THE CITY OF

Kalamazoo

Blueprint for Action:

A SUSTAINABLE COMMUNITY

Defining Kalamazoo's Future

5-Year Fiscal Plan

2012 - 2017

Revised November 2011

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Executive Summary

For the 2007 Budget, the City developed the Five-year Fiscal Plan to outline an approach to long-term fiscal planning where standard conventions could no longer be relied upon to balance expenditures and funding sources. The Plan provided guidance for the 2007 Budget, which required no traditional budget reduction strategies. The Plan continued to be validated in providing guidance for the 2008, 2009, 2010 and 2011 budget cycles.

The budget has been balanced through FY 2008 without employing the traditional budget reduction strategies of one-time or deep and narrow reductions that eliminate programs and services. However, several realities occurred during Fiscal Year 2009 that necessitated reductions of $2.7 million in General Fund operations which dictated the reevaluation of assumptions and a revision of the plan. These revisions along with an update of where we are in meeting the targets established in the 2012 Five-year Fiscal Plan will be discussed in this document.

The method used in previous years, for budgeting and fiscal management required either annual reductions of 5-10% or one-time deep and narrow reductions eliminating programs and services. This budgeting approach has rarely been effective and is no longer sustainable if we are to maintain the level of services expected by our citizens and required for our community to prosper and flourish. In addition to being demoralizing to the organization, this approach resulted in insufficient capital investment, no reserves, a management approach of "monitor and react," and less than optimal service delivery expected by our citizens.

Continuation of such historical fiscal planning methods and approaches is likely to produce similar results. According to Einstein, "doing the same thing over and over again and expecting different results" defines insanity.

The Plan has been further refined with the realities of fiscal year 2010 in mind. With the significant loss of operational revenues, expenditures are being reduced through the elimination of vacant positions, as well as traditional management tools involving cost containment, and use of alternative funding sources, and non-headcount efficiency improvements. Revenue has been significantly increased through the American Recovery and Reinvestment Act, resulting in increased capital investment and enhanced neighborhood stabilization and community development programming.

The Plan embodies achievement of balanced annual budgets, establishment and maintenance of strategic, prudent reserve funds, responsible reinvestment in capital infrastructure, and efficient use of resources. The fiscal performance projected by the Plan is illustrated in the following exhibit.

Introduction

As discussed above, the old way of fiscal planning for the City of Kalamazoo has not produced sustainable results, even in the best of times. Today's stewards face the challenge of producing a plan that results in increased capital investment in the City's infrastructure, optimized service delivery, and establishment of appropriate reserve funds, all in a manner that provides for a flexible, manageable decision making framework.

The architects of the Plan summarized herein believe that it establishes basic strategies and tactics for successfully meeting the challenges before us. Dedicated adherence to the concepts presented herein, and a resolute commitment to the implementation of the basic tenets embodied within the Plan, can facilitate achievement of the goals to stabilize the organization, energize the workforce, and improve the level of service to the community, all through the use of existing resources.

This document is intended to serve as a summary of the detailed planning efforts that have been undertaken as part of this strategic planning process. An effort has been made to provide readers with key process descriptions, assumptions, guiding principles, and forecasts – without inundating the document with ancillary analysis.

Plan Development Process and Results

The Plan was developed in 2006 through the following process steps:

Step 1:
Identified budget realities: Continuing budget deficits of approximately $2.0M per year were no longer sustainable. Further, our Fiscal Distress Indicators rating issued by the State of Michigan was at the "Fiscal Watch" level, likely prompting a warning letter of a relatively high score. This was due to 1) a declining/stagnant population, 2) a general fund operating deficit, and 3) a fund balance below 13% of budgeted operating revenues. Immediate and considerable action was required to prevent the City of Kalamazoo from declining further in its fiscal health.

Step 2:
Recognizing the demands placed on service delivery, we evaluated the City's roles and responsibilities within the community and re-calibrated expectations of our organization "being everything to everyone."

Step 3:
Identified revenues from historical trends and projections

Step 4:
Developed more accurate year-end projections and included positive variances in the budget development process 'head-end" rather than through mid-year budget adjustments. Past performance is always a good predictor of future performance and our history has proven that it was not only helpful, but also prudent to include these projections "head-on" in our 5-year fiscal planning and annual budgeting process.

Step 5:
Validated the impact of key budget components including health care, pension, tax diversion programs and collective bargaining agreements

Step 6:
Established financial targets to guide our fiscal decision-making and management and position our organization for greater stability and flexibility.

Step 7:
Evaluated options for funding legacy costs - In the 2007 Fiscal Plan, Public Act 28 was identified as a potential funding vehicle for Retiree Health Care costs. The revised 2008 Plan eliminated that vehicle as a viable option, after careful evaluation and analysis.

Step 8: (Added for 2008)
Evaluated and reassessed assumptions and targets against actual performance and changing realities in order to revised the Plan, where necessary.

The result of this comprehensive analysis is a significant change to the way we manage resources. This change is rooted in the following objectives:

- Allocate resources based on goals and outcomes outlined in the Blueprint for Action
- Manage organizational effectiveness and performance (output efficiency and effectiveness)
- Increase tolerance for uncertainty by:
  - Recognizing the past as a good predictor of the future and incorporating prospectively positive variances into the budget
  - Increase our ability to adapt to changing conditions by utilizing real-time financial information to monitor and react more effectively and by utilizing this longer-term plan approach.
- Establish reserve funds

Most significantly, we will move from a "piecemeal" approach to an organizational philosophy characterized by:

- Maintaining a long-term perspective versus simply reacting to "keep our head above water"
- Completing our day-to-day work with an eye on understanding its impact to the long-term
- Tying the pieces together by understanding the inter-relationship between issues and operating through intra- and inter- departmental teams to more effectively meet the needs of the community.
- Examining core services as a "bundle" to improve the quality of life and neighborhoods.
- Consistently relying on comprehensive analysis for the development of long-term, high impact solutions

These tenets will transform our approach to public service delivery into one that is highly innovative and impactful to our community.

Baseline Data

Key financial assumptions and targets have been superimposed on baseline financial data.

Assumption #1: Revenues and expenditures increase at historical rates:

Rationale: Revenues and expenditures have been forecasted for the period of 2011 – 2016 based on a review of recent actual performance, the budgeting process, and industry standard analytical approaches.

Revenue	Projected Annual Assumptions from Prior Fiscal Plan (2011 – 2016)	Projected Annual Assumptions for Current Fiscal Plan (2012 – 2017)
Property taxes (based on assessor's estimate)	0% for 2012 - 2013, 1.5% for 2014 - 2016	Revised: -2.5% for 2013, 0% for 2014, +1.5% for 2015 - 2017
Licenses, permits & fees	0% for 2012 - 2013, 1.5% for 2014 - 2016	Revised: 0% for 2012 - 2014, 1.5% for 2015 - 2016
Other intergovernmental revenue	0% (-10% for 2012)	0%
Charges for services	2%	2%
Interest and rentals	1%	1%
Other revenue	3% (-6% in 2015)	3% (-6% in 2015)
Expenditures		
Salaries	0% for 2012 - 2013, 1.5% for 2014 - 2016	Revised: 0% for 2013 - 2014, +1.5% for 2015 - 2017
Health Insurance	7.0%	7.0%
FICA, Medicare, Deferred comp.	0% for 2012 - 2013, 1.5% for 2014 - 2016	Revised: 0% for 2013 - 2014, +1.5% for 2015 - 2017
Fringe Benefits	3%	3%
Supplies and services	1%	1%
Non-departmental expenditures	3%	3%

The projected annual increases for certain revenue and expenditure categories have changed in light of the recent economic shocks and resulting uncertainty.

It is imperative that the growth of salaries be limited to no more than the growth of our largest single governmental revenue, property taxes. The assumption used for this plan period is a 1.5% increase in 2015 - 2017, however a decrease of -2.5% is assumed for 2013, and no change for 2014.

Licenses, Permits and Fee revenue have also been reduced to match property tax revenue, based on the assumption that general property demand will mirror major property improvement expenditures. The range of outcomes matches that of Property Taxes, accordingly.

Intergovernmental revenue, which is largely based on State Revenue Sharing, is assumed to be stable starting in FY 2012 with the new State of Michigan's Economic Vitality Incentive Program, with which the City will comply. Revenue Sharing is projected to stabilize as State Sales Tax receipts have been growing by between 8 – 10 percent starting in September 2010.

Other revenue is estimated to take a drop of 6% in 2015, based on cuts of roughly 5 – 10 percent in the General Fund in 2012 and 2013. Such reductions in General Fund expenditures would result in reductions in the amount of Administrative Charges billed by the General Fund to cover expenditures made for central services on behalf of non-General Fund activities.

The assumption used for salary (and thus FICA/Medicare/Social Security) was based on the percentage for property tax changes.

Health insurance expenditures are assumed to grow by the rate of health care inflation in the marketplace (7 percent).

Assumption #2: Modest recovery of a portion of lost tax revenue in 2013 (modified)

Rationale: the City continues to embrace the entrepreneurial concept of living within its means. Pursuing additional funding sources has been deemed the last piece of the budget balancing process. Nevertheless, after $2.3 million of structural reductions in 2009 and another $4.5 million of structural reductions in 2011 – 2013, it is necessary for the City to examine prudent and limited opportunities to recover some of the $6.9 million of lost annual tax revenues in 2013 (based on comparing the proposed 2012 – 2017 Fiscal Plan to the 2009 – 2014 Fiscal Plan).

The Fiscal Plan assumes that the application of the state-authorized "Administrative Fee" of 1% would be applied to the City's tax millages in 2013. This has been applied for many years to all of the non-City millages. This would result in approximately $350 thousand of new annual revenue.

Also, a so-called "Headlee Override" could be authorized by the City Commission to be placed on the ballot for the citizens to vote to recover the 0.73 of City operating mills loss cumulatively over the years. This would result in roughly $1.1 million of additional revenue.

Both of these revenues are currently assumed to being in 2013.

Assumption #3: Increased contribution to capital

Rationale: For too long, the City (not unlike may other Cities) has fallen short of the sound practice of responsibly reinvesting in its infrastructure. One of the overarching goals is to invest in infrastructure at a rate that is at least equivalent to the deprecation expense reflected on our books.

Assumption #4: Continuation of Initiatives

Rationale: We need to maintain the existing commitments to our constituents. The Blueprint for Action established valuable initiatives directed towards the sustainability of quality of life issues in Kalamazoo. These initiatives have borne fruit and deserve continued support.

Assumption #5: Strategic Issuance of Debt to Finance Capital (modified)

Rationale: The City continues to retire a portion of its outstanding indebtedness in 2012. This allows the City to continue to use debt instruments to support capital financing requirements. A recent study suggested that attempting to "lever off" the debt-financing approach to new capital that has been used for a

number of years would require at least 10 years of capital outlay retrenchment, reducing capital improvement outlays by at least one half for that period of time. For the foreseeable future the City will continue to use new debt as the main tool for financing major new capital projects.

Assumption #6: Stabilization of State Shared Revenue (modified)

Rationale: Intergovernmental revenue, which is largely based on State Revenue Sharing, is assumed to be stable starting in FY 2012 with the new State of Michigan's Economic Vitality Incentive Program, with which the City will comply. Revenue Sharing is projected to stabilize as State Sales Tax receipts have been growing by between 8 – 10 percent starting in September 2010.

Assumption #7: Use of excess pension fund investment earnings (modified)

While pension funds are restricted to post employment benefits, utilizing excess earnings in a manner that would free up otherwise obligated (to current retiree health care costs) operating funds to cover legacy costs including a Retiree Health Care Fund was seen as a viable option – that is until the nearly unprecedented global financial crisis caused a nearly 50% drop in the value of Pension Trust Fund assets. Despite the nearly unprecedented rebound of over 60%, which brings the Pension Trust Fund most of the way back to its former level, the extreme volatility that was experienced has rendered this option non-viable.

Financial Targets and Criteria

Several key indicators establish the overarching fiscal goals that serve as a foundation for the Plan. The targets identified below are consistent with those commonly practiced by municipal enterprise funds, and reflect the entrepreneurial nature of the Plan. Each is designed to address specific objectives to ensure the fiscal health of the organization. The table has been updated to reflect progress toward each indicator.

Indicator	Target	2011 Accomplishment	2011 Proposed
Fund Balance	Range of 13-15% of budgeted operating revenues	19.6%	18.2%
Budget Stabilization Reserve	Range of 1-2% of budgeted operating revenue Target = $500K-$1M	$1.65M	$1.65M
Capital Contingency Reserve	Range of 1-2% of budgeted operating revenue Target = $500K -$1M	$350K	$350K
Annual Capital Improvement Program (CIP)	$5M (Includes CIP, Major & Local Street Funds)	$6.6M	$5.8M
Debt Financing for Capital Improvements	Optimized	Debt Service $5.38M	Debt Service $5.36M
Bond Ratings	Maintained or Improved	Maintained	Maintained
Retiree Health Care Fund	Established	$250K	$225K

In order for the City to operate effectively and sustain a sound financial structure, it is both prudent and appropriate to maintain reserve fund balances. The Plan provides for the establishment of a formal City of Kalamazoo General Fund Reserve Policy that guides the creation, maintenance and use of reserves.

These funds provide flexibility to the City in the management of unanticipated or cyclical economic conditions, emergencies, unexpected large one-time expenses, unscheduled economic development initiatives, cash flow requirements and some level of protection against statutory changes to City revenues. The targeted reserve levels are consistent with those commonly practiced by municipal enterprise funds, and reflect the entrepreneurial nature of the Plan.

- *Fund Balance:* The fund balance of the General Operating Fund will be budgeted within the target range of 13 – 15 percent of budgeted annual operating revenues. This fund balance is designed to address *short-term* operating fluctuations and provide liquidity when receipts are lagging targets or when unanticipated expenses occur. The targeted metric is equivalent to approximately 1½ months of operating expense, consistent with sound financial planning for many entities.

- *Budget Stabilization Reserve*: This reserve is designed to provide fiscal stability from year to year. It is intended to address *mid-term* fluctuations created by unanticipated expenses or economic downturns. The target range for this reserve is 1 – 2 percent of the budgeted operating revenues or $500,000 - $1,000,000. This fund balance was originally to be phased in over a 3-year period beginning in 2007. The City has placed all of its fund balance in excess of 13.5% of Revenues into the Budget Stabilization Fund, increasing it's estimated FY 2009 year-end balance to be in excess of $1.65 million. This amount will be drawn down periodically to keep the City's undesignated General Fund balance between 13 – 15%. The current plan is to apply $575 thousand of the Budget Stabilization Fund in 2014 and the other $1.075 million in 2015 to minimize the impacts of revenue losses on critical public services.

- *Capital Contingency Reserve*: This reserve is needed to provide emergency funds to replace unanticipated equipment failures or for unscheduled economic development initiatives. The target range for this reserve is 1 – 2 percent of the budgeted operating revenues or $500,000 - $1,000,000. This fund balance was originally to be phased in over a 3-year period beginning in 2007. The projection has been revised for a phase - in period of 4 years. The Capital Contingency Reserve use stipulations are that purchases must meet capitalization criteria; an expense that causes the balance to fall below the recommended level, the money will be replaced within a three year period, in equal installments. The three year repayment schedule shall be applied separately for each approved capital project.

In addition to the reserve fund structure, the financial targets include:

- *CIP Funding*: A minimum of $5 million is established as the goal for annual investment in capital. This figure represents the minimum annual amount necessary to ensure that the City is adequately addressing the replacement of its infrastructure and the long-term needs of its constituents. The overarching goal for CIP funding will result in a level of annual investment (as measured by actual revenue financed capital and principal paid on debt) that is at least equal to the depreciation expense of our infrastructure. In this manner we are ensuring that the City's equity in its assets is not depleted.

- *Optimized Capital Financing*: This target refers to creating mechanisms to address the capital financing needs of the City in the most responsible and efficient manner possible. It includes establishing the optimal balance of debt and revenue to balance the current and long-term financing responsibility. This approach is designed to assure that the City's equity position in its infrastructure is sound, to provide a stable source of funds for routine replacement capital expenses.

- *Bond Ratings*: One of the overarching principles embedded within all of the targets is to achieve and maintain excellent bond ratings. The reserve fund and capital financing strategies identified above are intended to directly impact this metric. In addition to the direct impact of lower borrowing costs on future debt issuances, improved bond ratings have the indirect impact of enhancing community pride and the marketability to new commerce,

- *Retiree Health Care Fund*: The Plan must honor our commitment to pledge resources towards establishing and maintaining a robust retiree health care fund. The recent severe downturn in the Stock Market has eliminated plans to utilize Pension Trust Fund assets to provide short-term cash flow for the payment of retiree health care benefits, while a fund could be built up. The requirements of GASB 45 to book a current liability on the City's financial statements increases the necessity of finding a way to set aside assets in order to utilize long-term investment returns to help fulfill the City's promise of retiree health care benefits to it's future retirees.

Fiscal Plan Projections

This section illustrates the application of the fiscal planning targets and criteria to the forecasted revenues and expenditures for the study period, to produce the baseline forecasted Plan. The key challenges in establishing the projections for the Plan include addressing the legacy issues (insufficient funding of capital investment, and management of health care and other benefit costs) and utilizing the resources at our disposal, in the most responsible manner.

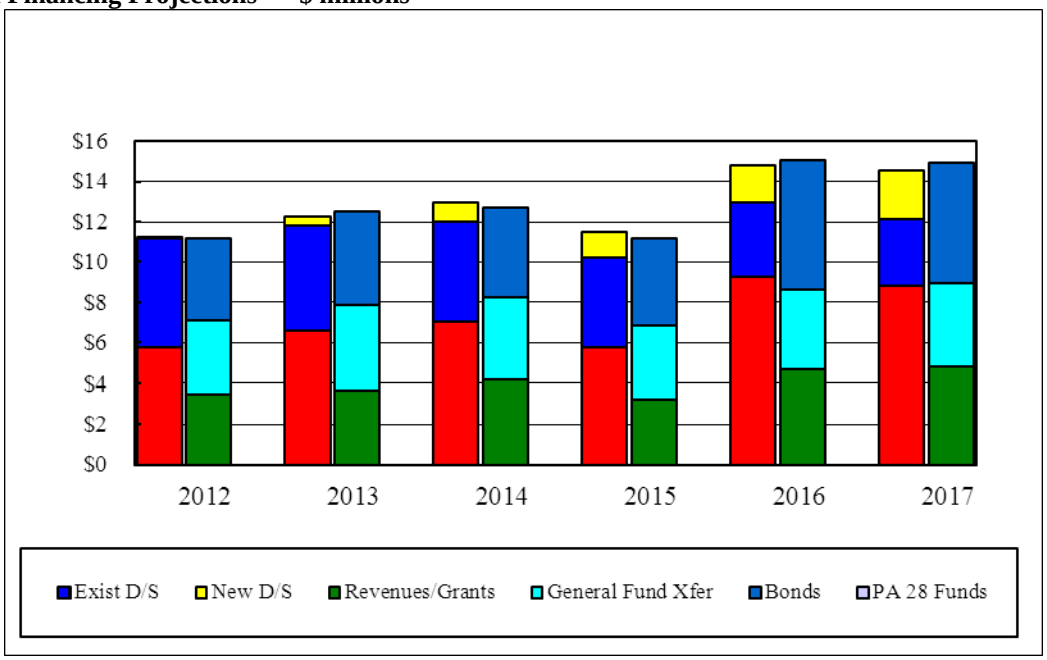
Many scenarios were evaluated before arriving at the combination of management decisions that are represented by the projections presented herein. An initial attempt to achieve all of the fiscal targets, without utilizing debt or other resources to finance projected capital improvements proved insufficient. Not only are existing funds not sufficient to address the capital needs of the City while maintaining desired reserves, the City would actually run out of money during the study period.

The Plan as presented for the period beginning in 2012 represents moderate growth in expenditures, incorporating the strategic use of debt financing to fund capital improvement.

The following charts illustrate the projections for the Plan, encompassing achievement of the financial targets. The first chart (Exhibit 1) presents the Capital Financing element of the Plan. This chart represents a holistic capital financing plan for the CIP Fund, the Major Streets Fund, and the Local Streets Fund, since all of these activities rely (in part) on General Fund resources to finance capital improvements. The projected capital financing requirements are reflected in the first bar for each year and include projected capital improvements (in red) and principal and interest on debt issued to finance capital improvements. For purposes of this illustration, debt service is separated into that related to existing outstanding debt (blue) and that associated with projected additional debt (yellow).

EXHIBIT 1

Capital Financing Projections * - $ millions



	2012	2013	2014	2015	2016	2017
FINANCING REQUIREMENTS						
Major CIP	5.79	6.57	7.04	5.80	9.28	8.82
Existing Debt Service	5.37	5.25	4.99	4.39	3.67	3.31
Projected New Debt Service	0.05	0.45	0.90	1.33	1.84	2.41
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TOTAL	**11.20**	**12.27**	**12.92**	**11.52**	**14.78**	**14.54**
FINANCING SOURCES						
Revenues/Grants	3.48	3.69	4.20	3.22	4.71	4.80
General Fund Transfers	3.63	4.15	4.05	3.65	3.93	4.15
Bonds	4.09	4.65	4.47	4.33	6.41	5.96
	------ -	-------	-------	-------	-------	-------
TOTAL	**11.50**	**12.79**	**13.24**	**11.51**	**15.04**	**15.17**
Surplus/(Deficit)	***0.30***	***0.51***	***0.31***	***(0.01)***	***0.26***	***0.63***

The Plan's capital financing sources are represented by in the second bar for each year. For purposes of this illustration, financing sources are separated into the following categories:

- *Revenues/Grants* consists of user fees, gas & weight taxes, other taxes, federal and state grants, private contributions, and other related items. These sources are not budgeted in the General Fund – rather they are elements contained in the specific capital funds (CIP, Major Streets, Local Streets)

- *General Fund Transfers* reflects the projected utilization of general fund monies to finance capital improvements. In effect, any capital requirements not met from other sources must be met from such transfers.
- *Bonds* represent proceeds from debt issued to finance capital improvements. For illustrative purposes only, The Plan indicates annual Bond sales.

As noted by the chart, annual requirements and sources are in balance. (Beginning and ending annual capital fund balances are effectively equal and have been ignored for purposes of this presentation).

This capital financing plan has a direct impact on the financing plan for the operating requirements of the General Fund, which are illustrated in Exhibit 2. This chart follows the same basic presentation concepts as Exhibit 1. Financing requirements are represented by the first bar for each year and include:

- *Operation & Maintenance* represents the annual costs of performing governmental services, such as public safety, general city management, etc.
- *Capital Improvements* reflect the General Fund Transfers to capital funds indicated in Exhibit 1.
- *Initiatives & Other* primarily consists of economic, neighborhood, and youth initiatives.
- *Reserves* normally this would include the annual figures necessary to establish the targeted reserve funds. As noted in the chart, however, we are planning to draw down reserves over the next several years to "smooth" the transition to the new fiscal normal.

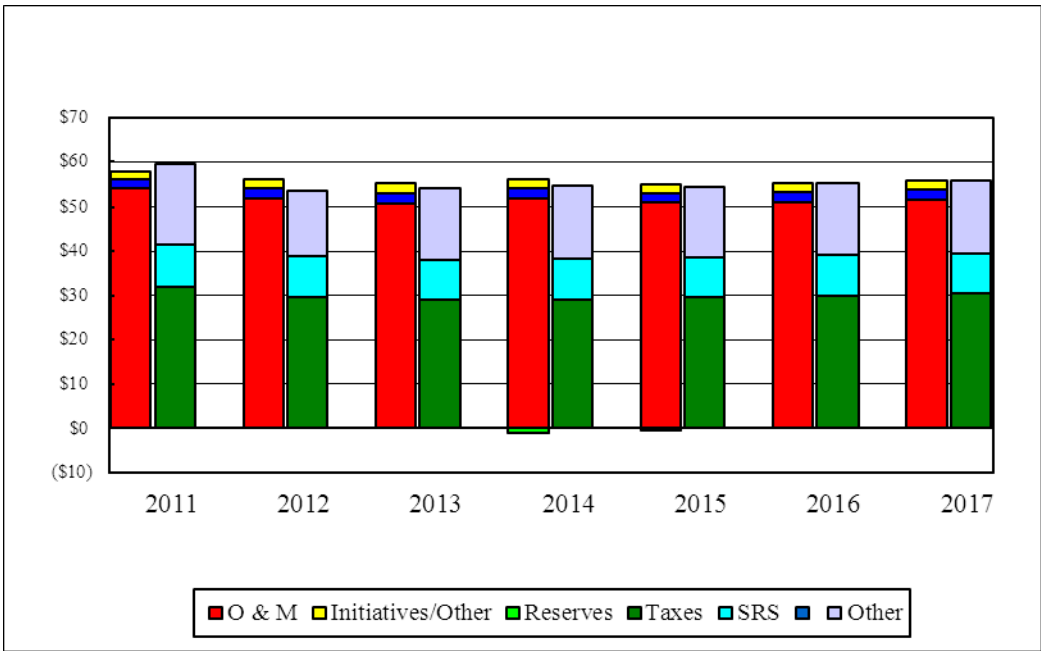
General Fund revenues and other financing sources are represented by the second bar for each year. For purposes of this illustration, financing sources are separated into the following categories:

- *Taxes & Equivalents* includes receipts of property taxes, payments in lieu of taxes, and related items.
- *State Revenue Sharing* is self explanatory and represents the City's allocation of State sales tax receipts.
- *Administration Fee* represents the recovery of administrative costs from City Departments.
- *Other* includes licensing and permit fees, interest income, and other miscellaneous sources. Beginning in 2009 accumulated savings in the Insurance Fund from positive health care and workers compensation experience and plan changes will be rebated to the operational funds city wide. Structural savings of $4.6 million for FY 2011, $1.5 million for FY 2012, and $1.2 million annually beginning in FY 2013 are projected for the General Fund.

As noted by Exhibit 2, a surplus is estimated to occur in FY 2012. The Plan relies on planned permanent reductions in expenditure levels in FY 2012 and 2013 to achieve balanced annual budgets going forward.

EXHIBIT 2

Fiscal Plan Projections
- $ millions



	2011	2012	2013	2014	2015	2016	2017
EXPENSES							
Operation & Maintenance	54.38	51.91	50.69	51.80	51.09	50.99	51.52
Capital Improvements	1.90	2.20	2.50	2.40	2.00	2.28	2.50
Initiatives & Other	1.80	2.04	2.18	2.10	2.13	2.00	2.00
Reserves	0.00	0.00	0.00	(1.07)	(0.58)	0.00	0.00
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TOTAL	**58.08**	**56.15**	**55.36**	**55.23**	**54.64**	**55.27**	**56.02**
REVENUE							
Taxes & Equivalents	32.03	29.77	28.97	29.15	29.58	30.02	30.47
State Revenue Sharing	9.48	9.05	9.05	9.05	9.05	9.05	9.05
Other	18.01	14.81	16.28	16.55	16.00	16.30	16.60
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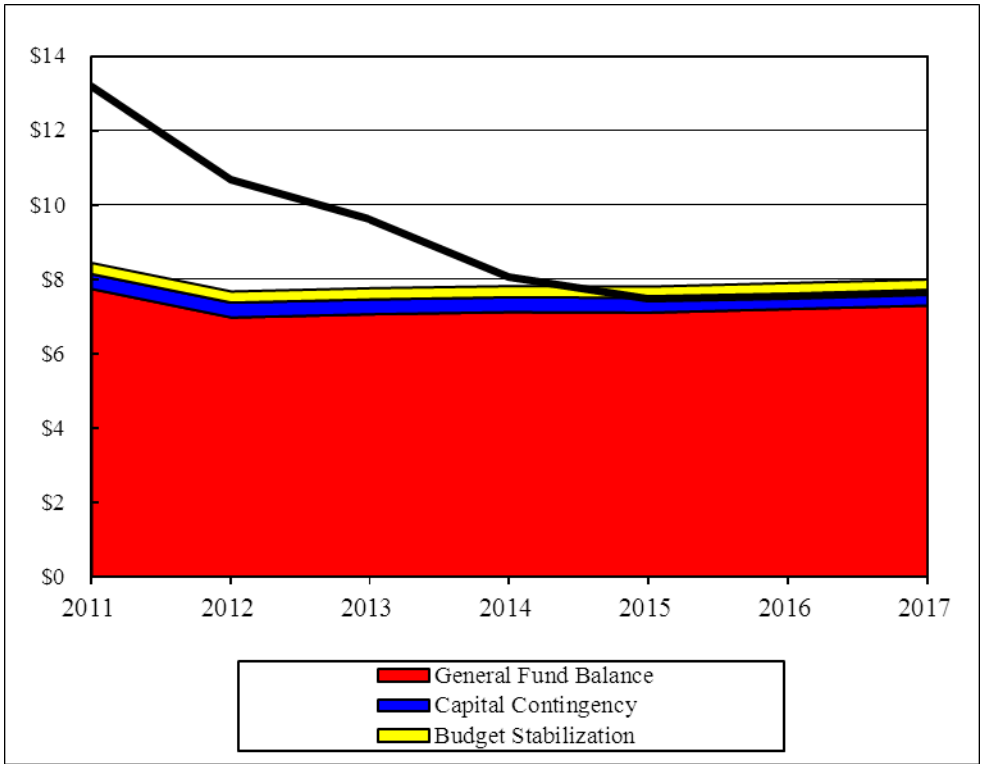
TOTAL	**59.52**	**53.63**	**54.29**	**54.74**	**54.63**	**55.37**	**56.11**
Surplus/(Deficit)	***1.45***	***(2.52)***	***(1.07)***	***(0.49)***	***(0.01)***	***0.10***	***0.09***

The annual performance of the operating plan directly impacts the City's fund balance and projected adherence to reserve fund targets. The projected end-of-year reserve fund balances are illustrated in Exhibit 3. The recommended levels established by the fiscal targets are represented by the red, blue, and green areas for the Fund Balance, Budget Stabilization Reserve, and Capital Contingency Reserve, respectively. The total projected levels (for all three of these funds) under the Plan are represented by the solid black line.

Fund Balance - $ millions



	2011	2012	2013	2014	2015	2016	2017
Recommended Levels							
General Fund Balance	7.74	6.97	7.06	7.12	7.10	7.20	7.29
Capital Contingency	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Budget Stabilization	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Total Recommended	8.44	7.67	7.76	7.82	7.80	7.90	7.99
Projected Levels							
General Fund Balance	11.20	8.68	7.61	7.12	7.11	7.21	7.30
Capital Contingency	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Budget Stabilization	1.65	1.65	1.65	0.58	0.00	0.00	0.00
Total Projected	13.20	10.68	9.61	8.05	7.46	7.56	7.65

Implementation Considerations

The projections presented above are intended as "forward-looking statements." They represent the analyses and application of best available information to certain assumptions with respect to conditions, events, and circumstances that may occur in the future. While we believe that such assumptions are reasonable and that the projection approach is sound, actual results may differ materially from those projected, as influenced by conditions, events, and circumstances that may actually occur.

It is important that the Plan contemplate such events and contain the flexibility to address contingencies. To the extent that economic pressures dictate that not all targets can be achieved, it is envisioned that priority to specific “metric” targets would follow this structure:

1. Reduce contribution to/balance in *Budget Stabilization Reserve*
2. Identify and implement savings in current operating expense budget
3. Reduce contribution to/balance in *Capital Contingency Reserv*e
4. Reduce optimization of capital financing plan, by:
    a. Reducing annual CIP; or
    b. Issuing more debt
5. Reduce contribution to/balance in *Fund Balance*
6. Explore all other economic and fiscal alternatives

This approach is designed to meet the fundamental tenets of the Plan and maintain the fiscal health of the organization in a strategic manner when confronted with economic challenges. To the extent that economic pressures exceed what can be addressed by this approach, additional, more traditional activities may be necessary.

CITY OF KALAMAZOO
2012 ADOPTED BUDGET
GENERAL FUND OPERATING BUDGET SUMMARY AND FIVE YEAR FISCAL PLAN

	2010 Actual	2011 Adopted	2011 Amended	2011 Projected	2012 Adopted	2013 Fiscal Plan	2014 Fiscal Plan	2015 Fiscal Plan	2016 Fiscal Plan	2017 Fiscal Plan
REVENUE										
Tax Levy Revenue	30,545,756	29,971,082	29,971,082	29,940,789	28,201,204	27,442,175	27,418,786	27,825,561	28,238,354	28,657,254
Other Tax or PILOT Payments	2,291,920	1,665,883	2,038,999	2,093,001	1,569,621	1,530,380	1,730,380	1,756,336	1,782,681	1,809,421
Licenses, Permits & Fees	1,867,124	1,813,175	1,813,175	1,862,267	1,792,900	1,792,900	1,792,900	1,819,794	1,847,090	1,874,797
Intergovernmental Revenue	9,889,672	9,814,674	9,814,674	9,481,624	9,045,882	9,045,882	9,045,882	9,045,882	9,045,882	9,045,882
Charges for Services	512,628	7,213,659	5,503,643	5,583,663	5,345,397	5,452,305	5,561,351	5,672,578	5,786,030	5,901,750
Interest & Rentals	323,650	551,100	551,100	505,100	485,100	489,951	494,851	499,799	504,797	509,845
Other Revenue	5,676,224	5,229,113	5,601,013	5,370,455	5,048,409	5,199,861	5,355,857	5,034,506	5,185,541	5,341,107
Bronson 2011 Issue HFA Fees	0	0	0	0	0	0	0	25,832	25,078	24,345
Potential Revenue	0	0	0	0	0	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Assumed 1-Time Misc Revenue (Clawbacks, Fees, Rebates, etc.)	0	0	0	0	250,000	250,000	250,000	250,000	250,000	250,000
Transfer of Insurance Fund Overage	500,004	4,000,000	4,000,000	4,686,731	1,890,257	1,590,257	1,590,257	1,200,000	1,200,000	1,200,000
Total Revenue	**51,606,978**	**60,258,686**	**59,293,686**	**59,523,630**	**53,628,770**	**54,293,713**	**54,740,264**	**54,630,288**	**55,365,453**	**56,114,402**
EXPENDITURES										
City Commission	84,362	85,934	87,434	74,731	76,987	77,886	78,843	80,554	82,341	84,209
City Administration	728,127	755,437	751,207	725,883	654,552	626,230	633,544	646,963	660,966	675,589
City Attorney	865,871	881,902	871,866	854,963	790,124	799,353	809,172	826,734	845,075	864,243
City Clerk	613,547	665,991	663,962	662,884	686,277	586,502	702,822	600,283	734,006	614,387
Internal Auditor	88,947	95,286	94,920	89,762	85,929	86,933	88,001	89,910	91,905	93,990
Human Resources	765,230	792,138	779,123	782,352	723,923	719,961	728,370	743,797	759,897	776,708
Information Technology		1,777,753	1,868,788	1,698,937	1,246,131	1,275,686	1,276,173	1,303,870	1,332,796	1,363,027
Management Services	2,978,484	3,106,200	2,735,337	2,628,771	2,564,070	2,483,142	2,512,145	2,565,354	2,620,880	2,678,863
Public Safety	33,014,538	33,820,090	33,546,907	33,142,925	32,921,854	33,953,856	35,010,963	35,756,918	36,535,999	37,350,200
Public Services	1,728,274	6,723,702	5,979,223	6,346,571	6,192,565	6,264,894	6,341,855	6,479,493	6,623,243	6,773,473
Community Planning & Development	2,226,253	2,251,488	2,198,640	2,057,624	1,993,719	2,017,006	2,041,784	2,086,097	2,132,377	2,180,744
Economic Development	476,330	434,036	416,709	466,823	280,913	260,959	264,007	269,599	275,434	281,528
Parks & Recreation	2,465,692	2,575,761	2,550,176	2,457,561	2,371,843	2,379,451	2,407,243	2,458,230	2,511,437	2,566,998
Non-Departmental Expenditures	2,391,986	1,502,941	1,506,541	2,386,677	1,317,068	1,656,580	1,706,277	1,757,466	1,810,190	1,864,495
Initiatives	447,050	385,000	385,500	385,500	351,500	351,500	351,500	351,500	351,500	351,500
Expenditure Reductions: ERI					-600,000	-3,100,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000
Expenditure Reductions: 2014							0	0	0	0
Expenditure Reductions: 2015								-1,775,000	-1,775,000	-1,775,000
Expenditure Reductions: 2016									-1,450,000	-1,450,000
Expenditure Reductions: 2017										-625,000
Total Operating Expenditure	**48,874,691**	**55,853,659**	**54,436,333**	**54,761,964**	**51,657,455**	**50,439,939**	**51,552,700**	**50,841,768**	**50,743,047**	**51,269,954**
Transfer to Local Street Fund	1,299,996	1,000,000	1,000,000	1,000,000	1,425,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Transfer to CIP Fund	1,649,996	1,900,000	1,900,000	1,900,000	2,200,000	2,500,000	2,400,000	2,000,000	2,275,000	2,500,000
Transfer to Demolition Fund	0	0	0	0	40,000	0	0	0	0	0
Transfer to DDA	265,800	0	0	165,800	0	0	0	0	0	0
Total Transfer for Capital Improvement	**3,215,792**	**2,900,000**	**2,900,000**	**3,065,800**	**3,665,000**	**4,150,000**	**4,050,000**	**3,650,000**	**3,925,000**	**4,150,000**
Transfer to Pension Fund (ERI Payback: 2012 - 17)	0	0	0	0	600,000	600,000	600,000	600,000	600,000	600,000
Transfer to OPEB Fund	0	250,000	250,000	250,000	225,000	175,000	100,000	125,000	0	0
Total Transfer to Benefit Trust Fund	**0**	**250,000**	**250,000**	**250,000**	**825,000**	**775,000**	**700,000**	**725,000**	**600,000**	**600,000**
TOTAL EXPENDITURES	**52,090,483**	**59,003,659**	**57,586,333**	**58,077,764**	**56,147,455**	**55,364,939**	**56,302,700**	**55,216,768**	**55,268,047**	**56,019,954**
Beginning Fund Balance	**7,770,980**	**7,287,475**	**7,287,475**	**7,287,475**	**11,198,388**	**8,679,703**	**7,608,477**	**7,116,041**	**7,109,561**	**7,206,967**
Surplus / (Deficit)	**(483,505)**	**1,255,027**	**1,707,353**	**1,445,866**	**(2,518,685)**	**(1,071,227)**	**(1,562,435)**	**(586,480)**	**97,406**	**94,448**
Contribution from/(to) Budget Stabilization	0	0	0	0	0	0	1,070,000	580,000	0	0
Contribution from/(to) Former ISF Reserves	0	0	0	2,465,047	0	0	0	0	0	0
Ending Fund Balance	**7,287,475**	**8,542,502**	**8,994,828**	**11,198,388**	**8,679,703**	**7,608,477**	**7,116,041**	**7,109,561**	**7,206,967**	**7,301,415**
Target Fund Balance	6,708,907	7,833,629	7,708,179	7,738,072	6,971,740	7,058,183	7,116,234	7,101,937	7,197,509	7,294,872
Amount Over (Under) Target	578,568	708,873	1,286,649	3,460,316	1,707,963	550,294	-193	7,624	9,458	6,543
Cumulative Amount Over (Under) Target										
Actual Percentage of Revenues	14.1%	14.2%	15.2%	18.8%	16.2%	14.0%	13.0%	13.0%	13.0%	13.0%
Target Percentage of Revenues	**13.0%**	**13.0%**	**13.0%**	**13.0%**	**13.0%**	**13.0%**	**13.0%**	**13.0%**	**13.0%**	**13.0%**

CITY OF KALAMAZOO
2012 ADOPTED BUDGET

DEBT SERVICE SCHEDULE

As of: January 1, 2012

City Debt Issues		Remaining Debt: Original Issue Amount	Remaining Debt: Gross Principal Outstanding	Remaining Debt: Self-Supporting	Remaining Debt: Net	2012: Principal	2012: Interest	2012: Total	2013: Original Issue Amount	2013: Original Issue Amount	2013: Total
Building Authority Bonds:											
Dated: 3/1/11	2011 Building Authority Refunding	$ 4,105,000	$ 3,860,000	$ 636,019	$ 3,223,981	$ 100,000	$ 39,080	$ 139,080	$ 100,000	$ 34,480	$ 134,480
Dated: 10/26/06	2006B Building Authority	$ 4,270,000	$ 3,480,000	$ 3,480,000	$ -	$ 175,000	$ 145,080	$ 320,080	$ 180,000	$ 138,080	$ 318,080
Dated: 1/23/06	2006A Building Authority	$ 2,840,000	$ 2,445,000	$ 2,445,000	$ -	$ 75,000	$ 131,510	$ 206,510	$ 80,000	$ 127,648	$ 207,648
Dated: 10/12/05	2005B Parking Ramp	$ 2,835,000	$ 2,135,000	$ 2,135,000	$ -	$ 110,000	$ 108,125	$ 218,125	$ 115,000	$ 102,625	$ 217,625
Dated: 7/26/05	2005 Refunding	$ 7,725,000	$ 6,915,000	$ 6,915,000	$ -	$ 340,000	$ 303,888	$ 643,888	$ 355,000	$ 290,288	$ 645,288
Dated: 4/11/05	2005 Parking Ramp	$ 7,325,000	$ 5,325,000	$ 5,325,000	$ -	$ 265,000	$ 271,891	$ 536,891	$ 255,000	$ 258,641	$ 513,641
Dated: 1/27/03	2003 Building Authority	$ 1,940,000	$ 440,000	$ -	$ 440,000	$ 215,000	$ 12,308	$ 227,308	$ 225,000	$ 4,219	$ 229,219
Dated: 11/17/98	1998 BA Refunding	$ 5,770,000	$ 2,395,000	$ 2,324,350	$ 70,650	$ 600,000	$ 117,638	$ 717,638	$ 600,000	$ 91,238	$ 691,238
	Subtotal	**$ 36,810,000**	**$ 26,995,000**	**$ 23,260,369**	**$ 3,734,631**	**$ 1,880,000**	**$ 1,129,519**	**$ 3,009,519**	**$ 1,910,000**	**$ 1,047,218**	**$ 2,957,218**
Michigan Transportation Fund Bonds:											
Dated: 7/26/11	2011 Michigan Transportation Fund Refunding	$ 2,005,000	$ 2,005,000	$ 2,005,000	$ -	$ 425,000	$ 40,200	$ 465,200	$ 435,000	$ 29,425	$ 464,425
Dated: 7/12/07	2007 Michigan Transportation Fund	$ 3,860,000	$ 3,065,000	$ 3,065,000	$ -	$ 225,000	$ 124,343	$ 349,343	$ 235,000	$ 115,143	$ 350,143
Dated: 4/27/04	2004 Michigan Transportation Fund	$ 4,320,000	$ 1,415,000	$ 1,415,000	$ -	$ 455,000	$ 42,899	$ 497,899	$ 470,000	$ 26,590	$ 496,590
Dated: 4/1/98	1998 Michigan Transportation Fund	$ 2,265,000	$ 420,000	$ 420,000	$ -	$ 205,000	$ 14,979	$ 219,979	$ 215,000	$ 5,106	$ 220,106
Dated: 3/1/96	1996 Michigan Transportation Fund	$ 2,500,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Subtotal	**$ 12,945,000**	**$ 4,900,000**	**$ 4,900,000**	**$ -**	**$ 885,000**	**$ 182,220**	**$ 1,067,220**	**$ 920,000**	**$ 146,839**	**$ 1,066,839**
Wastewater Bonds:											
Dated: 7/26/11	2011 Wastewater Supply Systems Refunding	$ 2,815,000	$ 2,815,000	$ 2,815,000	$ -	$ 225,000	$ 68,075	$ 293,075	$ 250,000	$ 63,575	$ 313,575
Dated: 12/22/09	2009 Wastewater Supply Systems	$ 2,585,000	$ 2,415,000	$ 2,415,000	$ -	$ 70,000	$ 143,624	$ 213,624	$ 70,000	$ 141,699	$ 211,699
	Subtotal	**$ 5,400,000**	**$ 2,415,000**	**$ 2,415,000**	**$ -**	**$ 70,000**	**$ 143,624**	**$ 213,624**	**$ 70,000**	**$ 141,699**	**$ 211,699**
Water Bonds:											
Dated: 12/22/09	2009 Water Supply Systems	$ 7,685,000	$ 7,685,000	$ 7,685,000	$ -	$ -	$ 496,206	$ 496,206	$ -	$ 496,206	$ 496,206
Dated: 7/12/07	2007 Water Supply Systems	$ 1,900,000	$ 1,715,000	$ 1,715,000	$ -	$ 55,000	$ 77,913	$ 132,913	$ 55,000	$ 75,575	$ 130,575
Dated: 11/29/06	2006 Water Supply System and Refunding	$ 4,690,000	$ 3,255,000	$ 3,255,000	$ -	$ 360,000	$ 142,241	$ 502,241	$ 400,000	$ 127,841	$ 527,841
Dated: 4/27/04	2004 Water System Refunding	$ 5,010,000	$ 4,010,000	$ 4,010,000	$ -	$ 155,000	$ 173,938	$ 328,938	$ 160,000	$ 168,590	$ 328,590
Dated: 10/23/02	2002B Water System Refunding	$ 3,145,000	$ 1,245,000	$ 1,245,000	$ -	$ 320,000	$ 45,475	$ 365,475	$ 315,000	$ 34,435	$ 349,435
Dated: 6/6/02	2002 Water System Refunding	$ 9,145,000	$ 5,015,000	$ 5,015,000	$ -	$ 590,000	$ 252,363	$ 842,363	$ 610,000	$ 222,863	$ 832,863
	Subtotal	**$ 31,575,000**	**$ 22,925,000**	**$ 22,925,000**	**$ -**	**$ 1,480,000**	**$ 1,188,135**	**$ 2,668,135**	**$ 1,540,000**	**$ 1,125,510**	**$ 2,665,510**
Downtown Development Bonds:											
Dated: 3/1/11	2010 Downtown Development Refunding	$ 2,130,000	$ 2,115,000	$ 2,115,000	$ -	$ 5,000	$ 72,475	$ 77,475	$ 5,000	$ 72,375	$ 77,375
Dated: 6/15/93	1993 Downtown Development Refunding	$ 3,680,000	$ 615,000	$ 615,000	$ -	$ 300,000	$ 25,575	$ 325,575	$ 315,000	$ 8,663	$ 323,663
Dated: 3/2/92	1992 Downtown Development	$ 2,945,000	$ 450,000	$ 450,000	$ -	$ 225,000	$ 20,250	$ 245,250	$ 225,000	$ 6,750	$ 231,750
	Subtotal	**$ 8,755,000**	**$ 3,180,000**	**$ 3,180,000**	**$ -**	**$ 530,000**	**$ 118,300**	**$ 648,300**	**$ 545,000**	**$ 87,788**	**$ 632,788**
Special Assessment Bonds:											
Dated: 9/1/99	1999 Special Assessment - Burdick Street	$ 680,000	$ 95,000	$ 95,000	$ -	$ 50,000	$ 4,985	$ 54,985	$ 45,000	$ 2,385	$ 47,385
	Subtotal	**$ 680,000**	**$ 95,000**	**$ 95,000**	**$ -**	**$ 50,000**	**$ 4,985**	**$ 54,985**	**$ 45,000**	**$ 2,385**	**$ 47,385**
Capital Improvement Bonds:											
Dated: 7/14/11	2011 Capital Improvement	$ 4,685,000	$ 4,685,000	$ -	$ 4,685,000	$ 225,000	$ 186,757	$ 411,757	$ 260,000	$ 149,350	$ 409,350
Dated: 7/8/10	2010 Capital Improvement	$ 2,855,000	$ 2,715,000	$ -	$ 2,715,000	$ 160,000	$ 94,913	$ 254,913	$ 165,000	$ 91,713	$ 256,713
Dated: 6/24/09	2009 Capital Improvement	$ 4,585,000	$ 4,150,000	$ -	$ 4,150,000	$ 250,000	$ 157,785	$ 407,785	$ 255,000	$ 151,535	$ 406,535
Dated: 7/1/08	2008 Capital Improvement	$ 4,165,000	$ 3,530,000	$ -	$ 3,530,000	$ 240,000	$ 140,306	$ 380,306	$ 245,000	$ 131,906	$ 376,906
Dated: 7/12/07	2007 Capital Improvement	$ 855,000	$ 740,000	$ -	$ 740,000	$ 35,000	$ 33,320	$ 68,320	$ 35,000	$ 31,885	$ 66,885
Dated: 4/27/04	2004 Capital Improvement	$ 8,415,000	$ 3,645,000	$ -	$ 3,645,000	$ 755,000	$ 125,779	$ 880,779	$ 775,000	$ 98,805	$ 873,805
	Subtotal	**$ 25,560,000**	**$ 19,465,000**	**$ -**	**$ 19,465,000**	**$ 1,665,000**	**$ 738,859**	**$ 2,403,859**	**$ 1,735,000**	**$ 655,194**	**$ 2,390,194**
	Grand Total:	**$ 121,725,000**	**$ 79,975,000**	**$ 56,775,369**	**$ 23,199,631**	**$ 6,560,000**	**$ 3,505,642**	**$ 10,065,642**	**$ 6,765,000**	**$ 3,206,631**	**$ 9,971,631**