the 12-page application limit. An example can be found at www.mi.gov/documents/deq/deq-ogl-czmp-ResolutionofSupport_407111_7.doc

VII. Supporting Information

A. Information Required for Projects Creating Geospatial and Environmental Data

Environmental Data are defined as recorded and derived observations and measurements of the physical, chemical, biological, geological and geophysical properties and conditions of the oceans, atmosphere, space environment, sun and solid earth, as well as correlative data such as socio-economic data, related documentation and metadata.

Applicants with projects that include such data must submit a completed NOAA Data Sharing Plan (http://www.michigan.gov/documents/deq/FINAL_NOAA_Data_Sharing_Plan_Document_-_MTW-GB_434732_7.doc?20130930092422) for each data set to be developed through the project.

The OGL may, at its discretion, make publicly visible the NOAA Data Sharing Plan from funded proposals, or use information from the NOAA Data Sharing Plan to produce a formal metadata record and include that metadata in an online inventory to indicate the pending availability of new data.

Projects creating new geospatial or environmental data, if funded, must comply with NOAA data sharing and quality control requirements summarized below.

B. Data Sharing and Quality Control Requirements

- Geospatial data and environmental data collected and/or created under the project are posted online.
- Data are provided free of charge or are available at a minimal cost (not to exceed the cost of distribution to the user).
- Data are made available in a timely manner (typically no later than two (2) years after creation) except when limited by law, regulation, policy or security requirements.
- Data are understandable to users and available in a form that permits further analysis or reuse.
- Data are in a machine-readable format, and sufficiently documented using open metadata standards to enable users to independently read and understand the data.
- Data undergo quality control provisions, and a description of the QC process and results are referenced in the metadata.

The following information, if relevant, is encouraged to increase the competitiveness of the application:

- Explanation of how the proposed project is consistent with existing plans and ordinances.
- Indication of local support for the project, and identification of agencies or organizations partnering on the project. Letters of support from the public and letters of commitment from project partners may be included in the application submittal as hard copies or Portable Document Format (PDF) files and will not count toward the application page limit.
- A letter from each entity contributing match, with amount specified, must be received and will not count toward the application page limit.
- Description of how the proposed project leverages other technical or financial resources.

The Michigan Department of Natural Resources will not discriminate against any individual or

**COASTAL ZONE MANAGEMENT PROGRAM
COASTAL HEALTHY HABITAT, WATERS, AND COMMUNITIES INITIATIVE
GRANT FUNDING OPPORTUNITY**

The State is authorized to provide grant assistance pursuant to the Coastal Zone Management Act of 1972, as amended.

group on the basis of race, sex, religion, age, national origin, color, marital status, disability, political beliefs, height, weight, genetic information, or sexual orientation. Questions or concerns should be directed to the Quality of Life – Office of Human Resources, P.O. Box 30473, Lansing, MI 48909-7973.

WATCH MUSKEGON

Agenda Item Review Form Muskegon City Commission

Commission Meeting Date:12/10/19	Title: Allocation of Expected Muskegon County Senior Millage (MCSM) Additional Funds
Submitted By: Oneata Bailey	Department: CNS
Brief Summary: To approve the described allocations for \$85,546 of Muskegon County Senior Millage funds. This funding is specific to our Senior Citizens, age 60 and older, to coordinate and provide services, programs, and/or activities in <i>our jurisdiction</i>.	
Detailed Summary: Planning Division is asking for Commission approval to fund the following programs: The Power of Produce for Senior Citizens on Tuesdays at the Farmers Market. The Fruitport Lions and the Shoreline Branch of the Lions manage the program to reimburse Farmer's through a token-reimbursement system. The Clerk's Office is asking for funds to extend the program period into the fall season. \$5,000 Department of Public Works has been replacing water lines in the city. For every replacement (\$6000), these allocated dollars will cover ½ the cost of a Senior Citizen, age 60 or above. The Water Department will use these funds to offset their annual cost of water lines replaced in our city. \$35,000 Muskegon County Senior Millage Major Home Repair program through the Community and Neighborhood Services department is currently closed. This Major repair program will allow for us to serve our citizens who live in housing that is substandard – a threat to safety, health and life. The need has been greater than our budget. We will utilize these funds to stretch our CDBG funding of Priority Housing repairs to cover us until we receive our 2020 allocations from HUD. \$42,046 Muskegon Senior Housing Assistance is a newly framed program to offer Seniors (60 or older) rental deposits if moving into any of our 4 Senior high-rise locations: Jefferson Tower, Hartford Terrace, Bayview Towers, or Berkshire. These deposits are to be kept in-house for other seniors who do not have an adequate deposit to move in. \$3,000	

Amount Requested:	Amount Budgeted:
Fund(s) or Account(s): MCSM 2020	Fund(s) or Account(s):
Recommended Motion: To accept and allocate additional MCSM award for 2020.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

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WATCH MUSKEGON

Agenda Item Review Form Muskegon City Commission

Commission Meeting Date:12/10/19	Title: Approval of Lead Abatement Contract:602 Ada
Submitted By: Oneata Bailey	Department: CNS
Brief Summary: To award the Building Contract for the lead abatement of 602 Ada to Badgerows Building and Remodeling for the City of Muskegon's Homebuyers Program through CNS.	
Detailed Summary: Lead Abatement Contract for 602 Ada received two bids (below). CNS would like to award the contract to Badgerows Building and Remodeling for \$39,925. - Nassau Construction \$39,950* - Badgerows Building & Remodel \$39,925 *Incomplete bid received.	
Amount Requested:	Amount Budgeted:
Fund(s) or Account(s): HOME 2018	Fund(s) or Account(s):
Recommended Motion: To award Badgerows Building and Remodeling the lead abatement contract for 602 Ada; in the amount of \$39,925, for the Community and Neighborhood Services Office.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	



Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date:12/10/19	Title: Approval of Rehab Contract:602 Ada
Submitted By: Oneata Bailey	Department: CNS
Brief Summary: To award the Building Contract for the rehabilitation of 602 Ada to Custom Exterior for the City of Muskegon's Homebuyers Program through CNS.	
Detailed Summary: Rehabilitation Contract for 602 Ada received three bids (below). CNS would like to award the contract to Custom Exteriors for \$82,560. The following bids include Roof/Alternative Bids. - Nassau Construction \$80,135 - Badgerows Building & Remodel \$87,049** - Custom Exteriors \$82,560 **Excludes Plumbing, Electrical, and Mechanical Costs	
Amount Requested:	Amount Budgeted:
Fund(s) or Account(s): HOME 2018	Fund(s) or Account(s):
Recommended Motion: To award Custom Exterior the rehabilitation contract for 602 Ada; in the amount of \$ 82,560, for the Community and Neighborhood Services Office.	
Check if the following Departments need to approve the item first: Police Dept.☐ Fire Dept.☐ IT Dept.☐ For City Clerk Use Only: Commission Action:	

WATCH MUSKEGON

Agenda Item Review Form Muskegon City Commission

Commission Meeting Date:12/10/19	Title: Approval of Rehab Contract:567 Leonard
Submitted By: Oneata Bailey	Department: CNS
Brief Summary: To award the Building Contract for the rehabilitation of 567 Leonard to Badgerows Building and Remodeling for the City of Muskegon's Homebuyers Program through CNS.	
Detailed Summary: Rehabilitation Contract for 567 Leonard has been bid twice with no bidders*. Since the property has been owned by the City for 10 months, CNS sought out a contractor to finish the rehab project. Badgerows Building and Remodeling has given a price of \$47,850.00 – excluding the Plumbing, Electrical, and Mechanical costs, which are as follows: • Shields Plumbing \$7,230.00 • Jewett Heating and Cooling \$6,200.00 • Belasco Electric \$10,663.00 *The only other bid received was from an ineligible contractor.	
Amount Requested:	Amount Budgeted:
Fund(s) or Account(s): HOME 2018	Fund(s) or Account(s):
Recommended Motion: To award Badgerows Building and Remodeling the rehabilitation contract for 567 Leonard; in the amount of \$ 47,850.00 (\$71,943 including plumbing, mechanical, and electrical), for the Community and Neighborhood Services Office.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

WATCH MUSKEGON

Agenda Item Review Form Muskegon City Commission

Commission Meeting Date: 12/10/19	Title: NEZ Certificate
Submitted By: Mike Franzak	Department: Planning
Brief Summary: Community enCompass has requested the issuance of a Neighborhood Enterprise Zone Certificate for the newly constructed home at 1245 5 th St. The estimated cost of the new home is \$177,000.	
Detailed Summary:	
Amount Requested:	Amount Budgeted:
Fund(s) or Account(s):	Fund(s) or Account(s):
Recommended Motion: Approve the NEZ Certificate for 1245 5 th Street.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

Resolution No. _____

MUSKEGON CITY COMMISSION

**RESOLUTION TO APPROVE THE ISSUANCE
OF A NEIGHBORHOOD ENTERPRISE ZONE CERTIFICATE**

WHEREAS, an application for a Neighborhood Enterprise Zone Certificate has been filed with the City Clerk by Community enCompass to construct a home at 1245 5th St in the Nelson neighborhood, and;

WHEREAS, the applicant has satisfied both the local and state eligibility criteria for a Neighborhood Enterprise Zone Certificate;

WHEREAS, the local unit of government is allowing the six (6) month grace period after construction commencement to apply, which is allowed under the law;

WHEREAS, the Neighborhood Enterprise Zone Certificate will be granted for twelve (12) years;

NOW, THEREFORE, BE IT RESOLVED that the application for a Neighborhood Enterprise Zone Certificate for the new construction of a home by Community enCompass be approved.

Adopted this 10th day of December, 2019.

Ayes:

Nays:

Absent:

By: _____
Stephen J. Gawron, Mayor

Attest: _____
Ann Meisch
City Clerk

CERTIFICATION

I hereby certify that the foregoing constitutes a true and complete copy of a resolution adopted by the City Commission of the City of Muskegon, County of Muskegon, Michigan at a regular meeting held on December 10, 2019.

By: _____
Ann Meisch
City Clerk

WATCH MUSKEGON

Agenda Item Review Form Muskegon City Commission

Commission Meeting Date: 12/10/19	Title: Revoking Alley Vacation
Submitted By: Mike Franzak	Department: Planning
Brief Summary: Request to rescind the resolution that vacated the alley behind the MATS bus station and the proposed Leonard building that fronts Western Ave.	
Detailed Summary:	
Amount Requested:	Amount Budgeted:
Fund(s) or Account(s):	Fund(s) or Account(s):
Recommended Motion: To rescind the resolution that vacated the alley behind the MATS bus station and the proposed Leonard building that fronts Western Ave.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	



CITY OF MUSKEGON

RESOLUTION #2019-_____

WHEREAS, the City of Muskegon vacated certain streets and alleys in the Muskegon Mall by Resolution No. 93-141(f), which is recorded at the office of the Muskegon County Register of Deeds at Liber 1743, pages 316-319; and

WHEREAS, Resolution No. 93-141(f) specifically provided, in paragraph 10 as follows:

10. The 18 foot alley adjacent to Lots 5 through 10 of Block 564, EXCEPT any part thereof previously vacated, provided the said alleys shall not be vacated until the County of Muskegon and the Mall owner or their successors reach and execute agreements regarding easements and access.

WHEREAS, the City of Muskegon amended Resolution 93-141(f) by Resolution No. 94-028(t), which is recorded at the offices of the Muskegon County Register of Deeds at Liber 1757, page 854 for the purpose of correcting the legal descriptions;

WHEREAS, Resolution No. 94-028(t) specifically provided as follows

- (b) That part of Second Street, from the Southeasterly line of Morris Avenue to the Southeasterly line of the 18 foot alley in Block 564 extended to the Southeasterly line of the 18 foot alley in Block 565, EXCEPT any part thereof previously vacated, shall not be vacated until agreements are reached and executed between the Mall owner and the County of Muskegon or their successors for access and easements to property presently owned by the County of Muskegon.

WHEREAS, no agreement between the County of Muskegon and Muskegon Properties Company, Inc., the "Mall owner" in 1993, or any successor, has been reached and executed relating to easements and access in and around the former Muskegon Mall.

NOW, THEREFORE:

BE IT RESOLVED that the City of Muskegon hereby revokes Resolutions 93-141(f) and 94-028(t) relating to the 18 foot alley adjacent to Lots 5 through 10 of Block 564.

BE IT FURTHER RESOLVED, that this Resolution shall be recorded with the Register of Deeds.

Adopted this ____ day of _____, 2019.

AYES: _____
NAYES: _____
ABSENT: _____

By _____
Stephen J. Gawron
Its Mayor

By _____
Ann Marie Meisch, MMC
Its Clerk

CERTIFICATE

(Resolution rescinding and revoking prior Resolutions vacating the 18 foot alley adjacent to Lots 5 through 10 of Block 564)

I hereby certify that the foregoing constitutes a true and complete copy of a resolution adopted by the City Commission of the City of Muskegon, County of Muskegon, Michigan, at a regular meeting held on _____, 2019.

CITY OF MUSKEGON

By: _____
Ann Marie Meisch, MMC
Its Clerk



Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date: December 10, 2019	Title: Non-Union Pay/Benefits
Submitted By: Frank Peterson	Department: City Manager
Brief Summary: Staff is seeking approval of the attached 2020 Non-Union Employee Wage and Benefit Program.	
Detailed Summary: The following changes are proposed: 1. Cost of living adjustment of 1.9% 2. Increase in employee residency incentive from 4% to 4.5% 3. Increase in employer contribution to retirement for non-pension employees from 6% to 9% 4. One-time bonus for employees: 0-10 years (\$250); 11-20 years (\$500; 21+ years (\$750). The additional cost for the fiscal year will be \$87,380. No budget amendment will be necessary.	
Amount Requested:	Amount Budgeted:
Fund(s) or Account(s):	Fund(s) or Account(s): N/A
Recommended Motion: Approve the 2020 Non-Union Employee Wage and Benefit Program.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

RANGE	OCCUPANT	SALARY RANGE	
		START	MAXIMUM
<u>RANGE A</u>		\$ 91,898.47	\$ 122,040.60
Assistant City Manager	VACANT (NOT HIRING)		
<u>RANGE B</u>		\$ 87,522.36	\$ 116,229.15
Public Safety Director	Jeff Lewis		
Municipal Services Director	LeighAnn Mikesell		
Finance and Administrative Services Director	Beth Lewis		
Director of Public Works	Leo Evans		
<u>RANGE C</u>		\$ 81,885.67	\$ 98,579.03
Assistant Finance Director/Income Tax Administrator	Ken Grant		
Water Filtration Plant Superintendent	Sanjeev Mungarwadi		
Information Systems Director	Jim Maurer		
<u>RANGE D</u>		\$ 75,511.56	\$ 94,412.85
City Clerk	Ann Meisch		
Deputy Director of Public Safety - Fire	Jay Paulsen		
City Engineer	VACANT		
<u>RANGE E</u>		\$ 63,470.20	\$ 84,161.04
City Treasurer	Sarah Petersen		
Network Administrator	Jason Boes		
Superintendent of Public Utilities	Dave Baker		
Superintendent of Public Works	Doug Sayles		
Community & Neighborhood Services Director	Oneata Bailey		
<u>RANGE F</u>		\$ 59,136.35	\$ 79,133.40
EEO/Risk Management Director	Dwana Thompson		
Economic Development Director	Jake Eckholm		
Director of Strategic Initiatives	Peter Wills		
Arena Director	VACANT		
Planning Director	Mike Franzak		
<u>RANGE G</u>		\$ 51,510.37	\$ 68,581.40
Fleet Maintenance Supervisor*	Joe Buckingham		
Public Works Supervisor *	Amy Behler		
Parks Supervisor*	Bernadette Young		
Public Works Supervisor*	Vern Berndt		
Public Utility Supervisor*	Mike Hannan		
Public Utility Supervisor*	Wyatt Eggleton		
Administrative Services Supervisor - DPW	Leigh Ann Archer		

Management Assistant - Finance*	Mike Vandermolen		
Technology Support Specialist	Denzel Thomas		
Treasury Services Supervisor	Peggy Straley		
Income Tax Auditor	Karen Cornell		
Police Records Supervisor	Amy Smiley		
Assistant City Engineer	Joel Brookens		
Business Development Manager (DDA)	Dave Alexander		
Deputy City Clerk	Kim Young		
<u>RANGE H</u>		<u>\$ 43,884.38</u>	<u>\$ 58,049.48</u>
Special Projects Coordinator	Tim Harvey		
Police Community Coordinator	VACANT		
Executive Assistant to City Manager	Barb Shullenberger		
Executive Assistant to Public Safety Director	Danielle Thomas		
Code Coordinator	Hope Mitchell		
Arena Finance Manager	VACANT		
Planner II	Jamie Pesch		
Administrative Assistant/Event Coordinator	Jacqueline Erny		
<u>RANGE I</u>		<u>\$ 38,835.94</u>	<u>\$ 51,315.00</u>
Planner I	VACANT		
Administrative Assistant - Planning	Diane Renkenberger		
City Hall Building Maintenance Worker	Matt Beerman		
City Hall Building Maintenance Worker	Terry Spyke		
<u>RANGE J</u>		<u>\$ 34,421.00</u>	<u>\$ 46,258.96</u>
Arena Box Office Manager	Ambur Lenartowicz		
Farmers Market Manager	Michelle Primmer		
<u>RANGE K</u>		<u>\$ 29,185.79</u>	<u>\$ 42,114.86</u>
Arena Maintenance Worker	Ryan Van Ness		
Arena Maintenance Worker	Gerald Ream		
Arena Maintenance Worker	VACANT		
Arena Maintenance Worker	VACANT		

2020 NON-UNION SALARY SCHEDULE

CLASSIFICATION	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7	STEP 8	STEP 9	STEP 10	STEP 11
RANGE A	\$ 91,898.47	\$ 94,912.69	\$ 97,926.90	\$ 100,941.11	\$ 103,955.32	\$ 106,969.54	\$ 109,983.75	\$ 112,997.96	\$ 116,012.17	\$ 119,026.38	\$ 122,040.60
RANGE B	\$ 87,522.36	\$ 90,393.04	\$ 93,263.72	\$ 96,133.32	\$ 99,004.00	\$ 101,875.75	\$ 104,733.52	\$ 107,616.04	\$ 110,486.72	\$ 113,357.39	\$ 116,229.15
RANGE C	\$ 81,885.67	\$ 83,555.01	\$ 85,224.34	\$ 86,893.68	\$ 88,563.02	\$ 90,232.35	\$ 91,901.69	\$ 93,571.02	\$ 95,240.36	\$ 96,909.70	\$ 98,579.03
RANGE D	\$ 75,511.56	\$ 77,401.69	\$ 79,291.82	\$ 81,181.95	\$ 83,072.08	\$ 84,962.21	\$ 86,852.33	\$ 88,742.46	\$ 90,632.59	\$ 92,522.72	\$ 94,412.85
RANGE E	\$ 63,470.20	\$ 65,539.28	\$ 67,608.37	\$ 69,678.53	\$ 71,746.53	\$ 73,815.62	\$ 75,884.70	\$ 77,952.71	\$ 80,023.95	\$ 82,093.03	\$ 84,161.04
RANGE F	\$ 59,136.35	\$ 61,134.06	\$ 63,131.76	\$ 65,129.46	\$ 67,127.17	\$ 69,124.87	\$ 71,122.58	\$ 73,120.28	\$ 75,117.99	\$ 77,115.69	\$ 79,113.40
RANGE G	\$ 51,510.37	\$ 53,217.47	\$ 54,924.57	\$ 56,631.67	\$ 58,338.77	\$ 60,045.87	\$ 61,752.97	\$ 63,460.07	\$ 65,167.17	\$ 66,874.26	\$ 68,581.40
RANGE H	\$ 43,884.38	\$ 45,300.35	\$ 46,716.32	\$ 48,134.45	\$ 49,550.42	\$ 50,966.39	\$ 52,381.29	\$ 53,826.59	\$ 55,215.38	\$ 56,633.51	\$ 58,049.48
RANGE I	\$ 38,835.94	\$ 40,082.99	\$ 41,330.03	\$ 42,580.31	\$ 43,827.35	\$ 45,075.47	\$ 46,322.52	\$ 47,570.64	\$ 48,818.76	\$ 50,066.88	\$ 51,315.00
RANGE J	\$ 34,421.00	\$ 35,453.63	\$ 36,517.24	\$ 37,612.76	\$ 38,741.14	\$ 36,800.52	\$ 41,100.42	\$ 42,333.49	\$ 43,603.50	\$ 44,911.60	\$ 46,258.96
RANGE K	\$ 29,185.79	\$ 30,478.70	\$ 31,771.60	\$ 33,064.51	\$ 34,357.42	\$ 35,650.33	\$ 36,943.23	\$ 38,236.14	\$ 39,529.05	\$ 40,821.96	\$ 42,114.86

2020 WAGE MATRIX FOR NON-UNION PART-TIME AND LIMITED TERM EMPLOYEES

<u>JOB TITLE</u>	<u>STEP 1</u>	<u>STEP2</u>	<u>STEP 3</u>	<u>STEP 4</u>	<u>STEP 5</u>	<u>STEP 6</u>	<u>STEP 7</u>
1. <u>Job Title</u>							
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STEP-2 (500 hours); STEP-3 (1000 hours); STEP-4 (1500 hours); STEP-5 (2000 hours)

WATCH MUSKEGON

Agenda Item Review Form Muskegon City Commission

Commission Meeting Date: December 10, 2019	Title: Arena Restrooms – Phase 2
Submitted By: Frank Peterson	Department: City Manager
Brief Summary: Staff is seeking approval of the attached proposal from Platinum Construction to renovate the two remaining public restrooms in the arena.	
Detailed Summary: The construction of the two new restrooms along the concourse is now complete. Platinum provided the lowest qualified bid for that work earlier this Fall. They completed the work on-time and on-budget. In the time since the onset of the original restroom construction project, it has become clear that a number of major repairs/improvements are needed in the other existing restrooms (much of the plumbing is original to the building). Additionally, we remain under code requirements for female toilets. The timing for those repairs is very good from a project sequencing standpoint, as we still have the Western Ave. restrooms in place (demolition will occur starting in March) and Platinum is still on site finishing their punch list. Staff asked Platinum to extend their pricing from the first phase to the second phase. Staff is satisfied that they have done so, and expects that the best value for the project will come from awarding the renovation of the second phase of restroom work to Platinum as well. The price is slightly higher because additional work will be required in the locker rooms below the restroom – but will result in much-needed improvements to locker room lighting and aesthetics, and will make future restroom renovations easier because plumbing will be more accessible.	
Amount Requested: \$281,000	Amount Budgeted: \$0
Fund(s) or Account(s):	Fund(s) or Account(s): N/A
Recommended Motion: Authorize the City Manager to accept the proposal of \$266,173.69 from Platinum Contracting Group, and authorize a contingency budget of \$14,826.31 (5.5%).	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	



Owner Name	LC Walker Arena Phase 2			Estimator	Anisko		
Building SF				Checked by:			
Location	LC Walker - Muskegon Mi			Architect	AJR		
Description	Restroom - Budget Pricing			Project duration	2.00	months	
QB Item	Spec Section	Description	Qty	Unit	\$/Unit	Sub Contractor	Total
1		Division 1 General Requirements					
01-180		Site Superintendent 100%	8	Week	\$1,817.31	Platinum	\$ 14,538.46
01-180		Project Manager 30%	8	Week	\$759.63	Platinum	\$ 6,077.08
01-140		Project sign	1	Each	\$400.00	Platinum	\$ 400.00
01-160		Office supplies	1	LSUM	\$200.00	Platinum	\$ 200.00
01-120		Reproductions	2	Month	\$200.00	Platinum	\$ 400.00
01-250		Progress Clean-up (4 hrs. / wk.)	4	Week	\$200.00	Platinum	\$ 800.00
01-260		Final Clean-Up -- 24 laborer hrs	1	days	\$1,000.00	Platinum	\$ 1,000.00
01-280		Dumpsters--20 c.y..	4	ea	\$400.00	Platinum	\$ 1,600.00
01-030		Safety Mtgs.--First Aid--Etc.	2	Month	\$150.00	Platinum	\$ 300.00
01-270		FINAL Punch List	5	Days	\$240.00	Platinum	\$ 1,200.00
01-010		Permits	1	LSUM	\$4,500.00	ALLOWANCE	\$ 4,500.00
01-080		Temporary Gas	-	Month	\$0.00	By Owner	\$ -
01-080		Temporary Electric	-	Month	\$0.00	By Owner	\$ -
01-075		Temporary Enclosures	-	LSUM	\$0.00	By Owner	\$ -
01-075		Temporary Protection / Wall	1	LSUM	\$500.00	Platinum	\$ 500.00
		Division 1 Total					\$ 31,515.54
2		Division 2 Site work / Demo					
		Demolition	1	LSUM	\$12,600.00	Walsh	\$ 12,600.00
		Division 2 Total					\$ 12,600.00
3		Division 3 Concrete					
		Concrete Patch	1	LSUM	\$750.00	Allowace	\$ 750.00
		Division 3 Total					\$ 750.00
4		Division 4 Masonry					
		Division 4 Total					\$ -
5		Division 5 Metals					
		Division 5 Total					\$ -
6		Division 6 Woods and Plastics					
		Rough Lumber - Blocking	1	LSUM	\$1,250.00	Allowance	\$ 1,250.00
		General Trades	1	LSUM	\$6,951.22	Calstra	\$ 6,951.22
		Division 6 Total					\$ 8,201.22
7		Division 7 Thermal and Moisture Protection					



		Insulation - Sound	1	LSUM	\$0.00	In Drywall	\$	-	
		Roofing - Penetrations	5	ea	\$300.00	Allowance	\$	1,500.00	
		Caulking	1	LSUM	\$1,560.00	Custom Caulking	\$	1,560.00	
		Division 7 Total							\$ 3,060.00
8		Division 8 Doors and Windows							
		Division 8 Total							
9		Division 9 Finishes							
		Framing / Drywall	1	LSUM	\$15,920.00	D9	\$	15,920.00	
		Epoxy Flooring - Patching at Sawcuts - Existing flooring	1	LSUM	\$10,000.00	Bid / Allowance	\$	10,000.00	
		Tile Wet Walls	1	LSUM	\$12,477.79	Bid	\$	12,477.79	
		Painting - Locker Room Included	1	LSUM	\$13,980.00	Bid	\$	13,980.00	
		Division 9 Total							\$ 52,377.79
10		Division 10 Specialties							
		Toilet Partitions - Includes Install	1	LSUM	\$23,695.00	SA Morman	\$	23,695.00	
		Bath Accessories	1	LSUM	\$5,200.00	SA Morman	\$	5,200.00	
		Division 10 Total							\$ 28,895.00
11		Division 11 Equipment							
		Division 11 Total							\$ -
12		Division 12 Furnishings							
		FFE - Excluded				By Owner	\$	-	
		Division 12 Total							\$ -
13		Division 13 Special Construction							
		Division 13 Total				By Owner	\$	-	
		Division 13 Total							\$ -
14		Division 14 Conveying Systems							
		Division 14 Total							\$ -
15		Division 15 Mechanical							
		Plumbing:					\$	-	
			1	LSUM	\$62,285.00	Accurate	\$	62,285.00	
		HVAC:					\$	-	
		Distribution from Existing	1	LSUM	\$11,350.00	Allowance	\$	11,350.00	
		Fire Protection:					\$	-	
		Relocation / Distribution	1	LSUM	\$13,175.00	Brigade	\$	13,175.00	
		Division 15 Total							\$ 86,810.00
16		Division 16 Electrical							
		Service / Distribution / Finishes / Lighting	1	Lsum	\$29,289.20	Newton Electric	\$	29,289.20	
		Division 16 Total							\$ 29,289.20
					Project Direct Cost		\$	253,498.75	\$253,498.75



			Insurance - Builders Risk by Owner	\$	-	
			Sub total	\$	253,498.75	
			Overhead	\$	-	0.0%
			Profit	\$	12,674.94	5%
			Total Project Cost	\$	266,173.69	



Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date: December 10, 2019	Title: Community Relations Committee Recommendations
Submitted By: Ann Marie Meisch	Department: Clerk
Brief Summary: To accept the addition, resignations, removals and appointments as follows: - Addition of two positions to the Lakeside Business Improvement District. - Resignations of Doug Pollock of the downtown Business Improvement District, Gary Post of the downtown Business Improvement District, and Poppy Sias Hernandez of the Community Development Block Grant/Citizen's District Council. - Removals of Diane Murray-McKinley of the Equal Opportunity Committee and Destinee Keener of the Equal Opportunity Committee. - Appointments of Ron Jenkins to the Lakeside Business Improvement District, Allen Serio to the Lakeside Business Improvement District, Kim Martens to the Farmers Market Advisory Board, Bruce Lindstrom reappointed to the downtown Business Improvement District, and Bob Tarrant reappointed to the downtown Business Improvement District.	
Amount Requested: N/A	Amount Budgeted: N/A
Fund(s) or Account(s): N/A	Fund(s) or Account(s): N/A
Recommended Motion: To concur with the recommendations of the Community Relations Committee and approve the additions, resignations, removals, and appointments.	
For City Clerk Use Only:	
Commission Action:	

WATCH MUSKEGON

Agenda Item Review Form Muskegon City Commission

Commission Meeting Date: 12-10-2019	Title: Public Hearing on The Docks Brownfield Plan, 1490 Edgewater
Submitted By: Dave Alexander	Department: Economic Development
Brief Summary: To hold a public hearing on the request for a Brownfield Plan Amendment for The Docks, 1490 Edgewater for Damfino Development LLC and to consider the attached resolution.	
Detailed Summary: Damfino Development proposes a local-only tax capture brownfield plan for the former Pigeon Hill sand mine property at the west end of Muskegon Lake. Plans are for 240 residential site condominiums needing \$18.5 million in initial private capital. The 30-year plan identifies \$20,097,500 in eligible expenses plus interest on borrowing until tax increments pay for the expenses. Part of eligible expenses is of an estimated \$3 million for public infrastructure for the city's construction of the traffic circle at Beach Street and Lakeshore Drive, improvements to Edgewater Street and other roads surrounding the development. The plan estimates The Docks would create \$111.4 million in new property value in the city after 30 years. The plan also includes \$10,000 a year administrative fee to the city. If the 30-year plan pays off expenses early, the city can have up to five years of additional tax capture for a brownfield revolving fund. The reimbursement to the developer vs. city would be done on a prorated basis.	
Amount Requested: N/A	Amount Budgeted: N/A
Fund(s) or Account(s):	Fund(s) or Account(s):
Recommended Motion: To close the public hearing and approve the Brownfield Plan Amendment for The Docks, 1490 Edgewater for Damfino Development LLC with the attached resolution, authorizing the Mayor and City Clerk to sign.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

RESOLUTION APPROVING THE BROWNFIELD PLAN AMENDMENT

The Docks, 1490 Edgewater

City of Muskegon

County of Muskegon, Michigan

Minutes of a Regular Meeting of the City Commission of the City of Muskegon, County of Muskegon, Michigan (the "City"), held in the City Commission Chambers on the 10th day of December, 2019 at 5:30 p.m., prevailing Eastern Time.

PRESENT:

ABSENT:

The following preamble and resolution were offered by Commissioner _____ and supported by Commissioner _____.

WHEREAS, in accordance with the provisions of Act 381, Public Acts of Michigan, 1996, as amended ("Act 381"), the City of Muskegon Brownfield Redevelopment Authority (the "Authority") has prepared and approved a Brownfield Plan Amendment to add The Docks, 1490 Edgewater; and

WHEREAS, the Authority has forwarded the Brownfield Plan Amendment to the City Commission requesting its approval of the Brownfield Plan Amendment; and

WHEREAS, the City Commission has provided notice and a reasonable opportunity to the taxing jurisdictions levying taxes subject to capture to express their views and recommendations regarding the Brownfield Plan Amendment, as required by Act 381; and

WHEREAS, not less than 10 days has passed since the City Commission provided notice of the proposed Brownfield Plan to the taxing units; and

WHEREAS, the City Commission held a public hearing on the proposed Brownfield Plan on December 10, 2019.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. That the Brownfield Plan constitutes a public purpose under Act 381.
2. That the Brownfield Plan meets all the requirements of Section 13(1) of Act 381.

3. That the proposed method of financing the costs of the eligible activities, as identified in the Brownfield Plan and defined in Act 381, is feasible and the Authority has the authority to arrange the financing.
4. That the costs of the eligible activities proposed in the Brownfield Plan are reasonable and necessary to carry out the purposes of Act 381.
5. That the amount of captured taxable value estimated to result from the adoption of the Brownfield Plan is reasonable.
6. That the Brownfield Plan in the form presented is approved and is effective immediately.
7. That all resolutions or parts of resolutions in conflict herewith shall be and the same are hereby rescinded.

Be it Further Resolved that the Mayor and City Clerk are hereby authorized to execute all documents necessary or appropriate to implement the provisions of the Brownfield Plan.

AYES:

NAYS:

RESOLUTION DECLARED APPROVED.

Ann Marie Meisch, City Clerk

Stephen J Gawron, Mayor

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Commission of the City of Muskegon, County of Muskegon, State of Michigan, at a regular meeting held on December 10, 2019 and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, as amended, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

Ann Marie Meisch, City Clerk

**CITY OF MUSKEGON
BROWNFIELD REDEVELOPMENT
AUTHORITY**

***BROWNFIELD PLAN AMENDMENT
FOR THE DAMFINO DEVELOPMENT, LLC
DEVELOPMENT PROJECT***

Original Plan Approved by the Board of the City of Muskegon Brownfield Redevelopment Authority on **February 23, 1998,** with subsequent amendments individually approved for each project.

Original Plan Approved by the City Commission of the City of Muskegon on **April 14, 1998,** with subsequent amendments individually approved for each project.

CITY OF MUSKEGON
BROWNFIELD REDEVELOPMENT AUTHORITY
BROWNFIELD PLAN

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Y. Damfino Development, LLC (_____)	

I. INTRODUCTION

In order to promote the revitalization of commercial, industrial, and residential properties within the boundaries of the City of Muskegon (the “City”), the City established the City of Muskegon Brownfield Redevelopment Authority (the “Authority”) pursuant to Act 381, Public Acts of Michigan, as amended (“Act 381”) and a resolution adopted by the Muskegon City Commission on February 10, 1998. Terms defined in Act 381 and applicable sections of the statute are noted in *italics* throughout this document.

This Brownfield Plan (“Plan”) was originally intended to address the redevelopment of *eligible properties* within the City that are impacted by the presence of hazardous substances in concentrations that exceed Michigan’s Part 201 Generic Cleanup Criteria (“*facilities*”) or that have been determined to be Functionally Obsolete or Blighted. By facilitating redevelopment of underutilized *eligible properties*, the Plan is intended to promote economic growth for the benefit of the residents of the City and all taxing units located within and benefited by the Authority.

This Plan is intended to be a living document, which can be amended as necessary to achieve the purposes of Act 381. It is specifically anticipated that properties will be continually added to the Plan as new projects are identified. The Plan contains general provisions applicable to the Plan, as well as property-specific information for each project. The applicable Sections of Act 381 are noted throughout the Plan for reference purposes.

This Brownfield Plan contains the information required by Section 13(2) of Act 381, as amended. Additional information is available from the Muskegon City Manager or the Director of Planning and Economic Development.

II. GENERAL PROVISIONS

A. Costs of the Brownfield Plan (Section 13(2)(a))

Any site-specific costs of implementing this Plan are described in the site-specific section of the Plan. Site-specific sources of funding may include tax increment financing revenue generated from new development on eligible brownfield properties, state and federal grant or loan funds, and/or private parties. Where private parties finance the costs of eligible activities under the Plan, tax increment revenues may be used to reimburse the private parties. The initial costs related to preparation of the Brownfield Plan were funded by the City’s general fund. Subsequent amendments to the Plan may be funded by the person requesting inclusion of a project in the Plan, and if eligible, may be reimbursed through tax increment financing.

The Authority intends to pay for administrative costs and all of the things necessary or convenient to achieve the objectives and purposes of the Authority with fees charged to applicants to be included in the Plan, and any eligible tax increment revenues collected pursuant to the Plan, in accordance with the provisions of Act 381, including, but not limited to:

- i) the cost of financial tracking and auditing the funds of the Authority,
- ii) costs for amending and/or updating this Plan, including legal fees and

- iii) costs for Plan implementation

Tax increment revenues that may be generated and captured by this Plan are identified in the site-specific sections of this Plan.

B. Method for Financing Costs of Plan and Bonded Indebtedness(Section 13(2)(d) and (e))

The City or Authority may incur some debt on a site-specific basis. Please refer to the site-specific section of the Plan for details on any debt to be incurred by the City or Authority. When a property proposed for inclusion in the Plan is in an area where tax increment financing is a viable option, the Authority intends to enter into Development and Reimbursement Agreement with the property owners/developers of properties included in the Plan to reimburse them for the costs of eligible activities undertaken pursuant to the Plan. Financing arrangements will be specified in a Development and Reimbursement Agreement, and also in the Site Specific section of the Plan.

C. Duration of the Brownfield Plan (Section 13(2)(f))

The Plan, as it applies to a specific eligible property, shall be effective up to five (5) years after the year in which the total amount of any tax increment revenue captured is equal to the total costs of *eligible activities* attributable to the specific *eligible property*, or thirty (30) years from the date of first tax capture under the Plan as it relates to an individual site, whichever is less. The total costs of *eligible activities* include the cost of principal and interest on any note or obligation issued by the Authority to pay for the costs of *eligible activities*, the reasonable costs of a Work Plan, the actual costs of the Michigan Environmental Great Lakes & Energy or Michigan Strategic Fund's review of the Work Plan and implementation of the *eligible activities*.

D. Displacement/Relocation of Individuals on Eligible Properties (Section 13(2)(i),(j)(k)(l))

At this time, *eligible properties* identified in the Plan do not contain residences, nor are there any current plans or intentions by the City for identifying *eligible properties* that will require the relocation of the residences. Therefore the provisions of Section 13(2)(i-l) are not applicable at this time.

E. Local Brownfield Revolving Fund (Section 8; Section 13(5)(b))

Whenever the Plan includes a property for which taxes will be captured through Tax Increment Financing ("TIF") provided by Act 381, it is the Authority's intent to establish a Local Brownfield Revolving Fund ("Fund"). The Fund will consist of tax increment revenues that exceed the costs of eligible activities incurred on an eligible property, as specified in *Section 13(5) of Act 381*. Section 13(5) authorizes the capture of TIF from an eligible property for up to 5 years after the time that capture is required for the purposes of reimbursing the costs of eligible activities identified in the Plan. It is the intention of the Authority to continue to capture tax increment revenues for 5 years after eligible activities are funded from those properties identified for tax capture in the Plan, provided that the time frame allowed by Act 381 for tax capture is sufficient to

accommodate capture to capitalize a Fund. The amount of school operating taxes captured for the Fund will be limited to the amount of school operating taxes captured for eligible department specific activities under the Plan. It may also include funds appropriated or otherwise made available from public or private sources.

The Fund may be used to reimburse the Authority, the City, and private parties for the costs of eligible activities at *eligible properties* and other costs as permitted by Act 381. It may also be used for eligible activities on *an eligible property* for which there is no ability to capture tax increment revenues. The establishment of the fund will provide additional flexibility to the Authority in facilitating redevelopment of brownfield properties by providing another source of financing for necessary eligible activities.

III. SITE SPECIFIC PROVISIONS

Y. Damfino Development, LLC Redevelopment Project

Eligibility and Project Description(Sec. 13(2)(h))

Project Description

Damfino Development, LLC (“Damfino”) intends to develop the approximately 76.17 acres of vacant land consisting of 1490 Edgewater St, 1875 Waterworks Rd and 3400, 3460 & 3474 Wilcox Ave in Muskegon, MI (collectively, the “Property”) into a residential site condominium project (the “Project”). The Project will include the development of 240 new market-rate site condominiums that will range in size from 900 to 3,500 square feet, as well as construction of a marina, green space, site improvements and landscaping. Additionally, the City of Muskegon will construct a traffic circle at Lakeshore Drive and Beach Street and road improvements to Edgewater Street. A proposed site plan is included in Attachment U-2.

The private capital investment to complete the Project is estimated to be approximately \$18.5 million with approximately \$8.9 million required to address the Site Preparation costs alone.

The *eligible property* comprising the Damfino Development, LLC Redevelopment Project included in this Plan consists of the Property in Muskegon, Michigan (see Attachment U-1). The Property includes the following addresses and parcel numbers that make up the Property’s legal description below:

Address: 1490 Edgewater Street (#24-205-735-0001-00)
1875 Waterworks Rd (#24-205-733-0001-00)
3400 Wilcox Ave (#24-205-727-0008-00)
3460 Wilcox Ave (#24-205-727-0005-00)
3474 Wilcox Ave (#24-505-001-0016-00)

Legal Description:

PUD DESCRIPTION:
PART OF SECTIONS 27, 28 AND 33. TOWN 10 NORTH, RANGE 17 WEST, CITY OF
MUSKEGON, MUSKEGON COUNTY. MICHIGAN MORE PARTICULARLY DESCRIBED AS:

BEGINING AT THE NORTHWEST CORNER OF THE PLAT OF EDGEWATER SUBDIVISION, MUSKEGON COUNTY, RECORDED IN LIBER 3, PAGE 82 OF PLATS, MUSKEGON COUNTY RECORDS; THENCE SOUTH 89°29'03" EAST 552.46 FEET ALONG THE NORTH LINE OF SAID PLAT; THENCE NORTH 43°49'09" EAST 253.30 FEET TO AN INTERMEDIATE TRAVERSE LINE: THENCE SOUTH 28°34'30" EAST 210.94 FEET ALONG SAID TRAVERSE LINE; THENCE NORTH 89°29'03" WEST 59.11 FEET; THENCE SOUTH 34°09'03" EAST 355.45 FEET; THENCE SOUTH 40°59'03" EAST 339.11 FEET; THENCE SOUTH 28 09 03 EAST 161.84 FEET THENCE SOUTH 13 06 00 EAST 41.29 FEET; THENCE SOUTH 12 28 31 EAST 22.46 FEET; THENCE SOUTH 77 33 28 WEST 40.00 FEET; THENCE SOUTHWESTERLY 137.93 FEET ALONG A 42.00 FOOT RADIUS CURVE TO THE LEFT THE LONG CHORD OF WHICH BEARS SOUTH 05°38'30" WEST 83.79 FEET; THENCE SOUTHEASTERLY 17.20 FEET ALONG A 13.00 FOOT RADIUS CURVE TO THE RIGHT THE LONG CHORD OF WHICH BEARS SOUTH 50°34'18" EAST 15.97 FEET; THENCE SOUTH 12°40'12" EAST 16.70 FEET TO THE NORTH LINE OF LOT 80 EDGEWATER SUBDIVISION; THENCE NORTH 88°52'41" WEST ALONG SAID LINE 111.50 FEET TO THE WEST LINE OF LOTS 80, 79 AND 78 THENCE SOUTH 01°26'07" WEST 149.95 FEET ALONG SAID LINES TO THE NORTH LINE OF BRIGHTON AVENUE; THENCE NORTH 88°51'47" WEST 50.20 FEET ALONG SAID NORTH LINE THENCE SOUTH 01°14'28" WEST 50.00 FEET TO THE SOUTH LINE OF BRIGHTON AVENUE; THENCE SOUTH 00°20'44" WEST 125.07 FEET ALONG THE WEST LINE OF LOT 66 TO THE NORTH LINE OF LOT 58 THENCE NORTH 88°52'43" WEST 47.22 FEET ALONG SAID NORTH LINE TO THE WEST LINE OF LOT 56; THENCE SOUTH 01°30'48" WEST 130.68 FEET ALONG SAID WEST LINE TO THE NORTH LINE OF WINDWARD DRIVE; THENCE NORTH 89°50'32" WEST 49.87 FEET ALONG SAID NORTH LINE; THENCE SOUTH 00°48'23" WEST 49.88 FEET TO THE SOUTH LINE OF WINDWARD DRIVE; THENCE SOUTH 01°27'15" WEST 247.99 FEET ALONG THE WEST LINE OF LOTS 46 AND 30 TO THE NORTH LINE OF ARLINGTON AVENUE; THENCE NORTH 88°56'52" WEST 195.83 FEET ALONG SAID NORTH LINE; THENCE SOUTH 01°03'08" WEST 49.41 FEET TO THE SOUTH LINE OF ARLINGTON AVENUE; THENCE SOUTH 02°50'00" WEST 153.95 FEET ALONG THE WEST LINE OF LOT 25; THENCE SOUTH 01°02'00" WEST ALONG THE WEST LINE OF LOT 96 106.00 FEET; THENCE NORTH 88°40'16" WEST 4.66 FEET; THENCE SOUTH 00°59'44" WEST 96.55 FEET: THENCE NORTH 81°17'14" EAST 54.31 FEET TO THE NORTHWEST CORNER OF LOT 9; THENCE SOUTH 22°01'33" WEST ALONG THE WEST LINE OF LOTS 9 AND 8. 70.00 FEET; THENCE SOUTH 13°03'15" WEST ALONG THE WEST LINE OF LOT 8, 30.00 FEET; THENCE NORTH 89°22'50" EAST ALONG THE SOUTH LINE OF LOT 8, 30.00 FEET TO THE NORTHWEST CORNER OF LOT 7; THENCE SOUTH 08°39'17" WEST ALONG THE WEST LINE OF LOTS 7 THROUGH 1, 400.75 FEET TO THE NORTH LINE OF LOTS 1 THROUGH 13 BLOCK 726 AND LOTS 1 THROUGH 4 BLOCK 727 OF THE REVISED PLAT OF 1903 OF THE CITY OF MUSKEGON; THENCE SOUTH 64°37'05" WEST 405.01 FEET ALONG SAID NORTH LINE; THENCE NORTH 88°19'39" WEST 585.28 FEET; THENCE SOUTH 06°38'09" WEST 115.76 FEET; THENCE SOUTHWESTERLY 41.54 FEET ALONG A 374.00 FOOT RADIUS CURVE TO THE RIGHT THE LONG CORD OF WHICH BEARS SOUTH 09°49'04" WEST 41.52 FEET; THENCE SOUTH 13°00'00" WEST 145.00 FEET; THENCE SOUTHEASTERLY 77.19 FEET ALONG A 126.00 FOOT RADIUS CURVE TO THE LEFT THE LONG CHORD OF WHICH BEARS SOUTH 04°32'57" EAST 75.98 FEET TO THE NORTHERLY LINE OF WILCOX AVENUE; THENCE NORTH 60°53'14" WEST 9.25 FEET ALONG SAID NORTH LINE TO THE WEST LINE OF WILCOX AVENUE; THENCE SOUTH 28°52'03" WEST 65.92 FEET ALONG SAID WEST LINE TO THE SOUTHERLY LINE OF WILCOX AVENUE; THENCE SOUTH 61°06'53" EAST 38.40 FEET ALONG SAID SOUTHERLY LINE TO THE WESTERLY LINE OF WATERWORKS ROAD; THENCE SOUTH 43°38'07" WEST 26.57 FEET ALONG SAID WESTERLY LINE; THENCE NORTH 23°38'13" WEST 71.22 FEET; THENCE NORTHERLY 80.57 FEET ALONG A 126.00 FOOT RADIUS CURVE TO THE RIGHT THE LONG CHORD OF WHICH BEARS NORTH 05°19'06" WEST 79.20 FEET; THENCE NORTH 13°00'00" EAST 179.32 FEET; THENCE NORTHEASTERLY 36.21 FEET ALONG 326.00 FOOT RADIUS CURVE TO THE LEFT THE LONG CHORD OF WHICH BEARS NORTH 09°49'04" EAST 36.19 FEET; THENCE NORTH 06°38'09" EAST 111.50 FEET; THENCE NORTH 88°19'39" WEST 343.68 FEET TO A PONT ON THE WESTERLY LINE OF LOT 16, LAKE MICHIGAN PARK SUBDIVISION; THENCE

NORTH 10°53'28" EAST 132.41 FEET ALONG THE WEST LINE OF SAID LOT 16 TO THE NORTH LINE OF LAKE MICHIGAN PARK SUBDIVISION; THENCE NORTH 89°09'46" WEST 421.63 FEET ALONG SAID NORTH LINE; THENCE NORTH 24°28'10" WEST 562.33 FEET ALONG SAID SUBDIVISION; THENCE NORTH 60°19'21" WEST 60.35 FEET ALONG SAID SUBDIVISION TO THE SOUTH LINE OF CENTRAL LAND CO'S SUBDIVISION NO 1; THENCE SOUTH 89°01'47" EAST 271.08 FEET ALONG SAID SOUTH LINE TO THE SOUTHWEST CORNER OF HARBOUR TOWNE CONDOMINIUM, AS RECORDED IN LIBER 4077, PAGE 496; THENCE SOUTH 89°01'47" EAST 902.40 FEET (RECORDED AS N89°58'46"W 902.68') ALONG THE SOUTH LINE OF SAID CONDOMINIUM TO THE SOUTHEAST CORNER OF SAID CONDOMINIUM; THENCE NORTH 02°47'15" EAST 2002.66 FEET (RECORDED AS S01°52'29"W 2002.66') ALONG THE EAST LINE OF SAID CONDOMINIUM TO THE NORTHEAST CORNER OF SAID CONDOMINIUM AND THE NORTHWEST CORNER OF THE PLAT OF EDGEWATER SUBDIVISION AND THE POINT OF BEGINNING. INCLUDING THE LAND BETWEEN THE INTERMEDIATE TRAVERSE LINE AND THE SHORE OF MUSKEGON LAKE.

ALSO INCLUDING THE LAND BETWEEN VACATED LAKE (ALSO KNOWN AS EDGEWATER) STREET AND THE SHORE OF MUSKEGON LAKE LYING SOUTHERLY OF THE NORTH LINE OF LOT 95 EXTENDED TO THE WATER AND NORTHERLY OF THE SOUTH LINE OF LOT 82 EXTENDED TO THE SHORE.

SAID PARCEL CONTAINS 3,317.981 SQ FT WHICH IS 76.17 ACRES OF LAND MORE OR LESS.

This *eligible property* includes all existing real and all new personal property.

The eligible property is considered a "facility" pursuant to Part 201. The eligible property had concentrations of chromium (total) in excess of residential direct contact cleanup criteria. Therefore, the eligible property is considered a "facility" pursuant to Part 201 and is therefore an eligible property pursuant to Act 381 of 1996, as amended.

Eligible Activities, Financing, Cost of Plan (Sec. 13(2)(a),(b),(c),(g))

Eligible activities included for reimbursement consist of demolition, site preparation, infrastructure improvements, interest, and brownfield plan/work plan preparation and development (see chart below).

Eligible Activities

Demolition	\$ 550,000
Site Preparation	\$ 8,950,000
Infrastructure Improvements	
- Private (Damfino)	\$ 4,900,000
- Public (City)	<u>\$ 3,050,000</u>
Sub-total	<u>\$ 17,450,000</u>
Contingency (15%)	\$ 2,617,500
Interest – Calculated annually at the current Applicable Federal Rate (Currently 1.94%)	TBD
Brownfield Plan/Work Plan Preparation and Development	\$ 30,000
Total Eligible Activities to be paid for under this Plan	<u>\$ 20,097,500*</u>

The eligible activities described above will occur on the Property and are further described as follows:

1. Demolition: Demolition will include site demolition of the conveyor tunnel and foundations and removal of the water based mooring cells. Demolition is necessary in order to prepare the Property for the proposed improvements.
2. Site Preparation: Site Preparation on the Property will include geotechnical engineering, mass grading/land balancing, clearing and grubbing, dewatering, erosion control, wetland mitigation, and retaining wall installation that are necessary to prepare the Property for the proposed improvements.
3. Infrastructure Improvements: Infrastructure Improvements will include civil engineering and construction of new public roadways, curb, gutter, installation of new utilities (i.e. water mains, sanitary sewer, storm sewer, electrical, gas, lift station upgrades), sidewalks, landscaping, and lighting. In addition, the City of Muskegon will be completing road improvements on Lakeshore Drive, Beach Street, Waterworks Road, Edgewater Street, Pere Marquette Boardwalk paving, and repaving ovals.
4. Contingency: A contingency of 15% is included to account for any unexpected costs during completion of the eligible activities.
5. Interest: Eligible Activities will be reimbursed with interest calculated annually at the Applicable Federal Rate.
6. Brownfield/Work Plan Preparation and Development: Costs incurred to prepare and develop this brownfield plan and a work plan, as required per Act 381 of 1996, as amended.

An estimate of the captured taxable value and tax increment revenues, which includes the impact on the taxing jurisdictions, is attached as Attachment U-3.

The cost to conduct the Project eligible activities included in this Plan will be initially provided by Damfino Development, LLC and they will seek reimbursement for eligible activities through tax increment financing from local taxes as applicable. The City will incur the costs for the City eligible activities and they will seek reimbursement for eligible activities through tax increment financing from local taxes as applicable. It is intended that the Authority will capture 100% of the *captured taxable value* from the Property to reimburse the Developer and City for *eligible activities* incurred for the Project. The Developer and City will be reimbursed on a prorata basis based on the total eligible activities approved for reimbursement. No advances via bond or notes will be made from the City for this Plan.

Effective Date of Inclusion in Brownfield Plan

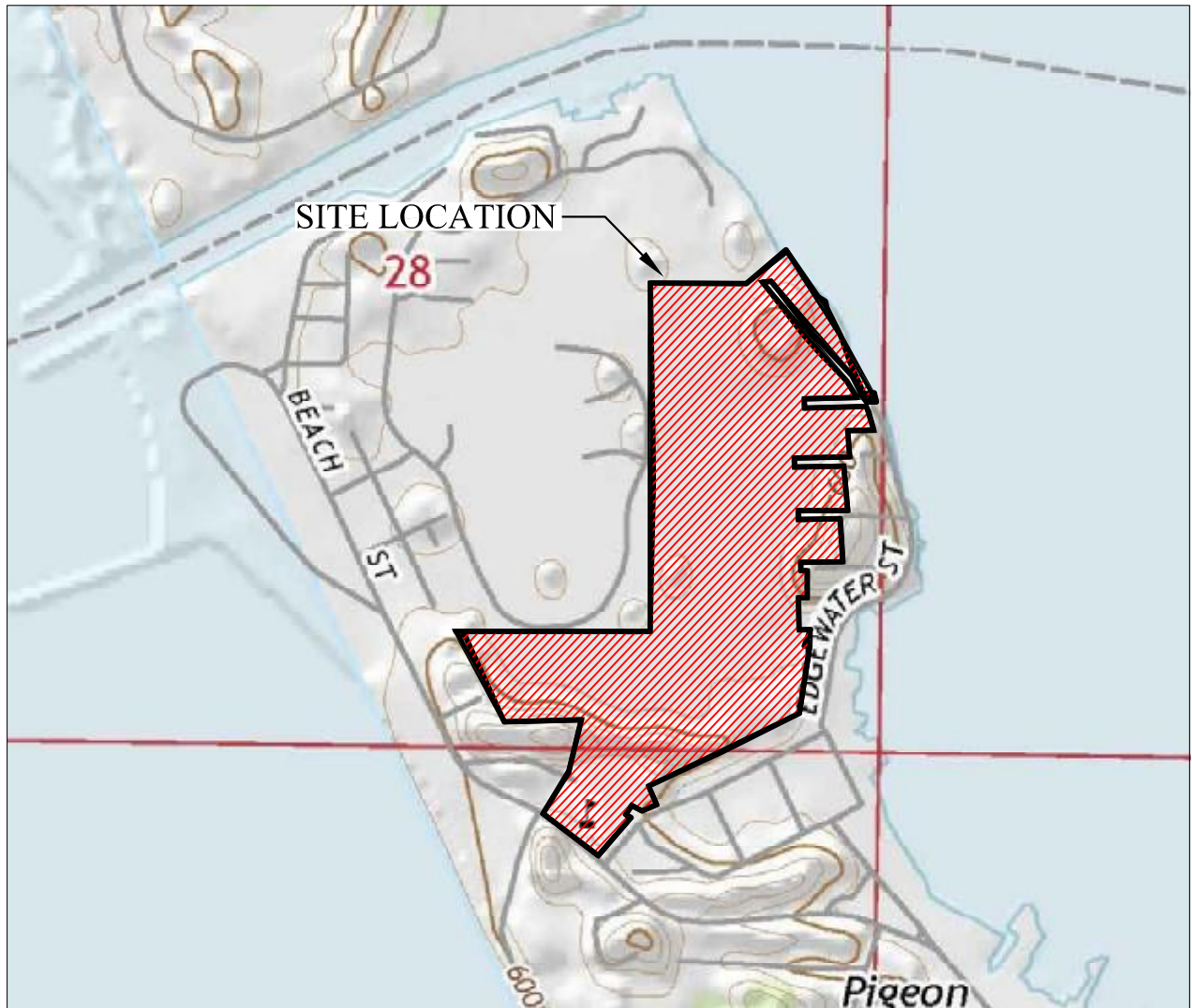
*City of Muskegon Brownfield Plan Amendment
Damfino Development, LLC Development Project*

The Damfino Development, LLC Redevelopment Project was added to this Plan on _____, 2019.

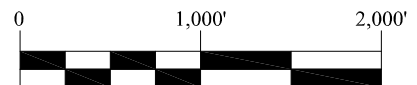
19131419

ATTACHMENT U-1

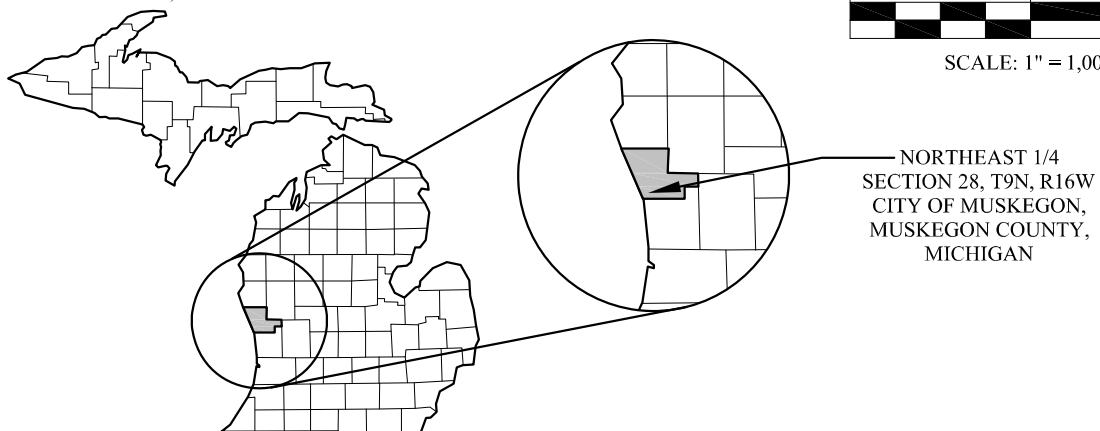
SITE MAP DAMFINO DEVELOPMENT, LLC DEVELOPMENT PROJECT



USGS 7.5 MINUTE QUAD:
MUSKEGON WEST, MICHIGAN 2014



SCALE: 1" = 1,000'



NORTHEAST 1/4
SECTION 28, T9N, R16W
CITY OF MUSKEGON,
MUSKEGON COUNTY,
MICHIGAN



SITE LOCATION MAP

PARCEL #s 61-24-205-727-0005-00, -0008-00; -733-0001-00; -735-0001-00 & -505-001-0016-00

3400, 3460 & 3474 WILCOX AVENUE; 1875 WATERWORKS ROAD & 1490 EDGEWATER STREET
MUSKEGON, MICHIGAN 49444

JOB 18-3058

MAY 2018

FIGURE 1



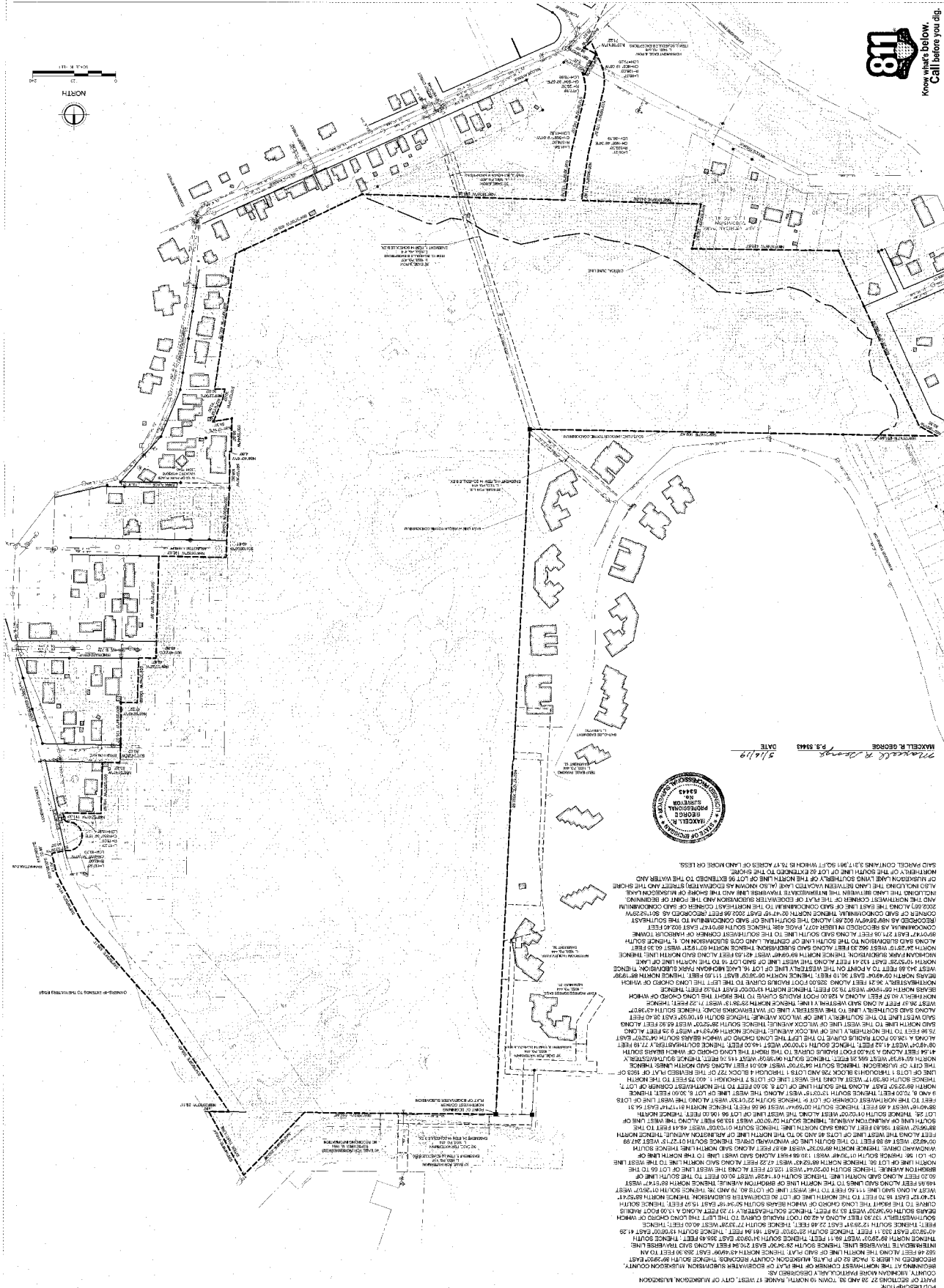
DAMFINO DEVELOPMENT, LLC
LOCATED IN SECTION 28 AND 33, T10N, R17W
CITY OF MUSKEGON, MUSKEGON COUNTY
PROJECT LOCATION MAP

FIGURE CS
SHEET 1 OF 6





**Know what's below.
Call before you dig.**



ATTACHMENT U-2

PROPOSED SITE PLAN DAMFINO DEVELOPMENT, LLC DEVELOPMENT PROJECT



ATTACHMENT U-3

TAX INCREMENT FINANCING TABLE DAMFINO DEVELOPMENT, LLC DEVELOPMENT PROJECT

Tax Increment Revenue Capture Estimates
Damfino Development
Muskegon, Michigan
November 7, 2019

Estimated Taxable Value (TV) Increase Rate: 1.00% per year

Plan Year	1	2	3	4	5	6	7	8	9	10	11
Calendar Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Base Taxable Value	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679
Estimated New TV	\$ 819,679	\$ 819,679	\$ 1,000,000	\$ 7,573,500	\$ 15,893,235	\$ 21,012,667	\$ 27,679,294	\$ 33,822,087	\$ 38,422,308	\$ 42,635,531	\$ 47,759,886
Incremental Difference (New TV - Base TV)	\$ -	\$ -	\$ 180,321	\$ 6,753,821	\$ 15,073,556	\$ 20,192,988	\$ 26,859,615	\$ 33,002,408	\$ 37,602,629	\$ 41,815,852	\$ 46,940,207

School Capture	Millage Rate													
State Education Tax (SET)	6.0000	\$ -	\$ -	\$ 1,082	\$ 40,523	\$ 90,441	\$ 121,158	\$ 161,158	\$ 198,014	\$ 225,616	\$ 250,895	\$ 281,641		
School Operating Tax	18.0000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
School Total	24.0000	\$ -	\$ -	\$ 1,082	\$ 40,523	\$ 90,441	\$ 121,158	\$ 161,158	\$ 198,014	\$ 225,616	\$ 250,895	\$ 281,641		

Local Capture	Millage Rate													
City Operating	10.0869	\$ -	\$ -	\$ 1,819	\$ 68,125	\$ 152,045	\$ 203,685	\$ 270,930	\$ 332,892	\$ 379,294	\$ 421,792	\$ 473,481		
County Operating	5.6984	\$ -	\$ -	\$ 1,028	\$ 38,486	\$ 85,895	\$ 115,068	\$ 153,057	\$ 188,061	\$ 214,275	\$ 238,283	\$ 267,484		
City Sanitation	3.0000	\$ -	\$ -	\$ 541	\$ 20,261	\$ 45,221	\$ 60,579	\$ 80,579	\$ 99,007	\$ 112,808	\$ 125,448	\$ 140,821		
County Museum	0.3221	\$ -	\$ -	\$ 58	\$ 2,175	\$ 4,855	\$ 6,504	\$ 8,651	\$ 10,630	\$ 12,112	\$ 13,469	\$ 15,119		
Senior Services	0.4998	\$ -	\$ -	\$ 90	\$ 3,376	\$ 7,534	\$ 10,092	\$ 13,424	\$ 16,495	\$ 18,794	\$ 20,900	\$ 23,461		
County Veterans	0.0752	\$ -	\$ -	\$ 14	\$ 508	\$ 1,134	\$ 1,519	\$ 2,020	\$ 2,482	\$ 2,828	\$ 3,145	\$ 3,530		
County Qual Life	0.2400	\$ -	\$ -	\$ 43	\$ 1,621	\$ 3,618	\$ 4,846	\$ 6,446	\$ 7,921	\$ 9,025	\$ 10,036	\$ 11,266		
Central Dispatch	0.3000	\$ -	\$ -	\$ 54	\$ 2,026	\$ 4,522	\$ 6,058	\$ 8,058	\$ 9,901	\$ 11,281	\$ 12,545	\$ 14,082		
Comm College	2.2037	\$ -	\$ -	\$ 397	\$ 14,883	\$ 33,218	\$ 44,499	\$ 59,191	\$ 72,727	\$ 82,865	\$ 92,150	\$ 103,442		
MAISD	4.7580	\$ -	\$ -	\$ 858	\$ 32,135	\$ 71,720	\$ 96,078	\$ 127,798	\$ 157,025	\$ 178,913	\$ 198,960	\$ 223,342		
Hackley Library	2.4000	\$ -	\$ -	\$ 433	\$ 16,209	\$ 36,177	\$ 48,463	\$ 64,463	\$ 79,206	\$ 90,246	\$ 100,358	\$ 112,656		
Local Total	29.5841	\$ -	\$ -	\$ 5,335	\$ 199,806	\$ 445,938	\$ 597,391	\$ 794,618	\$ 976,347	\$ 1,112,440	\$ 1,237,084	\$ 1,388,684		

Non-Capturable Millages	Millage Rate													
Comm College Debt	0.3400	\$ -	\$ -	\$ 61	\$ 2,296	\$ 5,125	\$ 6,866	\$ 9,132	\$ 11,221	\$ 12,785	\$ 14,217	\$ 15,960		
Hackley Debt	0.5611	\$ -	\$ -	\$ 101	\$ 3,790	\$ 8,458	\$ 11,330	\$ 15,071	\$ 18,518	\$ 21,099	\$ 23,463	\$ 26,338		
MPS Debt - 1995	4.0700	\$ -	\$ -	\$ 734	\$ 27,488	\$ 61,349	\$ 82,185	\$ 109,319	\$ 134,320	\$ 153,043	\$ 170,191	\$ 191,047		
MPS Debt - 2009	3.2900	\$ -	\$ -	\$ 593	\$ 22,220	\$ 49,592	\$ 66,435	\$ 88,368	\$ 108,578	\$ 123,713	\$ 137,574	\$ 154,433		
Total Non-Capturable Taxes	8.2611	\$ -	\$ -	\$ 1,490	\$ 55,794	\$ 124,524	\$ 166,816	\$ 221,890	\$ 272,636	\$ 310,639	\$ 345,445	\$ 387,778		

Total Tax Increment Revenue (TIR) Available for Capture \$ - \$ - \$ 6,417 \$ 240,329 \$ 536,379 \$ 718,549 \$ 955,775 \$ 1,174,361 \$ 1,338,056 \$ 1,487,979 \$ 1,670,325

Footnotes:
Assumes millage rate remains the same
with 1% inflation on
taxable values and homestead units

Tax Increment Revenue Capture Estimates
Damfino Development
Muskegon, Michigan
November 7, 2019

Estimated Taxable Value (TV) Increase Rate:

Plan Year	12	13	14	15	16	17	18	19	20	21	22
Calendar Year	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Base Taxable Value	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679
Estimated New TV	\$ 48,237,485	\$ 48,719,860	\$ 49,207,059	\$ 49,699,129	\$ 50,196,120	\$ 50,698,082	\$ 51,205,062	\$ 51,717,113	\$ 52,234,284	\$ 52,756,627	\$ 53,284,193
Incremental Difference (New TV - Base TV)	\$ 47,417,806	\$ 47,900,181	\$ 48,387,380	\$ 48,879,450	\$ 49,376,441	\$ 49,878,403	\$ 50,385,383	\$ 50,897,434	\$ 51,414,605	\$ 51,936,948	\$ 52,464,514

School Capture	Millage Rate																						
State Education Tax (SET)	6.0000	\$	284,507	\$	287,401	\$	290,324	\$	293,277	\$	296,259	\$	299,270	\$	302,312	\$	305,385	\$	308,488	\$	311,622	\$	314,787
School Operating Tax	18.0000	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
School Total	24.0000	\$	284,507	\$	287,401	\$	290,324	\$	293,277	\$	296,259	\$	299,270	\$	302,312	\$	305,385	\$	308,488	\$	311,622	\$	314,787

Local Capture	Millage Rate																						
City Operating	10.0869	\$	478,299	\$	483,164	\$	488,079	\$	493,042	\$	498,055	\$	503,118	\$	508,232	\$	513,397	\$	518,614	\$	523,883	\$	529,204
County Operating	5.6984	\$	270,206	\$	272,954	\$	275,731	\$	278,535	\$	281,367	\$	284,227	\$	287,116	\$	290,034	\$	292,981	\$	295,958	\$	298,964
City Sanitation	3.0000	\$	142,253	\$	143,701	\$	145,162	\$	146,638	\$	148,129	\$	149,635	\$	151,156	\$	152,692	\$	154,244	\$	155,811	\$	157,394
County Museum	0.3221	\$	15,273	\$	15,429	\$	15,586	\$	15,744	\$	15,904	\$	16,066	\$	16,229	\$	16,394	\$	16,561	\$	16,729	\$	16,899
Senior Services	0.4998	\$	23,699	\$	23,941	\$	24,184	\$	24,430	\$	24,678	\$	24,929	\$	25,183	\$	25,439	\$	25,697	\$	25,958	\$	26,222
County Veterans	0.0752	\$	3,566	\$	3,602	\$	3,639	\$	3,676	\$	3,713	\$	3,751	\$	3,789	\$	3,827	\$	3,866	\$	3,906	\$	3,945
County Qual Life	0.2400	\$	11,380	\$	11,496	\$	11,613	\$	11,731	\$	11,850	\$	11,971	\$	12,092	\$	12,215	\$	12,340	\$	12,465	\$	12,591
Central Dispatch	0.3000	\$	14,225	\$	14,370	\$	14,516	\$	14,664	\$	14,813	\$	14,964	\$	15,116	\$	15,269	\$	15,424	\$	15,581	\$	15,739
Comm College	2.2037	\$	104,495	\$	105,558	\$	106,631	\$	107,716	\$	108,811	\$	109,917	\$	111,034	\$	112,163	\$	113,302	\$	114,453	\$	115,616
MAISD	4.7580	\$	225,614	\$	227,909	\$	230,227	\$	232,568	\$	234,933	\$	237,321	\$	239,734	\$	242,170	\$	244,631	\$	247,116	\$	249,626
Hackley Library	2.4000	\$	113,803	\$	114,960	\$	116,130	\$	117,311	\$	118,503	\$	119,708	\$	120,925	\$	122,154	\$	123,395	\$	124,649	\$	125,915
Local Total	29.5841	\$	1,402,813	\$	1,417,084	\$	1,431,497	\$	1,446,055	\$	1,460,758	\$	1,475,608	\$	1,490,606	\$	1,505,755	\$	1,521,055	\$	1,536,508	\$	1,552,115

Non-Capturable Millages	Millage Rate																						
Comm College Debt	0.3400	\$	16,122	\$	16,286	\$	16,452	\$	16,619	\$	16,788	\$	16,959	\$	17,131	\$	17,305	\$	17,481	\$	17,659	\$	17,838
Hackley Debt	0.5611	\$	26,606	\$	26,877	\$	27,150	\$	27,426	\$	27,705	\$	27,987	\$	28,271	\$	28,559	\$	28,849	\$	29,142	\$	29,438
MPS Debt - 1995	4.0700	\$	192,990	\$	194,954	\$	196,937	\$	198,939	\$	200,962	\$	203,005	\$	205,069	\$	207,153	\$	209,257	\$	211,383	\$	213,531
MPS Debt - 2009	3.2900	\$	156,005	\$	157,592	\$	159,194	\$	160,813	\$	162,448	\$	164,100	\$	165,768	\$	167,453	\$	169,154	\$	170,873	\$	172,608
Total Non-Capturable Taxes	8.2611	\$	391,723	\$	395,708	\$	399,733	\$	403,798	\$	407,904	\$	412,050	\$	416,239	\$	420,469	\$	424,741	\$	429,056	\$	433,415

Total Tax Increment Revenue (TIR) Available for Capture	\$	1,687,320	\$	1,704,485	\$	1,721,821	\$	1,739,331	\$	1,757,016	\$	1,774,878	\$	1,792,919	\$	1,811,139	\$	1,829,542	\$	1,848,130	\$	1,866,903
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Footnotes:
Assumes millage rate remains the same
with 1% inflation on
taxable values and homestead units

Tax Increment Revenue Capture Estimates
Damfino Development
Muskegon, Michigan
November 7, 2019

Estimated Taxable Value (TV) Increase Rate:

Plan Year	23	24	25	26	27	28	TOTAL
Calendar Year	2041	2042	2043	2044	2045	2046	
Base Taxable Value	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679	\$ 819,679
Estimated New TV	\$ 53,817,035	\$ 54,355,206	\$ 54,898,758	\$ 55,447,745	\$ 56,002,223	\$ 56,562,245	\$ 56,562,245
Incremental Difference (New TV - Base TV)	\$ 52,997,356	\$ 53,535,527	\$ 54,079,079	\$ 54,628,066	\$ 55,182,544	\$ 55,742,566	\$ 55,742,566

School Capture	Millage Rate							
State Education Tax (SET)	6.0000	\$	317,984	\$	321,213	\$	324,474	\$ 6,621,150
School Operating Tax	18.0000	\$	-	\$	-	\$	-	\$ -
School Total	24.0000	\$	317,984	\$	321,213	\$	324,474	\$ 6,621,150

Local Capture	Millage Rate							
City Operating	10.0869	\$	534,579	\$	540,008	\$	545,490	\$ 11,131,147
County Operating	5.6984	\$	302,000	\$	305,067	\$	308,164	\$ 6,288,327
City Sanitation	3.0000	\$	158,992	\$	160,607	\$	162,237	\$ 3,310,575
County Museum	0.3221	\$	17,070	\$	17,244	\$	17,419	\$ 355,445
Senior Services	0.4998	\$	26,488	\$	26,757	\$	27,029	\$ 551,542
County Veterans	0.0752	\$	3,985	\$	4,026	\$	4,067	\$ 82,985
County Qual Life	0.2400	\$	12,719	\$	12,849	\$	12,979	\$ 264,846
Central Dispatch	0.3000	\$	15,899	\$	16,061	\$	16,224	\$ 331,058
Comm College	2.2037	\$	116,790	\$	117,976	\$	119,174	\$ 2,431,838
MAISD	4.7580	\$	252,161	\$	254,722	\$	257,308	\$ 5,250,572
Hackley Library	2.4000	\$	127,194	\$	128,485	\$	129,790	\$ 2,648,460
Local Total	29.5841	\$	1,567,879	\$	1,583,800	\$	1,599,881	\$ 32,646,796

Non-Capturable Millages	Millage Rate							
Comm College Debt	0.3400	\$	18,019	\$	18,202	\$	18,387	\$ 375,199
Hackley Debt	0.5611	\$	29,737	\$	30,039	\$	30,344	\$ 619,188
MPS Debt - 1995	4.0700	\$	215,699	\$	217,890	\$	220,102	\$ 4,491,347
MPS Debt - 2009	3.2900	\$	174,361	\$	176,132	\$	177,920	\$ 3,630,598
Total Non-Capturable Taxes	8.2611	\$	437,816	\$	442,262	\$	446,753	\$ 9,116,331

Total Tax Increment Revenue (TIR) Available for Capture	\$	1,885,863	\$	1,905,014	\$	1,924,355	\$	1,943,891	\$	1,963,621	\$	1,983,549	\$	39,267,947
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Footnotes:
Assumes millage rate remains the same
with 1% inflation on
taxable values and homestead units

Tax Increment Financing Reimbursement Table
Damfino Development Project
Muskegon, Michigan
November 7, 2019

Developer Maximum Reimbursement	Proportionality	School & Local Taxes	Local-Only Taxes	Total
State	0.0%	\$ -	\$ -	\$ -
Local	100.0%	\$ -	\$ 24,977,109	\$ 24,977,109
TOTAL				\$ 24,977,109
EGLE	0.0%	\$ -	\$ -	\$ -
MSF	100.0%	\$ -	\$ 24,977,109	\$ 24,977,109

Estimated Total
Years of Plan: 28

Estimated Capture	\$ 32,646,796
Administrative Fees	\$ 255,335
State Revolving Fund	\$ -
LBRF	\$ 7,414,353

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total State Incremental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Brownfield Revolving Fund (50% of SET)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State TIR Available for Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Total Local Incremental Revenue	\$ -	\$ -	\$ 5,335	\$ 199,806	\$ 445,938	\$ 597,391	\$ 794,618	\$ 976,347	\$ 1,112,440	\$ 1,237,084	\$ 1,388,684	\$ 1,402,813	\$ 1,417,084	\$ 1,431,497	\$ 1,446,055
BRA Administrative Fee	\$ -	\$ -	\$ (5,335)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)
Local TIR Available for Reimbursement	\$ -	\$ -	\$ -	\$ 189,806	\$ 435,938	\$ 587,391	\$ 784,618	\$ 966,347	\$ 1,102,440	\$ 1,227,084	\$ 1,378,684	\$ 1,392,813	\$ 1,407,084	\$ 1,421,497	\$ 1,436,055
 Total State & Local TIR Available	\$ -	\$ -	\$ -	\$ 189,806	\$ 435,938	\$ 587,391	\$ 784,618	\$ 966,347	\$ 1,102,440	\$ 1,227,084	\$ 1,378,684	\$ 1,392,813	\$ 1,407,084	\$ 1,421,497	\$ 1,436,055
 DEVELOPER	Beginning Balance														
DEVELOPER Reimbursement Balance	\$ 13,789,000	\$ 13,789,000	\$ 13,789,000	\$ 14,056,507	\$ 17,711,260	\$ 17,610,464	\$ 17,353,320	\$ 19,030,876	\$ 18,414,981	\$ 18,363,004	\$ 17,468,356	\$ 16,401,812	\$ 15,300,173	\$ 14,162,616	\$ 12,988,296
 MSF Non-Environmental Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total MSF Reimbursement Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 EGLE Environmental Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total EGLE Reimbursement Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Local Only Costs	\$ 13,789,000	\$ 13,789,000	\$ 13,789,000	\$ 13,789,000	\$ 17,564,007	\$ 17,711,260	\$ 17,610,464	\$ 19,453,320	\$ 19,030,876	\$ 19,115,981	\$ 18,363,004	\$ 17,468,356	\$ 16,401,812	\$ 15,300,173	\$ 14,162,616
Local Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ 189,806	\$ 435,938	\$ 587,391	\$ 784,618	\$ 966,347	\$ 1,102,440	\$ 1,227,084	\$ 1,378,684	\$ 1,392,813	\$ 1,407,084	\$ 1,421,497
Total Local Only Reimbursement Balance	\$ 13,789,000	\$ 13,789,000	\$ 13,789,000	\$ 17,374,201	\$ 17,275,323	\$ 17,023,073	\$ 18,668,703	\$ 18,064,529	\$ 18,013,541	\$ 17,135,919	\$ 16,089,672	\$ 15,008,999	\$ 13,893,090	\$ 12,741,119	\$ 11,552,242
Interest**	\$ -	\$ -	\$ 267,507	\$ 337,059	\$ 335,141	\$ 330,248	\$ 362,173	\$ 350,452	\$ 349,463	\$ 332,437	\$ 312,140	\$ 291,175	\$ 269,526	\$ 247,178	\$ 224,113
Total Annual Developer Reimbursement	\$ -	\$ -	\$ -	\$ 189,806	\$ 435,938	\$ 587,391	\$ 784,618	\$ 966,347	\$ 1,102,440	\$ 1,227,084	\$ 1,378,684	\$ 1,392,813	\$ 1,407,084	\$ 1,421,497	\$ 1,436,055

LOCAL BROWNFIELD REVOLVING FUND

LBRF Deposits *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Tax Capture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Tax Capture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total LBRF Capture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

* Up to five years of capture for LBRF Deposits after eligible activities are reimbursed. May be taken from DEQ & Local TIR only.

Footnotes:

(1) Assumes taxable value increases based on proposed build out, plus 1% annual increases for inflation thereafter.
Total Eligible Activities are \$20,097,500 with costs of \$13.79 incurred initially and the remainder phased in from 2020-2027.

Tax Increment Financing Reimbursement Table
Damfino Development Project
Muskegon, Michigan
November 7, 2019

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	TOTAL
Total State Incremental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Brownfield Revolving Fund (50% of SET)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State TIR Available for Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Local Incremental Revenue	\$ 1,460,758	\$ 1,475,608	\$ 1,490,606	\$ 1,505,755	\$ 1,521,055	\$ 1,536,508	\$ 1,552,115	\$ 1,567,879	\$ 1,583,800	\$ 1,599,881	\$ 1,616,122	\$ 1,632,526	\$ 1,649,094	\$ 32,646,796
BRA Administrative Fee	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (255,335)
Local TIR Available for Reimbursement	\$ 1,450,758	\$ 1,465,608	\$ 1,480,606	\$ 1,495,755	\$ 1,511,055	\$ 1,526,508	\$ 1,542,115	\$ 1,557,879	\$ 1,573,800	\$ 1,589,881	\$ 1,606,122	\$ 1,622,526	\$ 1,639,094	\$ 32,391,462
Total State & Local TIR Available	\$ 1,450,758	\$ 1,465,608	\$ 1,480,606	\$ 1,495,755	\$ 1,511,055	\$ 1,526,508	\$ 1,542,115	\$ 1,557,879	\$ 1,573,800	\$ 1,589,881	\$ 1,606,122	\$ 1,622,526	\$ 1,639,094	\$ 32,391,462
DEVELOPER														
DEVELOPER Reimbursement Balance	\$10,525,914	\$ 9,236,077	\$ 7,905,926	\$ 6,534,529	\$ 5,120,930	\$ 3,664,154	\$ 2,163,206	\$ 617,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MSF Non-Environmental Costs														
State Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total MSF Reimbursement Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EGLE Environmental Costs														
State Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total EGLE Reimbursement Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Only Costs														
Local Tax Reimbursement	\$ 1,450,758	\$ 1,465,608	\$ 1,480,606	\$ 1,495,755	\$ 1,511,055	\$ 1,526,508	\$ 1,542,115	\$ 1,557,879	\$ 617,070	\$ -	\$ -	\$ -	\$ -	\$ 24,977,109
Total Local Only Reimbursement Balance	\$10,325,598	\$ 9,060,307	\$ 7,755,470	\$ 6,410,172	\$ 5,023,474	\$ 3,594,422	\$ 2,122,038	\$ 605,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest**	\$ 200,317	\$ 175,770	\$ 150,456	\$ 124,357	\$ 97,455	\$ 69,732	\$ 41,168	\$ 11,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Annual Developer Reimbursement	\$ 1,450,758	\$ 1,465,608	\$ 1,480,606	\$ 1,495,755	\$ 1,511,055	\$ 1,526,508	\$ 1,542,115	\$ 1,557,879	\$ 617,070	\$ -	\$ -	\$ -	\$ -	\$ -
LOCAL BROWNFIELD REVOLVING FUND														
LBRF Deposits *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 956,731	\$ 1,589,881	\$ 1,606,122	\$ 1,622,526	\$ 1,639,094	\$ 7,414,353
State Tax Capture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Tax Capture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 956,731	\$ 1,589,881	\$ 1,606,122	\$ 1,622,526	\$ 1,639,094	\$ 7,414,353
Total LBRF Capture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 956,731	\$ 1,589,881	\$ 1,606,122	\$ 1,622,526	\$ 1,639,094	\$ 7,414,353

* Up to five years of capture for LBRF Deposits

Footnotes:

(1) Assumes taxable value increases based plus 1% annual increases for inflation therea
Total Eligible Activities are \$20,097,500 with cost and the remainder phased in from 2020-2027.

ATTACHMENT U-4

FACILITY CONFIRMATION DAMFINO DEVELOPMENT, LLC DEVELOPMENT PROJECT

November 5, 2019

Mr. Scott Musselman
Damfino Development, LLC
560 Mart Street
Muskegon, Michigan 49440

Re: *Limited Phase II Environmental Site Assessment*

3460, 3400 & 3474 Wilcox Avenue, 1875 Waterworks Road and 1490 Edgewater Street, Muskegon, Muskegon County, Michigan
(Parcels #61-24-205-727-0005-00, 61-24-205-727-0008-00, 61-24-205-733-0001-00, 61-24-205-735-0001-00 & 61-24-505-001-0016-00)
LEI Project #18-3058-02

Dear Mr. Musselman,

On behalf of Damfino Development, LLC, Lakeshore Environmental, Inc. (LEI) has completed a Limited Phase II Environmental Site Assessment (ESA) at the above-referenced location (the Site). The Phase II ESA was completed in general conformance with the scope and limitations set forth in the ASTM International (ASTM) *Standard Practice for Environmental Site Assessments: Phase II ESA Process* (ASTM designation E1903-11).

The Phase II ESA was completed as a result of potential environmental concerns identified through a Site walkover in May/June 2018. The goal of the Phase II ESA was to determine if the identified environmental concerns resulted in a release of hazardous substances to the subsurface as defined under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

EXECUTIVE SUMMARY

Based on the results of this Phase II ESA, hazardous substances were detected above Michigan Department of Environment, Great Lakes and Energy (EGLE) Part 201 Generic Residential Cleanup Criteria (GRCC) in soil samples collected from the Site. Therefore, the Site is considered to be a *facility*, as defined in Section 324.20101(1)(s) of Part 201 of the Natural Resources and Environmental Protection Act (NREPA), Public Act 451 of 1994, as amended.

BACKGROUND - PHASE I ESA FINDINGS

Based on a review of available historical resources, the Site was developed prior to 1938 for use as a sand mine. Sand mining operations continued through the 1980's. Since the 1980's the Site has been vacant.

Grand Rapids Office

800 Monroe Avenue NW, Suite 120
Grand Rapids, Michigan 49503
Phone: 800.844.5050
www.MY-LEI.com



Grand Haven, MI

Grand Rapids, MI

Muskegon, MI

Vestaburg, MI

The Site walkover identified the following environmental concerns:

- An area of petroleum stained soil within the northwestern portion of the Site.
- Evidence of a potential dumping area within the northeastern portion of the Site.
- A mound pile of dredge sediments from Muskegon Lake within the central portion of the Site.
- Evidence of trash, metal scrap and discarded debris was identified within the southern portion of the Site.

FIELD INVESTIGATION

The Phase II soil sampling investigation was conducted on June 14, 2018. Subsurface investigation and sampling activities were performed in general conformance with LEI's Standard Operating Procedures (SOPs), which are provided in Attachment A. A Site Location Map (Figure 1), Site Features Map (Figure 2), and Sample Location Map (Figure 3), are provided in Attachment B.

The investigation activities consisted of the following:

- Completion of four soil borings using a stainless-steel hand auger.
- Collection of four soil samples (LSB-1, LSB-2, LSB-3 and LSB-4) from the soil borings for laboratory analysis.

Subsurface soils, recovered as core samples from the soil borings, were evaluated for the presence of stains, odors, and/or other indicators of contamination. In addition, soils were screened with a portable photoionization detector (PID) to measure for the potential presence of volatile organic compounds (VOCs) in the soil gas.

Soil samples were collected directly into laboratory-provided containers and stored in an iced cooler until submittal to Trace Analytical Laboratories, a state certified laboratory located in Muskegon, Michigan. Chain-of-custody documentation procedures were followed in order to keep a record of sample collection and handling information, and to identify the requested analytical parameters.

The soil borings were completed to depths of 4.0 feet below ground surface (bgs). Soils consisted primarily of a light brown within a majority of the Site with the exception of topsoil/organics identified in the forested areas within the southern portion of the Site. Evidence of fill material was observed in soil borings LSB-2 and LSB-3. Groundwater was not encountered during the investigation.

In general, the soil samples were analyzed for polynuclear aromatic hydrocarbons (PNAs), volatile organic compounds (VOCs) and/or Michigan 10 Metals. The following table summarizes the evaluated environmental concerns with corresponding soil boring information, field observations, sample depths, and selected laboratory analytical parameters.

Soil Boring/ Sample ID	Environmental Concern Evaluated	Soil Boring Location	Boring Depth/ Sample Depth (ft)	PID Readings (ppm)	Evidence of Contamination	Laboratory Analysis
LSB-1	Petroleum stained soils	Northwest portion of the Site	4.0 / 0.5-1.5	40	Petroleum odor identified	VOCs PNAs
LSB-2	Potential area of dumping	Northeast portion of the Site	4.0 / 0.5-1.5	0	Fill material identified	PNAs MI 10 Metals
LSB-3	Potential dredge sediment disposal	Central portion of the Site	4.0 / 0.5-1.5	0	Fill material identified	PNAs MI 10 Metals
LSB-4	Discarded debris	Southern portion of the Site	4.0 / 0.5-1.5	0	None	PNAs MI 10 Metals

VOCs – Volatile Organic Compounds
PNAs - Polynuclear Aromatic Hydrocarbons
MI 10 – Michigan 10 Metals

LABORATORY ANALYTICAL RESULTS

Laboratory analytical results for the soil samples were compared to the EGLE Part 201 GRCC. A table summarizing the results is provided in Attachment C and the laboratory analytical report and chain of custody documentation is provided in Attachment D. A summary of the laboratory analytical results is provided in the following paragraphs:

Soil Sample Results

- A concentration of chromium (total) was identified in soil sample LSB-3 above the EGLE Part 201 GRCC for groundwater surface water interface protection (GSIP).
- Concentrations of benzene, toluene, arsenic, barium, cadmium, copper, lead selenium and zinc were identified in soil samples LSB-1, LSB-2, LSB-3 and LSB-4; however, the concentrations at or below the EGLE Part 201 GRCC.

CONCLUSIONS

Based on the results of this investigation, LEI concludes the following:

- Chromium (total) has been detected at a concentration above EGLE Part 201 GRCC. Therefore, the Site is a *facility* as defined in Section 324.20101(1)(s) of Part 201.

CLOSING

While all appropriate inquiries have been completed to assess environmental conditions related to the Site, LEI cannot guarantee that additional unknown environmental concerns do not exist. In the event that suspect environmental conditions are observed in the future, please contact LEI.

If you have any questions or concerns, please contact us at 616-844-5050. We appreciate the opportunity to assist you on this project.

Limited Phase II Environmental Site Assessment
Attn: Scott Musselman

Page 4 of 4
November 5, 2019

Sincerely,
Lakeshore Environmental, Inc.

A handwritten signature in blue ink that reads "Kirk W. Perschbacher". The signature is written in a cursive, flowing style.

Kirk W. Perschbacher, EP
Due Diligence Manager | Brownfield Planner

Attachment A - SOPs
Attachment B – Figures
Attachment C – Analytical Summary Tables
Attachment D - Laboratory Analytical Report

ATTACHMENT A

Standard Operating Procedures

Standard Operating Procedure

Stainless Steel Hand Auger

Equipment Required:

- Stainless steel hand auger (Handle, at least 1 extension, and a sampling bucket).
- Basic field tool kit, map of site, field notebook
- Photo-Ionization Detector or Organic Vapor Analyzer (If soil vapor screening is needed)
- Appropriate decontamination materials (see below)
- Appropriate Personal Protective Equipment (per project requirements)

Background:

Method for manually collecting shallow-depth soils and sediments using a stainless steel auger. Additional references can be found in ASTM D1452-09 "Standard Practice for Soil Exploration and Sampling by Auger Borings" LEI uses AMS hand augers with 2 to 4-inch diameter buckets designed for a variety of soil types and moisture content. Only hand augers with closed side buckets are to be used for collection of soil samples to be analyzed for volatile organic compounds (VOCs).

Methodology:

- A. Calibration – Not applicable
- B. Operation
 - Attach the handle to either a four or five foot extension.
 - Attach appropriate sampling bucket on the end of the extension (2", 3" or 4" diameter).
 - Turn handle clockwise in desired soil boring location until sampling bucket is filled with soil.
 - Once sampling bucket is full, take note of the depth interval of each soil sample.
 - Remove hand auger assembly from boring.
 - Carefully extract soil sample from auger head. Field screening of soils for VOCs should be done by performing headspace analysis in accordance with the LEI Field Screening with PID SOP.
 - Place soils into appropriate sampling containers following procedures in the LEI Soil Sampling SOP.
- C. Record Keeping
 - Complete a soil boring log for each sample location including total depth of boring, and soils encountered (see attached soil boring log).

Decontamination:

Standard decontamination SOP applies; see Decontamination SOP.

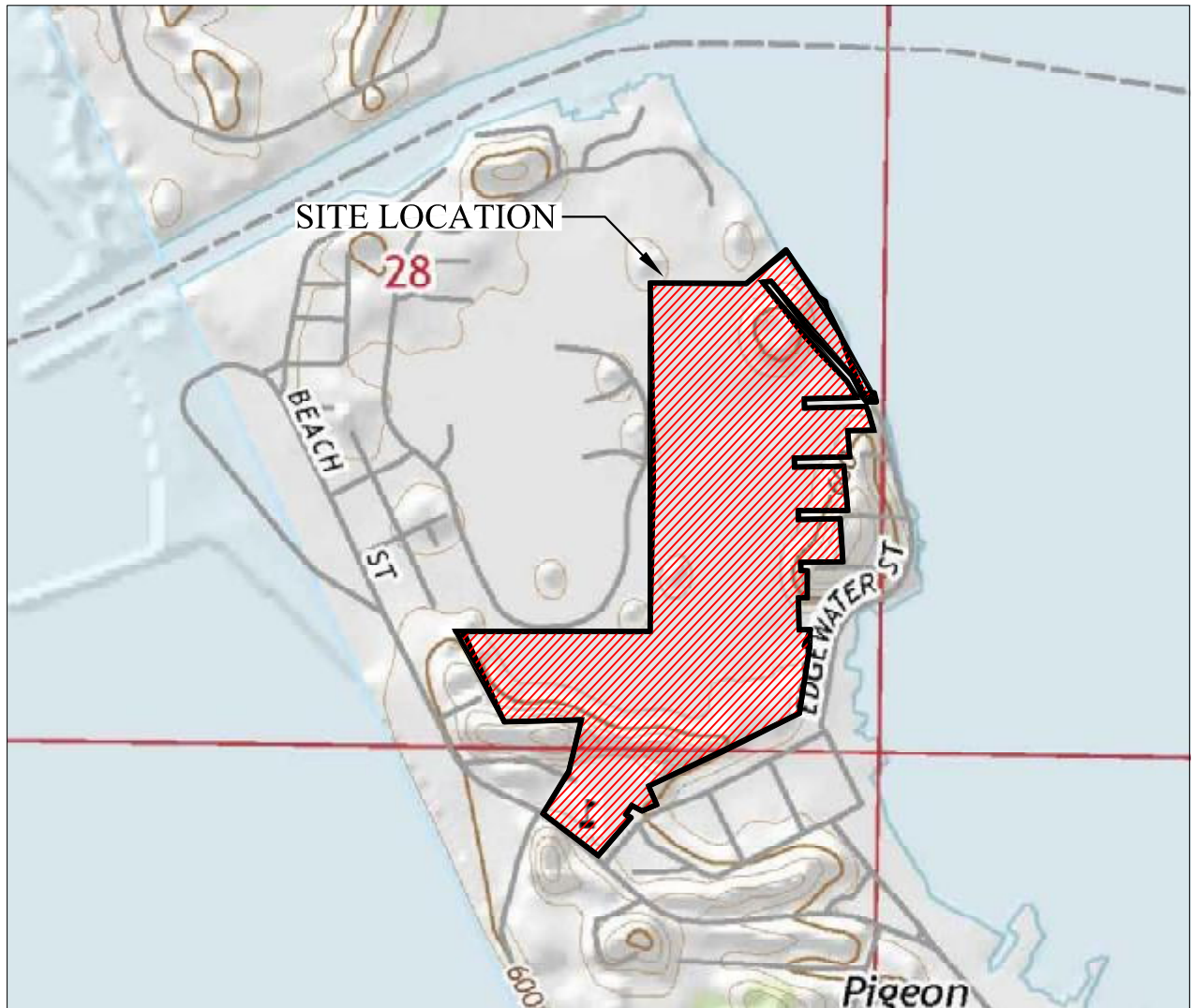
Special decontamination requirements: none.

References:

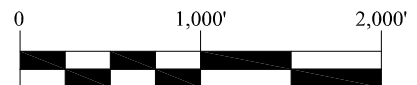
ASTM D1452-09 "Standard Practice for Soil Exploration and Sampling by Auger Borings"

ATTACHMENT B

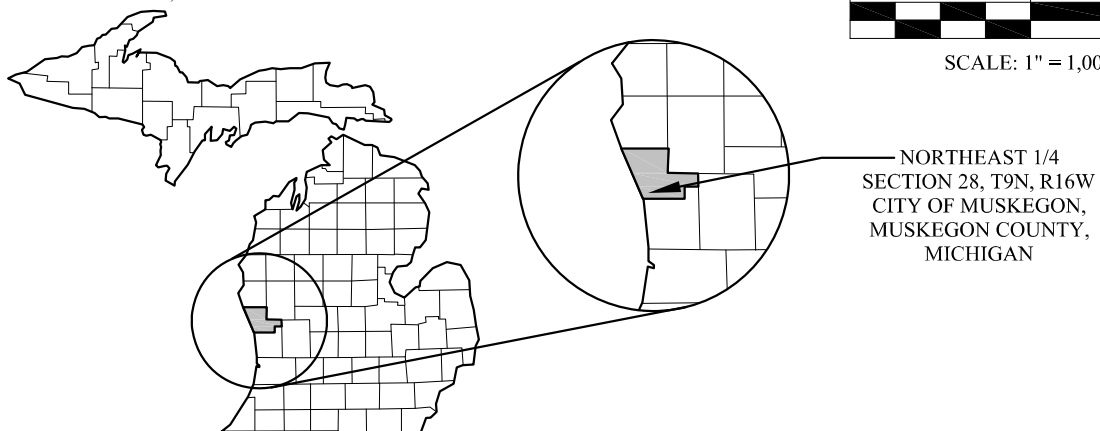
Figures



USGS 7.5 MINUTE QUAD:
MUSKEGON WEST, MICHIGAN 2014



SCALE: 1" = 1,000'



NORTHEAST 1/4
SECTION 28, T9N, R16W
CITY OF MUSKEGON,
MUSKEGON COUNTY,
MICHIGAN



SITE LOCATION MAP

PARCEL #s 61-24-205-727-0005-00, -0008-00; -733-0001-00; -735-0001-00 & -505-001-0016-00

3400, 3460 & 3474 WILCOX AVENUE; 1875 WATERWORKS ROAD &
1490 EDGEWATER STREET
MUSKEGON, MICHIGAN 49444

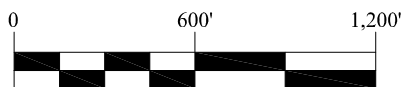
JOB 18-3058

MAY 2018

FIGURE 1



NOTE: AERIAL IMAGERY FROM GOOGLE EARTH, DATED 09-09-2017,
APPROX. PARCEL BOUNDARIES ADAPTED FROM MUSKEGON COUNTY GIS



SCALE: 1" = 600'



SITE FEATURES MAP

PARCEL #s 61-24-205-727-0005-00, -0008-00; -733-0001-00; -735-0001-00 & -505-001-0016-00

3400, 3460 & 3474 WILCOX AVENUE; 1875 WATERWORKS ROAD & 1490 EDGEWATER STREET
MUSKEGON, MICHIGAN 49444

JOB 18-3058

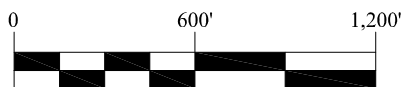
MAY 2018

FIGURE 2

DWN BY: DNP



NOTE: AERIAL IMAGERY FROM GOOGLE EARTH, DATED 09-09-2017,
APPROX. PARCEL BOUNDARIES ADAPTED FROM MUSKEGON COUNTY GIS



SCALE: 1" = 600'



SAMPLE LOCATION MAP

PARCEL #s 61-24-205-727-0005-00, -0008-00; -733-0001-00; -735-0001-00 & -505-001-0016-00

3400, 3460 & 3474 WILCOX AVENUE; 1875 WATERWORKS ROAD & 1490 EDGEWATER STREET
MUSKEGON, MICHIGAN 49444

JOB 18-3058

JUNE 2018

FIGURE 3

DWN BY: DNP

ATTACHMENT C

Analytical Summary Table(s)

TABLE 1
Soil Sample Results
Detected Concentrations Compared to Part 201 Generic Residential Cleanup Criteria
3400, 3460, 3474 Wilcox Ave, 1875 Waterworks Rd, 1490 Edgewater St, Muskegon, Michigan

Hazardous Substance	Chemical Abstract Service Number	Statewide Default Background Levels	Generic Residential Cleanup Criteria (GRCC)							Sample Identification Number (Sample Depth)						
			Groundwater Protection		Indoor Air	Ambient Air (Y)			Contact	Csat	Soil Saturation Concentration Screening Levels					
			Residential Drinking Water Protection	Groundwater Surface Water Interface Protection	Soil Volatilization to Indoor Air Inhalation	Infinite Source Volatile Soil Inhalation	Finite VSIC for 5 Meter Source Thickness	Finite VSIC for 2 Meter Source Thickness	Particulate Soil Inhalation	Direct Contact						
Volatiles (µg/kg)																
			71432	NA	100	4,000 (X)	1,600	13,000	34,000	79,000	3.80E+08	180E+05	4.00E+05	100	**	**
			108883	NA	16,000	5,400	3.3E+5 (C)	2.80E+06	5.10E+06	1.20E+07	2.70E+10	5.0E+7 (C)	2.50E+05	100	**	**
Metals (µg/kg)																
			7440382	5,800	4,600	4,600	NLV	NLV	NLV	NLV	7.20E+05	7,600	NA	**	560	650
			7440393	75,000	1.30E+06	4.4E+5 (G)*	NLV	NLV	NLV	NLV	3.30E+08	3.70E+07	NA	**	4,300	33,000
			7440439	1,200	6,000	3.0E+3 (G)*	NLV	NLV	NLV	NLV	1.70E+06	5.50E+05	NA	**	<200	650
			18540299	NA	30,000	3,300	NLV	NLV	NLV	NLV	2.60E+05	2.50E+06	NA	**	<2,000	<2,000
			7440508	32,000	5.80E+06	7.3E+4 (G)*	NLV	NLV	NLV	NLV	1.30E+08	2.00E+07	NA	**	1,000	8,900
			7439921	21,000	7.00E+05	2.5E+6 (G)*	NLV	NLV	NLV	NLV	1.00E+08	400E+05	NA	**	2,800	4,600
			Varies	130	1,700	50 (M); 1.2	48,000	52,000	52,000	52,000	2.00E+07	1.60E+05	NA	**	<50	<50
			7782492	410	4,000	400	NLV	NLV	NLV	NLV	1.30E+08	2.60E+06	NA	**	<200	<200
			7440224	1,000	4,500	100 (M); 27	NLV	NLV	NLV	NLV	6.70E+06	2.50E+06	NA	**	<100	<100
			7440666	47,000	2.40E+06	1.7E+5 (G) *	NLV	NLV	NLV	NLV	ID	1.70E+08	NA	**	7,500	22,000
All remaining MI 10 Metals														<RL	<RL	<RL
Semivolatiles (µg/kg)																
														<RL	<RL	<RL

Notes

RL - Report Limit

Bold concentrations exceed laboratory reporting limits

Bold and shaded concentrations exceed Part 201 GRCC

Table based on most recent EGLE Part GRCC updated June 25, 2018

* GSI was calculated utilizing a Hardness Coefficient of 150 (mg CaCO3/l) established by the EGLE for southern lower peninsula of Michigan

** Compound not analyzed

*** Based on EGLE guidance, in the absence of valence specific analysis, total chromium concentrations are compared to hexavalent chromium GRCC.

Footnotes referenced in the table are attached



Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date: December 10, 2019	Title: 1601 Beach Lessor Agreement
Submitted By: LeighAnn Mikesell	Department: Development Services
Brief Summary: Staff is requesting authorization to sign a lessor agreement to facilitate funding for the expansion of The Deck restaurant by 1601 Beach LLC at Pere Marquette Park.	
Detailed Summary: The owners of 1601 Beach LLC are planning an expansion to their restaurant, The Deck, and require funding to do so. Their loan is being guaranteed by the Small Business Administration who requires a lessor agreement be made between Community Shores Bank (lender) and the City of Muskegon (property owner). This agreement outlines procedures and remedies for a potential default on the loan.	
Amount Requested: None	Amount Budgeted: N/A
Fund(s) or Account(s): N/A	Fund(s) or Account(s): N/A
Recommended Motion: Approve the lessor agreement with Community Shores Bank related to the lease with 1601 Beach LLC and authorize the mayor and clerk to sign.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

LESSOR'S AGREEMENT

Lender: **COMMUNITY SHORES BANK**
1030 W. Norton Ave, Muskegon, MI 49441

Tenant/Lessee: **1601 Beach, LLC**
950 W. Norton Ave, Muskegon, MI 49441

Premises: **1601 Beach St, Muskegon, MI 49441**

Lease Dated: _____

Lessor: **City of Muskegon**
933 Terrace St, Muskegon, MI 49440-1397

Lessor understands that in connection with the Lease, Tenant is obtaining a loan from Bank ("Lender"), said loan being guaranteed by the Small Business Administration hereinafter ("Loan") and acknowledges that the Loan is secured by a security interest in all of the Tenant's assets. For good and valuable consideration, Lessor agrees as follows:

- a. Lessor agrees that in the event of default by Tenant under the Lease, Lessor will not terminate the Lease without giving Lender sixty (60) days written notice by certified mail of Tenant's default at the address identified above; if between June 1 and March 1. Lender shall have the right, but not be required, to cure such default during the applicable cure period provided to Tenant under the Lease.
- b. Lessor shall grant access to the premises to Lender for purposes of removal by Lender of any property subject the Lender's security interest with the understanding that the Lender shall have the obligation to repair any damage to premises during removal. Lender shall remove all such property within thirty (30) days after termination of the Lease. Lender shall not have any duty or obligation to remove or dispose of any Collateral or other property left on the Premises by Tenant.
- c. Lessor certified that the undersigned has full authority to execute this Agreement.
- d. If Lender takes over from Tenant under the Lease, Lender shall cure continuing Tenant defaults and agrees to pay rent and perform under the terms of the Lease going forward. However, Lender shall not be liable for consequential or other damages because of the acts or failures of Tenant. Lender has no obligations owed to City of Muskegon unrelated to lease.
- e. Lessor agrees not to modify, change, supplement, alter or amend the Lease in any respect without the prior written consent of Lender.

Date: _____

Lessor: **City of Muskegon**

By: _____

Its: _____

WATCH MUSKEGON

Agenda Item Review Form Muskegon City Commission

Commission Meeting Date: December 10, 2019	Title: Arena Naming Rights Sponsorship
Submitted By: Frank Peterson	Department: City Manager
Brief Summary: Staff is seeking approval of the attached naming-rights sponsorship with Mercy Health.	
Detailed Summary: As part of the current lease with the Muskegon Lumberjacks, both parties agreed to actively sell sponsorships that would mutually benefit the City and the team. WC Hockey has facilitated the development of the attached sponsorship agreement between the City, Mercy Health, and WC Hockey. The gross revenue associated with the sponsorship is \$1.6 Million, to be paid over the next 8.5 years. The Mercy Health name will remain on the arena for 15 years.	
Amount Requested: \$0	Amount Budgeted: \$0
Fund(s) or Account(s):	Fund(s) or Account(s): N/A
Recommended Motion: Approve the Agreement and authorize the Mayor to sign.	
Check if the following Departments need to approve the item first: Police Dept. ☐ Fire Dept. ☐ IT Dept. ☐ For City Clerk Use Only: Commission Action:	

NAMING RIGHTS AND SPONSORSHIP AGREEMENT

THIS NAMING RIGHTS AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, 2019 (the "Effective Date"), by and between Mercy Health Partners d/b/a Mercy Health Muskegon, a Trinity Health Ministry and Michigan non-profit corporation ("Mercy"), the City of Muskegon ("City"), and WC Hockey, LLC ("WC").

Recitals:

A. City is the owner and WC is the Manager of a multi-use arena located in Muskegon, Michigan. Historically known as the L.C. Walker Arena.

B. The Arena is used for athletic events, concerts and other public events.

C. Mercy desires to acquire from City certain naming, access and signage rights associated with the Arena.

D. Mercy also desires to acquire from WC sponsorship rights for the Muskegon Lumberjacks ("Sponsorship Rights"), a minor league hockey club which utilizes the Arena as its home venue. Details regarding the Sponsorship Rights will be set forth in Exhibit A of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties set forth herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mercy, City of Muskegon, and WC Hockey, LLC hereby agree as follows:

1. **Term.** The term of this Agreement (the "Term"), shall commence on the 1st day of January, 2020 ("Commencement Date"), and shall continue for a period of fifteen (15) years, terminating on the 31st day of December 2034 (the "Termination Date"), unless terminated earlier in accordance with the terms of this Agreement.

2. **Arena Naming and Signage Rights.**

(a) **Exclusivity.** As of the Commencement Date, the City hereby grants to Mercy the exclusive right to name the Arena the Mercy Health Arena (the "Approved Name"). The Approved Name shall be used with all physical, electronic and other references to the Arena by City and WC and affiliates. This exclusivity shall extend any hospital, health system or entity which engages in healthcare services, including but not limited to the following categories of health care services:

- a. ambulatory surgery center
- b. bariatric
- c. breast care

- d. cancer
- e. children's health (unless programs are promoting health generally and are not affiliated with a competing hospital or health system)
- f. endoscopy
- g. hospital
- h. neurosciences
- i. orthopedics
- j. pharmacy
- k. primary care physicians
- l. rehabilitation
- m. specialty care physicians
- n. women's health (unless programs are promoting health generally and are not affiliated with a competing hospital or health system)
- o. emergency care
- p. urgent care
- q. sports medicine
- r. hospice
- s. home health
- t. senior living centers
- u. workplace health/occupational health
- v. athletic training
- w. durable medical equipment sales

With respect to these exclusivities, City agrees not to enter into any advertising/marketing arrangements at the Arena, during the Term of this Agreement, with any hospital, health system or entity that competes with Mercy, without Mercy's advance written consent.

(b) Exterior Signage Rights. With the exclusive right to name the Arena, Mercy shall have the right to the following exterior signage, subject to local zoning requirements:

(i) a large marquee sign bearing the full color backlit logo of Mercy Health on the Western Avenue side of Arena, to be installed at the expense of City, no later than March 2020. The size of the logo will be mutually agreed upon in advance by the parties.

(ii) a large marquee sign bearing the full color backlit logo of Mercy Health on the Shoreline Drive side of Arena, to be installed at the expense of City, no later than March 2020. The size of the logo will be mutually agreed upon in advance by the parties.

(iii) additional types of exterior Arena signage shall be permissible with the written consent of the City which consent shall not be unreasonably withheld. City acknowledges the rights granted herein with respect to exterior signage are

exclusive and City shall grant no new exterior signage rights to any other third parties without advance written consent from Mercy, which consent shall not be unreasonably withheld if the proposed exterior signage is consistent in size and scope to that which existed at the time the Agreement was executed. Further, parties acknowledge that renovations to Arena and the adjoining conference center may create additional opportunities for sponsorship signage. Mercy shall not unreasonably withhold its consent to any new third party sponsor signage at these locations so long as it complies with Paragraph 2(c) of this Agreement, does not detract from Mercy's existing signage, and Mercy is offered additional signage at these locations so as to ensure that it is clear to members of the public they are entering the Mercy Health Arena.

(c) Interior Arena Signage. Mercy acknowledges the rights granted herein with respect to interior signage are not exclusive and that City shall have complete discretion as to the rental or leasing of interior signage to third parties, subject to the limitations pertaining to other hospital or health care providers contained above. Mercy shall have the right to the following interior signage:

(i) inside the western Arena entrance, a large full color logo on large backlit sign to be installed by March 2020. The size of the logo will be agreed upon in advance by the parties.

(ii) a large logo by/above box office, final size to be agreed upon in advance by the parties.

(iii) one dasherboard advertisement in the opposite end zone to the large backlit sign.

(d) Cost of Signage. City shall be responsible, at its expense, for the cost of the signage and any necessary maintenance/replacement of such signage, except to the extent any necessary repair or replacement is caused by actions of Mercy or any Mercy agents and representatives, in which event Mercy shall be responsible at its expense for any necessary repair or replacement. In addition, City shall be responsible, at its expense, for the cost of mounting all signage to the Arena, as well as the cost of providing reasonably suitable lighting for the exterior signage, including, but not limited to the cost of providing power for said lighting.

(e) Sign Removal and Substitute Exposure. The City reserves the right (subject to the prior approval of Mercy, not to be unreasonably withheld), to change the nature and location of the signage, at City's own expense, in connection with any renovation, alteration or repairs of the Arena, so long as Mercy receives (i) equivalent exposure both before and after any such renovation, alteration or repairs and (ii) at least thirty (30) days' prior notice of such change.

(f) Naming Ceremonies. Mercy, City and WC will agree in advance on any press announcements regarding the naming of the Arena, and the timing of the release of any such announcements. Mercy shall have the right to have representatives contribute to the official naming ceremonies for the Arena. Mercy will also have the right to approve in advance (such approval not to be unreasonably withheld) any press announcements, press releases or other materials to be distributed to the general public by or on behalf of the City and WC relating to the initial naming of the Arena.

(g) Change of Mercy Name. In the event that Mercy changes its name, Mercy shall have the right to change the name of the Arena, as well as the Logos, with the prior approval of the City, which approval shall not be unreasonably withheld. In the event that the name of the Arena is changed under this provision, all costs of effectuating the name change shall be borne solely and entirely by Mercy, and any and all costs and expenses incurred by City in connection with effectuating such change of the name or Logo shall be paid by Mercy promptly upon request by City.

3. **Payments and Fees.**

(a) Fee Schedule. In consideration of the naming, signage and sponsorship rights granted to Mercy under this Agreement, Mercy shall pay to City a naming rights and sponsorship fee ("Naming Rights Fee") of \$100,000 per year, for a total amount of One Million and Six Hundred Thousand and No/100 (\$1,600,000.00) Dollars. The Naming Rights Fee will be paid as follows:

(i) \$125,000 paid in December of 2019, or within 15 days of execution of this Agreement.

(ii) \$125,000 paid on June 1, 2020.

(iii) \$125,000 paid on June 1, 2021.

(iv) \$225,000 paid on June 1, 2022.

(v) \$225,000 paid on June 1, 2023.

(vi) \$225,000 paid on June 1, 2024.

(vii) \$225,000 paid on June 1, 2025.

(viii) \$225,000 paid on June 1, 2026.

(ix) \$100,000 paid on June 1, 2027.

(b) Late Fees and Interest.

(i) Any amounts due from Mercy under this Agreement which are not received by City within thirty (30) days of when due shall begin to accrue interest on the amount due and owing at the rate of ten percent (10%) per annum from the date such amount first became due.

(ii) Whenever any payment to be made under this Agreement shall fall on a day which is not a Business Day, the payment shall be made on the next succeeding Business Day. The Term "Business Day," as used in this Agreement, shall mean any day that banks are open for business in the State of Michigan (excluding Saturdays and Sundays).

(c) Recognition of L.C. Walker. Due to the generosity of L.C. Walker, and his family, City and Mercy believe it to be appropriate to have an exhibit within the Arena memorializing the gift of the Arena to the City. As such, City and Mercy shall discuss and decide on an appropriate memorial to be located in the Arena. Mercy will contribute ½ the cost, not to exceed \$10,000.

4. **Intellectual Property.**

(a) **Names, Trademarks and Service Marks.**

(i) Mercy acknowledges that WC Hockey, LLC is the exclusive owner of the name, trademark or service mark of the names or phrases "Muskegon Lumberjacks," as well as, any logos associated therewith or containing such phrases.

(ii) Mercy acknowledges that the City of Muskegon is the exclusive owner of the Arena and its name.

(iii) City and WC acknowledges that Mercy is the exclusive owner of the name, trademark or service mark of the names or phrases "Mercy Health," "Mercy Health Muskegon," "Mercy Health West Michigan," and "Mercy Health System," as well as, any logos associated therewith or containing such phrases.

(b) **License of Mercy Marks to City and WC.** Subject to the terms of this Agreement, Mercy grants to City a non-exclusive, royalty-free license during the Term to use and to grant others the right to use the name Mercy Health Arena and the related Logo, including, without limitation, any copyrights, trademarks, service marks, and other intellectual property relating to the same, and any derivatives, modifications or alterations thereof (collectively "Mercy Marks") in connection with the promotion, marketing and operations of the Arena and events held at the Arena and directional signage to the Arena; provided, however, that any such rights granted by City to third parties to use the Mercy Marks shall expire contemporaneously with this Agreement. City may, subject to the prior approval of Mercy, grant non-exclusive rights to providers of goods and services and advertisers to use the Mercy Marks for purposes of promoting itself and the Arena; provided, that such uses

are consistent with the terms and conditions of this Agreement. The grant by Mercy herein of a license to City shall not convey any right, title or interest in the Mercy Marks for any use or purpose other than expressly provided herein, or to modify any such Marks or logos except as approved by Mercy, and Mercy specifically reserves all such rights for itself. In addition, Mercy reserves the right to inspect City's use of the Mercy Marks at any time during the Term.

(c) License of City of Muskegon Marks to Mercy. Subject to the terms of this Agreement, the City grants to Mercy a non-exclusive, royalty-free license during the Term to use and to grant others the right to use, without limitation, any copyrights, trademarks, service marks, and other intellectual property relating to the Mercy Health Arena, and any derivatives, modifications or alterations thereof (collectively "Arena Marks") in connection with the promotion, marketing and operations of the Arena and events held at the Arena; provided, however, that any such rights granted by Mercy to third parties to use the Arena Marks shall expire contemporaneously with this Agreement. Mercy may, subject to the prior approval of the City, grant non-exclusive rights to providers of goods and services and advertisers to use the Arena Marks for purposes of promoting itself and the Arena; provided, that such uses are consistent with the terms and conditions of this Agreement. The grant by the City herein of a license to Mercy shall not convey any right, title or interest in the Arena Marks for any use or purpose other than expressly provided herein, or to modify any such Marks or logos except as approved by the City, and the City specifically reserves all such rights for itself. In addition, the City reserves the right to inspect Mercy's use of the Arena Marks at any time during the Term.

(d) License of WC Hockey, LLC Marks to Mercy. Subject to the terms of this Agreement, WC Hockey, LLC grants to Mercy a non-exclusive, royalty-free license during the Term to use and to grant others the right to use, without limitation, any copyrights, trademarks, service marks, and other intellectual property relating to the Muskegon Lumberjacks and any derivatives, modifications or alterations thereof (collectively "Lumberjack Marks") in connection with the promotion, marketing and operations of the Arena and events held at the Arena; provided, however, that any such rights granted by Mercy to third parties to use the Lumberjack Marks shall expire contemporaneously with this Agreement. Mercy may, subject to the prior approval of WC Hockey, LLC, grant non-exclusive rights to providers of goods and services and advertisers to use the Lumberjack Marks for purposes of promoting itself and the Arena; provided that such uses are consistent with the terms and conditions of this Agreement. The grant by WC Hockey, LLC, herein of a license to Mercy shall not convey any right, title or interest in the Lumberjack Marks for any use or purpose other than expressly provided herein, and WC Hockey, LLC specifically reserves all such rights for itself. In addition, WC Hockey, LLC reserves the right to inspect Mercy's use of the Lumberjack Marks at any time during the Term.

(e) Marks. Except as provided above, neither party shall use any names, trademarks, service marks, copyrights, trade names or photographs of the facilities or products of the other party for any purpose, except as provided for in this Agreement, without the prior written consent of the other party, such consent to be required for each proposed use and each use to be accompanied by the appropriate trademark, service mark, copyright, or other designation required by the owner of such property. Notwithstanding the above, the parties acknowledge and agree that each party shall have the unlimited right to photograph (including, but not limited to motion picture, still, or video device photography) the Arena and to exhibit and exploit such photography in any medium presently existing or hereafter developed.

5. **Representations and Warranties of City and WC**. The City as to the City and WC as to WC represents and warrants to Mercy as follows:

(a) Due Organization and Good Standing. The City and WC are duly organized, validly existing and in good standing under the laws of the state of Michigan; and has all the requisite power and authority to execute, deliver and perform its obligations under this Agreement, and no consent of a third party is necessary to execute, deliver and perform its obligations under this Agreement.

(b) Binding Effect. This Agreement has been duly authorized, executed and delivered by City and WC and constitutes the legal, valid and binding obligation of it, enforceable against it, in accordance with the term hereof.

(c) No Conflict. The execution, delivery and performance of this Agreement by City and WC does not conflict with, nor will it result in, a breach or violation of (i) the City's or WC's organizational documents, or (ii) any material agreement to which it is a party.

6. **Representations and Warranties of Mercy**. Mercy represents and warrants to City and WC that:

(a) Due Organization and Good Standing. Mercy is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated; and has all the requisite power and authority to execute, deliver and perform its obligations under this Agreement, and no consent of a third party is necessary to execute, deliver and perform its obligations under this Agreement.

(b) Binding Effect. This Agreement has been duly authorized, executed and delivered by Mercy and constitutes the legal, valid and binding obligation of it, enforceable against it, in accordance with the term hereof.

(c) No Conflict. The execution, delivery and performance of this Agreement by Mercy does not conflict with, nor will it result in, a breach or violation of (i) the Mercy's organizational documents, or (ii) any material agreement to which it is a party.

7. **Termination**.

(a) Mercy Default.

(i) The occurrence of any one or more of the following constitutes a "Mercy Default" under this Agreement:

(A) Mercy's failure to pay the Naming Rights Fee within thirty business (30) days of when due and owing hereunder, subject to cure provisions contained in paragraph 7(a)(C) below;

(B) If at any time during the Term, Mercy shall file or have filed against it, in any court pursuant to any statute either of the United States or of any state, a petition (w) in bankruptcy, (x) for reorganization, (y) for the appointment of a receiver or (z) for an arrangement under the Bankruptcy Act or Code or similar type of proceeding and such petition is not dismissed within sixty (60) days of such initial filing; or

(C) Mercy's (and/or its affiliates') breach of any of the material covenants, agreements, representations or warranties contained in this Agreement, if such breach (x) has not been waived in writing, (y) is not cured or remedied by Mercy within thirty (30) days after delivery of written notice specifying the nature of the breach or (z) if such breach is capable of being cured but not within such thirty (30) day period and Mercy is using diligent efforts to cause such breach to be cured, then the cure period set forth herein shall be extended to ninety (90) days.

(ii) Upon the occurrence of a Mercy Default, Operator may, at its option, upon written notice to Mercy, terminate this Agreement and any monies already then paid by Mercy may be retained by the City and/or WC. If Mercy Default occurs before July 1, 2021, Mercy agrees to pay to City the cost of removing all signage bearing any Mercy Marks.

(b) City and/or WC Default.

(i) The occurrence of any one or more of the following constitutes a "Default" under this Agreement:

(A) City loses the ability to grant naming rights to the Arena for any reason;

(B) The Arena is shut-down for any reason (including a Force Majeure as defined in Section 12 hereof) for a period of twelve (12) months or more.

(C) WC ceases to operate the Muskegon Lumberjacks at Arena or decreases the number of Lumberjacks home games by more than 10% of the average number of home games in the three years preceding the Agreement. In the event that the Muskegon Lumberjacks cease to operate at Arena, City may cure the default by ensuring a replacement hockey franchise from a comparable or better level hosts no fewer than 27 home games at the Arena. However, at the end of the season, the City and Mercy will evaluate the average home attendance for the replacement franchise and if it declined more than 15% from the previous Lumberjacks' season, Mercy may, at its sole discretion, determine that City is in Default.

(D) If at any time during the Term, City or WC shall file or have filed against it, in any court pursuant to any statute either of the United States or of any state, a petition (w) in bankruptcy, (x) for reorganization, (y) for the appointment of a receiver or (z) for an arrangement under the Bankruptcy Act or Code or similar type of proceeding and such petition is not dismissed within sixty (60) days of such initial filing; or

(E) City's or WC's breach of any of the material covenants, agreements, representations or warranties contained in this Agreement, or any other agreement between the parties, if such breach (x) has not been waived in writing, (y) is not cured or remedied within thirty (30) days after delivery of written notice specifying the nature of the breach or (z) if such breach is capable of being cured but not within such thirty (30) day period and City and/or WC are using diligent efforts to cause such breach to be cured, then the cure period set forth herein shall be extended to ninety (90) days.

(ii) Upon the occurrence of a Default by City or WC, Mercy may, at its option, upon written notice to both City and WC:

(A) Terminate this Agreement, in which case Mercy shall not be obligated to make any additional Naming Rights Fee Payments due after such termination; provided, however, that Mercy shall be obligated to pay any amounts due on or prior to such termination; and/or

(B) Enforce the provisions of this Agreement by a suit in equity or at law for the specific performance of any covenant or agreement contained in this Agreement; or for the enforcement of any other legal or equitable remedy available at law.

(c) No Continued Use of Name. Upon termination of this Agreement, City shall be free to rename the Arena and City and Mercy shall no longer use the name or Logos, and shall make reasonable efforts to notify parties contracting with City or Mercy not to use the names or Logos; provided, however, that City shall have a maximum of ninety (90) days after termination of this Agreement to remove any references to, or displays of, the name and Logos, the costs of which shall be borne by City.

(d) Right of Mercy to recoup Naming Rights Fee. The Naming Rights Fee is being paid in a front loaded manner in order to facilitate improvements to the Arena, but will be considered fully earned at the rate of \$8,888.89 per month (\$1,600,000/180 months). In the event that City and/or WC Defaults and Mercy exercises its right to terminate this Agreement, Mercy shall be entitled to a prorated refund from City and or WC of any of the Naming Rights Fee which has not been fully earned within thirty (30) days of the effective date of termination. Any amounts due which are not received by Mercy within thirty (30) days of when due shall begin to accrue interest at the rate of ten percent (10%) per annum from the date such amount first became due.

8. **Litigation concerning Naming Rights.** Should individuals or entities whom are not signatories to this Agreement sue or threaten to sue City, Mercy and/or WC concerning this Agreement and/or the substance of this Agreement, City, Mercy, and WC shall meet and discuss amending this Agreement in order to avoid litigation or the threat of litigation. Any amendment will require consent of both City and Mercy. In the event that parties cannot come to a mutually agreeable amendment to avoid litigation or threatened litigation, either party may choose to terminate this Agreement and the parties would each bear half the cost of removing the Mercy signage and logos from Arena. If the parties choose to defend the litigation or threatened litigation, City and Mercy shall select legal counsel to represent both entities and enter into a joint representation agreement and legal fees and expenses in defending the then pending litigation or threatened litigation shall be split evenly between City and Mercy.

9. **Force Majeure.** Neither party shall be in breach of this Agreement if the conduct of any event at the Arena is prevented or preempted because of an act of God, natural disaster, catastrophe, accident, fire, labor dispute, lockout, strike, riot or civil commotion, act of public enemy, governmental act, regulation or rule, failure of technical facilities, a day of national mourning, emergency or other circumstance or event beyond the control of the parties to this Agreement (a "Force Majeure").

10. **Confidentiality.** To the extent possible, each party agrees to treat as confidential all information regarding the other party furnished, or to be furnished, pursuant to this Agreement, including the terms and conditions of this Agreement. However, either party may disclose that portion of the confidential information that is required to be disclosed by law, including the Freedom of Information Act.

Any such notice shall be deemed given when actually delivered, when delivery is refused, or upon confirmation of receipt of a facsimile.

13. **Successors and Assigns.** This Agreement shall be binding on, and shall inure to the benefit of, the parties hereto and their successors and permitted assigns. This Agreement may not be assigned by any party hereto without the prior written consent of the other party; provided, however, that (i) the City and WC may assign this Agreement to any existing or future affiliate, whose business includes the operation of the Arena; (ii) Mercy may assign this Agreement to any existing or future affiliate, provided that Mercy shall continue to be obligated to City and WC under this Agreement; and (iii) Mercy may assign this Agreement in connection with the direct or indirect transfer or sale of all or substantially all of its assets, or in the event of a merger, consolidation, or similar transaction, provided that (a) the acquirer or surviving entity has creditworthiness or credit rating at least equal to that of Mercy immediately prior to the transaction, (b) the acquirer or surviving entity is another health care provider, and (c) such assignee expressly agrees to assume unconditionally all of the obligations of Mercy hereunder for the balance of the Term and agrees to bound hereby.

14. **Severability.** If any portion of this Agreement is judged to be illegal, invalid or unenforceable, such portion will be given effect to the maximum extent possible by narrowing, or enforcing in part, such portion to the minimum extent necessary to make it enforceable. Any such invalidity or unenforceability will not in any way affect the validity or enforceability of the remainder of this Agreement which will continue in full force and effect.

15. **Captions.** The captions used in this Agreement are for convenience only and will not define, limit, or otherwise be used in the construction of this Agreement.

16. **Entire Agreement.** With the exception of an Agreement between City and WC as to sharing the income from naming rights and advertisements in and on the Arena, this Agreement sets forth the entire agreement between the parties with respect to the subject matter hereof, and, except as provided herein, there are no agreements between them, written or oral, relating to the subject matter hereof, other than as set forth in this Agreement.

17. **Governing Law.** This Agreement and the rights and obligations of the parties shall be governed by, and construed and interpreted in accordance with, the laws of the State of Michigan. Venue shall lie in Muskegon County, Michigan.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

City MUSKEGON

By:_____

Its:_____

WC HOCKEY LLC

By:_____

Its:_____

MERCY HEALTH PARTNERS
d/b/a Mercy Health Muskegon

By:_____

Its: President

Exhibit

Sponsorship Terms

During the Term of this Agreement, Mercy shall be entitled to the following permanent recognition:

1. Creative - Jersey Patch. Mercy Health will be the exclusive sponsor of the Lumberjacks home and road game jerseys and will be designated with a jersey patch (2.5" tall x 3.5" wide) approved in advance by Mercy Health.
2. Creative - In-Game Video Support. During the Term of this Agreement, Mercy will be entitled to the following acknowledgement during Lumberjack home games:
 - 3 Stars of the Game segment will include acknowledgment
 - Both Graphic and PA Read
 - Mercy Logo will appear on videoboard
 - Graphic of Mercy Health Arena to appear 3x per game accompanied by PSA about what Mercy Health does for the community
 - 10-15 sec in-game spots including "Welcome to Mercy Health Arena" and other branding pieces for Mercy Health to be mutually agreed upon in advance by both parties.
3. Exposure - WZZM Broadcast Acknowledgment
 - On Air Promotional Placements - "Muskegon Newsroom at Mercy Health Arena"
 - Co-Branded Promotional Announcements - Including "Mercy Health Arena" in live broadcasts from downtown Muskegon.
4. Event Activation. Two (2) Tabling Opportunities (separate from the EVENT ACTIVATION in the annual review section).
5. Arena Related Marketing and Communications.
 - Website
 - Placement of 'Mercy Health Arena' to be finalized and in place by March 2020
 - MercyHealthArena.com domain to be secured by March 2020
 - Social Media. All mentions of L.C. Walker to be swapped over to Mercy Health Arena for both Lumberjacks and for the Arena by March 2020.
 - Email Advertisements (Timber Times). All mentions of L.C. Walker to be swapped over to Mercy Health Arena before March 2020.
 - Letterhead. All mentions of L.C. Walker to be swapped over to Mercy Health Arena before March 2020.
 - Google listings. All Google listings to be updated before March 2020.

During the Term of this Agreement, Mercy shall be entitled to the following recognition/ benefits, which will be reviewable each season and subject to change, subject to mutual agreement:

VIP ASSETS / SEASON

- Two (2) Party Deck Nights
 - 40 People including food and beverage (soft drinks and beer)
- Twelve (12) Jacks Club Memberships
- VIP Parking (1) Per Night, (2) Parking Passes per night (game) Western Ave

CREATIVE

- Interior Signage
 - Logo on blimp
- Print
 - Mercy Health Arena logo on cover of Game Program (starting in January 2020)
 - 1-page print ad in all Game Programs starting in 2020-2021
- Jerseys
 - Logo on Timber's jersey (size of patch to be mutually agreed upon by both parties)
 - Appearances / hospital visits
 - 'Mercy Health' on back top of Mites on Ice jerseys (~12 appearances per year)
- Hockey TV (Online streaming) **(BONUS ELEMENT)**
 - :30 and/or :60 spots

EVENT ACTIVATION

- In-Arena Usage with Advertising and Marketing of Each Event
 - Presenting Sponsor of Jacks Corporate Partner Night
 - Ability to use Arena to host Mercy's The Ride event, at no extra cost
 - Mercy Health Employee Night (MHEN) - no extra cost for Mercy Health (Group meal deal and ticket at a reasonable price. Cost per person for MHEN in 2020 is \$10)
 - Use of the Arena for two Mercy Health events per calendar year at no additional charge (leadership meetings, movie night, etc)
- Fan Engagement Opportunities
 - Mercy Health has the opportunity to supply give-a-ways that the Lumberjacks would distribute at games.

**Mercy Health reserves the right to replace creative throughout the season at Mercy Health's own cost. Creative elements swapped out on an annual basis will be the cost of the Arena.*

***Mercy Health signage to be in full color unless otherwise agreed upon between Mercy Health and the Arena.*