

On the City's Financial Position:

The City of Berkley undergoes an annual financial audit that looks at all facets of the City's financial operations to ensure that it adheres to a standard called Generally Accepted Accounting Principles (GAAP) set forth by the Governmental Accounting Standards Board (GASB). The results of this audit are clearly stated in a document called the [Comprehensive Annual Financial Report](#), or "CAFR" for short.

Debt

The City of Berkley has very little debt. This is confirmed in the [2017 CAFR](#) summarized in the City's debt position as follows:

"The City's debt has decreased significantly over the years with only one governmental activities bond remaining. The outstanding balance on the debt is \$1,050,000. The business type activities debt outstanding are all obligations with Oakland County related to improvements with the George W Kuhn Drains."
(pg iv)

Retiree Healthcare or OPEB Obligations

Even though retiree healthcare has not been offered to new hires since 2008, the City still has long-term obligations to those employees/retirees who previously qualified. Keep in mind that these retirees are more than just names on a page; they are public servants who helped build this community into what it is today. The City made additional investments to increase accumulated assets as its liability continues to shrink. This effort was recognized as a "Financial Highlight" on Page 4 of [the audit](#):

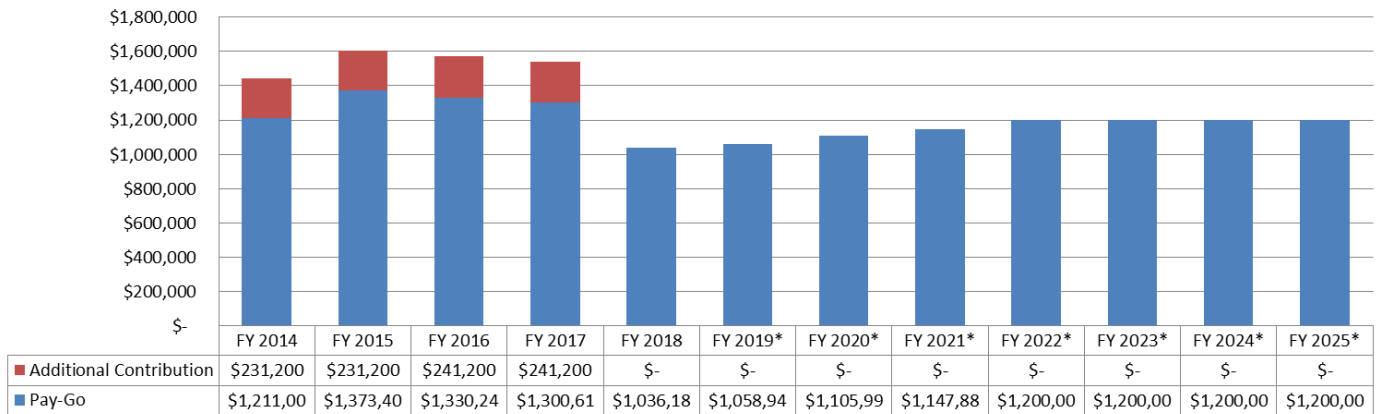
"The City paid \$1,300,615 on a pay-as-you-go basis, including an implicit rate subsidy contribution. The City then invested an additional \$241,200 toward the OPEB liability in fiscal year 2016-2017. These additional funds were transferred to the City's third-party trust for investment and safekeeping. The total payment made by the City in fiscal year 2016-2017 toward the yearly OPEB liability totaled \$1,541,815."

Berkley has a total retiree healthcare obligation of \$25,313,374. It is important to note this obligation is spread across several decades but presented as a single number to help budget accordingly. Through strategic investments and additional contributions, the City's assets continue to grow to meet this obligation, and the funding ratio also has increased. You can see this progress in the chart below:

	Actuarial Date	Assets ↑	Liabilities ↓	Unfunded Actuarial Accrued Liability	Funded Ratio
1	6/30/2012	\$ 2,223,325	\$ 27,663,815	\$ 25,440,490	8.00%
2	6/30/2017	\$ 4,653,003	\$ 26,275,808	\$ 21,622,805	17.71%
3	6/30/2018	\$ 5,007,973	\$ 25,313,374	\$ 20,305,401	19.78%

Because this is a closed benefit, the City is able to utilize a pay-as-you-go funding strategy with contributions. As benefit levels have changed, the annual obligation has also dropped significantly. Whereas the pay-as-you-go payment was \$1,300,615 in Fiscal Year 2016-17, the payment dropped by \$264,427 in FY 2017-18 to \$1,036,188. In 2018, the City worked with an actuary to develop a strategy to reach 40% funded by 2043 and 100% funded 2052. This proposal would set a limit to the City’s annual obligation to \$1.2 million for several years. Here is a comparison of the previous five years compared to the next five years:

Retiree Healthcare Payments 2014 through 2025



Even past the next five years, the City has a year-by-year strategy to grow the OPEB assets all the way through the year 2052 when the obligation is 100% funded. See below:

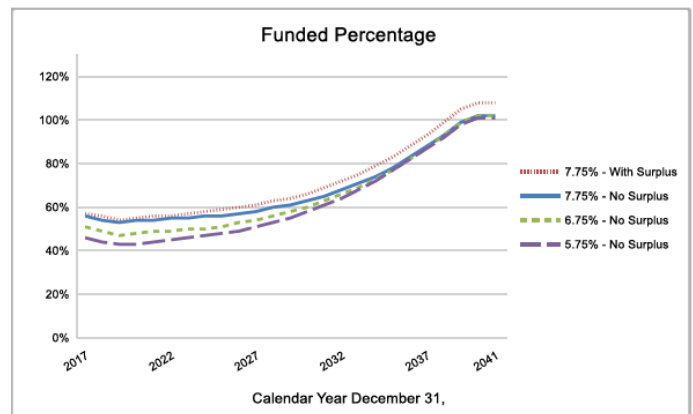
Fiscal Year	Projected Retiree Health Trust Revenue and Expense						AAL EOY	Funded Percent
	Asset Value	City	Extra City	Benefit	Interest	Asset Value		
	BOY	Contribution	Contribution	Payments		EOY		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(f)/(g)	
7/1/2018 - 6/30/2019	\$ 5,007,973	\$1,058,941	\$0	\$1,058,941	\$ 181,289	\$ 5,189,262	\$ 25,186,127	20.6%
7/1/2019 - 6/30/2020	5,189,262	1,105,990	0	1,105,990	187,851	5,377,113	25,299,395	21.3%
7/1/2020 - 6/30/2021	5,377,113	1,147,886	0	1,147,886	194,651	5,571,764	25,358,403	22.0%
7/1/2021 - 6/30/2022	5,571,764	1,186,875	0	1,186,875	201,698	5,773,462	25,359,587	22.8%
7/1/2022 - 6/30/2023	5,773,462	1,200,000	0	1,259,768	207,927	5,921,621	25,254,536	23.4%
7/1/2023 - 6/30/2024	5,921,621	1,200,000	0	1,301,501	212,542	6,032,662	25,065,036	24.1%
7/1/2024 - 6/30/2025	6,032,662	1,200,000	0	1,348,916	215,711	6,099,457	24,786,333	24.6%
7/1/2025 - 6/30/2026	6,099,457	1,200,000	0	1,429,635	216,681	6,086,503	24,389,804	25.0%
7/1/2026 - 6/30/2027	6,086,503	1,200,000	0	1,458,910	215,687	6,043,280	23,932,287	25.3%
7/1/2027 - 6/30/2028	6,043,280	1,200,000	0	1,478,691	213,767	5,978,356	23,426,094	25.5%
7/1/2028 - 6/30/2029	5,978,356	1,200,000	0	1,511,746	210,824	5,877,434	22,857,588	25.7%
7/1/2029 - 6/30/2030	5,877,434	1,200,000	0	1,524,215	206,947	5,760,166	22,244,735	25.9%
7/1/2030 - 6/30/2031	5,760,166	1,200,000	0	1,515,148	202,865	5,647,883	21,607,503	26.1%
7/1/2031 - 6/30/2032	5,647,883	1,200,000	0	1,510,857	198,877	5,535,902	20,941,491	26.4%
7/1/2032 - 6/30/2033	5,535,902	1,200,000	0	1,483,061	195,322	5,448,164	20,263,552	26.9%
7/1/2033 - 6/30/2034	5,448,164	1,200,000	0	1,465,582	192,459	5,375,041	19,560,170	27.5%
7/1/2034 - 6/30/2035	5,375,041	1,200,000	0	1,478,854	189,574	5,285,761	18,802,596	28.1%
7/1/2035 - 6/30/2036	5,285,761	1,200,000	0	1,483,676	186,256	5,188,341	17,999,647	28.8%
7/1/2036 - 6/30/2037	5,188,341	1,200,000	0	1,469,654	182,981	5,101,668	17,172,392	29.7%
7/1/2037 - 6/30/2038	5,101,668	1,200,000	0	1,462,628	179,969	5,019,008	16,315,545	30.8%
7/1/2038 - 6/30/2039	5,019,008	1,200,000	0	1,448,590	177,229	4,947,647	15,438,058	32.0%
7/1/2039 - 6/30/2040	4,947,647	1,200,000	0	1,398,631	175,542	4,924,558	14,577,384	33.8%
7/1/2040 - 6/30/2041	4,924,558	1,200,000	0	1,360,177	175,396	4,939,777	13,723,283	36.0%
7/1/2041 - 6/30/2042	4,939,777	1,200,000	0	1,322,339	176,625	4,994,063	12,876,056	38.8%
7/1/2042 - 6/30/2043	4,994,063	1,200,000	0	1,246,372	179,953	5,127,644	12,074,890	42.5%
7/1/2043 - 6/30/2044	5,127,644	1,181,429	0	1,181,429	185,621	5,313,265	11,310,421	47.0%
7/1/2044 - 6/30/2045	5,313,265	1,124,029	0	1,124,029	192,340	5,505,605	10,576,361	52.1%
7/1/2045 - 6/30/2046	5,505,605	1,056,921	0	1,056,921	199,303	5,704,908	9,883,794	57.7%
7/1/2046 - 6/30/2047	5,704,908	1,003,045	0	1,003,045	206,518	5,911,426	9,220,870	64.1%
7/1/2047 - 6/30/2048	5,911,426	938,686	0	938,686	213,994	6,125,419	8,599,357	71.2%
7/1/2048 - 6/30/2049	6,125,419	880,320	0	880,320	221,740	6,347,159	8,014,707	79.2%
7/1/2049 - 6/30/2050	6,347,159	830,793	0	830,793	229,767	6,576,927	7,459,267	88.2%
7/1/2050 - 6/30/2051	6,576,927	754,217	0	754,217	238,085	6,815,011	6,961,638	97.9%
7/1/2051 - 6/30/2052	6,815,011	176,263	0	705,053	237,217	6,523,439	6,496,014	100.4%
7/1/2052 - 6/30/2053	6,523,439	0	0	664,084	224,235	6,083,591	6,055,200	100.5%
7/1/2053 - 6/30/2054	6,083,591	0	0	623,750	209,036	5,668,878	5,639,460	100.5%
7/1/2054 - 6/30/2055	5,668,878	0	0	592,513	194,584	5,270,948	5,240,465	100.6%
7/1/2055 - 6/30/2056	5,270,948	0	0	562,636	180,715	4,889,027	4,857,441	100.7%

There may be cases where the schedule does not add due to rounding.

Pension Obligations

For all non-public safety personnel, the City's pension plan is administered through the Municipal Employee Retirement System (MERS). The City receives an annual valuation from MERS with a calculation of assets, liabilities, and a funding ratio.

Currently, the funding ratio for this plan is 57% and boasts \$12,281,293 in assets. Simply put, nearly 60% of the money is available today for bills that will slowly come due over the next three decades. The long-term obligation for this plan is \$21,526,662. As with the OPEB obligation, this figure is presented as a single number despite being obligated over the next several decades. Through a combination of strategic investments and City contributions, the pension system is slated to



reach 100% funded status in 2040 when the annual costs will drop significantly. MERS, who manages our investments, has consistently yielded a 7.75% return on investment, so for Berkley's projection see the chart to the right.

The funding ratio is even more secure for the Public Safety pension. As of 2018, the plan is 80% funded. Again, imagine already having 85% of the next 30 years of your house payment already sitting in bank.

Berkley's Credit Rating



Fitch's rating service, which provides credit rating and other financial analysis, confirms the City of Berkley's high quality rating on general obligation bonds as AA with a stable outlook in January 2017. This rating places Berkley in a solid position as compared to other municipalities in Southeastern Michigan and the State. (2017 CAFR, pg iii)

According to Fitch's rating service, the city has maintained very stable financial operations throughout the most recent economic recession. Management has been proactive in maintaining strong financial resilience given the city's small budget and limited ability to independently increase revenues. Fitch believes that the city will maintain strong financial resilience based on management's history of conservative budgeting practices and solid expenditure flexibility. (2017 CAFR, pg iv)