

Grosse Pointe Times

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Audit sparks debate over Shores' financial state

K. MICHELLE MORAN; C & G Staff Writer

Although no one's disputing the data, Grosse Pointe Shores officials and some village residents see the results of the 2006-07 fiscal year audit quite differently.

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While officials insist the Shores is in fine fiscal shape, some residents say the village is depleting its reserves at a time when growing shoreline accretion may cause property tax revenue on some of the Shores' priciest parcels to plummet. Property tax revenue accounts for more than 80 percent of all revenue for the almost exclusively residential community, Plante Moran auditor Jenny Cederstrom said.

Although the village, which had a budget of \$5.43 million for the last fiscal year, still has about \$532,000 in its fund balance - \$254,000 of which is undesignated - its reserves have declined over the last couple of years. Even with what Cederstrom said is roughly another \$200,000 in the budget stabilization fund, the Shores doesn't have as much cash in reserve as it used to.

Where did the 500+ K fund balance go?? Several years of deficit spending is why they raised your taxes this year.

At a minimum, Plante Moran auditor Dave Herrington said bonding agents like to see a municipality maintain reserves of at least 10 percent of their budget.

"Eight percent is better than zero," Herrington told the Shores Village Council. "The concern is really the trend."

At the same time, the auditors said the state's poor economy is having a similar impact on other cities throughout the region. Because of the dip in state-shared revenues, Herrington said a community like the Shores - where state-shared revenue represents a smaller percentage of the community's overall finances - is actually in better shape, since the village controls its primary revenue source, which is property taxes.

The audit covered the Shores' last fiscal year, which ended March 31.

Officials admit the Shores is facing some challenges, but insist those are being addressed.

"I'm pleased with the (audit) report and the work of the finance officer," Shores Village Council President James Cooper said. "These are difficult

times, and we're diligently overseeing (the financial state of) Grosse Pointe Shores."

If the finance officer did pleasing work and there was diligent financial oversight, then how did the Shores end up on the state's fiscal watch list???

Although Shores Village Council member Fred Minturn acknowledges that expenditures were higher than revenues in the last fiscal year, he said this year's "deficit" is smaller than last year's.

"We are watching it," Minturn said.

The auditors noted this, as well.

"There's very close monitoring here, which is important," Herrington said.

"We're always concerned about budgets and we're always concerned about costs," Shores Village Manager Michael Kenyon said.

But not concerned enough to see what employee overtime was costing, and not enough to properly address taxpayers long term obligations for health care and pension benefits.

He said the village would be able to reduce major purchases next year, since many large pieces of equipment have been replaced in the last couple of years. Kenyon added that he believed the decline in reserves would end this year. The village is trying to keep its costs down by limiting the number of new employees it hires, and he said officials are negotiating with four employee unions now to hammer out new contracts.

But some worried lakefront property owners warn that a stagnant housing market, coupled with new rules regarding home assessments, could cause village property tax revenues to fall.

"I believe this will reduce our value considerably along Lake Shore," said longtime resident Rankin Peck. Peck also said that of the 33 Shores homes experiencing accretion, 10 percent of them are in bankruptcy.

With hindsight, it is painfully clear that the citizen's projections were far more accurate than Mayor Cooper's!

Shores resident Jim Clancy said that "property values are falling very quickly in this area," a point Cooper disputed.

Still, sales certainly have slowed.

"You can't sell a house in Grosse Pointe Shores," one woman told the Shores Village Council Aug. 21. "You can't sell it."

Lakefront homeowner John Booth urged officials to hold off on the forthcoming harbor project - for which the Shores plans to go out for a bond, which will result in additional long-term debt that officials say will be paid off with harbor revenues, such as well rental fees. Booth argues that low slip occupancy at marinas in neighboring St. Clair Shores has created a "price war" that will make it difficult for the Shores to attract additional

Another prophetic prediction - did you see how many wells were vacant this summer! This debt will need funding outside of harbor fund. Another broken promise meaning higher taxes for years to come.

well rentals at higher rates, even with improved and modernized amenities. Booth also said the Shores needs to acknowledge and take action on accretion, which he wrote in a letter is "having a profoundly negative effect on shoreline property values." As evidence of this, he cited 874 Lake Shore, which sold for \$2.6 million in late 2006 and is now in foreclosure and being marketed at a price of \$1.5 million.

At press time, it did not appear that Shores officials had any plans to postpone work on the harbor, a project that has been under discussion for several years. The Shores Village Council is slated to hold a special meeting at 7 p.m. Sept. 6 to award a contract to the low bidder and approve a bond resolution for the project. Kenyon said work would likely begin around the end of September or beginning of October, with completion by spring of 2008, in time for the next boating season. Several harbor companies have already visited the park and are expected to bid on the project, he said.

"There should be some very competitive bids," Kenyon said.

You can reach Staff Writer K. Michelle Moran at kmoran@candgnews.com or at (586) 498-1047.

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