



2022 ANNUAL BUDGET



City of Petoskey

Office of City Manager

101 East Lake Street, Petoskey, Michigan 49770 • 231 347-2500 • Fax 231 348-0350

October 28, 2021

The Honorable John Murphy, Mayor,
Members of the City Council and Citizens of Petoskey
Petoskey, Michigan

Proposed 2022 Annual Budget

Mayor Murphy, Members of Petoskey City Council, and Citizens of Petoskey:

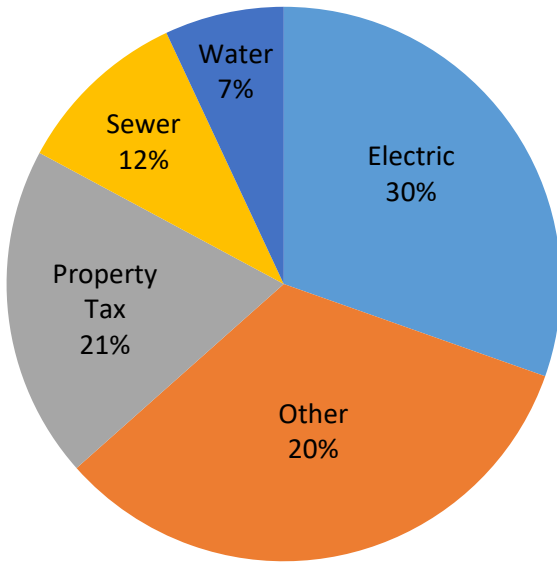
For your review and consideration is the 2022 Annual Budget for the City of Petoskey. The budget process begins in August and involves all Departments Heads and their Supervisors in preparing estimated amounts for current year and budgeted amounts for 2022 and takes several months to complete. The Annual Budget has been prepared in accordance with the City Charter, and adheres to stated financial management policies and guidelines for maintenance of adequate reserves, and conservative revenue and expenditure forecasting. Each of the funds within this proposed budget are balanced, and none are in a deficit position, although reserves may supplement revenues.

The proposed budget includes improvements to road and utility infrastructure, maintains and further enhances the City's extensive system of parks and trail amenities, and continues to provide a high level of general government services that everyone has come to expect. City staff, along with City Council, will continue to respond to the changes current circumstances present and minimize the financial impacts while promoting a high quality of life that residents are accustomed to.

Totaling \$33,687,600 the proposed 2022 Operating and Capital Budget is \$2,216,800 more than the 2021 Budget. This increase in expenditures for 2022 is attributed to capital project increases in park projects along with street and sidewalk improvements,

2022 will be a busy year of capital improvement projects as the City continues to reinvest in the community. Capital project highlights for 2022 include the following: Bayfront Park Marina fuel system replacement, Winter Sports Park Hockey Rink roof addition, purchase of property for addition to parkland in Township, complete street reconstruction of portions of East Lake Street, Kalamazoo Avenue, State, Ottawa, Summit, Clinton, and Williams Streets including utility upgrades, sidewalk installation, lighting and street trees; residential electric underground conversion on East Lake, Bay, Ottawa, Summit, and Clinton Streets and improvements to Solanus Beach area.

City Revenues



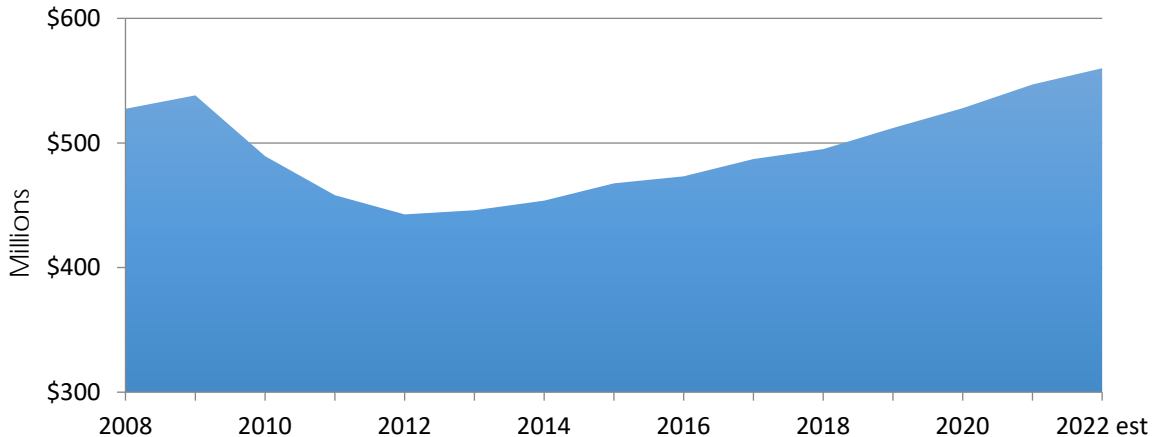
2022 operating expenditures, excluding capital costs, are budgeted at \$27,254,000 or \$376,000 less than 2021 budgeted amounts. Operating expenditures include such costs as salaries, fringe benefits, insurance, utility costs, contracted service, office expense and education and training.

The City's taxable value continues to increase slowly due mainly from real estate sales as new construction is minimal. With the explosion in the number of sales in the real estate market at ever increasing prices, the City's taxable value increases, but the increased tax revenue cannot exceed the State's index, which will cause a reduction in the millage rates.

Following a sharp decline in taxable value from 2010-2012 of \$96 million, the City experienced nominal increases in taxable values over the next

nine years to recoup the losses. I am forecasting a 2.5% increase in 2022 that will be formally determined later next year. Overall, the City's taxable value is estimated at \$560,664,179 for 2022.

Taxable Value



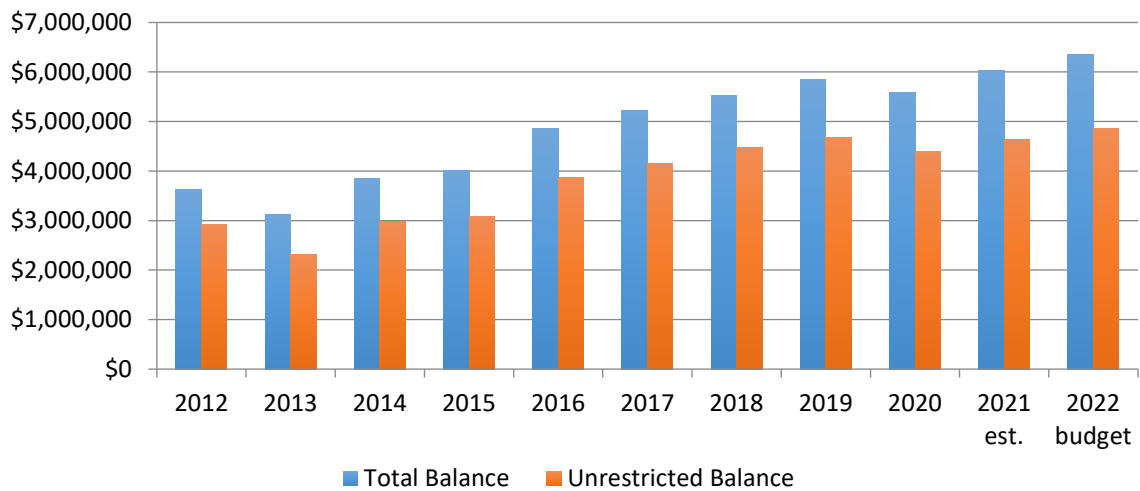
The proposed General Fund Budget shows income of \$320,300, increasing the General Fund Unrestricted Reserve Balance to an estimated \$4,852,169 by end of 2022. With this increase in the reserves, the Unrestricted General Fund Reserve is 55% of General Fund expenditures, a healthy percentage of reserve funds. However both 2021 and 2022 include \$301,200 each in American Rescue Plan Act funds that are expected to be distributed in each year.

Council will be discussing allocation of these funds in the near future, but for now the revenue is included under grants and allocated to reimbursing wages in the Department of Public Safety. If the funds are allocated to an expense that is not reimbursing an existing expense the year end income for both 2021 and 2022 would in effect be reduced by \$301,200 each year. For 2022 the net income would become \$19,100.

Additionally, estimated actual expenditures for 2021 are projected to be \$153,200 less than budgeted due to operating expenses being less in various activities in the General Fund. Most General Fund categories were slightly below budgeted expenditures for 2021. Demand remains very high for real estate which will result in taxable values continuing to rise producing additional property tax revenue.

Despite long-term fiscal challenges, the City's General Fund Unrestricted Balance, a key indicator

General Fund - Fund Balance
Per Annual Audits

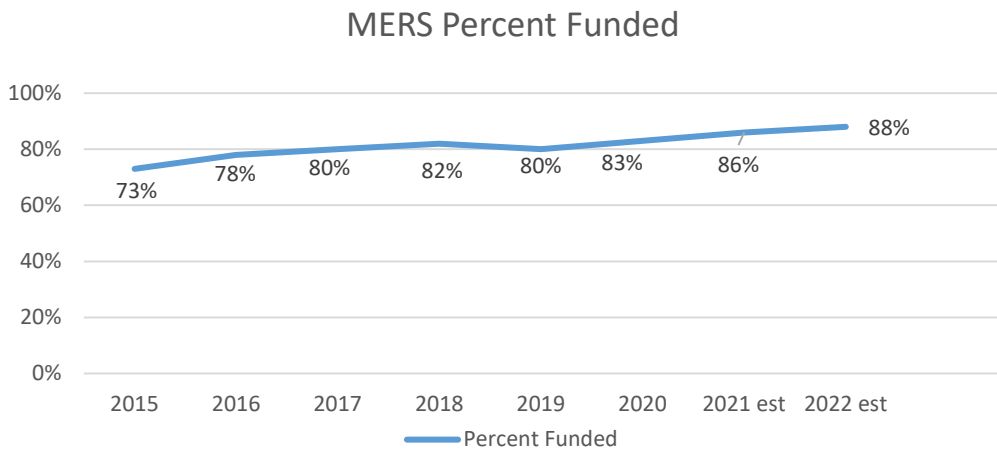


of the City's current financial health, has increased over the past several years. City officials have been prudent in balancing the General Fund showing a responsible approach to the City's finances. The following chart depicts the Unrestricted General Fund Balance to have increase from \$3 million in 2015 to an estimated\$4.8 million by the end of 2022, a 56% increase.

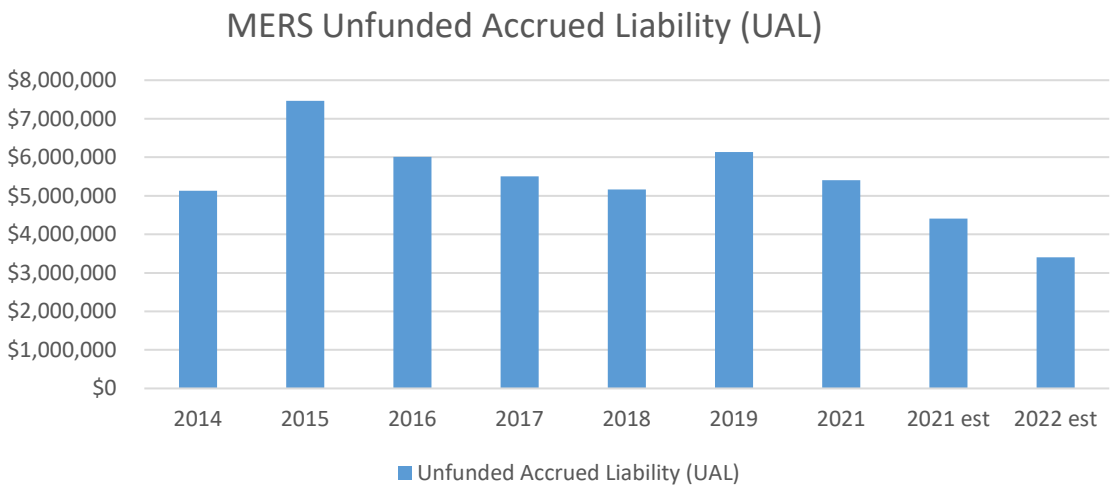
In 2021, tax levy for fire equipment of .75 mills ended reducing the City's overall millage rate. The overall millage rate for 2022 is proposed at 13.3859.

In 2015, the City along with other municipalities enrolled in MERS, experienced up to a 50% increase in annual contributions due to changes in actuarial assumptions. These assumptions included lowering the assumed rate of return on investments from 8% to 7.75%, adjusting mortality tables to reflect longer lifetimes and reducing the time period to meet funding requirements. The assumed rate of return was lowered again in 2020 from 7.75% to 7.35% requiring an increase in annual contributions to make up the shortfall. There was also a reduction in the wage inflationary rate by MERS resulting in lower annual contributions but to a much lesser extent than the increase in contributions as it relates to the assumed rate of return noted above.

Even with the new MERS assumptions requiring increased annual payments, the City has made great strides in decreasing the overall Unfunded Accrued Liability (UAL) while increasing the funding rate from 73% in 2015 to an estimated 88% by the end of 2021.



The reduction in the UAL has been accomplished through a threefold approach: reducing the pension benefits of all four employee divisions; requiring all new hires to be enrolled in a defined contribution plan; and increasing the City’s annual contribution to MERS. Over the past five years the City has allocated \$5 million towards the UAL and has earmarked another \$1 million in 2022 to pay down the UAL. Monies for this MERS contribution will be funded from the City’s General Fund, the utility enterprise funds as well as the street fund. The overall goal as established in the City’s 2021 Action Plan is to achieve 90% funding in all employee divisions, which dependent upon market conditions, could occur in 2023.



2022 Capital Improvement Projects

Streets and Drainage

In 2022, East Lake Street between Kalamazoo and Division Street will be reconstructed including sidewalks and ADA ramps. Included as part of the project are side streets between East Mitchell and East Lake Streets that includes; Ottawa, Summit, Clinton and Williams Streets in the amount of \$1,358,000.

Additionally, the City will replace or rehabilitate existing pavement and curb lines on State Street from Howard Street to Kalamazoo Avenue with funding from a Small Urban Grant (\$375,000) with a total cost of \$600,000

Water and Wastewater System

The Water and wastewater improvements for next year also involves the East Lake Street project with replacement of water (\$700,000) and sewer (\$600,000) mains and components and will be performed in conjunction with the street replacement totaling \$1,300,000.

Sidewalks

Sidewalk and crosswalk construction will also coincide with the East Lake street reconstruction project and other areas of the City. \$450,000 has been budgeted for sidewalk projects in 2022.

Electric System

Each year the City makes substantial investments into the municipal electric distribution system enhancing reliability through system upgrades and the undergrounding of overhead electric lines. In 2022, the City will continue its investments in the electric distribution system by budgeting \$725,000 for system-wide upgrades. Focus for next year will be on; East Lake, Bay, Ottawa, Summit and Clinton Streets.

There will also be 3 to 4 electric vehicle charging stations installed with partial State grant funding (\$20,000) and will include replacement of the existing charging station downtown for a cost of \$60,000.

Efforts will continue in upgrading the electric system GIS including additional drawings entered into the database and budgeted at \$100,000.

Motorpool

Motorpool purchases planned for 2022 include the following:

- Replacement of a staff vehicle
- Replacement of three pickup trucks (water 2, parks 1)
- Replacement of a truck with crane (water department)
- Replacement of Bobcat Toolcat with snow blower, forks, and rotating broom
- Replacement of a Batwing Mower for Parks Department
- Replacement of two tractor mounted snow blower units

Parks and Special Facilities Improvements

The Winter Sports Park Hockey Rink will receive a cover to improve and extend usability, contingent upon funding from the Petoskey Rotary Club and a State grant for a total of \$600,000.

Following the close of business next year the Bayfront Park Marina will replace both the diesel and gasoline tanks with funding provided through a State grant and fund reserves and budgeted at \$250,000. The current fuel farm is over 25 years old.

The City will be looking to add to the Skyline park acreage located in Bear Creek Township with the purchase of 58 acres that adjoin the current property with funding through a State grant and donations of \$249,500.

Included within the TIFA Fund are improvements to Solanus Beach area including a boardwalk and native species landscaping funded by a state grant and reserves from the Tax Increment Finance Authority Fund budgeted at \$250,000.

Special thanks to Audrey Plath, Finance Supervisor, Sarah Bek, Executive Assistant and all Department Heads and support staff who participated in the preparation of the 2022 budget.

Sincerely,
Alan Terry
Interim City Manager

Budget Overview

	Revenues	Operating Expenditures	Capital Expenditures	Total Expenditures
GOVERNMENTAL FUNDS				
General	\$ 10,292,000	\$ 8,745,000	\$ 1,226,700	\$ 9,971,700
Major street	1,115,500	593,700	600,000	1,193,700
Local Street	1,361,800	364,100	1,358,000	1,722,100
General Street	1,259,000	1,246,700	457,300	1,704,000
Tax Increment Finance Authority	553,300	272,000	375,000	647,000
Library	1,580,800	1,531,900	46,000	1,577,900
Downtown Management	156,600	155,300	-	155,300
Downtown Parking	903,900	540,000	185,000	725,000
Right-of-Way	1,863,100	2,102,000	-	2,102,000
	<u>19,086,000</u>	<u>15,550,700</u>	<u>4,248,000</u>	<u>19,798,700</u>
ENTERPRISE FUNDS				
Electric	11,042,900	10,880,900	885,000	11,765,900
Water	2,532,100	2,543,100	700,000	3,243,100
Sewer	3,714,000	3,284,900	600,000	3,884,900
	<u>17,289,000</u>	<u>16,708,900</u>	<u>2,185,000</u>	<u>18,893,900</u>
LESS DUPLICATIONS				
	36,375,000	32,259,600	6,433,000	38,692,600
Fund Transfers:				
Right-of-Way	2,100,000	2,100,000	-	2,100,000
Electric	444,500	444,500	-	444,500
Water & Sewer	371,500	371,500	-	371,500
Building Rents	158,900	158,900	-	158,900
Administrative Fees	1,930,100	1,930,100	-	1,930,100
	<u>5,005,000</u>	<u>5,005,000</u>	<u>-</u>	<u>5,005,000</u>
TOTAL	<u>\$ 31,370,000</u>	<u>\$ 27,254,600</u>	<u>\$ 6,433,000</u>	<u>\$ 33,687,600</u>
INTERNAL SERVICE FUND				
Motor Pool	<u>\$ 1,198,800</u>	<u>\$ 1,147,400</u>	<u>\$ 495,000</u>	<u>\$ 1,642,400</u>

Long-Term Debt Amortization

Schedule of Long Term Debt

General Obligations	January 1, 2022 Principal Balance
City of Petoskey Building Authority - 2021 Library refunding	\$ 1,805,000
City of Petoskey Building Authority - 2017 Bear River Valley	1,619,515
City of Petoskey Building Authority - 2017 Bayfront Park Marina	340,485
Total General Obligations	\$ 3,765,000
Revenue Obligation	
Water and Sewer Fund - 2017 WWTP/Lift Station Improvements	\$ 4,435,000
Water and Sewer Fund - 2021 WWTP Improvements refunding	4,125,000
Total Revenue Obligations	\$ 8,560,000

Annual Principal and Interest Requirements

Fiscal Year Ending December 31	General Obligation Bonds	Revenue Bonds	Total Annual Debt Service
2022	629,922	1,081,050	1,710,972
2023	655,777	1,149,575	1,805,352
2024	636,736	1,126,600	1,763,336
2025	488,773	1,098,550	1,587,323
2026	468,469	1,070,500	1,538,969
2027	498,279	485,925	984,204
2028	521,732	489,600	1,011,332
2029	229,500	487,900	717,400
2030	-	495,750	495,750
2031	-	498,075	498,075
2032	-	357,125	357,125
2033	-	362,900	362,900
2034	-	363,300	363,300
2035	-	368,113	368,113
2036	-	367,331	367,331
2037	-	370,931	370,931
Totals	\$ 4,129,188	\$ 10,173,225	\$ 14,302,413

**City of Petoskey
Personnel**

November 2021

City-Wide

77 Full-Time Employees

53 Part-Time / Seasonal Employees

City Administration & Finance

12 Full-Time Employees

Library

9 Full-Time Employees

10 Part-Time Employees

Parks & Recreation

9 Full-Time Employees

32 Part-Time / Seasonal Employees

Public Safety

20 Full Time Employees:

- 2 Administrative
- 4 Lieutenants
- 14 PSOs

6 Part-Time PSOs

1 Volunteer Fire Division

1 Part-Time Crossing Guard

Public Works

24 Full-Time Employees

- 5 Administrative
- 6 Electric Division
- 7 Water & Sewer
- 6 Streets

2 Part-Time Street Employees

Downtown Management

3 Full-Time Employees

1 Part-Time Employees

General Fund

The General Fund finances most of the City's general purpose governmental operations. Separate funds cover more specific operations as with streets, utilities, debt service, and various other limited activity special revenue funds. Activities financed through the General Fund involve a broad range of municipal services that include categories of legislation and citizen participation, general government administration, finance, parks and recreation, public safety and limited public works.

These programs within the General Fund, under the six major functional categories are financed by property taxes which are authorized by City Charter and State statute provisions, license fees, permits, court costs, charges for services, State-shared revenues, transfers and grants. Revenue sources are classified within four major categories that include: operating, non-operating, receipts from activities and transfers from other City funds.

REVENUES

Summary. Anticipated General Fund revenues for 2022 total \$10,292,000. This is a projected increase of \$1,075,200 over what is expected to be received by this year's end, of \$9,216,800. The 2021 year end revenue estimate is \$634,800 more than originally budgeted, with the difference mostly coming from American Rescue Plan Grant of \$301,200, State shared revenue \$126,500, and marina revenue \$242,000 higher than budgeted.

Based on proposed 2022 budgeted revenues of \$10,292,000 and proposed budgeted expenditures of \$9,971,700, revenues will exceed expenditures by \$320,300 in the General Fund. This activity will result in an estimated ending fund balance of \$6,352,469 or 64% of 2022 budgeted fund expenditures. Restricted Fund Balance amounts estimated at \$1,098,800 for the Marina and \$401,600 for Refuse Collection account for \$1,500,400 of the total fund balance and would leave an estimated \$4,852,069 or 49% in unrestricted General Fund Balance at the end of 2022.

Operating Income. Operating income, which is subdivided into categories of revenue sources that include property taxes, license and permits, State-shared revenues, and charges for services - year after year, remains the General Fund's greatest source of revenue. In past years, primarily due to increased tax revenue from new construction, totals for operating income increased annually.

For 2021, operating revenues are expected to total \$4,404,800, a net decrease of \$462,700 when compared to 2020, which shows a larger increase than realized in past years. The increase is due to a continued rise in taxable values increasing property tax revenue, along with increases in state shared revenues. Total 2022 operating income is proposed to total \$4,589,000, a 4% increase, or \$184,200 over this year's estimated actual revenues. The increase is again due to increases in property taxes and state shared revenues.

Property Tax Levies. The City's total taxable value for 2021 of \$547,185,220 finally exceeded the previous high in 2009 of \$538,145,301. The taxable value decreased by nearly \$96 million dollars over the next three years (2010-2012), which required nine years to recoup the losses. Unfortunately, the State's property tax system allows taxable to free fall while limiting increases to small increments.

The total taxable value for next year is estimated to increase 2.5% or \$13,542,435 for a total of \$560,664,179 as the real estate market in Petoskey remains strong. The State's inflation rate multiplier is expected to require a small millage rollback as part of the Headlee calculation. A small increase in taxable value is expected to come from new construction, which is not affected by the State rollback. This would allow the City to realize an increase in tax revenue based on the entire increase in taxable values for that portion.

The total General Fund tax levy is projected to increase from \$3,731,800 estimated for this year to \$3,904,200 or \$172,400 more than 2021. Property sales studies are performed by the Emmet County Department of Equalization each year, which the City Assessor utilizes in determining property values for the following year. This work is completed after the City's budgeting process ends, therefore final determinations of taxable value are not completed until early next year.

Significantly greater than any other categorical source of General Fund income, revenues that are derived from annual levies of real and personal property taxes will continue to be the General Fund's most substantial income source. Except for years 2010 - 2013, tax-millage rates in the City decreased annually as a result of a provision of the Michigan Constitution, commonly referred to as the "Headlee" amendment, that has, through its "rollback" mechanism, reduced the City Charter's 10-mill limitation on property-tax levies that may be imposed annually by the City Council, the proceeds from which are used to finance governmental programs, services, and projects, to 7.3639 mills in 2021 and is expected to be rolled back in 2022.

In addition to the 1978 Headlee amendment to the Constitution, which restricts growth on local governmental units' existing tax bases to inflation and requires local units to rollback their property-tax rates to equal rates of inflation during years when values of existing properties exceed inflation, voter approval in 1994 of "Proposal A" amended the State's Constitution to distinguish between State-equalized values and taxable values of properties. Immediately following this amendment's passage, initial taxable values of eligible properties were established as the equalized assessment for that year and growth was limited to the lesser of inflation or 5%.

Only in the event that ownership of a property is transferred can the cap that is imposed by this 1994 Constitutional amendment be lifted so that the property's taxable value is returned to the rate of its State-equalized value. However, under Headlee this uncapping of taxable value on an existing property is effectively offset by a rollback in tax millages. As a result, increases in the tax base of local units of government, since voter approval of Proposal A, now can occur annually in only two ways - that is, based upon rates of inflation, or 5%, whichever is less, and with additions of values through new construction. The uncapping of taxable-value property assessments when properties are sold, which increases the taxable value of individual properties, does not necessarily increase tax revenues to local units.

In the same year that Proposal A passed, an intergovernmental agreement between the City and Township of Resort, as permitted by a 1984 State statute, transferred the governmental jurisdiction of Bay Harbor development and its related properties to the City. In exchange for the City's ability to expand its tax base into the Township's territory, provisions of the agreement required the City to return annual revenues to the Township in an amount now equivalent to 2.5 mills applied against the development's taxable value, which is spread across the City's three taxing funds and will total about \$629,800 for 2021 and is estimated at \$642,400 for 2022.

In addition to the City's general-purpose tax levy, certain General Fund costs are offset by annual levies of a special millage for solid waste programs that is permitted by State law. Since 1997, such special levy revenues have covered expenditures associated with solid-waste programs that had historically been financed by the General Fund. Since 2006, this special-purpose levy has been set at 0.4890 mills and for 2022 will be recommended at that same rate to cover costs of collecting rubbish, leaves, and brush and to finance a recycling program.

The City's three other property-tax levies, a City Charter permitted tax, approved by voters in 1988, used to offset costs of maintenance, operations and public improvements within street rights-of-way; a State-authorized levy that City Council first implemented in 1996 to offset costs of the City's library program; a State-authorized, voter-approved levy used to operate and maintain library facilities have combined maximum limits that total 7.00 mills. The adjusted maximum allowable limits for 2021 are at 3.7920 mills for street rights-of-way and 1.7410 mills for combined library purposes for a total 5.5330.

Although the City Council will formally establish, by June, actual rates at which the City's property taxes would be levied in 2022, several months after the budget is approved, it will be recommended to City Council that tax millages remain the same as in 2021, when most were reduced by the Headlee Amendment. The proposed tax rates are for general purposes estimated at 7.3639 mills and a tax rate to offset costs for solid-waste programs set at 0.4890 mills, with both millages included in the General Fund. With a Citywide taxable value that has been estimated to be \$560,664,179 in 2022, \$3,614,100 would be received for general purposes and \$240,000 would be received for solid-waste programs.

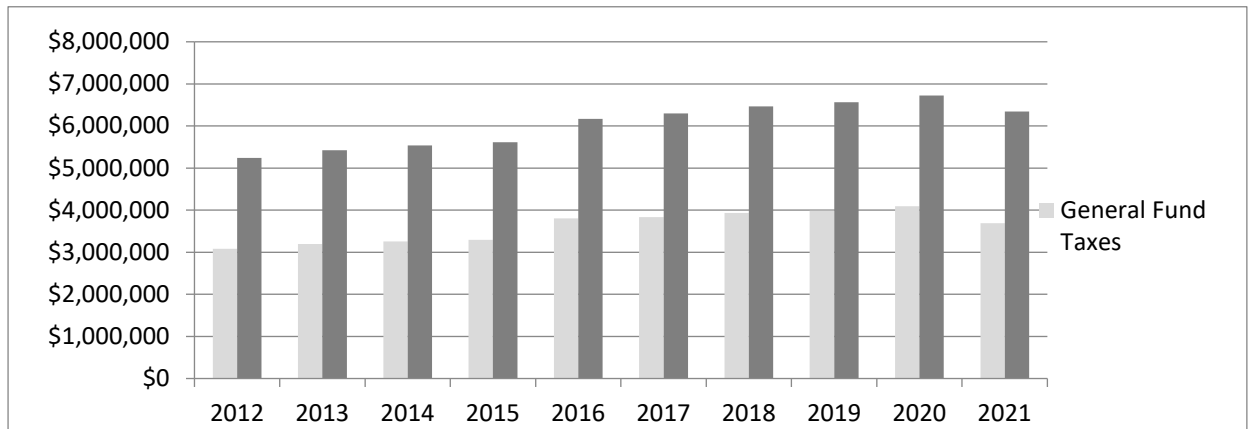
For 2022, the City's General Fund, Right-of-Way Fund and Library Fund, based upon a total millage rate of 13.3859 mills, would provide net property tax revenues to these funds at an estimated total of \$6,589,700. Limits that are established by provisions of the City Charter and applicable State statutes that grant the City Council the authority to impose these various property-tax levies set the initial total of these rates at 19.00 mills, or 5.6141 mills more than are being recommended to offset expenditures for all next year.

Tax Increment Financing

Fund	Rate	Value	Tax	Waterfront	Pet Pte	GLCFA	Act 425	Tax
General	7.3639	\$560,664,179	\$4,128,700	\$150,900	\$ 0	\$10,200	\$353,500	\$3,614,100
Cleanup	0.4890	560,664,179	274,200	10,000	0	700	23,500	240,000
R.O.W.	3.7920	560,664,179	2,126,000	77,700	0	5,300	181,900	1,861,100
Library	1.7410	560,664,179	976,100	17,000	0	1,100	83,500	874,500
	13.3859		\$7,505,000	\$255,600	\$ 0	\$17,300	\$642,400	\$6,589,700

In 2022 the City's taxable value is estimated to increase to \$560,664,179 or 2.5% more than that established for 2021. Deducted from tax levies will be captured tax revenues from three tax-increment districts and a 2.5-mill equivalent as revenue sharing to Resort Township as part of the Act 425 Agreement. Beginning in 2018 was the TIF deduction from the tax levies for the Great Lakes Center for the Arts.

Property Tax Revenues



Other Revenues. Included within the General Fund income category associated with fees that are charged for issuance of licenses and permits, are revenues from fees for business; fees that are charged for review of plans that are brought before the Planning Commission; sign-installation applications that are reviewed by a Planning Commission standing committee; requests to the Zoning Board of Appeals for grants of variances from City Code provisions; permits that allow for excavations within street rights-of-way; and reviews for zoning compliance.

State-shared revenues, which normally comprise the second-greatest outside source of operating income for the General Fund, are expected to provide a total of \$619,000 in 2022, or \$134,000 more than the total included in the 2021 annual budget. By the end of this year, receipts of State-shared revenues are expected to provide the General Fund with about \$126,500 more than estimated when the City's 2021 annual budget was established at \$485,000. The increase in both amounts are due to higher sales tax collections than anticipated during the pandemic. As has been the experience of other communities, State-shared revenues declined since 2003, when the City received \$602,000. Beginning in 2017 the City has seen annual increases in state shared revenues.

A portion of the State-imposed sales tax now is the only source of revenue-sharing disbursements the State makes to local units of government. Part of these disbursements are guaranteed to local units by provisions of the Michigan Constitution, with the remaining amount provided at the Legislature's discretion through its appropriation process. Prior to the restructuring of this revenue-sharing system, proceeds from the State's single-business tax, which had been levied upon inventories as well as proceeds from personal and corporate income taxes, also had contributed to such disbursements of State-shared revenues.

Adding to the problem of declining amounts of State-shared revenues, as a result of Michigan's poor economic conditions, is the factor of "double-roll-declines" of assistance to local governmental units. With a poor economy, the State's income declines because its receipt of sales-tax revenues drop, and local units then experience a corresponding decrease in revenue-sharing disbursements from the State. In addition, the Legislature's frequent action in reducing statutory appropriations of shared revenues compounds decreases in State-shared revenues seen by local units of government.

General Fund income that is received from non-operating sources always includes interest that is earned off investments, with sources and amounts of revenues that are recorded through the "other" non-operating income varying from one year to the next, based upon non-routine circumstances. In recent years, interest rates have been near historic lows, but began to increase. In 2021, the \$90,000 budgeted interest income is now expected to be \$35,000, with \$45,000 budgeted for 2022, as investment rates are expected to rebound following the pandemic.

Included within the "activity" category of General Fund revenues is income received through grants, public-safety fees and reimbursements, recreation fees, park fees and Bayfront Park Marina operations, all of which are expected to total \$3,122,900 in 2022. For 2021, \$2,244,400 is anticipated to be received, which is \$558,000 more than budgeted, due to an increase in grant revenue and marina operations. Often as a result of grant assistance receipts, year-to-year differences in activities income create substantial annual fluctuations in this line item, which is the case for 2022.

Grant revenue for 2022 is expected to be \$877,500 more than estimated actual this year and includes: American Rescue Plan \$301,200, Jaws of Life training \$4,500, Public Safety training \$2,500, Bayfront Park Marina fuel system \$125,000, Winter Sports Park Hockey Rink improvements \$300,000 DNR and \$300,000 Rotary Club, Emmet County Local Revenue Sharing Board \$10,000 for public-safety operations, Park property purchase – DNR \$217,000, Community Foundation \$10,000 and \$60,000 in grant revenue from Townships participating in the City's recreation programs for a total of \$1,330,200.

Totaling \$54,700 for next year, anticipated income through the public-safety-activity revenue category includes: fines collected for certain types of City Code civil-infractions, school liaison officer, parking violations, vacation rental inspection fees and monies received from sales of personal property that is seized, recovered, or unclaimed.

Recreation programs are proposed to provide the General Fund with \$121,300 for 2022, which is \$27,200 more than what is now expected to be received by the end of 2021. Many recreation programs were not held in 2021 due to the pandemic significantly affecting revenues, all programs are expected to resume for 2022. Recreation fees, as the third type of General Fund activity revenues, are derived from participants in City-sponsored and/or supervised recreation and sports program offerings. The Department of Parks and Recreation provides 29 such programs, which includes various categories of basketball, football, skating, skiing, soccer, softball, tennis, bowling, lacrosse, sailing and volleyball. Also provided as part of these recreation-program offerings is a summer-season day camp. Program fees are reviewed annually and adjustments made to more adequately cover program costs.

About 76% of participants in City-sponsored and/or City-supervised recreation and sports programs are non-City residents, and 38% of those non-resident participants live in Bear Creek and Resort Townships. Both Townships contract with the City for leisure services and pay the City based upon the previous year percentage of participation and the previous year's actual program expenditures less revenues collected from program registrations (i.e.: Township participation % x [expenditures - revenues] = Township fee). The Department of Parks and Recreation staff also provides various types of support and assistance to several private, not-for-profit sports associations and leagues.

2020 Recreation Program Participation

- 16 recreation programs
- 870 participants
- Decreased number of programs and participants due to the pandemic
- 44% of total costs of recreation programs are covered by user fees and recreation agreement fees with Resort and Bear Creek Townships

General Fund activity income that is derived through Park user fees is expected to increase by \$47,200 in 2022 to \$511,000 from 2021 estimated actuals. Other items included within this income category are revenues associated with food sales and skate rentals at the Winter Sports Park, tower rental, charges to softball leagues for use of City facilities and maintenance of City-owned fields by Department of Parks and Recreation personnel.

Magnus Park is a campground operation that provides monthly rentals of full-service campsites, with water, sanitary-sewer and electric services; monthly rentals of campsites where only electric service is provided; and daily rates for campsites that provide all utility services, water and electric services only. Magnus Park fees for 2021 are anticipated to total \$375,000 with \$415,000 proposed for 2022. Camp site rental rates were increased in 2019 to \$8.00 for full service and \$5.00 for limited service per night during the prime summer months of July and August.

2021 Park Rentals

- 44 paid shelter and facility rental reservations
- Campers at Magnus Park stayed 11,121 "nights"
- 1,476 transient boaters stayed 5,706 nights at the marina

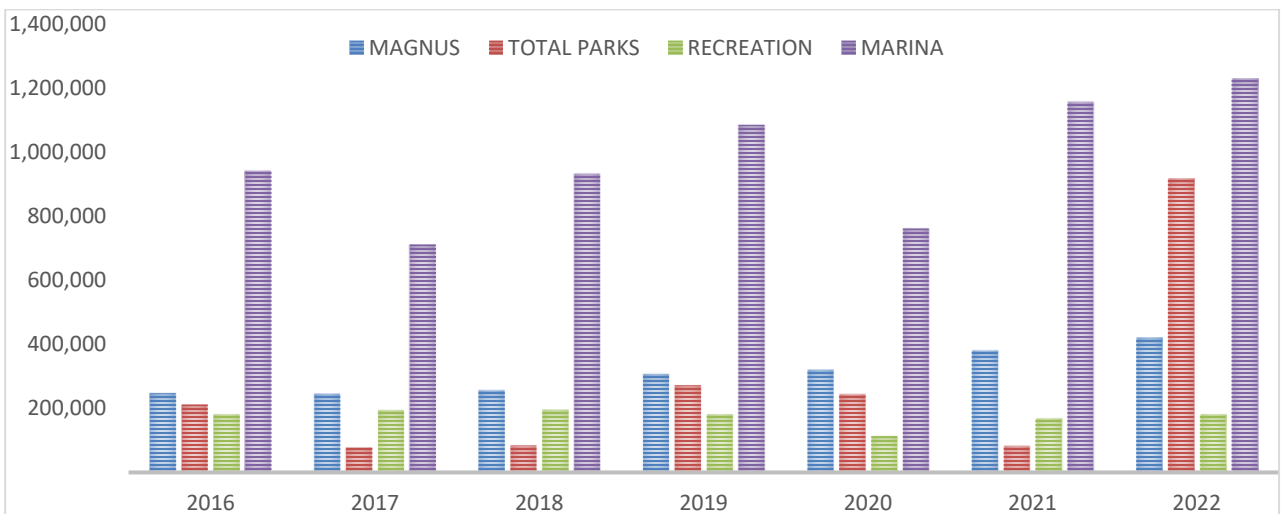
Beginning in 2010, the City initiated a fee for private use of park facilities to help defray costs for Department of Parks and Recreation staff to setup, take down and cleanup following each event. The City receives requests to use facilities such as Bayfront Park for weddings, reunions and other such gatherings, which the City staff accommodates by reserving the site for private use. The City staff had, in the past, provided this service at no cost, but now imposes a fee for such service since it prevents the general public from using the site and additional costs are incurred by the City. Fees totaled \$15,000 for 2021 and are expected to remain at \$15,000 with the increased popularity of outdoor events.

Income that is produced by operations of the Bayfront Park Marina is also accounted for within the General Fund's park fees revenue category. For 2021, \$1,157,200 is anticipated for receipt, or \$242,000 more than the \$915,200 budgeted for this year. Fuel sales of gasoline and diesel peaked in 2005 at 142,805 gallons and dropped to as low as 94,694 gallons in 2014, but for 2021 again increased to a new all-time high of 181,655 gallons or nearly 30,000 gallons more than in 2020. For 2022, fuel sales are budgeted at \$550,000. The volume of fuel sales have increased as the price per gallon leveled off and demand has increased with more and larger boats frequenting the area.

Daily rentals at Bayfront Park Marina mooring wells during 2021 provided \$270,000, with \$280,000 budgeted for 2022. Seasonal rentals of mooring wells, provided \$250,000 this year, which has grown since the increase in slips, with \$265,000 proposed for next year.

When the State Waterways Commission provided grant funding to the City in 1991 that was used to offset costs for installing the diversion-wall pier at the mouth of the Bear River, the grant was conditioned upon the City's agreement to assure that one-half of the boat slips at the Marina be designated as transient wells, which the City then was required to make available to the boating public on a first-come, first-served basis. The agreement permits the City to seasonally lease remaining slips. With the City's pledge to serve transient boaters, the State Waterways Commission agreed to consider providing up to 50% of costs for Marina capital projects.

Parks and Recreation Revenues



To fulfill its goal of providing “harbors of refuge” at strategic locations along the Great Lakes shorelines, the State Waterways Commission contracts with municipal-marina operators to make mooring wells available for use by transient boaters. Other wells at such marina facilities may be leased to boaters who wish to use them on a seasonal basis. As part of these combined daily and seasonally rented moorings, the State Waterways Commission provides capital and repair funding grants-in-aid to the Commission's municipal partners. The Commission also assumes responsibility for establishing Statewide, user fee rates.

Because the State Waterways Commission provides capital funding and also has, on occasion, shared costs of facility repairs, the City's transient and seasonal rental rates have been based upon rate schedules that are established by the Waterways Commission. Special rates have been set for the City's Bayfront Park Marina and those that are operated by the City of Harbor Springs, the Village of Mackinaw City, and several other communities including the Commission's marina at Mackinac Island.

As the last category of General Fund revenues, income that is derived from transfers has been proposed to total \$2,534,100 for 2022 up by \$2,900 from the \$2,531,200 that has been actually transferred. This includes \$23,400 from the Downtown Management Board after agreeing to have the City provide additional accounting and technology services for the downtown operations, along with \$6,000 from the Library for the same services.

Payments in lieu of taxes from the Electric Fund and the Water and Sewer Fund are based upon the value of the utilities' net assets, multiplied by the City's property-tax-levy rates. Payments in lieu of taxes from the Electric Fund for 2022 have been computed at \$194,500 and from the Water and Sewer Fund at \$371,500.

In addition to these payments in lieu of taxes, both the Electric Fund and the Water and Sewer Fund again would pay rental fees for use of certain City Hall facilities, with \$27,000 from the Electric Fund and \$11,000 from the Water and Sewer Fund. Contributions of administrative fees have been proposed at \$463,400 from the General Street Fund; \$573,000 from the Electric Fund; \$699,400 from the Water and Sewer Fund; \$23,500 from the Downtown Parking Fund; \$134,900 from the Motor Pool Fund; \$6,000 from the Library Fund and \$30,000 from the Marina Restricted Account within the General Fund.

EXPENSES

Summary. Total General Fund expenditures for 2022 are proposed at \$9,971,700 or \$1,063,800 more than the \$8,907,900 that had been approved in 2021. The main difference between the two years is an increase in capital outlay in parks \$789,500, Bayfront Park Marina operations \$111,000 and Public Safety operations \$133,400. Total estimated actual expenditures for 2021 of \$8,754,700 are 1.7% less than budgeted or \$153,200. The difference is due to the marina fuel system replacement project put on hold until 2022 when the tanks become available.

Included within the General Fund are six major program expenditure divisions that coincide with the City's organizational structure - they are legislative and citizen participation, five offices of general administration, and Departments of Finance, Public Safety, Parks and Recreation, and Public Works. Other funds that comprise the City's annual budget are related to these departmental operations - such as tax-increment financing associated with parks; streets, water and sewer and electric utilities, and motor pool funds associated with public works; and downtown-related funds associated with all City departments.

Retirement Benefits. The City participates in a retirement plan administered through the Municipal Employee Retirement System of Michigan (MERS) located in Lansing. In December 2015 the City was informed by MERS that three changes were being made to the plan valuation methods governing the defined benefit retirement plans. These changes would result in a significant increase to the annual required contributions. The cost increase was to be phased in over five years and would result in approximately a 10% increase in contributions each year for the next five years.

To mitigate the cost increase, the City negotiated a change to the retirement plans for the Department of Public Works employees to a B-3 Plan and this change was extended to the City's nonunionized work force. As of October 1, 2021 employees now receive a defined contribution plan that caps the City's maximum liability at 10% of wages. Beginning in 2021 new hires within the Department of Public Safety also receive a defined contribution plan that caps the City's maximum at 10%.

As part of the approved unionized agreements with the Department of Public Safety and Department of Public Works bargaining units, their members, along with Nonunion staff contribute between 3.0% and 4.5% of their earned wages towards the City's required monthly retirement contribution. These changes have helped to eliminate the effects of the changes made by MMERS. In 2019 MERS announced two new actuarial changes those being; a reduction in the assumed rate of return from 7.75% to 7.35% and a reduction in the wage inflation factor from 3.75% to 3.00%.

The City, also in years 2017 through 2021 made an additional \$1,000,000 payment to MERS towards the unfunded accrued liability. Unfunded Accrued Liabilities (UAL) were reduced for the Teamsters Division within MERS in 2017, in 2018 the \$1,000,000 payment went towards Nonunion members, in 2019 the payment was applied against the Public Safety divisions and proportionately to all divisions in 2020 and 2021. The UAL makes up a large portion of the required annual contribution and paying it down greatly reduces future required annual contributions. The City is again proposing a substantial payment towards the UAL for 2022.

Administrative. Proposed at \$53,300 for 2022, costs for legislative and citizen-participation activities have increased by \$14,900 mainly due to two elections next year including: August Primary and November General elections, as \$10,200 is now anticipated to be spent on elections in 2021. Costs include operating a separate Absent Voter Counting Board to handle the increase in AV ballots due to the passage of new election laws approved by voters in 2018.

With the State's consolidated election law, the City is responsible for conducting elections of all governmental units located within the City limits, with the City being partially reimbursed for costs incurred. In 2012 additional legislation was passed that now requires school board positions to be included on the November ballot, which eliminates the need for an annual May board member election. A separate election can always be called, by any of the governmental entities within the City's jurisdiction, which may place a ballot question before the voters at a special election that the City is required to conduct.

As it stands now, there will be two elections next year including the August Primary and November General Election, at which names of Mayoral and Second and Fourth Ward City Councilmember candidates will appear on the ballot, along with County and State offices including the Governor.

Costs of full-time City personnel are not reimbursable election expenditures, but other City costs are covered if local government items do not appear on ballots. In 2017 the City began using new optical scan machines replacing the 10-year-old machines, with funding for the project again provided through the Help America Vote Act (HAVA).

Total General Administration costs for 2022 have been proposed at \$777,000, for a budget increase of \$33,600, with most categories remaining near their 2021 budget levels, with the Office of City Attorney and City Assessor decreased by \$10,000 and City Planner increased by \$50,500. Total General Administrative costs for 2021 are estimated at \$709,700 or \$33,700 less than the budgeted amount of \$743,400.

The number of tax appeals has leveled off after several years of attention being paid to these matters. The City has worked with outside appraisers, along with the City Assessor and City Attorney to reach more favorable outcomes of these tax appeals, which in part are being made by larger commercial businesses. The laws governing appeals are still very much in favor of these property owners, so the City will continue to receive appeals. Costs for appraisers have resulted in additional costs to defend these larger cases at the Michigan Tax Tribunal.

Offices of "general administration" include those of the City Manager, City Assessor, City Attorney and City Planner. Also within this General Fund expenditure activity are costs associated with economic-development activities, which includes the following programs and services: Sister City and the Harbor-Petoskey Area Airport Authority.

Normally included within each of the offices of general administration as expenditure line items are costs for salaries and wages of personnel assigned to those offices and their associated fringe benefits, office and miscellaneous supplies, communications, contractual services, equipment rental payments assigned to the offices from the motor pool, and membership fees and dues for associations. Budget in 2022 for the Office of City Planner will increase \$50,500 over 2021 budget amounts, with the increase due to the addition of a part time Code Enforcement Officer.

Expenditures within the Office of City Assessor include costs for outside appraisals and legal defense against property-assessment appeals brought before the Michigan Tax Tribunal. Expenditures to cover fees that are charged for preparing reports by appraisers are proposed along with legal fees for defense of such property-assessment appeals at \$25,000. Assessment appeals have increased due to unstable real estate market and adverse legal decisions.

The Office of City Attorney includes expenditures primarily for work performed contractually by Plunkett & Cooney, Petoskey, as the City's lead attorney, but will also include other outside legal counsel as may be necessary. Originally approved at \$155,000 for 2021, actual costs are now expected to total \$145,000 for this year and based on this experience \$145,000 has been budgeted for 2022. Cost for next year includes negotiations with Department of Public Works unionized personnel. Potential expenses related to the litigation between the State of Michigan and the Little Traverse Bay Band of Odawa Indians that the City is a participant in, will be addressed if that need occurs.

The Office of City Planner is responsible for community planning, the administration and enforcement of land-use regulations, and assists with economic development. The office staffs the Planning Commission, Zoning Board of Appeals, and Planning Commission Sign Committee and works with the Downtown Development Authority on special projects. With the adoption of the Livable Petoskey Master Plan in 2021, there are some staffing changes proposed for 2022 that will further plan implementation.

The budget includes funding for a part time Code Enforcement Officer (\$22,000) as recommended by City Council, and an increased share of the joint administrative assistant time is dedicated to the Office of City Planner where she will serve as a Planning/Zoning Specialist. This will allow the City Planner to implement additional sustainability and resiliency strategies identified in the plan (\$20,000).

General Fund expenditures associated with operations of the Department of Finance, which include functional activities of Clerk-Treasurer, Accounting, Utility-Billing and Information Technology, have been proposed to total \$1,066,900 in 2022 or \$900 less than budgeted in 2021. Accounts receivable, accounts payable and payroll are functions of the Accounting operations. Utility billing functions include costs for utility meter-reading services, billing services and one City staff position. The City uses a third party for utility bill printing, mailing and online customer services and the City continues to realize savings in billing costs and staff time.

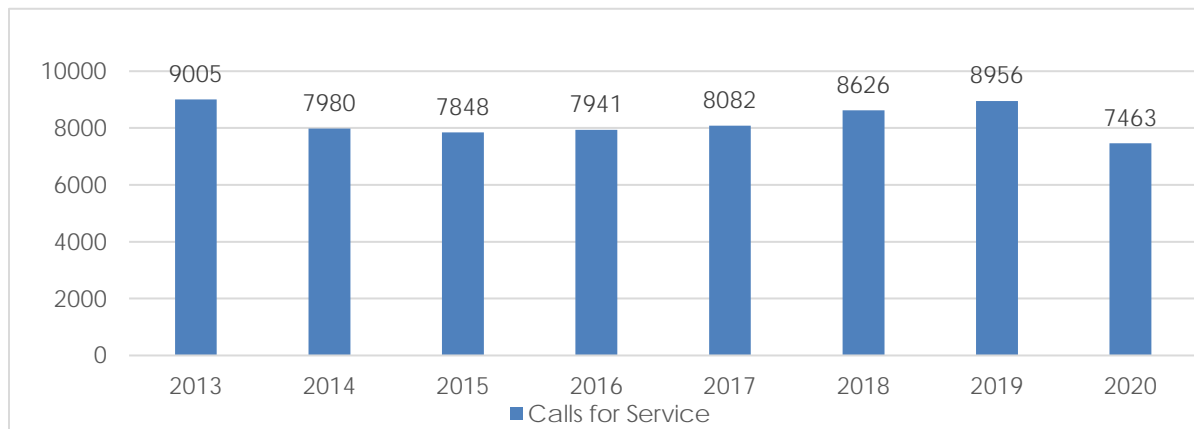
Information technology has a budgeted increase of \$14,700 next year due to upgrades to computer systems and server upgrades. In 2018, the City began utilizing an outside contractor for information technology services, who has several members on staff that specialize in different areas and have been working with the City to upgrade the City's systems. Outside IT services have reduced costs and increased response time from prior years, although the City's demand for IT services continues to increase, which in-turn increases contracted service costs. In 2017, the Library was established as a backup to the City's main computer server in case it goes down for any reason. The host server will also be used to provide the District Library with additional computer operations.

Public Safety. As the second departmental division of General Fund expenditures, the Department of Public Safety differs from its fellow operating departments that provide parks and recreation and public works services, in that all expenditure activity of the Department of Public Safety is contained within the General Fund.

For 2022, expenditures that are believed necessary to provide combined police, fire and emergency-medical services have been proposed to total \$3,504,400, an increase of \$133,400 more than the 2021 budgeted amount of \$3,371,000, with the increase due to wages and fringe benefits.

The 2022 budget includes the eleventh payment of the \$1,600,000 loan back to the Electric Fund over a 20-year period at 2% interest for the acquisition of property and construction of Public Safety Station West. The current annual repayment amount over the life of the loan is \$100,000 from the Department of Public Safety.

Public Safety Law Enforcement Calls for Service



2020 decline is directly related to the pandemic.

Costs for personnel services are by far the greatest expense associated with Department of Public Safety operations. After continued monitoring of personnel needs over the years, primarily following elimination of certain former police and fire only staff positions through attrition and replacing such positions with cross-trained personnel, expansion of jurisdictional territory with addition of the Bay Harbor development to the City's corporate limits and steadily increasing workloads, the public safety staff was established at 19 full-time, sworn personnel, supplemented by one full-time support staff position. Beginning in 2012 were provisions to hire three part-time Public Safety Officers to help man the new Public Safety Station West facility, which has increased to six officers to cover the same number of hours.

Public Safety handles requests for criminal investigations, civil disputes, traffic enforcement, traffic accident investigation, health and safety issues, ordinance violations and general assistance to the public. The Department also provides programs involving inspections, property maintenance violations, fire prevention programs in area schools, tours of City facilities, a Citizens Academy and participates in community events to promote public relations.

Public Safety

- *20 Full-Time Personnel*
 - *14 PSOs*
 - *4 Lieutenants*
 - *1 Director*
 - *1 Administrative*
 - *6 Part-Time PSOs*
- *7,463 law-enforcement calls for service in 2020*
- *871 fire and medical calls in 2020*

In 2010, a Detective position was established and has worked well to help reduce overtime created by individual officers conducting follow-up investigations on complaints. Even more importantly, it allows for more time to be devoted to investigating criminal complaints and providing more continuity in investigations. The change also allows officers on day-time shift to concentrate more on patrolling and less time handling cases with the prosecutor's office and the courts. During 2020, the Detective investigated 138 new cases resulting in 105 felony arrest warrants, 72 misdemeanor arrest warrants and the execution of

20 search warrants. The Detective also assisted the schools on 80 complaints.

The establishment of a Detective position, along with other administrative changes has reduced the amount spent on overtime significantly from 2010 when overtime for the Department of Public Safety cost the City \$196,805 and has now been reduced down to \$90,400 in 2016, with \$110,000 anticipated in 2021 and \$136,000 budgeted for 2022. The additional \$24,000 is for a school liaison offer which will be funded by Petoskey Schools.

Proposed to originally total \$2,577,300 for 2021, personnel service costs within the Department of Public Safety are expected to now total \$27,900 less at \$2,549,400, with \$2,730,100 budgeted for 2022. The increase is largely due to an increase in retirement contributions to the Municipal Employees Retirement System and wage increases for officers per the collective bargaining agreement.

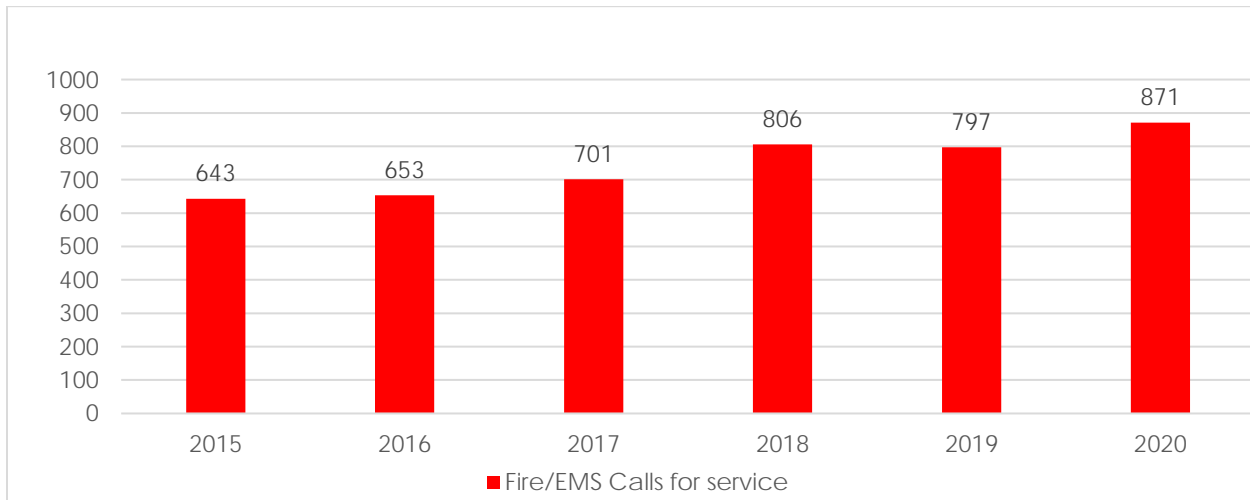
Training and vehicle rental payments made to the Motor Pool Fund for use of equipment have been proposed at \$440,400 next year, down \$3,600 from the \$444,000 budgeted for in 2021 with \$435,000 expected to actually be spent by the end of the year. The City is implementing a new vehicle replacement plan that calls for vehicles remaining in the fleet longer before being rotated out and replaced. In the existing fleet are six patrol vehicles, two unmarked vehicles, five firefighting apparatus, two small utility units outfitted for off road medical calls and boat fires along with two rescue boats.

Set at \$47,500 are proposed expenditures for "utilities" within the Department of Public Safety, of which \$28,000 is proposed to be transferred from the General Fund to the Water and Sewer Fund for "readiness-to-serve" availability of hydrants as part of the City's fire-protection system. Department of Public Works personnel install, maintain and repair approximately 800 fire hydrants within the City.

Proposed costs for contractual services of \$60,800 would include annual maintenance for the officer's Axon-Body camera program, the City's participation in the Straits Area Narcotics Enforcement (SANE) inter-agency cooperative program and maintenance of two-way radio and mobile-computer equipment, along with \$8,000 for costs at the Public Safety West Station for snow plowing, cleaning and maintenance services.

Community education activities, proposed to cost \$3,300 next year, would include for the school program called "TEAM" (Teaching, Educating and Mentoring) provided to students in elementary, middle and high school grades, along with the Department's annual open house. In addition, during fire prevention week, officers visited all grade schools within the City of Petoskey and presented to over 800 students.

Fire/EMS Calls for Service 2015-2020



Parks & Recreation. The Department of Parks and Recreation with nine full-time employees, one shared Administrative Assistant and 29 seasonal employees, operates and maintains 24 park sites on over 1,260 acres of land and provides approximately 16 organized recreational programs for youth and adults of the community. In 2020, 870 individuals utilized recreation programs the reduction in participants is due to the pandemic.

Included within the General Fund's Department of Parks and Recreation expenditures are functional activities which include: Buildings and Grounds, Downtown Maintenance, Parks and Special Facilities, Magnus Park, Recreation Programs and Bayfront Park Marina. Department of Parks and Recreation expenditures for 2022 are proposed to total \$3,897,800, which is \$876,400 more than budgeted for in 2021, actual costs for this year are now expected to total \$3,046,400 or \$25,000 more than budgeted due to work or programs not performed due to the pandemic in 2020.

Costs for operating, maintaining and improving City-owned buildings, as well as their surrounding grounds, with the exception of the Sheridan Street and Curtis Avenue Public Works facilities, which are owned by the Electric Fund; well houses, pumping stations and wastewater treatment plant that are owned by the Water and Sewer Fund; and buildings owned by the Library Fund, are covered by accounts that are included within the buildings-and-grounds expenditure category. Responsibilities for maintaining City-owned buildings and grounds, including those that are owned by other funds, have been assigned to the Department of Parks and Recreation.

In addition, the Department of Parks and Recreation maintains the downtown streetscape, provides logistical and maintenance support for numerous City and community events and festivals, maintains over 15 miles of non-motorized multi-purpose and rustic hiking trails, mows non-residential roadsides and maintains certain buildings and grounds at various locations.

Major park facilities operated by the Department include a 144-slip Marina at Bayfront Park, a 78-site campground at Magnus Park, an ice-skating, sledding and warming facility at the Winter Sports Park and several large sports field complexes that include: Bates Park, Riverbend Park, Petoskey High School/Middle School Recreation Complex, River Road Sports Complex and the Bear River Valley Recreation Area.

Proposed at \$409,100 for 2022, expenditures for various buildings-and-grounds activities which includes personnel services, administrative services, insurance and bonds, supplies, utilities and fuel, maintenance and repairs and vehicle rent, is 15% less than 2021 estimated actual costs of \$478,900, due to a reduction in capital outlay items at City Hall. Different from standard maintenance costs, capital-outlay expenditures within the buildings-and-grounds category vary from one year to another, based upon project needs, which unless an outside source of funding is available, has dropped dramatically in recent years, due to budget constraints. In 2021 there was \$75,000 in capital outlay projects, with no projects scheduled for 2022.

The parks-and-special facilities category is proposed at \$1,701,000 for 2022, an increase of \$683,700 over the \$1,017,300 expected to actually be spent this year. The difference being the number of capital outlay projects scheduled for 2022 which includes the hockey rink improvements \$600,000, parkland purchase \$249,500, Festival Place Shelter roof replacement \$30,000, and Dog Park design \$10,000 compared to one project in 2021 totaling \$100,000, and included grants for four of next year's projects totaling \$517,000.

Accounted for separately within the General Fund's Department of Parks and Recreation are costs to operate Magnus Park, which for next year have been proposed at \$219,800, or \$16,600 more than the \$203,200 that is now expected to be spent this year. Activities include: fire rings, electric mower, cabin improvements, laundry room upgrades, bike racks, replacement of counters and sinks in bathrooms \$25,000.

Magnus Park fees increased by \$8.00 for full service and \$5.00 for limited service per night during the peak months of July and August beginning in 2019, increasing annual revenues. Magnus Park continues to more than cover all costs to operate and maintain the facility, thereby providing additional revenues to fund other park operations. The 25% discount for extended day campers will be eliminated which is estimated to provide an additional \$50,000 in rental income.

<p style="text-align: center;"><u>Magnus Park</u></p> <ul style="list-style-type: none">• <i>Campers at Magnus Park stayed 11,121 "nights"</i>• <i>Average occupancy 77% from May 1 – October 31 and 95% from July 1 – August 31.</i> <p style="text-align: center;"><u>2021 Operations</u></p> <ul style="list-style-type: none">• <i>\$393,500 in revenues</i>• <i>\$189,400 in expenses</i>• <i>Net income of \$204,100 remains in the General Fund to offset other parks expenses</i>
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Bayfront Park Marina is estimated to actually cost \$969,200 in 2021 or \$87,000 less than budgeted. The difference in cost is due to the fuel tank replacement project put on hold until 2022. With high water levels, ice damage has been minimal for the last couple of years.

Bayfront Park Marina

- 144 Total boat slips
- 72 Seasonal slips
- 72 Transient slips

2021 Operations

- \$1,157,200 operating revenue
- \$991,500 operating expense
- Net gain of \$165,700

Other than capital outlay, expenditures within the marina costs are consistent with previous years. The one fluctuating item is fuel cost, which is subject to changes in the market place on the purchase side and weather conditions on the sales side, which affects sales at the pump. The City participates in the Statewide facility-reservation system which not only takes marina reservation requests, it also accounts for all noncash transactions at the marina made by credit card and remits a weekly wire transfer to the City along with an

accounting of each month's activities. Included within the Marina budget is funding to replace the fuel system, which is partially financed by a grant, and funding to make necessary dock repairs due to ice damage and new signage.

Included within the Marina budget is an annual payment to the Building Authority Marina Improvements Bond Debt Fund as the Marina's share of principal, interest and paying-agent fees associated with the 2010 borrowing that financed the Marina improvements. The City refinanced these bonds in 2017 which will mature in April of 2024 and requires annual bond-debt payments that will vary from a low of \$115,347 in 2024 to a high of \$123,945 in 2022. Fund transfers to cover debt service requirements next year will increase to \$124,000.

With budgeted revenues for 2022 proposed at \$1,230,700 (incl. \$125,000 grant) and proposed expenditures at \$1,167,200, revenues will exceed expenditures by \$63,500, which will be added to the marina fund balance reserve in the General Fund of nearly \$1,035,300. The reserve may only be used for marina purposes and helps to ensure sufficient funds are available to meet annual bond-debt obligations and maintenance of the marina.

Recreation programs within the Department of Parks and Recreation expenditure category are expected to cost \$295,500 in 2022, an increase of 5% over 2021 estimated actual costs of \$281,800. In 2020, recreation program expenses were offset 44% by \$113,454 in revenues that were derived from program fees, grants and reimbursements for services that are provided by the City to other governmental units. Revenues and programs were limited in 2020 due to the pandemic restricting participation.

Program revenues for 2022 are now conservatively budgeted to cover 61% of costs. Nonresident recreation fees increased an additional \$5.00 per program beginning in 2020, this excludes Bear Creek and Resort Township residents due to their Townships participation in funding a percentage of the City's recreation programs total costs.

Portions of salaries and wages of five full-time Department of Parks and Recreation staff members and wages of several part-time, seasonal employees make up expenditures for personnel services associated with recreation programs and City-sponsored and/or supervised sports and athletic activities.

Proposed at \$186,200 next year, personnel-services costs would increase by \$2,000 over estimated actual costs for 2021, the difference being some recreation programs not held this year due to the pandemic. Revenues and expenses include amounts for fast pitch softball, which continues to be organized by City staff instead of an outside organization, which was the case for many years.

Within the last expenditure category of the Department of Parks and Recreation are costs for downtown-maintenance activities that have been proposed for 2022 at \$105,200, which is \$1,400 less than budgeted for 2021. Downtown-maintenance functions performed by the Department of Parks and Recreation are based on the premise that City staff views the downtown area as a "special site," with its levels of maintenance set at standards that are similar to those associated with parks.

Also included as part of proposed downtown-maintenance expenditures of \$10,000 are insect and disease control treatments for trees within our downtown. Many of the downtown trees are vulnerable to infestation and/or disease or are overgrown. The City consults with a forester to assist in treatment and trimming of the trees. The honey locust trees have tolerated the difficult downtown streetscape conditions; however, periodic treatments are needed to protect trees from defoliation by insects. Similar expenditures have also been included within the General Fund's parks-and-special facilities section to cover estimated costs for treatment of trees in other park areas.

Public Works. The Department of Public Works division of the General Fund is expected to end the year \$20,700 under budget at \$645,200 when \$665,900 was approved for 2021, with the difference due to a reduction in overall personnel costs. With two expenditure categories of administration and solid waste, \$672,300 has been proposed as costs for 2022.

Included within the Department of Public Works administration activity are personnel service line items associated with four full-time staff positions, with such costs proposed at \$437,000 for 2022, a \$12,100 increase from the \$424,900 budgeted for in 2021. Other activity costs include communication, office supplies, vehicle rental and education and are again budgeted nearly the same as 2022 budgeted costs at \$32,000, resulting in total proposed costs of \$469,000.

Solid-waste programs are expected to cost a total of \$203,300 in 2022, \$4,000 more than actual program totals for 2021 which are anticipated at \$199,300. For 2022, activities again would include monitoring of the City's former River Road landfill for \$8,200, collection of residential rubbish and the chipping and hauling of brush utilizing long-term contractors and Department of Public Works personnel for a total of \$95,800, the collection of leaves by contractors and City crews, and curbside recycling for City residents provided by the Emmet County Department of Public Works for \$99,300.

As part of this 2022 Annual Budget proposal, the City Manager will recommend that the City Council authorize the levy of property taxes as permitted by State statute, the proceeds from which would be used to offset costs of solid-waste programs that are included within the Department of Public Works expenditure activity of the General Fund.

Proposed at the rate of 0.4890 mills, the same amount as had been levied since 2010, resulting revenues have been estimated at \$240,000, which is \$15,000 more than property taxes from the 2021 amount. Based on these budgeted amounts, program revenues will exceed expenditures by \$36,700 which will be added to prior year estimated reserves of \$365,900.

General Fund Balance

The following is a history of the City's General Fund, audited fund balance for the last eight years showing the restricted and unrestricted amounts. The majority of the restricted amount belongs to the Marina with a smaller amount apportioned to Refuse Collection.

General Fund
Fund Balance
December 31, 2022 through 2013

<u>Year</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>
2022 budget	\$6,352,469	\$4,852,169	\$1,500,300
2021 est. actual	6,032,169	4,631,069	1,401,100
2020	5,577,364	4,397,858	1,179,506
2019	5,850,050	4,685,688	1,164,362
2018	5,516,942	4,469,131	1,047,811
2017	5,228,949	4,150,292	1,078,657
2016	4,855,308	3,862,588	992,720
2015	4,015,864	3,087,098	928,766
2014	3,842,946	2,987,803	855,143
2013	3,114,395	2,324,175	790,220

The General Fund receives over 50% of its outside revenue from property taxes with the second largest source being grant revenue at 17%. Services that are provided, along with the percentage reimbursed from other City funds, are included within the following General Fund activities: City Manager 81%, Accounting 80%, Utility Billing 100%, City Clerk 75%, Information Technology 72%, Buildings and Grounds 45%, Department of Public Works 100%, City Assessor 28%, City Planner 26% and City Attorney 57%.

These activities within the General Fund's budget for 2022 are proposed to be reimbursed a total of \$1,930,100 for services provided to other funds. This does not include the payment-in-lieu-of-taxes made by the Electric Fund and Water and Sewer Fund of \$566,000, which is in addition to the administrative fees. The administrative fees go to offset the \$2,626,200 in total expenditures for these activities leaving the remaining \$696,100 to be funded by other General Fund revenue items, such as property tax revenue.

The Department of Parks and Recreation receives revenues through user fees from the recreation programs offered, Magnus park campsite fees and Bayfront Park Marina sales and services. For 2022, these along with other smaller revenue sources would provide \$2,750,000 in revenues to offset \$3,897,800 in expenditures leaving \$1,147,800 to be funded through other General Fund operations. Magnus Park covers all of their expenses and provides an additional \$199,700 to go towards other park expenses and the Marina covers all of its expenses with the remaining unfunded portion, as one would expect, is from parks, which are available free to the general public.

The largest remaining General Fund activity is the Department of Public Safety, which receives various revenue items for fees and fines that are expected to produce \$71,700. Public Safety is generally provided without any direct fee for the services provided, which requires the majority of the annual costs, which for next year total \$3,504,400 to be funded through other General Fund revenue.

General Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 5,850,050	\$ 5,818,484	\$ 5,570,069	\$ 6,032,169
REVENUES				
Operating :				
Property Tax	4,142,723	3,725,900	3,731,800	3,904,200
Licenses and Permits	102,920	21,500	21,000	24,300
State Shared Revenues	582,317	485,000	611,500	619,000
Charges for Services	39,497	41,500	40,500	41,500
	4,867,456	4,273,900	4,404,800	4,589,000
Nonoperating:				
Interest Income	80,948	90,000	35,000	45,000
Other	417	500	1,400	1,000
	81,365	90,500	36,400	46,000
Activities:				
Grants	475,940	191,400	452,700	1,330,200
Public Safety	34,100	29,800	76,600	54,700
Recreation	56,919	149,300	94,100	121,300
Parks	395,483	400,700	463,800	511,000
Bayfront Park Marina	762,163	915,200	1,157,200	1,105,700
	1,724,606	1,686,400	2,244,400	3,122,900
Transfers:				
City Hall Building Rent	38,000	38,000	38,000	38,000
Electric Fund	209,800	199,400	199,400	194,500
Water and Sewer Fund	389,500	376,500	376,500	371,500
Administration Fees	1,927,700	1,917,300	1,917,300	1,930,100
	2,565,000	2,531,200	2,531,200	2,534,100
TOTAL REVENUES	9,238,427	8,582,000	9,216,800	10,292,000
EXPENDITURES				
Legislation and Citizen Participation:				
City Council	8,469	28,500	27,400	28,200
Elections	33,470	9,900	10,200	25,100
	41,939	38,400	37,600	53,300
General Administration:				
City Manager	275,105	282,100	273,800	284,400
City Assessor	114,644	127,900	125,400	117,900
City Attorney	143,589	155,000	145,000	145,000
City Planner	146,745	162,900	150,000	213,400
Economic Development	14,806	15,500	15,500	16,300
	694,889	743,400	709,700	777,000

	2020	2021	2021	2022
	Actual	Budget	Estimate	Budget
Department of Finance:				
Clerk-Treasurer	291,120	301,600	279,000	314,700
Accounting	299,430	320,400	302,100	307,300
Utility Billing	208,350	237,400	209,300	221,800
Information Technology	208,156	208,400	206,000	223,100
	<u>1,007,056</u>	<u>1,067,800</u>	<u>996,400</u>	<u>1,066,900</u>
Department of Public Safety:				
Law Enforcement, Fire Protection, Emergency Medical Services	4,182,236	3,371,000	3,319,400	3,504,400
Department of Parks and Recreation:				
Building and Grounds	498,062	412,900	478,900	409,100
Downtown Maintenance	94,369	106,600	96,000	105,200
Parks and Special Facilities	1,130,347	928,700	1,017,300	1,701,000
Magnus Park	187,652	206,600	203,200	219,800
Recreation Programs	258,931	310,400	281,800	295,500
Bayfront Park Marina	780,308	1,056,200	969,200	1,167,200
	<u>2,949,669</u>	<u>3,021,400</u>	<u>3,046,400</u>	<u>3,897,800</u>
Department of Public Works:				
Administration	450,698	460,700	445,900	469,000
Solid Waste	191,920	205,200	199,300	203,300
	<u>642,617</u>	<u>665,900</u>	<u>645,200</u>	<u>672,300</u>
TOTAL EXPENDITURES	<u>9,518,407</u>	<u>8,907,900</u>	<u>8,754,700</u>	<u>9,971,700</u>
Excess of Revenues Over Expenditures	<u>(279,980)</u>	<u>(325,900)</u>	<u>462,100</u>	<u>320,300</u>
FUND BALANCE - DECEMBER 31	<u>\$ 5,570,069</u>	<u>\$ 5,492,584</u>	<u>\$ 6,032,169</u>	<u>\$ 6,352,469</u>

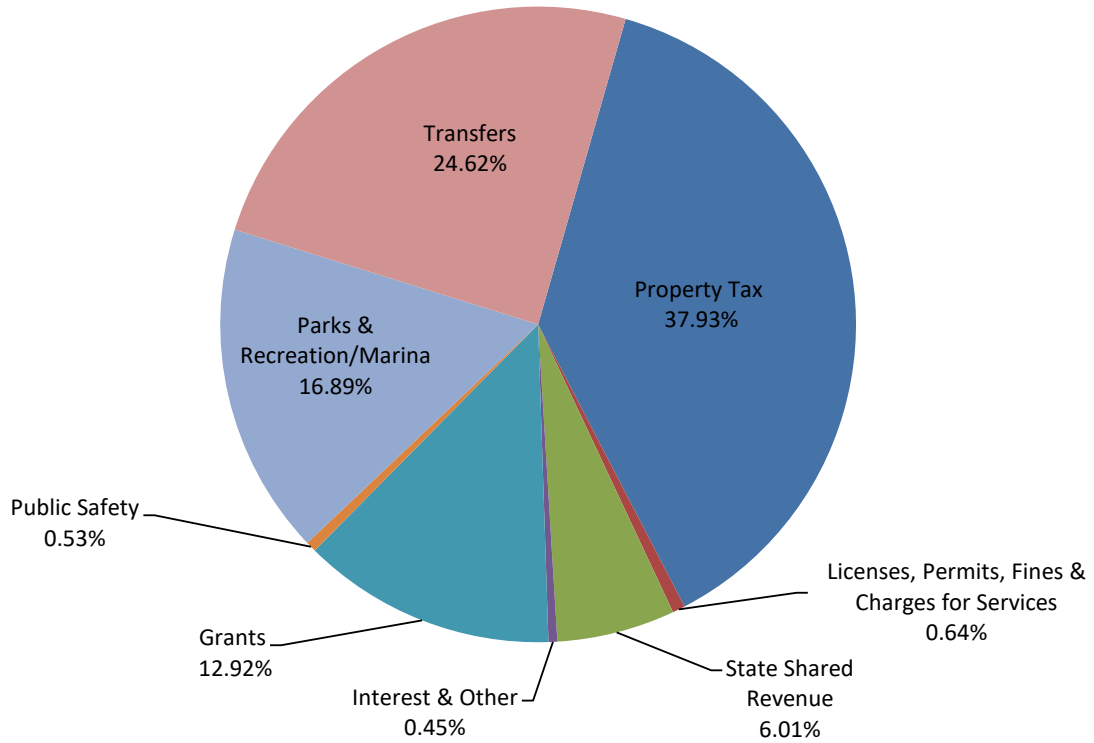
General Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
EXPENDITURES - Detailed				
Legislation and Citizen Participation				
City Council:				
Personnel	\$ 2,281	\$ 21,500	\$ 21,200	\$ 21,200
Office Expense	690	700	600	700
Training & Transportation	5,499	6,300	5,600	6,300
	8,469	28,500	27,400	28,200
Elections:				
Personnel	15,436	4,700	4,700	10,100
Office Expense	7,343	3,200	2,500	8,000
Contracted Services	10,691	2,000	3,000	7,000
	33,470	9,900	10,200	25,100
General Administration				
City Manager:				
Personnel	258,744	263,500	257,500	270,000
Office Expense	12,565	11,200	6,500	7,000
Contracted Services	1,500	1,000	3,400	1,000
Training & Transportation	2,296	6,400	6,400	6,400
	275,105	282,100	273,800	284,400
City Assessor:				
Office Expense	3,357	4,000	2,000	2,000
Contracted Services	111,287	123,900	123,400	115,900
	114,644	127,900	125,400	117,900
City Attorney:				
Contracted Services	143,589	155,000	145,000	145,000
City Planner:				
Personnel	138,056	138,700	135,100	187,000
Office Expense	4,325	4,200	2,900	3,100
Contracted Services	1,224	15,000	8,000	18,000
Training & Transportation	3,140	5,000	4,000	5,300
	146,745	162,900	150,000	213,400
Economic Development:				
Contracted Services	14,806	15,500	15,500	16,300
Department of Finance				
Clerk-Treasurer:				
Personnel	252,319	263,200	232,000	277,000
Office Expense	6,001	6,900	4,300	5,500
Contracted Services	23,316	19,800	34,300	20,500
Training & Transportation	9,484	11,700	8,400	11,700
	291,120	301,600	279,000	314,700

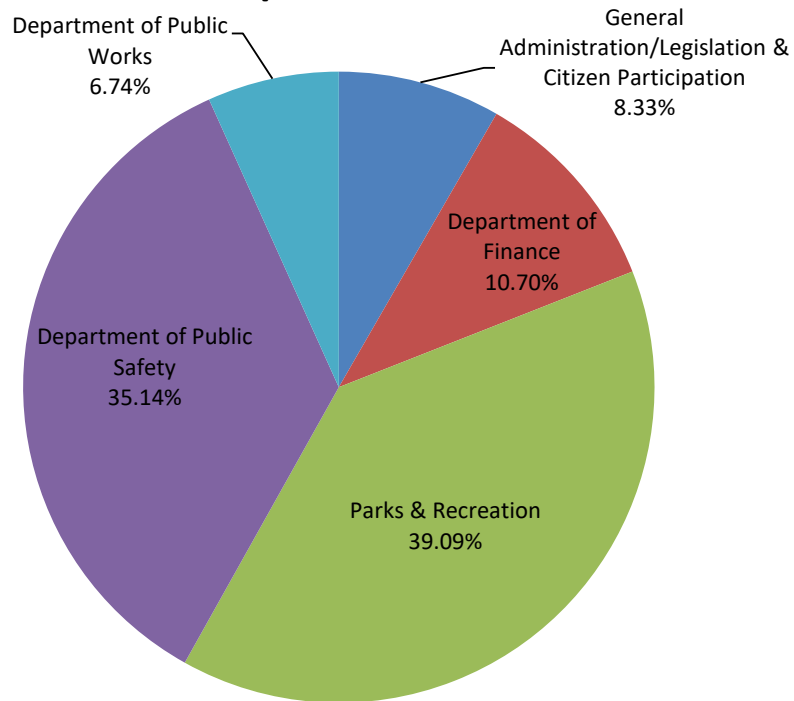
	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
Accounting:				
Personnel	269,706	291,000	280,500	281,300
Office Expense	8,368	8,900	5,000	5,500
Contracted Services	20,556	20,000	16,500	20,000
Training & Transportation	800	500	100	500
	<u>299,430</u>	<u>320,400</u>	<u>302,100</u>	<u>307,300</u>
Utility Billing:				
Personnel	148,836	152,900	143,800	146,700
Office Expense	5,359	17,000	10,000	11,000
Contracted Services	53,655	67,000	55,000	63,600
Training & Transportation	500	500	500	500
	<u>208,350</u>	<u>237,400</u>	<u>209,300</u>	<u>221,800</u>
Information Technology:				
Personnel	-	-	-	-
Office Expense	56,297	51,000	51,000	62,100
Contracted Services	151,859	157,400	155,000	161,000
Training & Transportation	-	-	-	-
	<u>208,156</u>	<u>208,400</u>	<u>206,000</u>	<u>223,100</u>
Department of Public Safety				
Law Enforcement, Fire Protection, Emergency Medical Services:				
Personnel	2,615,710	2,577,300	2,549,400	2,730,100
Office Expense	143,075	149,400	136,000	126,900
Contracted Services	22,544	59,000	58,000	60,800
Training & Transportation	399,218	444,000	435,000	440,400
Debt requirements	945,000	100,000	100,000	100,000
Capital Outlay/Equipment	56,689	41,300	41,000	46,200
	<u>4,182,236</u>	<u>3,371,000</u>	<u>3,319,400</u>	<u>3,504,400</u>
Department of Parks and Recreation				
Building and Grounds:				
Personnel	264,734	274,700	269,800	277,200
Materials & Supplies	90,471	107,700	107,400	100,400
Contracted Services	42,395	30,500	26,700	31,500
Training & Transportation	-	-	-	-
Capital Outlay/Equipment	100,462	-	75,000	-
	<u>498,062</u>	<u>412,900</u>	<u>478,900</u>	<u>409,100</u>
Downtown Maintenance:				
Personnel	62,622	64,300	62,200	63,600
Office Expense	11,791	17,600	12,100	16,600
Contracted Services	12,456	17,000	14,000	17,000
Training & Transportation	7,500	7,700	7,700	8,000
	<u>94,369</u>	<u>106,600</u>	<u>96,000</u>	<u>105,200</u>
Parks and Special Facilities:				
Personnel	341,961	352,600	341,500	367,200
Office Expense	141,022	147,300	128,800	132,500
Contracted Services	319,047	187,500	130,000	156,500
Training & Transportation	117,196	119,800	121,000	123,800
Capital Outlay/Equipment	211,122	121,500	296,000	921,000
	<u>1,130,347</u>	<u>928,700</u>	<u>1,017,300</u>	<u>1,701,000</u>

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
Magnus Park:				
Personnel	89,205	83,100	83,500	110,300
Office Expense	67,501	80,800	76,000	76,500
Contracted Services	23,347	35,000	36,000	25,000
Training & Transportation	7,600	7,700	7,700	8,000
	<u>187,652</u>	<u>206,600</u>	<u>203,200</u>	<u>219,800</u>
Recreation Programs:				
Personnel	181,686	191,200	184,200	186,200
Office Expense	23,098	27,100	25,300	25,200
Contracted Services	40,823	73,400	56,300	66,100
Training & Transportation	9,410	12,700	12,000	13,000
Capital Outlay/Equipment	3,913	6,000	4,000	5,000
	<u>258,931</u>	<u>310,400</u>	<u>281,800</u>	<u>295,500</u>
Bayfront Park Marina:				
Personnel	130,670	138,500	128,000	136,400
Office Expense	100,411	101,700	113,900	115,300
Contracted Services	31,745	90,000	110,000	73,000
Gas & Oil	332,299	387,000	470,000	445,500
Training & Transportation	15,721	18,000	17,300	18,500
Debt requirements	114,200	116,500	116,500	124,000
Capital Outlay/Equipment	55,262	204,500	13,500	254,500
	<u>780,308</u>	<u>1,056,200</u>	<u>969,200</u>	<u>1,167,200</u>
Department of Public Works				
Administration:				
Personnel	410,795	424,900	413,500	437,000
Office Expense	13,403	9,400	6,000	6,500
Training & Transportation	26,500	26,400	26,400	25,500
	<u>450,698</u>	<u>460,700</u>	<u>445,900</u>	<u>469,000</u>
Solid Waste:				
Personnel	19,275	22,700	21,800	21,800
Office Expense	1,163	300	500	300
Contracted Services	165,134	170,200	166,000	170,200
Training & Transportation	6,347	12,000	11,000	11,000
	<u>191,920</u>	<u>205,200</u>	<u>199,300</u>	<u>203,300</u>
TOTAL EXPENDITURES	<u>\$ 9,518,407</u>	<u>\$ 8,907,900</u>	<u>\$ 8,754,700</u>	<u>\$ 9,971,700</u>

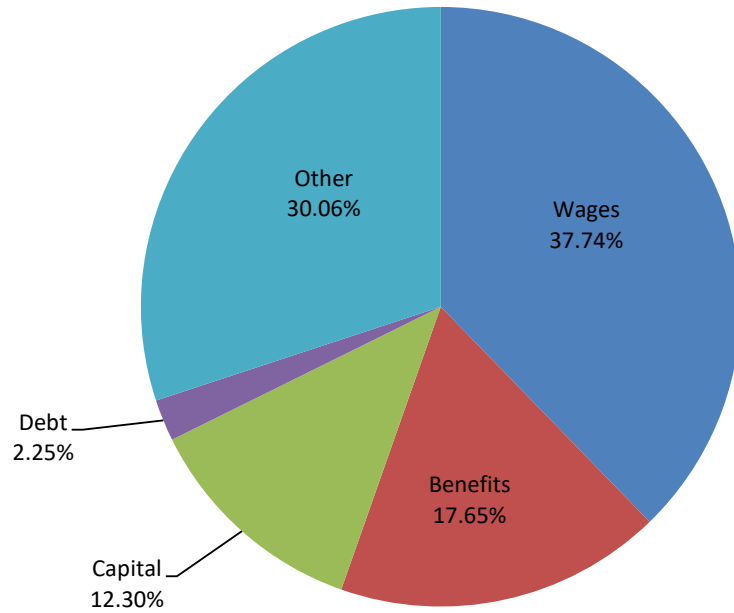
Revenues



Expenditures



Expenditures



Major Street Fund

The Major Street Fund provides for the construction, maintenance and operations of the approximate eleven miles of City streets classified as major streets by the Michigan Department of Transportation. Public Act 51 of 1951 requires a separate fund to account for State-shared revenues received from gasoline taxes designated for major and local street purposes. Monies from other City funds, primarily the Right-of-Way Fund, are transferred to the Major Street Fund for construction and operating costs as State-shared revenues fall far short of the monies necessary to fully fund the operations.

Summary. Operations within the Major Street Fund will remain consistent with activity from the previous year, the main difference being in capital projects between the two years. Proposed budgeted revenues for 2022 total \$1,115,500, with total budgeted expenditures proposed at \$1,193,700, resulting in an excess expenditures over revenues of \$78,200 that will be deducted from the \$1,253,716 estimated beginning fund balance, leaving an estimated ending fund balance of \$1,175,516.

Revenues. Income to the Major Street Fund originates from two sources, operating revenues and fund transfers. Operating revenues consist of: 1) The City's share of State imposed, motor fuel tax reimbursements, which are nearly three times the amount received per mile than from reimbursements received for streets classified as local streets; 2) Trunkline payments for work the City performs contractually for the Michigan Department of Transportation for maintenance of State-controlled trunklines within the City's corporate limits; and 3) Interest income.

Fund transfers are received from other City funds, and although amounts for such transfers differ from year to year, contributions to the Major Street Fund are primarily received from the Right-of-Way Fund. In 2021 there were no street projects scheduled within this fund. No transfers are scheduled for 2022 as there are sufficient funds available along with a State grant, to cover the proposed project.

Operating revenues for 2022 are expected to increase by \$361,100 over 2021 actual amounts due to a \$375,000 State small urban grant and an estimated increase in state trunkline revenue. State-shared revenues are based on two components: one is the City's population from the 2010 census of 5,670; and the other being the 11 major street miles. A dollar amount is established for each component through the State's annual budgeting process and is applied against the total population and local miles.

The State-established amounts (excl. snow pay) estimated to increase by 3% in 2022 are distributed over the State's fiscal year that ends in September, requiring 2022 fourth-quarter City revenues to be estimated. Amounts established by the State are always subject to revision based on further changes in economic conditions, as was the case in 2021. In addition, the City also receives an annual one-time payment for snow removal that is based on actual snowfall amounts and is estimated at \$50,000 for next year, after receiving \$91,224 in 2021.

Expenditures. Major Street system actual expenditures for 2021 are estimated at \$463,300, which is nearly \$870,000 less than in 2020 due to a decrease in construction projects. For 2022 budgeted costs total \$1,193,700 or \$730,400 more than will be spent in 2021, due to a mill and fill resurfacing project scheduled for State Street between Howard Street and Kalamazoo Avenue.

Work next year to be performed by the City under provisions of the trunkline agreement with the Michigan Department of Transportation for maintaining portions of US-31 and US-131 within the City's corporate limits have been set at \$119,400. Costs for some of the items included within the State contract may exceed the State budget amount, which the State will not reimburse except for winter-maintenance expenditures.

The street funds provide the following routine maintenance activities: pavements; sweeping-flushing; drainage; cleanup-mowing; bridge-crossings; signs-signals-barriers; and winter maintenance. Several street operations are handled by contractors, such as within the pavements category where street markings are provided by outside vendors, along with the drainage category where catch-basin cleanings are also performed by outside contractors. The City continues to own and staff sweeping, flushing and jet-spray equipment.

Winter maintenance is the largest of the routine maintenance activities with estimated actual costs under budgeted amounts in 2021 by \$57,300. These costs are higher than in 2020, which was a colder winter that followed a mild winter. Total winter maintenance costs are estimated at \$192,600. Budgeted costs for 2022 are again budgeted at \$249,900 based on past experience. The City has not experienced a so called "normal" winter in quite a few years.

Longer winters tend to increase snow-hauling efforts, especially if there are fewer mid-winter thaws to reduce the height of snow banks. Snow is hauled to various sites depending on the amount of storage required and may include Riverbend Park on Standish Avenue, City landfill property off River Road and City owned Howard Road property adjacent to the old landfill.

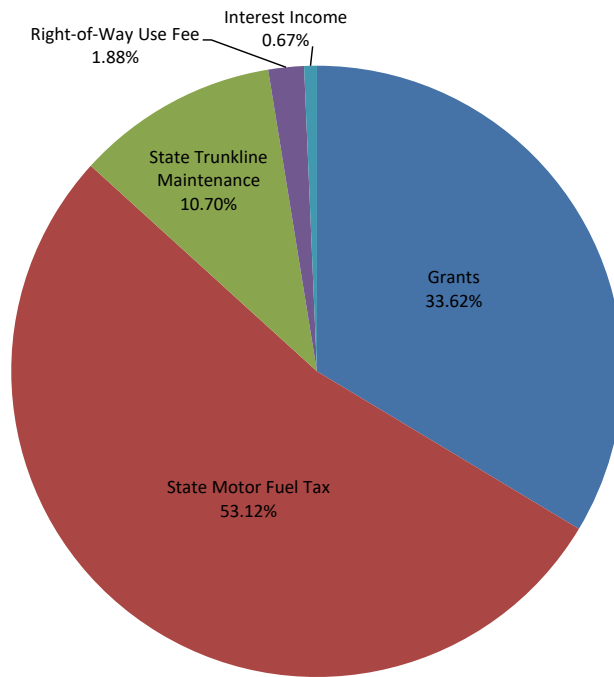
The administration and engineering activity, which was typically the largest budget activity within the street funds, accounts for such activities as contracted engineering services, fringe benefit costs for one-half of Department of Public Works operations employees, and administrative fees paid to the General Fund for services provided by City Hall staff, and continue to be allocated to the General Street Fund for both the Major Street and Local Street Funds.

The change in accounting for these street-related costs helps to simplify annual street reports provided to the State of Michigan required under Public Act 51 of 1951 for State-shared revenue received by the City. This re-classification assists in aggregating cost for services that benefit all three funds overall, but have been divided among the funds. This single activity provides a better overview of administrative costs, which, regardless of where expenses are accounted for, the revenues are provided from the Right-of-Way Fund.

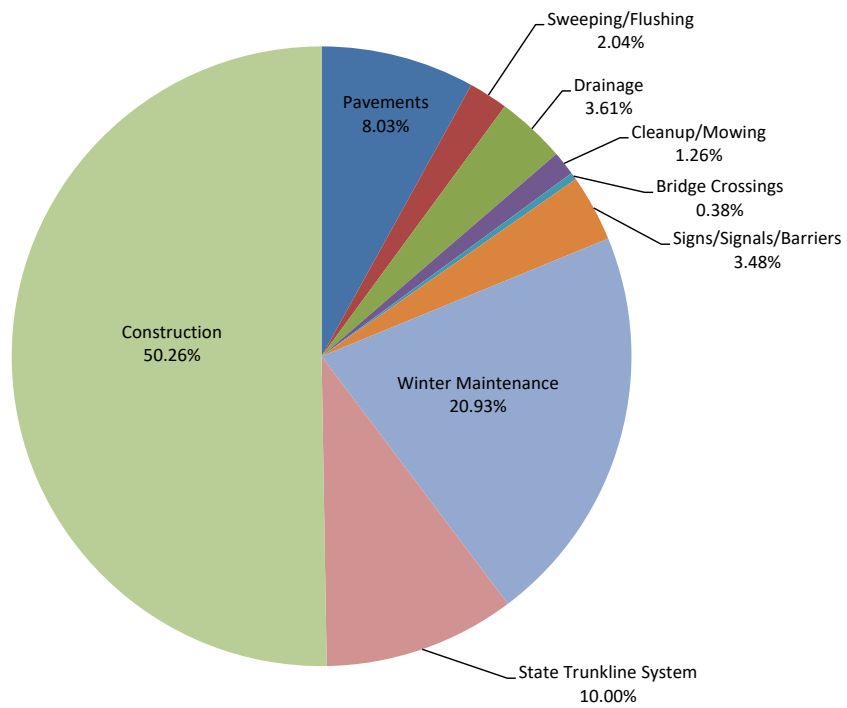
Major Street Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 1,447,088	\$ 864,675	\$ 962,816	\$ 1,253,716
REVENUES				
Operating :				
Grants	-	-	-	375,000
State Motor Fuel Tax	533,048	575,200	619,500	592,600
State Trunkline Maintenance	62,815	106,000	104,200	119,400
Right-of Way Use Fee	23,166	21,000	23,200	21,000
	619,028	702,200	746,900	1,108,000
Nonoperating:				
Interest Income	29,964	7,500	7,300	7,500
Transfers:				
Right of Way Fund	200,000	-	-	-
TOTAL REVENUES	848,993	709,700	754,200	1,115,500
EXPENDITURES				
State Trunkline:				
Pavements	1,472	7,800	22,800	22,800
Drainage	873	2,200	1,500	2,200
Cleanup and Mowing	3,602	5,900	4,400	5,900
Signs-Signals and Barriers	2,921	1,300	800	1,300
Sweeping and Flushing	5,030	9,600	7,400	9,600
Winter Maintenance	51,618	77,600	67,300	77,600
	65,515	104,400	104,200	119,400
Major Street System:				
Construction	961,220	-	-	600,000
Pavements	28,950	95,800	53,900	95,800
Drainage	46,079	43,100	41,000	43,100
Cleanup and Mowing	24,098	15,000	13,200	15,000
Bridge Crossings	5,592	4,500	4,500	4,500
Signs-Signals and Barriers	24,351	41,600	35,000	41,600
Sweeping and Flushing	16,549	24,000	18,900	24,400
Winter Maintenance	160,909	249,900	192,600	249,900
Administration				
	1,267,749	473,900	359,100	1,074,300
TOTAL EXPENDITURES	1,333,264	578,300	463,300	1,193,700
Excess of Revenues Over Expenditures	(484,271)	131,400	290,900	(78,200)
FUND BALANCE - DECEMBER 31	\$ 962,816	\$ 996,075	\$ 1,253,716	\$ 1,175,516

Revenues



Expenditures



Local Street Fund

The Local Street Fund provides for the construction, maintenance and operations of the approximate 22 miles of City streets classified as local streets by the Michigan Department of Transportation. Streets not classified as major streets fall into the local street category and Public Act 51 of 1951 requires a separate fund to account for State-shared revenues received from gasoline taxes designated for major and local street purposes. Monies from other City funds, primarily the Right-of-Way Fund, are transferred to the Local Street Fund for construction and operating costs as State-shared revenues fall far short of the monies necessary to fully fund the operations.

Summary. In 2022 budgeted revenues for the Local Street Fund total \$1,361,800, with total budgeted expenditures proposed at \$1,722,100, with \$1,358,000 in construction activity scheduled for the Local Street Fund. In past years, the City was performing resurfacing projects that include various streets based on their conditions determined by the PASER rating method. An estimated beginning fund balance of \$996,506 would be decreased by \$360,300 resulting in an ending fund balance of \$636,206.

Operational costs within the Local Street Fund will remain consistent with budgeted expenditures of previous years including estimated costs. Since 2017 the budget included \$50,000 to go towards spot repairs on streets that are in need of resurfacing for only a short distance. This amount is again included within both the Major and Local Street Funds.

In 2021, a portion of Greenwood Road was reconstructed along with a mill and fill resurfacing project that included Lookout Street and portions of Washington, Franklin, Harvey and Rush Streets. In 2022 there are a number of local street projects budgeted at \$1,358,000 including; East Lake Street from Division Street to Kalamazoo Avenue along with portions of Kalamazoo Avenue, Ottawa, Summit, Clinton, and Williams Streets.

Revenues. Income to the Local Street Fund originates from two sources, operating revenues and fund transfers. Operating revenues consist of the City's share of State-imposed, motor fuel tax reimbursements and interest earned off investments. Fund transfers are derived from other City funds and although amounts for such transfers differ from year to year, contributions to the Local Street Fund are typically received from the Right-of-Way Fund. State-shared revenues are based on two components; one is the City's population from the 2010 census of 5,670, with the other being Petoskey's 22.31 local street miles.

A dollar amount is established for each component through the State's annual budgeting process and is applied against the total population and local miles. The City will continue to experience a reduction in revenue due to the loss of population in the 2010 census of 379 people. The U.S. Bureau of the Census has performed the 2020 census, which will effect state shared revenues for the next ten years.

The State-established amounts are forecasted to decrease slightly in 2022 and cover the State's fiscal year that ends in September, requiring the City's fourth-quarter revenues to be estimated. Amounts established by the State are always subject to change based on fluctuations in economic conditions as was the case this year due to the pandemic. In addition, the City also receives an annual one-time payment for snow removal that is based on actual past snowfall amounts and is estimated at \$40,000 for next year after receiving \$55,331 this year.

For 2022, there is a \$1,100,000 transfer being proposed from the Right-of-Way Fund to cover operating as well as capital costs as compared to no transfers in 2017, \$300,000 in 2018 and \$200,000 in 2019 and 2020 and \$500,000 in 2021.

Expenditures. Total actual expenditures for 2021 are estimated at \$917,300, which is \$252,400 less than the \$1,169,700 budgeted. The primary difference being the decrease in street construction expenditures. Proposed expenditures for 2022 total \$1,722,100, which is \$804,800 more than 2021 estimated costs.

Construction costs for 2022 includes the reconstruction of East Lake Street from Division Street to Kalamazoo Avenue along with side streets between East Mitchell and East Lake Streets including Ottawa, Summit, Clinton and Williams Streets in the amount of \$1,358,000.

Winter maintenance, which includes snow removal and ice control, is always one of the larger activities within the Local Street Fund. These costs are always weather dependent, and may exceed budgeted amounts like the longer winters in 2013 and again in 2014 resulting in total costs exceeding budget amounts, with 2021 expected to be \$45,500 under budget.

Budget estimates for 2022 will remain the same based on past cost experience, but actual winter conditions will dictate final costs. Cash reserves maintained from previous years allowed the City to cover the harsh or longer than normal 2014 winter season. The City's budgets provided a surplus in succeeding years to replenish these cash reserves, which again have a healthy balance.

Pavements budget increased by \$50,000 starting in 2017 and will continue for 2022. As mentioned earlier, this amount will be used for spot repairs on short sections of City streets. These short sections can be more efficiently replaced as part of repairs instead of including within the formal bid process.

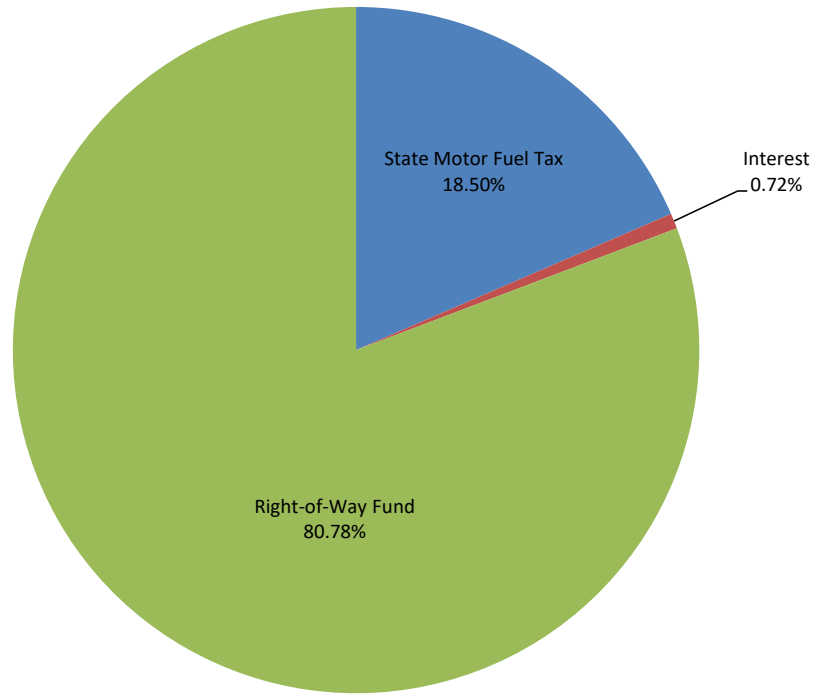
The administration and engineering activity, typically the largest budget activity within the street funds - accounts for such activities as contracted engineering services, fringe benefit costs for one-half of the Department of Public Works operations employees, and administrative fees paid to the General Fund for services provided by staff at City Hall continue to be re-allocated to the General Street Fund for both the Major Street and Local Street funds.

The change in accounting for these street-related costs help to simplify annual street reports provided to the State of Michigan required under Public Act 51 of 1951 for State-shared revenue received by the City. The re-classification also assists in aggregating cost of services that benefit all three funds overall, but have been divided among the funds. This single activity provides a better overview of administrative costs which, regardless of where expenses are accounted for, the revenues are provided by the Right-of-Way Fund.

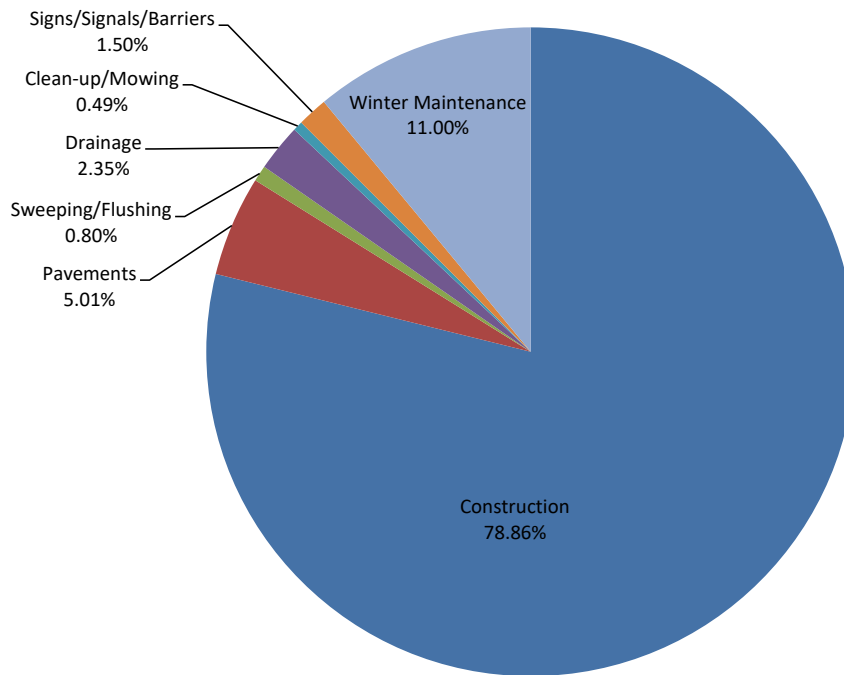
Local Street Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 828,862	\$ 831,910	\$ 796,406	\$ 996,506
REVENUES				
Operating :				
State Motor Fuel Tax	227,592	245,200	262,700	252,000
Nonoperating:				
Interest Income	55,796	358,300	354,700	9,800
Transfers:				
Right of Way Fund	200,000	500,000	500,000	1,100,000
TOTAL REVENUES	483,388	1,103,500	1,117,400	1,361,800
EXPENDITURES				
Local Street System:				
Construction	265,504	808,000	660,000	1,358,000
Pavements	70,779	87,500	45,000	86,200
Drainage	39,038	36,800	31,500	40,400
Cleanup and Mowing	5,495	8,300	6,400	8,400
Signs-Signals and Barriers	12,349	25,900	18,400	25,900
Sweeping and Flushing	8,134	13,700	12,000	13,700
Winter Maintenance	114,546	189,500	144,000	189,500
Administration				
TOTAL EXPENDITURES	515,844	1,169,700	917,300	1,722,100
Excess of Revenues Over Expenditures	(32,456)	(66,200)	200,100	(360,300)
FUND BALANCE - DECEMBER 31	\$ 796,406	\$ 765,710	\$ 996,506	\$ 636,206

Revenues



Expenditures



General Street Fund

The General Street Fund maintains accessory structures and supports operations associated with both the Major Street and Local Street Funds and includes such activities as street lighting, forestry-trimming, removal and replacement of trees, sidewalk repair, replacement and construction, sidewalk snow removal, and street-related jobbing activities. Street inventory such as salt, sand and signs is also held by the General Street Fund and billed to the appropriate fund when used.

Administration activities for the Major Street and Local Street Funds are accounted for in the General Street Fund and include fringe benefits for the Street Operations staff and contracted services, which would include engineering for future street projects. The General Street Fund is classified as a Special Revenue Fund since the primary source of revenue is restricted as to its use.

Summary. General Street Fund normal activities remain consistent with activities from the previous year. Revenues for 2022 have been budgeted at \$1,259,000, with expenditures budgeted at \$1,704,000, for a difference of \$445,000, which will be subtracted from the existing fund balance estimated at \$1,521,845 and resulting in an estimated ending fund balance of \$1,076,845.

The General Street Fund's fund balance includes salt/sand and other inventory held until used by the Major Street and Local Street Funds when the appropriate fund is billed for such usage. The process requires additional cash reserves to be on hand in order to allow for the purchase of items necessary to be maintained within inventory.

Revenues. Income for the General Street Fund is primarily received through transfers from the Right-of-Way Fund and the Electric Fund. While Electric Fund transfers are not restricted as to use, Right-of-Way Fund transfers, whose revenue is derived from a specific property tax millage, is restricted to uses within City street rights-of-way. Other sources of revenue would include grants, interest income and revenue received from project jobbing.

Estimated actual revenues for 2021 of \$1,456,300 are nearly the same as the budgeted total amount, with a slight difference for interest income. For 2022, budgeted revenues are proposed to decrease by \$197,300 to \$1,259,000, with the difference being a decrease in transfers from the Right of Way Fund.

Beginning in 2010, both revenues and expenses increased in the General Street Fund to cover the costs of administrative activities of all three street funds which allows for simpler reporting to the State of Michigan of monies received from the gas tax under P.A. 51.

Expenditures. Approved 2021 budgeted expenditures totaled \$1,439,300 for the General Street Fund, but actual expenditures are now anticipated to be \$1,334,500 at year end, \$104,800 less than budgeted. The difference occurred due to a reduction in forestry work related to tree and shrub plantings, and engineering costs related to street design.

General Street Fund expenditure line-items include: project jobbing, sidewalk replacements and installations, sidewalk snow removal, forestry, street lighting and administration. Sidewalk improvements are consistently budgeted at about \$200,000 each year, although, in some years costs have been higher due to larger projects. For 2022 budgeted sidewalk costs increase to \$457,300 as part of street reconstruction projects.

For 2020 work was focused on the Kalamazoo Street reconstruction project and Jackson Street improvements near the hospital. The 2021 budget included sidewalk monies largely for Greenwood Road and spot repairs associated with street mill and fill resurfacing projects. In 2022 the majority of the work will be on East Lake Street with some work on State Street, along with miscellaneous as-needed spot repairs city-wide.

The sidewalk snowplowing contract expired in 2017 and due to higher than expected bid pricing for 2018, the City began performing this work in house. Four sidewalk snow blowing units were purchased in 2017 and contracted labor was sought to provide the service as needed. Actual costs for 2021 are estimated at \$55,100, which is less than budgeted costs of \$66,100 and are budgeted at \$65,800 for 2022.

The trimming, maintenance and removal of City-owned trees are forestry tasks that are handled through a three-year-long service contract. Planting of replacement and new trees are tasks that are handled by separate contractors, with planting contracts awarded annually. Such operations occur along local and major streets and along State trunkline with recent activities concentrated on aging maples and other trees in severe decline. Contracted services within this activity tend to be budgeted around \$150,000 each year, which is the case for 2022.

The administration activity within the General Street Fund accounts for the administration of all three street funds (Major Street Fund, Local Street Fund, and General Street Fund). This activity includes such items as contracted engineering services, fringe benefit costs for all Department of Public Works - Operations employees; and administrative fees remitted to the General Fund for services provided by staff at City Hall for the three street funds. For 2022 this activity also includes engineering for future street reconstructions of \$120,000.

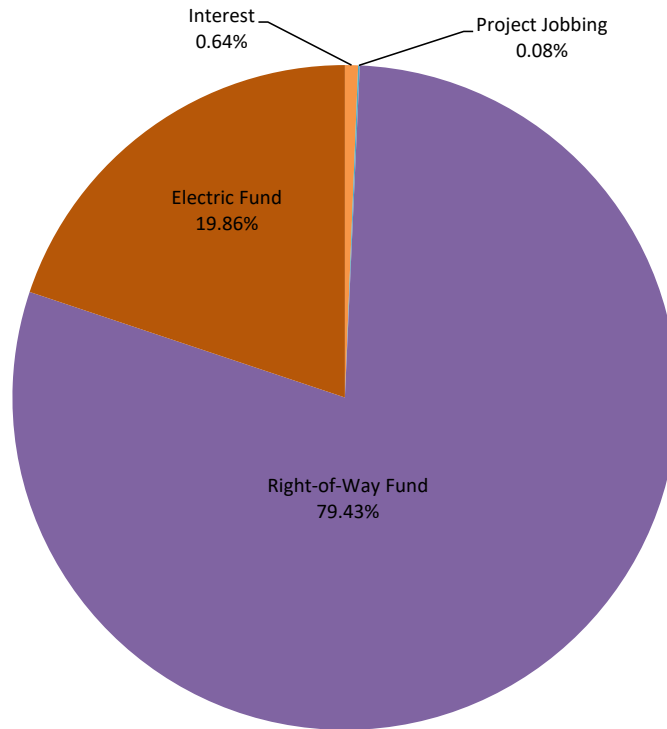
Accounting changes were made in 2010 for these street-related costs that helped to simplify required annual reports provided to the State of Michigan under Public Act 51 of 1951 for State-shared revenue received by the City. The re-classification assists in aggregating cost of services that benefit all three funds overall, but have been divided among the funds. This single activity will provide a better overview of administrative costs, which regardless of where expenses are accounted for, the revenues are provided by the Right-of-Way Fund.

The 2022 proposed budget for administration is \$933,400, which is \$16,000 less than 2021 budgeted costs, with such costs covered by grant amounts and transfers received from the Right of Way Fund and the Electric Fund. Transfers previously made to the Major Street Fund and Local Street Fund individually for Administration costs, beginning in 2010, are being combined and remitted to the General Street Fund resulting in total budgeted expenditures of \$1,704,000.

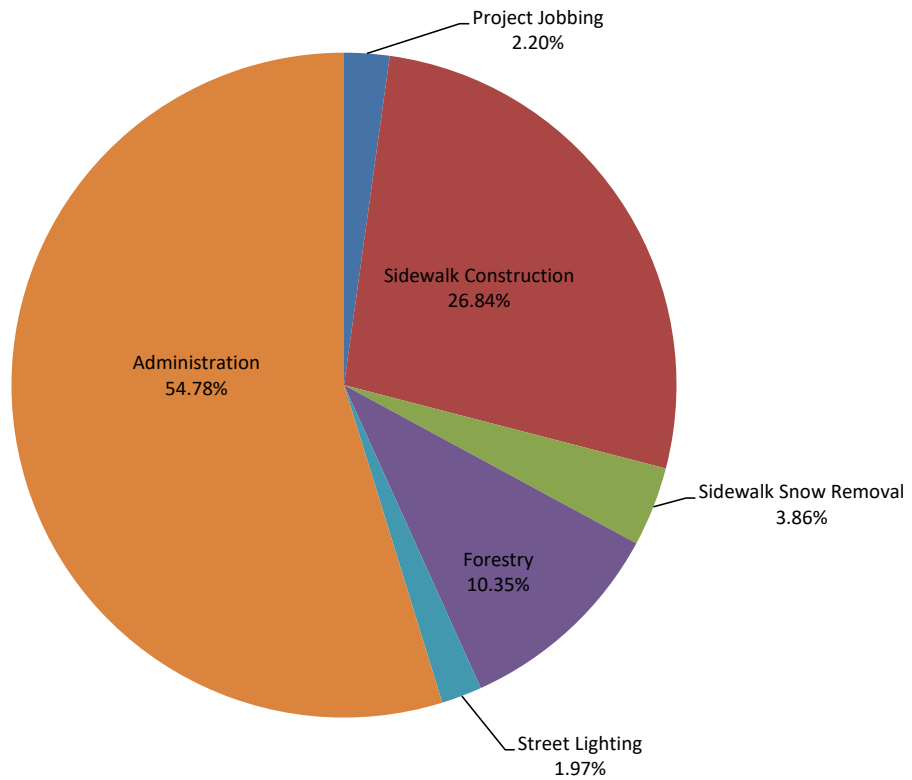
General Street Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 1,270,531	\$ 1,350,744	\$ 1,400,045	\$ 1,521,845
REVENUES				
Operating :				
Project Jobbing/Other	482	1,000	1,000	1,000
Nonoperating:				
Grants	-	-	-	-
Interest Income	10,823	4,700	5,300	8,000
	10,823	4,700	5,300	8,000
Transfers:				
Right of Way Fund	1,205,000	1,200,000	1,200,000	1,000,000
Electric Fund	250,000	250,000	250,000	250,000
	1,455,000	1,450,000	1,450,000	1,250,000
TOTAL REVENUES	1,466,305	1,455,700	1,456,300	1,259,000
EXPENDITURES				
General Street Operations:				
Project Jobbing	11,960	37,500	12,700	37,500
Sidewalk Construction	148,102	206,500	219,000	457,300
Sidewalk Snow Removal	53,409	66,100	55,100	65,800
Street Lighting	32,400	3,300	32,500	33,600
Forestry	200,793	176,500	133,000	176,400
Administration	890,127	949,400	882,200	933,400
TOTAL EXPENDITURES	1,336,791	1,439,300	1,334,500	1,704,000
Excess of Revenues Over Expenditures	129,514	16,400	121,800	(445,000)
FUND BALANCE - DECEMBER 31	\$ 1,400,045	\$ 1,367,144	\$ 1,521,845	\$ 1,076,845

Revenues



Expenditures



Tax Increment Finance Authority Fund

The City's Tax Increment Finance Authority Fund (TIFA) was established through City Council action in 1985 under authority of the State's 1980 enabling legislation. The Fund accounts for the costs of development improvements within the Tax Increment Finance Authority Development District, which includes the following City facilities: Bayfront Park, Sunset Park, Bear River Valley Recreation Area, Mineral Well Park, Magnus Park and Solanus Mission Beach.

Revenues. The TIFA Fund was originally funded by tax levies of the six local governmental jurisdictions with taxing authority in the City of Petoskey - Charlevoix-Emmet Intermediate School District, County of Emmet, Greenwood Cemetery, North Central Michigan College, City of Petoskey and Public Schools of Petoskey - and were applied to the increased portion of taxable values within the Tax Increment Finance Authority's Development District above the taxable values on December 31, 1983, the date the District was established.

The number of taxing units was reduced to four following voter approval of "Proposal A" in 1994, which amended the Michigan Constitution to alter the State's property-tax structure, which prohibited local governmental units from capturing tax revenues through TIFAs from public and intermediate school districts. This change in provisions reduced the amount of property tax revenue captured by the City's TIFA Fund by nearly one-half.

The captured taxable value is expected to increase by 4.5% over its current level in the TIFA District for 2022, after a 6.2% increase in 2021. Captured property tax revenue now estimated at \$396,200 for this year is projected to increase by \$419,800 in 2022.

A grant from the State's Land and Water Conservation Fund in the amount of \$125,000 is included as one-half funding for the Solanus Mission Beach project. Interest income budgeted at \$8,500 for next year makes up the only other revenue item for a total budget amount of \$553,300 for 2022 or \$149,100 more than the amount now expected to be received in 2021.

Expenditures. The Bear River Valley Recreation Area project was completed in the spring of 2011 and financed, as planned through bond proceeds and cash reserves. With the construction project complete, expenditures consist mainly of an annual lease rental payment to the Bear River Valley Improvements Bond Fund to finance yearly debt service requirements at \$265,000 next year \$29,000 more than this year. This amount varies each year until the bond matures in 2029, from a low of \$206,900 in 2027 to a high of \$263,300 in 2022. The bonds were refinanced in 2017, which altered the existing debt repayment schedule. The refinancing is expected to save the City approximately \$25,000 in interest costs each year.

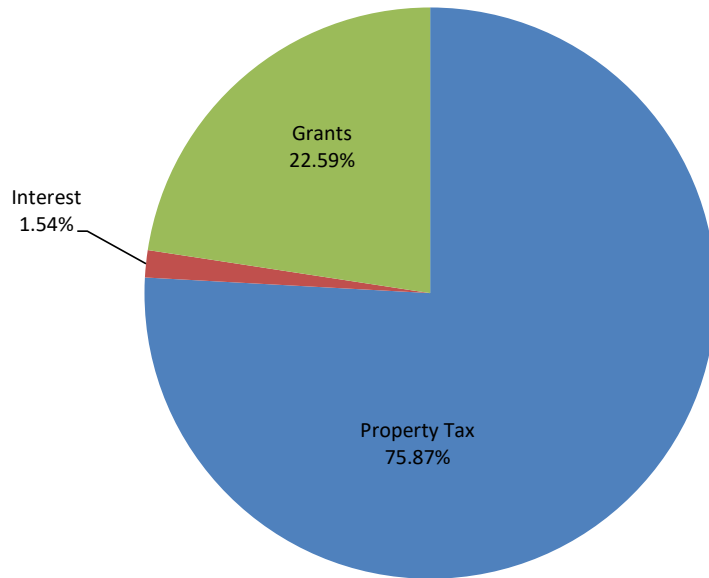
For 2021, budgeted expenditures included the Solanus Mission Beach project \$250,000, shoreline erosion control \$50,000 and Sunset Park – Phase I design costs \$100,000 for a total of \$400,000. The Sunset Park Phase I and Solanus Mission Beach projects will be initiated in late 2021 with the majority of the projects now being budgeted to be performed in 2022.

In 2022, the TIFA Fund has budgeted for the carryover of Phase 1 of Sunset Park Improvements, which will include improvements to walkways, landscaping, and fencing (\$80,000). Landscaping improvements to Solanus Mission Beach including a boardwalk, restroom/pavilion \$250,000, Re-decking of the pedestrian bridge at City Hall \$25,000 and shoreline erosion control improvements and consultant fees \$20,000. With total budgeted expenditures of \$647,000 and budgeted revenues of \$553,300, the 2022 budget calls for a loss of \$93,700 that when subtracted from an estimated beginning Fund Balance of \$986,887 would result in an ending Fund Balance of \$893,187.

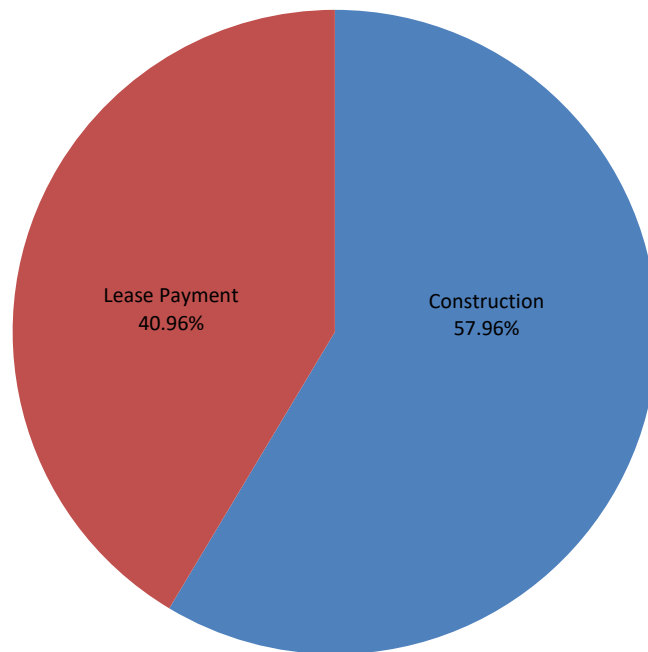
Tax Increment Finance Authority Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 1,032,810	\$ 894,155	\$ 925,687	\$ 986,887
REVENUES				
Operating :				
Property Tax	396,386	389,000	396,200	419,800
Nonoperating:				
Interest Income	11,979	8,500	8,000	8,500
Grants	-	-	-	125,000
	11,979	8,500	8,000	133,500
TOTAL REVENUES	408,364	397,500	404,200	553,300
EXPENDITURES				
Operations:				
Construction	300,861	400,000	100,000	375,000
Lease Payment	225,000	236,000	236,000	265,000
Paying Agent Fees	(10,373)	7,000	-	-
	515,487	643,000	343,000	647,000
TOTAL EXPENDITURES	515,487	643,000	343,000	647,000
Excess of Revenues Over Expenditures	(107,123)	(245,500)	61,200	(93,700)
FUND BALANCE - DECEMBER 31	\$ 925,687	\$ 648,655	\$ 986,887	\$ 893,187

Revenues



Expenditures



Library Fund

The Library Fund is a special revenue fund because the majority of the supporting revenues are received from two property tax millages that are restricted for library purposes. The first one-mill tax levy was approved by City Council in 1996, with the second one-mill tax levy approved by voters in 2000. These two millages are allowed by provisions of State law which require annual authorization by the City Council and may only be used for development, operation and maintenance of library facilities.

Summary. For 2022, proposed budgeted expenditures of \$1,577,900 will be offset by \$1,580,800 in budgeted revenues, resulting in a difference of \$2,900, which will be added to the existing fund balance estimated to be \$1,117,237 and will result in an estimated ending fund balance of \$1,120,137.

Revenues. In addition to revenues provided through two City property tax millages at \$874,500, the Library Fund also receives an annual payment through the State of Michigan's State Aid to Public Libraries Act, with a payment rate of \$.43 per capita. The Library also receives Penal Fines which are collected at the County and are dispersed on a per capita basis to all the public libraries within the County. The Library's penal fine appropriation is based on the total population of City residents, and residents of Bear Creek, Resort, and Springvale Townships.

On August 4, 2020 as part of the State Primary election, voters in Bear Creek Township, Resort Township, Little Traverse Township, and Springvale Township renewed a four year .4 of a mill property tax millage to provide library services to Township residents. The Townships have an agreement with the Petoskey District Library for Library services with the costs for services to equal the property tax revenue derived from the Townships' millage, which for 2022 are expected to total \$526,500.

Total proposed 2022 revenues of \$1,580,800 are budgeted at \$38,500 more than the \$1,542,300 expected to actually be received this year, with the increase due to property taxes and intergovernmental revenues. City tax revenue, as discussed within the General Fund, is estimated to increase 2.5% over 2021 levels. Taxable values will increase, which is expected to be partially offset due to the State's inflation factor requiring the millage rates to be rolled back per the Headlee amendment.

Both City millages, that is, the initial levy that had been approved by the City Council in 1996, and the second such levy that had been approved by City voters four years later, initially had each been set at one mill.

Constitutional "roll-back" provisions now have reduced these two levies from their original amounts to an estimated 0.8253 mills for 2022 from the one mill that initially had been levied in 1996, and the second, voter-authorized millage, from its initial one-mill levy in 2000 to an estimated 0.9157 mills for a total of 1.7410 next year.

The 2022 budget is based on the maximum allowable millage rate of 1.7410, the same rate as approved this year by the City Council. Penal-fine income, conservatively proposed at \$60,000, is a portion of fines that are collected by the District Court and distributed to local units to offset public-library costs and can vary significantly from year to year. Local units that do not provide library services may designate another local-governmental unit as a recipient. In Petoskey's case, the library receives state aid and penal fines from Bear Creek, Resort and Springvale Townships as well as the City of Petoskey.

Expenditures. Total expenditures for 2021 are now estimated at \$1,477,000 or \$9,900 less than the \$1,486,900 originally budgeted for this year. The 2022 proposed budget totals \$1,577,900, which since 2013 included increases to expenses in various line item amounts, the result of providing additional services to Bear Creek and Resort Townships and again in 2017 with additional services provided through new revenues from Little Traverse and Springvale Township millages.

Compared to the 2021 original budget amounts, the 2022 proposed budget increased by \$91,000, with the increase in personnel services and contracted services. While 2021 estimated actual amount of \$1,477,000 is \$100,900 less than next years proposed budget, with the decrease in personnel, and contracted services.

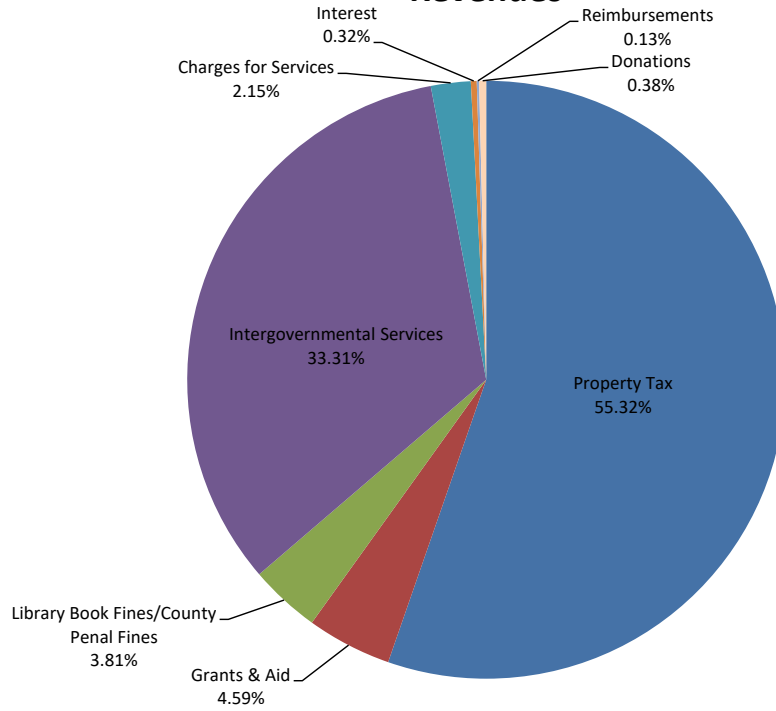
Included within the budget this year is a Library of Michigan Grant for the Growing Readers Together project in the amount of \$15,000, which requires a match from the Library for tutoring services and funding is also included for a newsletter.

Debt-service costs to cover obligations associated with the refunding bond have been budgeted at \$243,000 for 2022 to cover payment of principal, interest, and paying-agent fees, according to a set bond-amortization schedule. The bonds were refunded in 2021 and reissued at an interest rate of 2% reducing the annual interest payment. The 7-year-long issue will mature in 2028 and calls for annual debt-service payments that will fluctuate between a low of \$242,700 in 2022, to a high of \$291,400 in 2027.

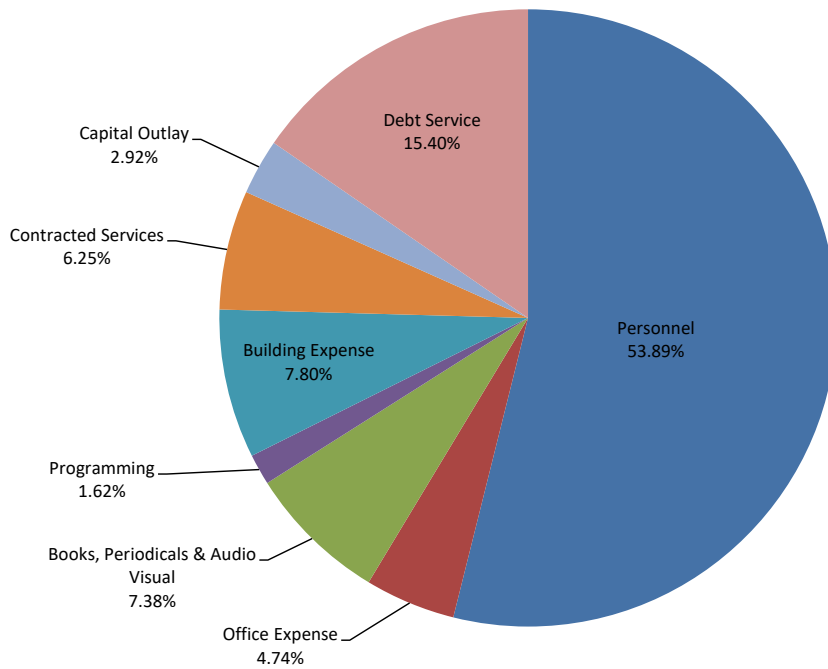
Library Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 943,003	\$ 977,840	\$ 1,051,937	\$ 1,117,237
REVENUES				
Operating :				
Property Tax	840,508	835,700	850,000	874,500
Grants	28,793	29,000	42,000	58,100
State Aid	15,768	10,000	16,600	14,400
Library Book Fines	174	500	300	300
County Penal Fines	66,348	60,000	67,000	60,000
Intergovernmental Services	476,997	518,500	517,800	526,500
Charges for Services	25,170	25,500	35,600	34,000
	1,453,759	1,479,200	1,529,300	1,567,800
Nonoperating:				
Interest Income	8,903	5,000	5,000	5,000
Donations	12,393	4,500	6,000	6,000
Reimbursements	11,034	1,000	2,000	2,000
	32,331	10,500	13,000	13,000
TOTAL REVENUES	1,486,089	1,489,700	1,542,300	1,580,800
EXPENDITURES				
Library services:				
Personnel	715,271	770,200	783,000	850,400
Office Expense	54,861	72,200	62,500	74,800
Contracted Services	55,858	82,300	82,000	98,600
Book, Periodicals and audio-Visual	114,212	111,700	110,000	116,500
Programming	13,696	21,000	16,000	25,500
Building Expense	123,716	125,500	116,500	123,100
Debt Service	272,444	262,700	262,700	243,000
Capital Outlay	27,097	41,300	44,300	46,000
	1,377,156	1,486,900	1,477,000	1,577,900
TOTAL EXPENDITURES	1,377,156	1,486,900	1,477,000	1,577,900
Excess of Revenues Over Expenditures	108,934	2,800	65,300	2,900
FUND BALANCE - DECEMBER 31	\$ 1,051,937	\$ 980,640	\$ 1,117,237	\$ 1,120,137

Revenues



Expenditures



Downtown Management Fund

The Downtown Management Fund was established in 1993 by the City Council to assist in providing services to the downtown area. A Downtown Development Authority and Downtown Management Board were established, which are governed by the same nine-member board, with the Downtown Management Board responsible for activities within the Downtown Development and Management Fund. The Board has annually special assessed commercial properties within the Downtown Development District - based on square footage - to offset costs of downtown programs and services.

Downtown Management operations are performed from their office at 216 Park Avenue, where they have been located since 2010 when they out grew the limited office space available within the Chamber of Commerce Building. These operations fall within the overall operations and responsibility of the City with staff being City employees and all formal accounting operations performed by the Department of Finance.

Revenues. At the request of the Downtown Management Board, the City Council has annually levied a special assessment against downtown commercial properties as its main source of revenue since 1994. The Downtown Management Board in 2003, 2011 and 2012 increased the assessment formula for each of its three rate categories. The Board recommended and City Council approved new rates for 2019 square footage assessments that added 2 cents to first floor assessments and one-half a cent for other floors and vacant land. Beginning in 2020, in order to stabilize revenues, the Board agreed to annually request a 2% rate increase as a way of keeping up with inflation.

The proposed special assessment rates, increased by 2%, are as follows: eligible first-floor area rate \$0.1873, eligible areas on floors other than first floors rate \$0.0468, and eligible undeveloped vacant-lot areas rate \$0.0572. If approved, assessment revenues are estimated to provide \$105,700, with program revenue at \$47,900, and interest income at \$3,000, for a total of \$156,600.

Revenue next year has decreased due to a reduction in program sponsorships including: the Holiday Parade, Petoskey Rocks, Winter Carnival, Trolley ads, Downtown Trick or Treat, Presenting Sponsors, Gallery Walk and Summer Open House.

Expenditures. Programs and services that are proposed by the Downtown Management Board have been estimated to cost \$78,200 for next year or \$12,400 less than the \$90,600 proposed by the Downtown Management Board and approved by the City Council for 2021. Marketing Promotions are budgeted at \$51,300 for 2022 or \$6,500 less than budgeted for 2021. By the end of this year, estimated actual expenditures will total \$128,800 or \$57,400 less than budgeted.

The Management Board in 2012 began using assessments to fund the costs of expenses previously accounted for in the Parking Fund, which increased available revenue in the Parking Fund to be used to provide additional parking in the downtown. In 2016, trolley expenses were moved to the Parking Fund based on the trolley's purpose of bringing people to the Downtown who are not driving cars and requiring parking spaces. In 2013, the plan also moved expense items from Programs and Services to the Parking Fund which includes: sidewalk snow removal-labor, maintenance and supplies, along with administrative-education, memberships and subscription expenses.

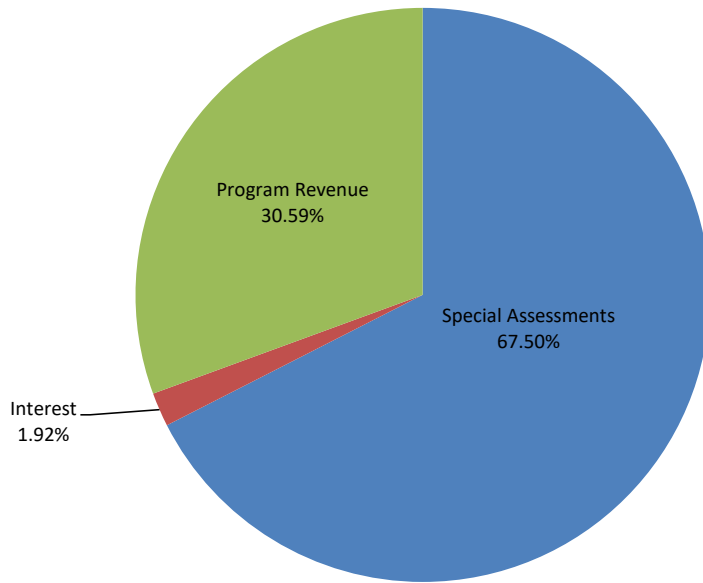
As is always the case, a variety of downtown-area programs, services, and projects are proposed for funding within other City funds. The Downtown Parking Fund, which is also overseen by the Downtown Management Board, includes recommended expenditures of \$725,000 next year, as well as the General Fund which contains proposed expenditures for downtown services as part of the Department of Parks and Recreation operations totaling \$105,200 and the proposed Electric Fund budget includes \$24,600 in expenses for community services.

Proposed revenues for 2022 of \$156,600 are more than proposed expenditures of \$155,300, resulting in a \$1,300 increase to the fund balance. The proposed budget is prepared by the Downtown Director and is recommended for City Council approval by the Downtown Management Board. The Downtown Management Board consists of the following nine individuals: Robin Bennett, Jennifer Shorter, Dan Harris, Gary Albert, Marnie Duse, Benjamin Slocum, Joe Keedy, Noah Marshall-Rashid and Mayor John Murphy.

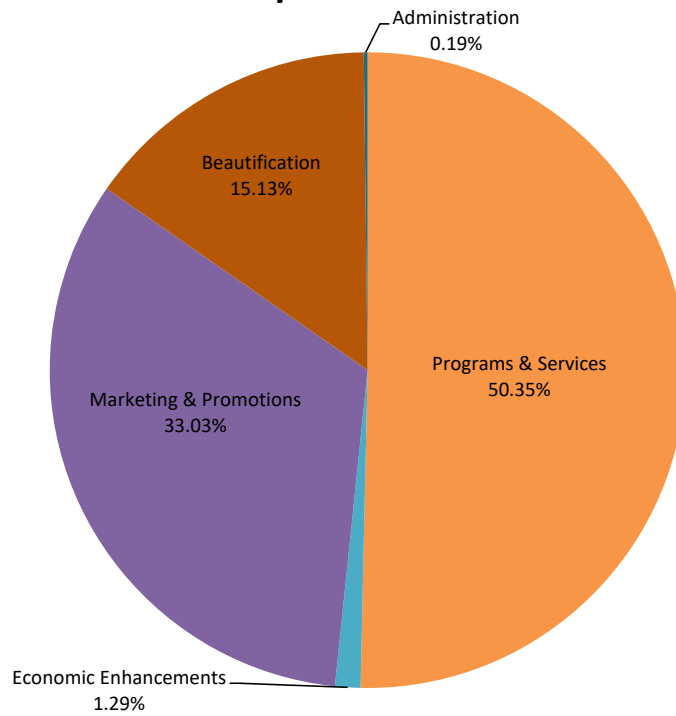
Downtown Management Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 121,771	\$ 122,467	\$ 176,813	\$ 184,913
REVENUES				
Operating :				
Special assessment	103,379	103,600	103,600	105,700
Program Revenue	37,921	78,700	26,700	47,900
	141,300	182,300	130,300	153,600
Nonoperating:				
Interest Income	3,372	4,000	6,600	3,000
TOTAL REVENUES	144,673	186,300	136,900	156,600
EXPENDITURES				
Downtown Management Operations:				
Programs & Services	18,679	90,600	40,600	78,200
Economic Enhancements	203	1,500	700	2,000
Marketing Promotions	38,843	57,800	34,700	51,300
Beautification	19,962	21,000	22,500	23,500
Administration	11,944	15,300	30,300	300
TOTAL EXPENDITURES	89,630	186,200	128,800	155,300
Excess of Revenues Over Expenditures	55,042	100	8,100	1,300
FUND BALANCE - DECEMBER 31	\$ 176,813	\$ 122,567	\$ 184,913	\$ 186,213

Revenues



Expenditures



Downtown Parking Fund

The Downtown Parking Fund was established in 1999 by City Council action delegating responsibility for operating the downtown-area parking system to the Downtown Management Board. The Fund receives revenues from the parking system, including fines, and makes necessary disbursements to cover parking-system and other downtown related expenses. The Downtown Management Board, as with the programs and services special assessment, falls under the general oversight and operational responsibility of the City.

The Downtown Parking Fund is an enterprise fund that is considered self-supporting with revenues received through user fees and charges imposed on parking-system users and are sufficient to cover all necessary expenses. The Fund provided payment to the Building Authority Downtown Parking Improvement Bond Fund for payment of annual bond-debt requirements whose proceeds were used to purchase and develop parking lots on East Mitchell Street and Michigan Street in 1999, which fully matured in 2014.

Revenues. The Downtown Parking Fund receives revenues from meter fees, parking fines, special permits, cell phone sales, meter bags, tokens and interest income. Estimated revenues for 2021 are now expected to reach \$662,300, which is nearly \$99,000 more than in 2020, with the difference due to the pandemic closing businesses and reduced meter fees charged to users once the downtown reopened. A local marketing campaign, the Pure Michigan Program and an increase in downtown events and marketing, are credited for maintaining the current level of parking revenues.

Meter fees are generated from ten downtown-area streets and seven parking lots with the majority of revenue from on-street parking. Revenues from meter fees are budgeted at \$536,900 with \$437,000 from on-street parking and \$99,900 from parking lots. Total budgeted revenues for next year are proposed at \$903,900, which is 36% more than expected to be received by the end of this year and 60% more than received in 2020.

Expenses. The proposed budget for the Downtown Parking Fund is prepared by the Downtown Director and approved by the Downtown Management Board for recommendation to the City Council for adoption. Estimated expenses for 2021 are expected to total \$412,600. Budgeted expenses for 2022 are proposed at \$725,000 or \$312,400 more than expected by the end of this year. The difference is due to an increase in contracted services and capital outlay expenses.

A partial list of contracted services includes funding for; improved sidewalk snow removal, a strategic plan consultant, a Darling Lot deck feasibility study, improved sidewalk snow removal, and gateway development.

The City has been discussing the proposed parking deck project with Emmet County officials for several years and has included this project in the event the project is acceptable to both parties and there is a desire to move forward in the coming year. Total engineering is proposed at \$300,000 and would include the participation by Emmet County for the remaining portion of the engineering costs of \$150,000. Other capital outlay includes; bike racks (\$10,000) and parking lot ID signs (\$25,000) for a total capital outlay amount of \$185,000.

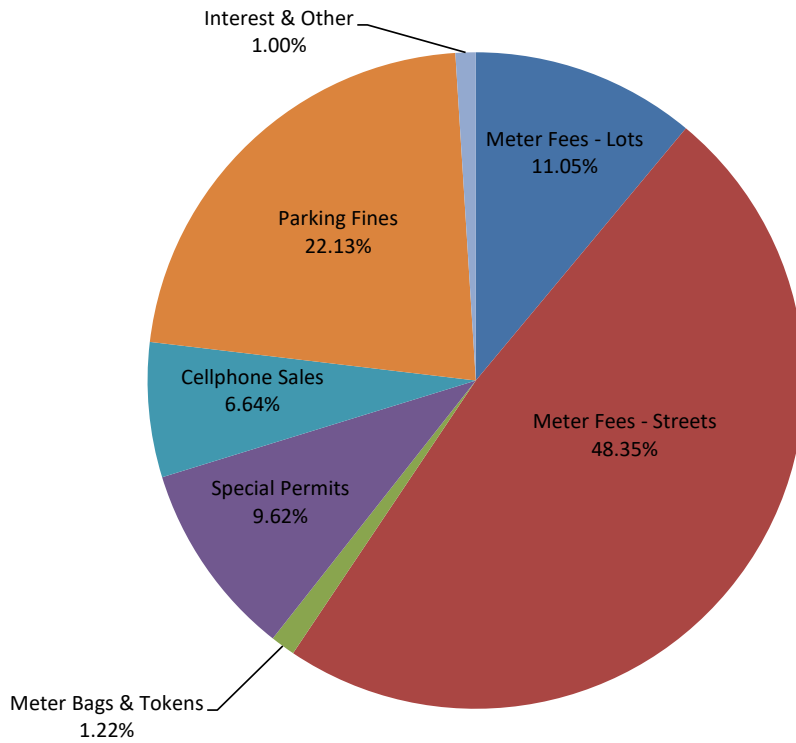
Along with six other City funds, the Downtown Parking Fund routinely pays the City's General Fund an administrative fee as reimbursement for "overhead-type" costs that regularly are covered by the General Fund for personnel and equipment associated with maintenance services that are provided by the City. In 2011, such fees increased as the City assumed additional responsibility when the office moved from the Chamber of Commerce building to Park Avenue and the Chamber's oversight ceased, along with an increase in oversight of technology.

Proposed budgeted revenues of \$903,900 and expenses of \$725,000 for 2022, will result in an excess of revenues over expenditures of \$178,900. The Parking Fund routinely has a surplus in revenue over expenditures each year, except in 2019 there was a net loss of \$146,843. Due to a full year of increased parking rates with businesses open, 2022 revenues will increase and the Parking Fund's estimated beginning retained earnings of \$1,071,255 will be offset by \$178,900 for an estimated ending retained earnings of \$1,250,155.

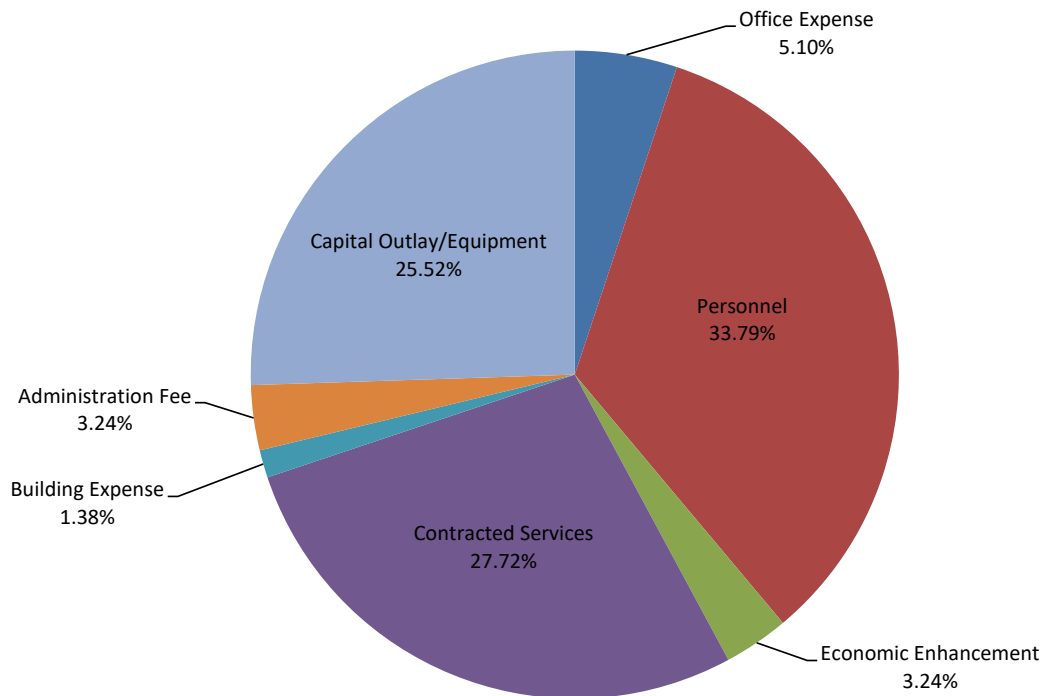
Downtown Parking Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
RETAINED EARNINGS- January 1	\$ 677,011	\$ 896,258	\$ 821,555	\$ 1,071,255
REVENUES				
Operating :				
Meter Fees - Lots	80,469	99,900	112,800	99,900
Meter Fees- Streets	256,868	437,000	268,000	437,000
Meter Bags and Tokens	8,520	11,000	11,000	11,000
Special Permits	52,442	87,000	100,000	87,000
Cellphone Sales	76,570	60,000	90,000	60,000
Parking Fines	76,247	130,000	75,000	200,000
	<u>551,117</u>	<u>824,900</u>	<u>656,800</u>	<u>894,900</u>
Nonoperating:				
Interest income	4,241	4,000	500	4,000
Other	7,897	5,000	5,000	5,000
	<u>12,138</u>	<u>9,000</u>	<u>5,500</u>	<u>9,000</u>
TOTAL REVENUES	<u>563,255</u>	<u>833,900</u>	<u>662,300</u>	<u>903,900</u>
EXPENSES				
Parking Operations:				
Personnel	245,051	224,000	225,000	245,000
Office Expense	35,645	26,500	27,500	37,000
Economic Enhancement	1,367	23,500	21,800	23,500
Contracted Services	77,999	106,000	101,000	201,000
Building Expense	13,581	7,700	9,500	10,000
Administration Fee	22,300	21,000	22,800	23,500
Capital Outlay/Equipment	22,768	155,000	5,000	185,000
	<u>418,711</u>	<u>563,700</u>	<u>412,600</u>	<u>725,000</u>
TOTAL EXPENSES	<u>418,711</u>	<u>563,700</u>	<u>412,600</u>	<u>725,000</u>
Excess of Revenues Over Expenses	<u>144,544</u>	<u>270,200</u>	<u>249,700</u>	<u>178,900</u>
RETAINED EARNINGS - DECEMBER 31	<u>\$ 821,555</u>	<u>\$ 1,166,458</u>	<u>\$ 1,071,255</u>	<u>\$ 1,250,155</u>

Revenues



Expenditures



Right-of-Way Fund

The Right-of-Way Fund, a special revenue fund, was established in 1988 following voter approval of an amendment to the City Charter that permits the City Council to annually levy up to five mills in property taxes to offset costs of maintenance operations and public improvements within street rights-of-way. Revenues received by the Right-of-Way Fund are disbursed to other City funds for uses as permitted by the City Charter. The Major Street Fund, Local Street Fund, and General Street Fund are primary recipients of these disbursements, but City utility funds are also eligible for transfers.

Summary. With total revenues budgeted at \$1,863,100 and total expenditures budgeted at \$2,102,000, expenditures will exceed revenues by \$238,900, which will be deducted from an estimated beginning fund balance of \$959,801 for an estimated ending fund balance of \$720,901. A fund balance is being maintained to help fund a number of anticipated future projects.

Revenues. The initial 1988 five-mill tax levy has been reduced to 3.7920 mills in 2021 by the "Headlee Amendment", which the City Council approved last May. For 2022, a millage rate of 3.7920 is again being recommended. The millage reductions are the result of Michigan Constitutional provisions that restrict increases in tax-levy amounts from one year to the next, to the rate of inflation, subject to a 5% cap, and that also require that, if a local unit's taxable value for the new year exceeds the rate of inflation, tax levies must be rolled back to the rate of inflation, or 5%, whichever is less.

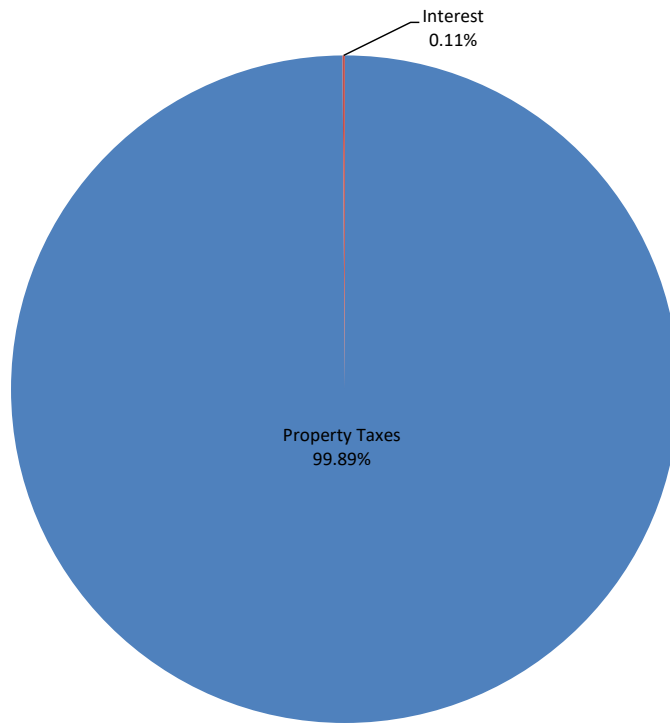
With taxable values estimated to increase by 2.5% for next year due to current real estate sales and the State's rate of inflation being more than the actual increase in market value, property tax revenues are budgeted at \$1,861,000, which is \$51,600 more than the \$1,809,400 estimated to be received in 2021, a 2.85% increase. Total proposed revenues for 2022 are budgeted at \$1,863,100 when interest and penalties are added of \$2,100.

Expenditures. Transfers to other City funds next year from the Right-of-Way Fund have been proposed to total \$2,100,000, with \$1,100,000 to the Local Street Fund and \$1,000,000 to the General Street Fund. In addition, \$2,000 has been budgeted for contracted services in 2022, an amount budgeted annually for engineering and auditing purposes, for total expenditures of \$2,102,000.

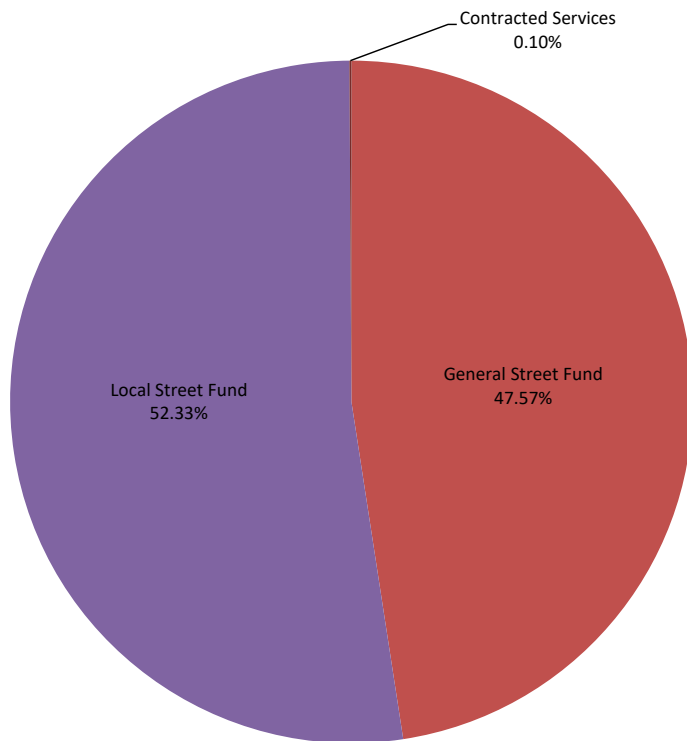
Right-Of-Way Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 662,511	\$ 836,127	\$ 850,401	\$ 959,801
REVENUES				
Operating :				
Property Tax	1,789,184	1,779,200	1,809,400	1,861,000
Interest income	5,446	6,900	2,000	2,100
TOTAL REVENUES	1,794,630	1,786,100	1,811,400	1,863,100
EXPENDITURES				
Construction:				
Contracted Services	1,740	2,000	2,000	2,000
Transfers:				
Major Street Fund	200,000	-	-	-
Local Street Fund	200,000	500,000	500,000	1,100,000
General Street Fund	1,205,000	1,200,000	1,200,000	1,000,000
Water & Sewer Fund	-	-	-	-
	1,605,000	1,700,000	1,700,000	2,100,000
TOTAL EXPENDITURES	1,606,740	1,702,000	1,702,000	2,102,000
Excess of Revenues Over Expenditures	187,890	84,100	109,400	(238,900)
FUND BALANCE - DECEMBER 31	\$ 850,401	\$ 920,227	\$ 959,801	\$ 720,901

Revenues



Expenditures



Electric Fund

The Electric Fund operates as an enterprise fund, financing electric distribution services through revenues collected from the sale of power at retail rates. Electricity is purchased at wholesale prices from a consortium of public suppliers, and is distributed to retail customers using the City's distribution system. In addition to retail sales revenues, the Electric Fund also derives income from the rental of facilities used by other City operations.

The City's nearly 82 miles of distribution system, approximately 30% of which is overhead and 70% underground, services the power needs of 5,471 customers.

Customer Type	City of Petoskey	Bear Creek Township	Resort Township	Total
Residential	2,991	790	186	3,967
Commercial	604	171	41	816
Industrial	6	1	0	7
Non-Profit	166	30	5	201
Bay View Assoc.	0	480	0	480
TOTAL CUSTOMERS				5,471

Revenues. Income to the Electric Fund is derived from both operating and non-operating revenues. Operating revenues consist of the retail sales of electricity to residential and commercial-industrial customers, funds collected to pay for energy optimization programs, MPSC charges, as well as customer penalties.

Non-operating revenues include interest income from investments, project jobs for electric users, repayment of Public Safety Station West loan, and rent collected for the Department of Public Works building and other non-electric City operations. In late 2018 the City of Petoskey completed an electric rate study and, for the first time since 2010, implemented a series of annual rate adjustments through 2021. These annual rate adjustments average 1.0% to 3.0% depending on rate class, and includes a seasonal rate differential, reflecting the higher cost of wholesale electricity during periods of peak demand for electricity in the summer months.

Revenues from residential retail sales in 2022 are budgeted at \$3,107,000, or \$203,000 more than budgeted revenues in 2021. Revenues from commercial-industrial sales next year are budgeted at \$7,275,000, or \$365,000 more than estimated actual revenues for 2021, and 11.3% higher than actual revenues collected from commercial-industrial customers in 2020. The revenues in 2021 increased following a reduction in the previous year due to the pandemic closing or reducing many business operations. Estimating usage based on the last two years of usage remains difficult due to the closing and reopening of facilities during the period.

Non-operating revenue for 2022 includes receipt of the eleventh annual payment made by the General Fund towards repayment of a \$2,100,000 contribution to the General Fund for the acquisition of property and the construction of the Public Safety Station West facility at Bay Harbor. The Electric Fund retained ownership of a large portion of vacant land not required for the public safety station. The vacant property valued at \$500,000 was applied against the contribution amount reducing the repayment amount to \$1,600,000. The annual payment is \$100,000 and requires 20 years to repay at 2% interest.

Total Electric Fund revenues for 2022 are budgeted at \$11,042,000, which is \$447,100 more than anticipated to be received in 2021, and \$638,750 more than received in 2020. With total expenses budgeted at \$10,880,900, a net income of \$162,000 is anticipated for 2022. With depreciation expense of \$1,150,000, cash inflows will exceed expenses by \$1,312,000.

Expenditures. Proposed expenses for the Electric Fund in 2021 are now projected to be \$10,862,400 or \$18,500 less than now proposed to be spent in 2022. For 2022, wholesale purchased power is budgeted to cost \$6,337,900 or \$462,100 less than budgeted for 2021, and \$10,100 less than estimated actual costs. Purchases of wholesale power are always the Electric Fund's greatest annual cost, and wholesale costs have been decreasing due to a more stable wholesale market place.

All electricity that is purchased by the City for resale is provided at wholesale rates by the Michigan Public Power Agency (MPPA), a "joint-action agency" that serves 22 municipal members, 21 of whom, including Petoskey, participate in the Agency's Energy Services Project. Through this service project MPPA facilitates short and longer-term bilateral energy and capacity purchases, schedules transmission and provides required market participation services.

The City continues to own entitlements obtained through the Agency, in two commercially-operated base-load (coal fired) power generating plants, a combined cycle intermediate-load (natural gas) power generating plant, a power sharing and transmission grid dispatching operation, and is a partner in a peak-load, combustion turbine generator. Renewable energy sources are also provided through the Energy Services Project and for years consisted primarily of electricity produced by the combustion of landfill gas in generating units, making up 10% of the City's current energy needs. Through MPPA, the City has diversified its renewable energy portfolio by adding wind and solar as resources with plans to eventually, over several years, phase out landfill gas for more economical and technology based renewables.

The amount of renewable energy the City receives through MPPA increased in 2020 due to purchase agreements tied to a wind generation facility located in the thumb area of Michigan. Production from the wind facility began in July of last year and nearly doubled the City's source of renewable energy to 20%.

In addition, the City has entered into power purchase commitments with MPPA for five solar projects. The two most recent commitments, a solar facility in Hart and a solar facility in Calhoun County, were made earlier this year. When all of the renewable projects have reached full commercial operation, which will take place over the next few years, MPPA forecasts the City's source of renewables will increase to 33% by year 2024, exceeding the City's goal of 30% by year 2025. MPPA continues to evaluate power supply options on behalf of the City of Petoskey and balance those options with existing project commitments and agreements.

System maintenance activities are budgeted for 2022 at \$784,400, a \$57,500 decrease over budgeted 2021 expenses of \$841,900. These expenses are related to the electric transmission and distribution system's conductors and service lines, grid system transformers, street lighting and traffic signals and metering devices. This category also includes the majority of wages for Department of Public Works personnel.

System administration costs, always the second largest Electric Fund expense category, have been proposed at \$1,846,900 for 2022. Included in these expenses are functions such as engineering, insurance, supervisory wages, fringe benefits and training. Also included is rent for the Electric Fund's use of City Hall facilities and administration fees, both of which are paid to the General Fund, and which are proposed to total \$600,000 in 2022, up from the \$597,900 budgeted in 2021.

In 2016 the City received notice from the Municipal Employees Retirement System of Michigan of a change in plan valuations that would significantly increase the City's contribution to the employee's retirement plans over the next five years. In response to the forecasted increase, the City negotiated changes to the existing retirement plans to reduce required contribution amounts.

The unfunded accrued liability (UAL) of the retirement plan represents a large portion of the annual required contribution. In 2017 the City paid off the UAL belonging to the majority of Department of Public Works Division employees in the amount of \$1,000,000. The expense was apportioned to the General Street, Electric and Water & Sewer Funds and was included within their respective fund budgets under Administration – fringe benefits. During 2018 thru 2021 the City continued paying down the UAL in the amount of \$1,000,000 annually with \$700,000 initially financed through the Electric Fund, and \$600,000 each year thereafter, including 2022.

The Sheridan Street and Curtis Avenue garages, which are owned by the Electric Fund, are expected to cost \$205,300 to operate in 2021. These facilities are made available for use to several other City departments which are charged \$142,400 for their share of actual facility operating costs in 2019. The City will also be making the third and final \$241,000 payment on the land contract to purchase the Midwest Siding Building.

Non-operating expenses within the Electric Fund include \$1,150,000 in depreciation for 2022, slightly more than the 2021 estimated amount. Depreciation costs for components that make up the City's electric distribution system normally increase from year to year as components that are routinely added and replaced tend to increase these costs.

On an annual basis, the Electric Fund transfers funds - a payment in lieu of taxes - to the General Fund and the General Street Fund. In 2022, the budget is proposing to transfer out \$444,500, \$4,900 less than in 2021. \$194,500 is proposed to be transferred to the General Fund, a \$4,900 decrease, and \$250,000, which has become the standard amount, would be transferred to the General Street Fund to help defray the cost of sidewalk repairs and forestry activity.

Capital Projects. The major investment placed into the electrical system over the last ten years has provided significant improvements in system capacity and reliability. The electric system projects have been completed in a logical order from initial upgrades to critical distribution circuits, through increasing substation capacity, and finally, through constructing redundant circuit ties. Project focus has shifted to upgrades on circuits serving core residential areas, removing "back-lot" overhead lines, and voltage conversions to the more reliable 12.5kV system. Following completion of the redundant circuit ties, which provides increased reliability, electric lines in the core residential areas began being upgraded.

In 2018 undergrounding was completed through the southern end of Emmet Street, Wesley Street, Ann Street, Cherry Street and Spencer Street. During 2019 the remaining section of 4.16kV overhead lines were converted to underground along US-31 through Bay View, along with back-lot areas of Karamol Court, Valley View Avenue, Regent Drive and Highland Drive. Additionally, wildlife protection fencing has been installed in both substations to greatly reduce potential outages on critical substation equipment.

In 2020 undergrounding was performed on Kalamazoo Avenue in conjunction with the street reconstruction project, along with areas surrounding the project that included portions of Hoffman, Lindell, Lockwood, Harvey and Lookout.

During 2021 the City continued underground conversion of electric in the residential areas including; Waukazoo Avenue, Rush, Beech, and Pearl Streets. Electric substation improvements also occurred in 2021 and included battery installations at Mitchell Road Substation and capacitor bank additions at Petoskey Substation. Greenwood Road also received L.E.D. lighting upgrades as part of the reconstruction project.

Several redundant circuit ties have been constructed through the system improvement projects over the past several years. These ties allow for shifting electrical load to complete maintenance on portions of the system along with providing the ability to serve load during unplanned outages.

2022 construction projects within the Electric Fund will focus on the continuation of system-wide voltage conversions and upgrades that include:

- Residential Underground Installation \$685,000
Conversion of existing overhead distribution circuit to underground. Majority of the work will be along East Lake and include portions of Bay, Ottawa, Summit, Williams and Clinton Streets.
- Petoskey Substation and Mitchell Road Substation Maintenance \$40,000
Electrical Substation work that includes testing and inspection of power transformers, voltage regulators and circuit reclosures.
- Electric Vehicle Charging Stations \$60,000
Installation of 3-4 vehicle charging stations including replacement of existing downtown charging unit. Full implementation of this project is dependent upon receiving grant funding from the Michigan Department of Environment, Great Lakes, and Energy.
- Electric System GIS Database \$100,000
Develop back-end database for Electric System GIS. Transfer existing computer model and record drawings into database.

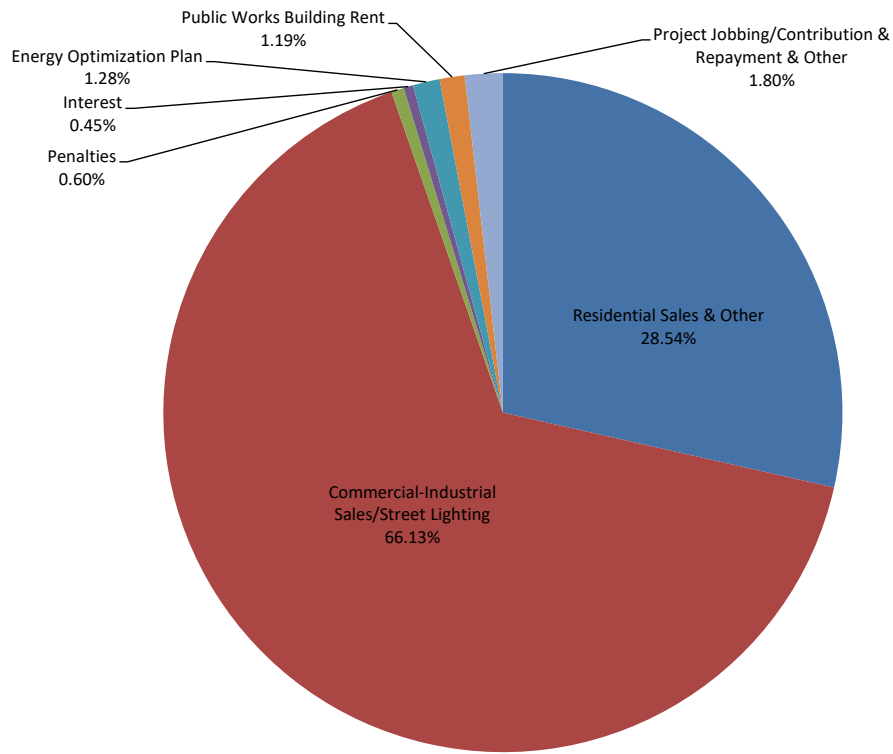
Total Capital Projects

\$ 885,000

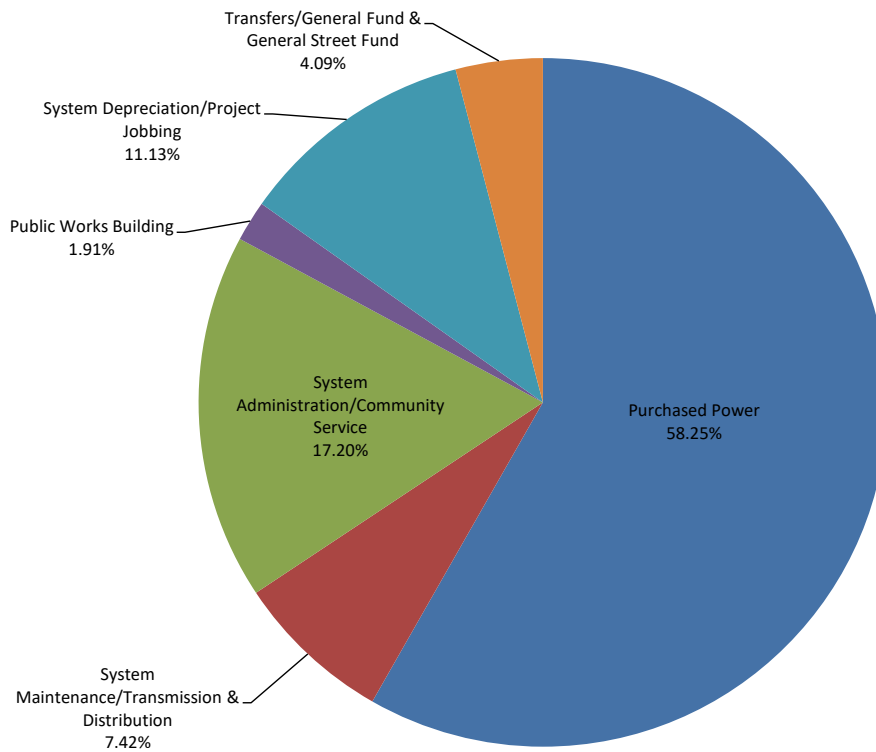
Electric Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
RETAINED EARNINGS - January 1	\$ 25,517,147	\$ 25,412,323	\$ 25,467,575	\$ 25,200,975
REVENUES				
Operating :				
Residential Sales	2,825,822	2,904,000	2,935,500	3,107,000
Commercial and Industrial Sales	6,538,109	7,700,000	6,910,000	7,275,000
Street Lighting	27,912	22,000	27,000	28,000
Energy Optimization Plan	142,274	140,800	141,600	141,500
Penalties	65,030	86,500	61,700	66,500
Other	42,641	41,000	52,000	45,000
	9,641,788	10,894,300	10,127,800	10,663,000
Nonoperating:				
Project Jobbing	340,794	76,500	140,600	73,000
Interest Income	157,891	110,000	50,000	50,000
Rents and Royalties	10,328	18,100	17,500	10,500
Public Works Building Rent	130,300	114,200	114,200	120,900
Contribution repayment	100,000	100,000	100,000	100,000
Other	23,050	23,000	45,700	25,500
	762,362	441,800	468,000	379,900
TOTAL REVENUES	10,404,150	11,336,100	10,595,800	11,042,900
EXPENSES:				
Operating:				
Purchased Power	6,041,822	6,800,000	6,348,000	6,337,900
Transmission and Distribution	6,357	23,500	23,500	23,500
System Maintenance	677,903	841,900	783,600	784,400
Community Service	11,741	24,600	16,500	24,600
Administration	1,709,002	2,016,100	1,784,700	1,846,900
	8,446,825	9,706,100	8,956,300	9,017,300
Nonoperating:				
Public Works Building	151,180	205,300	176,600	208,000
Project Jobbing	233,608	61,600	135,100	61,100
System Depreciation	1,162,309	1,145,000	1,145,000	1,150,000
	1,547,098	1,411,900	1,456,700	1,419,100
Transfers:				
General Fund	209,800	199,400	199,400	194,500
Motorpool Fund	-	-	-	-
General Street Fund	250,000	250,000	250,000	250,000
	459,800	449,400	449,400	444,500
TOTAL EXPENSES	10,453,723	11,567,400	10,862,400	10,880,900
Excess of Revenues Over Expenses	(49,573)	(231,300)	(266,600)	162,000
RETAINED EARNINGS - DECEMBER 31	\$ 25,467,575	\$ 25,181,023	\$ 25,200,975	\$ 25,362,975

Revenues



Expenses



Water and Sewer Fund

The Water and Sewer Fund operates as an enterprise fund, meaning that revenues collected from the sales of water as well as sanitary-sewer user fees are used to pay for fund operating costs and capital expenditures. Capital projects located within the street rights-of-way that would benefit water distribution and wastewater collection systems can also be financed using transfers from the Right-of-Way Fund.

Petoskey Water System Overview	(in gallons)
Total Gallons Produced (Annual)	597,489,000
Daily Average	1,632,000
Number of Wells	7
Customers - Inside City	3,088
Customers - Outside City	390

Petoskey Wastewater System Overview	(in gallons)
WWTP Plant Capacity	2,500,000
WWTP Peak Plant Capacity	5,000,000
Average Daily Flow	1,220,000
Total Gallons Treated (Annual)	447,726,000
Customers - Inside City	2,942
Customers Outside City	211

Revenues. Income to the Water and Sewer Fund originates from two categorical sources - operating and non-operating sources. Operating revenues consist of water and sewer user fees collected from residential, commercial, industrial and non-profit customers as part of monthly utility bills.

City staff is projecting 2022 user-fee revenues for the Water and Sewer Fund to be \$5,915,100, which is \$129,700 more than 2021 estimated totals. Revenues for 2021 were less than budgeted amounts due to a decrease in commercial water and sewer utility usage due to the pandemic. Usage had declined annually since the long hot summer of 2012, with each succeeding year being a little cooler and wetter than the year before. Usage increased beginning in 2016 with warmer temperatures. For 2022, budgeted revenues are based on historical usage and include a scheduled rate increase.

Non-operating revenues are estimated to be \$331,000 in 2022, and includes interest earned from investments, interest that is earned from reserves of cash necessitated as part of revenue bond debt issuance and debt payments that are received from the Springvale-Bear Creek Sewage Disposal Authority, which in 1977 purchased an entitlement to a portion of the capacity of the City's Wastewater Treatment Plant. The agreement requires the Authority to make payments towards their proportionate share of debt-service obligations.

Water and Sewer Rates. A previous utility rate study was performed in 2010 and resulted in four years of rate adjustments that ended in 2014. The City performed another water and sewer rate study in 2018. Based on that study, City Council approved recommended rate adjustments for the years 2019 through 2023.

With current year gross revenues expected to total \$6,104,900 and expenses \$5,603,200 net income for the Water & Sewer Fund will total \$501,700. This income combined with noncash expenses such as depreciation, goes towards funding capital outlay items and principle debt payments not included within expense items. For 2022, net income is budgeted at \$418,100.

Expenditures. For 2022, total expenses (operating & non-operating) for the Water and Sewer Fund have been proposed to reach \$5,828,000, a decrease of \$124,800 compared to 2021 budget figures. The decrease is due to a reduction in interest expense following a refinancing of bond debt in 2021 and a decrease in Sewer Administration Costs.

Operating costs for the water division in 2022 include \$326,200 for water source and pump expenses, and \$48,500 for water purification expenses. \$543,200 is proposed for water distribution expenses, including maintenance of the distribution system, service connections, hydrants, metering devices and maintenance of the water storage tanks.

Maintenance of the distribution system will continue to include a valve turning program that was introduced in 2012 along with leak detection services that are performed on an as needed basis. These programs are performed by an outside contractor and provide insight to the system's strengths and weaknesses along with valuable mapping data that will be utilized with the development of the City's GIS program.

The Water Department will also continue replacing old outdated meters with more current meter types that also allow for automatic meter reading. The program is similar to the Electric Fund where meters are tested annually to ensure they are reading accurately; only in this case, these meters are old enough they warrant replacement. The increased accuracy of the new meters and ability to auto read helps pay for the program.

System administration costs, proposed at \$867,500, an increase of 1.3% compared to 2021 budget figures, due to an increase in personnel costs. Finally, administration costs include rental fees paid to the Electric Fund for the use of the Sheridan Street Public Works facilities, rental fees paid to the General Fund for the use of space in City Hall, and the Motor Pool Fund for vehicles, as well as contractual services.

The 2022 non-operating expenses within the water division are budgeted to total \$605,000, up slightly from the 2021 budget, due to an increase in depreciation expense. Non-operating expenses include debt-service interest payments, system depreciation and miscellaneous jobbing, but has not contained interest expense since water revenue bonds were paid off in 2017.

Operating expenses for the sewer division are proposed at \$2,039,000, a 1.6% decrease from the 2021 budget, and 17.8% more than actual expenses in 2020. This total cost also includes the expenses associated with the operation of the Wastewater Treatment Plant, operation and maintenance costs for the sewer collection system, and system administration costs.

2022 non-operating expenses within the sewer division are proposed to total \$1,027,100 down 9.9% from the 2021 budget. Non-operating expenses consist of debt-service interest payments, system depreciation, and miscellaneous jobbing. Interest and related debt expense for the 2021 refunding revenue-bond issues, would be \$259,100 and system depreciation has been proposed at \$768,000 in 2022.

It is projected that the Water and Sewer Fund will have net income in 2022 of \$418,100, which would increase Water and Sewer Fund estimated retained earnings to \$27,758,482. The retained earnings amount does include net asset costs of the water and wastewater utility system.

Capital Projects.

Water and sewer capital projects for 2022 are being performed in conjunction with East Lake Street reconstruction and residential street improvement projects and include:

Water System

- East Lake Street Water Main Replacement and Service Upgrades \$700,000
Replace water main and components between Kalamazoo Avenue and Division Street including portions of Kalamazoo Avenue, Summit, Clinton, and Williams Streets.
- Miscellaneous Spot Repairs and Service Line Investigations \$125,000
Water repairs will take place in conjunction with the State Street resurfacing project along with lead service investigations and possible replacement within the East Lake Street project.

Sewer System

- East Lake Street Sewer Main Replacement and Service Upgrades \$600,000
Replace sewer main and components between Kalamazoo Avenue and Division Street including portions of Kalamazoo Avenue, Summit, Clinton, and Williams Streets.
- Miscellaneous Sanitary Sewer Main Spot Repairs and Upgrades \$25,000
Sanitary sewer main work will take place in conjunction with the State Street resurfacing project.

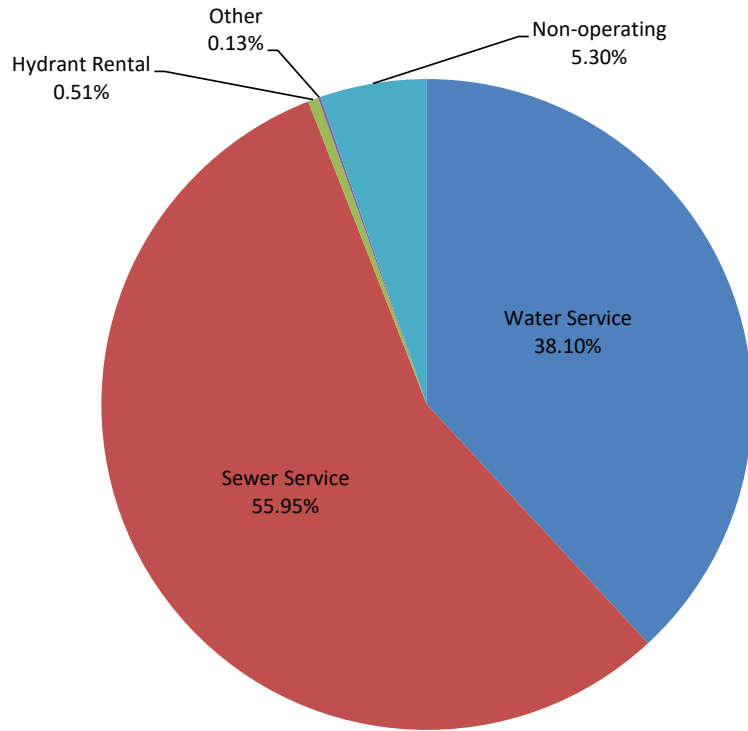
Total Capital Projects

1,450,000

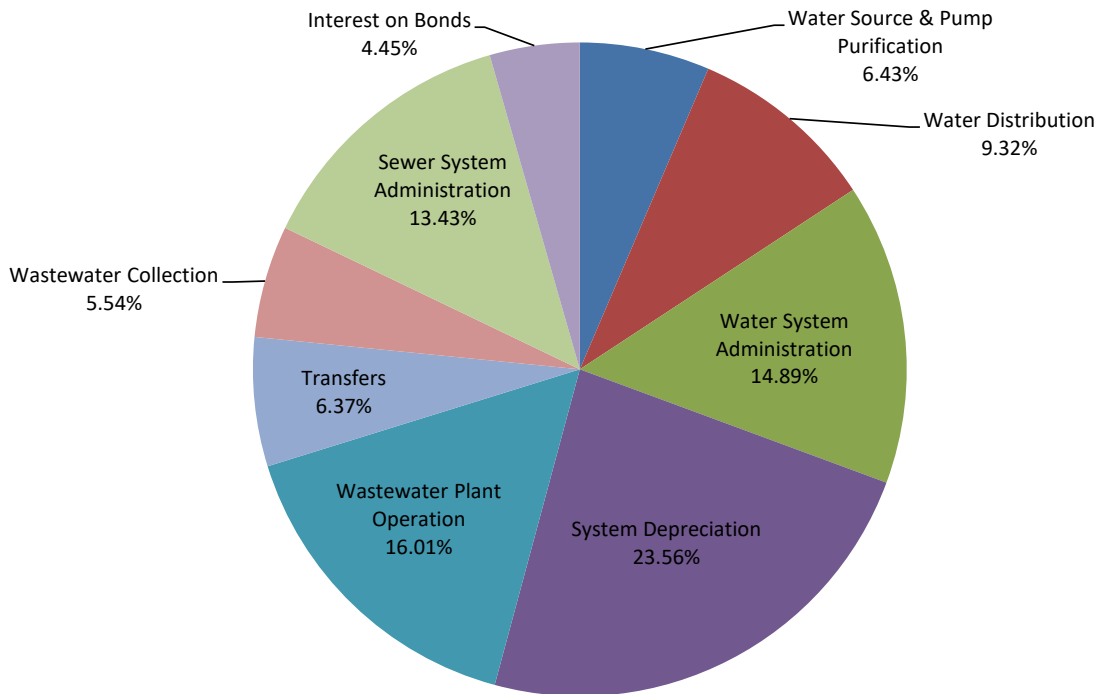
Water and Sewer Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
RETAINED EARNINGS - January 1	\$ 25,958,114	\$ 26,525,394	\$ 26,838,682	\$ 27,340,382
REVENUES				
Operating :				
Water-Residential Sales	1,228,973	1,210,300	1,210,000	1,230,000
Water-Commercial & Industrial Sales	1,198,995	1,211,000	1,104,000	1,150,000
Sewer-Residential Sales	2,069,117	2,025,000	2,145,000	2,165,000
Sewer-Commercial & Industrial Sales	1,284,184	1,336,000	1,273,500	1,330,000
Hydrant Rental	32,519	32,000	32,000	32,000
Other	19,741	20,100	20,900	8,100
	5,833,530	5,834,400	5,785,400	5,915,100
Nonoperating:				
Tower Rental	73,959	70,800	80,000	80,000
Project Jobbing	11,715	12,000	14,500	12,000
Interest Income	113,029	135,000	50,000	50,000
Sewage Service Covenants	181,835	189,000	175,000	189,000
	380,539	406,800	319,500	331,000
Transfers: Right of Way	-	-	-	-
TOTAL REVENUES	6,214,069	6,241,200	6,104,900	6,246,100
EXPENSES				
Water Operating:				
Source and Pumping	308,346	325,700	317,500	326,200
Purification	29,151	48,500	32,300	48,500
Distribution	303,433	534,200	444,000	543,200
Administration	832,145	856,300	823,100	867,500
	1,473,075	1,764,700	1,616,900	1,785,400
Sewer Operating:				
Wastewater Plant Operation	741,822	937,200	889,000	933,200
Wastewater Collection	262,236	315,500	301,300	323,100
Administration	726,282	819,300	730,900	782,700
	1,730,340	2,072,000	1,921,200	2,039,000
Nonoperating:				
Project Jobbing	2,528	-	-	-
System Depreciation	1,370,186	1,365,000	1,365,000	1,373,000
Interest on Bonds	367,873	374,600	323,600	259,100
	1,740,586	1,739,600	1,688,600	1,632,100
Transfers:				
General Fund	389,500	376,500	376,500	371,500
TOTAL EXPENSES	5,333,501	5,952,800	5,603,200	5,828,000
Excess of Revenues Over Expenses	880,568	288,400	501,700	418,100
RETAINED EARNINGS - DECEMBER 31	\$ 26,838,682	\$ 26,813,794	\$ 27,340,382	\$ 27,758,482

Revenues



Expenses



Motor Pool Fund

The Motor Pool Fund exists to provide for the purchase, operation, and maintenance of all City-owned vehicles and equipment. The Motor Pool Fund is an internal service fund since its only purpose is to provide services to other City funds. Fund revenues are derived from rental fees charged to various City departments and their divisions, through other City funds and applicable accounts for equipment use, based on replacement and operating costs, and in some cases, frequency of use.

Summary. Expenses for the Motor Pool Fund are budgeted at \$1,147,400 a \$90,700 increase over estimated expenses for 2021, while revenues are budgeted at \$1,198,800 an increase of \$4,200 over this year's estimated actual amount. Retained earnings in the Motor Pool Fund, which consists of cash, inventory, vehicles and equipment, are estimated at \$5,416,355 in 2022. Cash is used for capital items, and in 2022 it is proposed that the Motor Pool Fund replace the following eight existing vehicles and equipment with a total cost of \$495,000:

Public Works: Pickup trucks (2), Staff vehicle, Truck w/crane, Bobcat loader, Tractor/snowblower

Parks & Recreation: Batwing mower, Pickup truck

Revenues. Revenues for the Motor Pool Fund are budgeted at \$1,198,800 for 2022, \$10,000 more than budgeted for 2021. Rents collected from other City funds for their use of vehicles and equipment are always the greatest source of Motor Pool Fund revenues. These rents are anticipated to provide \$1,163,800 for next year. Income from other sources include interest from investments and the sale of surplus assets and should provide \$35,000.

Many of the vehicles and other pieces of equipment that comprise the City's fleet are rented from the Motor Pool Fund based on an hourly-rate schedule of charges. In other cases, partially because some vehicles and equipment are needed in support of emergency-services and are not used on a regular or routine basis, hourly rental rates sufficient to cover operation, maintenance and replacement costs become unrealistic. As a result, certain pieces of equipment are charged annual flat rates, which recognize their necessity but lack of routine use.

Since, in some cases, actual usage affects receipts from rental fees, such income varies annually. A breakdown of next year's income anticipated from vehicle rents that are charged to other City funds would consist of \$575,000 from the General Fund, which as a result of public-safety equipment and Parks Department, is charged many flat rates for vehicles and equipment, \$137,000 from the Major Street Fund, \$92,000 from the Local Street Fund, \$79,000 from the General Street Fund, \$165,000 from the Electric Fund, \$115,000 from the Water and Sewer Fund and \$800 from other sources.

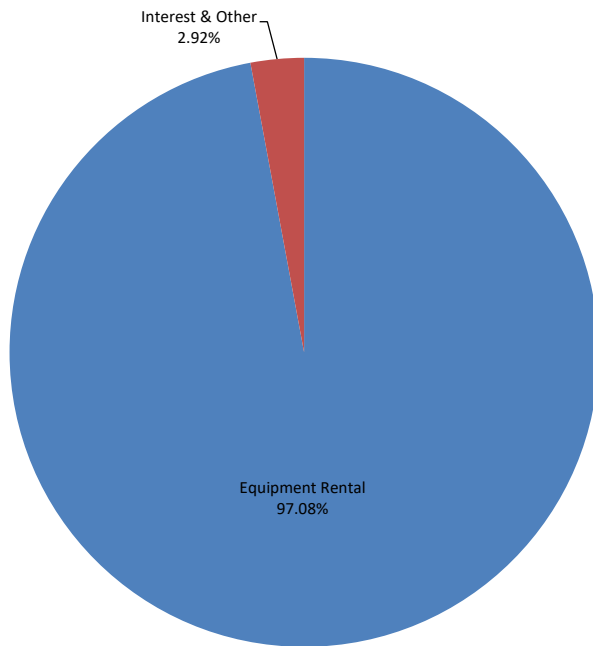
To help provide funding for future purchases of fire equipment, beginning in 2019, a portion of the Motor Pool's Fund Balance is being set aside in a reserve account. An amount of not less than \$25,000 will be added to the reserve account on an annual basis. For the three years 2019 through 2021, \$50,000 was transferred to the Firetruck Reserve Fund Balance for a total current balance of \$150,000.

Expenses. The Motor Pool Fund, which is fairly consistent in operations, is projected to spend \$1,147,400 in 2022, a 6.5% increase over budgeted expenditures in 2021. The increase is attributable to depreciation with stable expenses overall largely due to gas and oil expenses, which could vary based on the market. These 2022 budgeted expenses include; \$264,200 for maintenance of vehicles and equipment (including \$58,000 insurance and \$1,200 professional services), \$17,000 for tools, \$125,000 for fuel, \$66,200 for building and vehicle rent, \$134,900 for administration fees, \$514,000 for depreciation and \$26,100 in other various expense items.

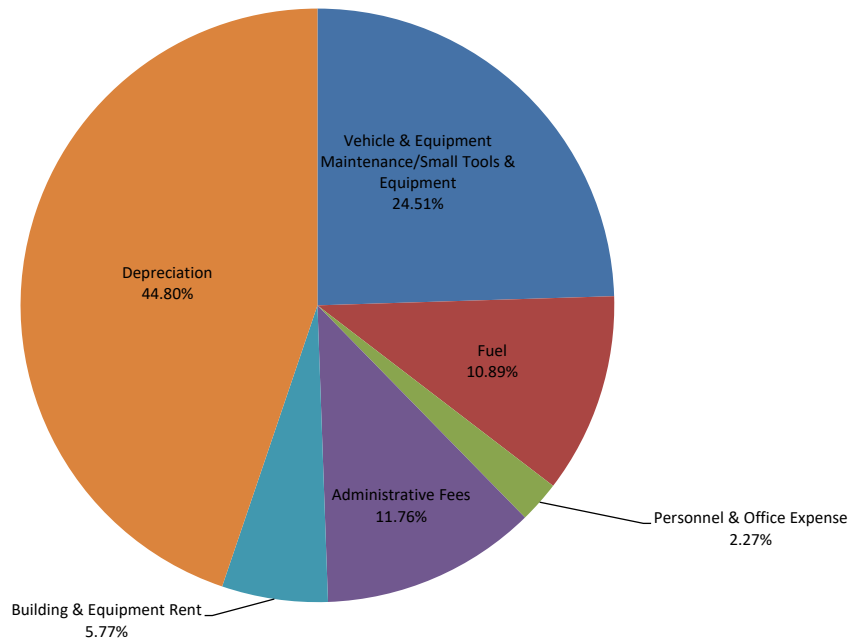
Motor Pool Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
RETAINED EARNINGS - January 1	\$ 4,197,735	\$ 5,170,376	\$ 5,227,055	\$ 5,364,955
REVENUES				
Operating :				
Equipment Rental	1,114,259	1,163,800	1,163,100	1,163,800
Nonoperating:				
Interest Income	15,013	10,000	5,000	10,000
Transfer	-	-	-	-
Other	116,248	15,000	26,500	25,000
	131,261	25,000	31,500	35,000
Contributions:				
Electric Fund	-	-	-	-
Contributions	845,000	-	-	-
	845,000	-	-	-
TOTAL REVENUES	2,090,521	1,188,800	1,194,600	1,198,800
EXPENSES				
Operating:				
Personnel	23,863	22,000	20,300	22,000
Office Expense	1,354	4,200	3,200	4,100
Small Tools & Equipment	13,387	17,000	12,000	17,000
Vehicle & Equipment Maintenance	233,544	259,200	261,200	264,200
Fuel	76,458	125,000	110,000	125,000
Building & Equipment Rent	70,722	62,500	62,200	66,200
Depreciation	510,273	456,000	456,000	514,000
Administrative fees	131,600	131,800	131,800	134,900
TOTAL EXPENSES	1,061,201	1,077,700	1,056,700	1,147,400
Excess of Revenues Over Expenses	1,029,320	111,100	137,900	51,400
RETAINED EARNINGS - DECEMBER 31	\$ 5,227,055	\$ 5,281,476	\$ 5,364,955	\$ 5,416,355

Revenues



Expenditures



Marina Improvements Bond Fund

Established in 2010, the Building Authority Marina Improvements Bond Fund was established to account for bond-debt payments associated with sales by the City's Building Authority in 2010 of \$1,000,000 in general obligation bonds, the proceeds from which were used to finance improvements at the City's Bayfront Park Marina in constructing an additional pier, renovating the existing marina building, and improvements to other marina facilities. These facilities were owned by the Building Authority and "leased" to the City until debt obligations were to be satisfied in 2024 when ownership would be transferred to the City.

The bonds were refinanced in 2017 to receive a lower interest rate and are still scheduled to mature in 2024. The City of Petoskey refinanced the bonds, so they are no longer an obligation of the Building Authority and ownership of the assets transferred to the City.

Revenues. Revenues include an annual lease payment received from the Marina activity included within the General Fund. The annual lease payment of \$124,000 will meet the required 2022 debt-service obligation, according to the pre-arranged debt-repayment schedule.

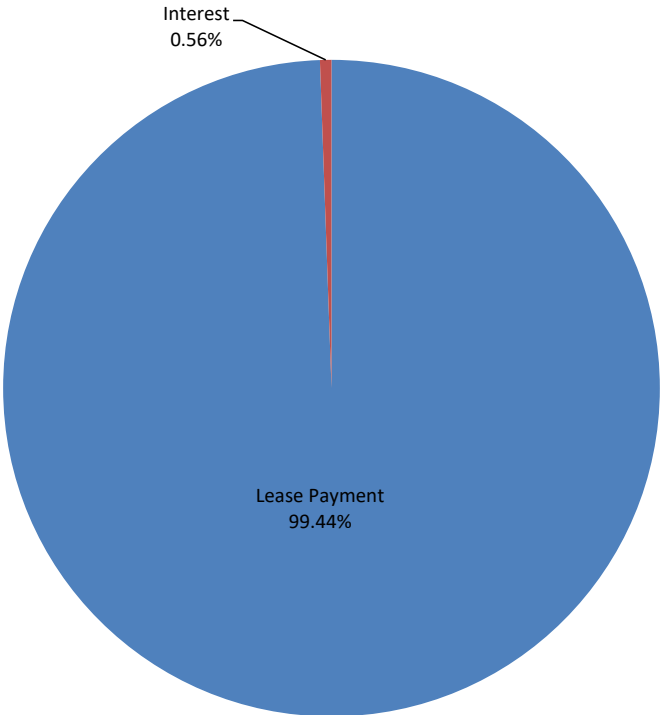
The City refinanced this bond issue in 2017, which established a new debt service schedule beginning in 2018. The bond refinancing is projected to save the City, on average, approximately \$25,000 in total interest expense costs each year, which matures in three years on April 1, 2024.

Expenditures. Total 2021 expenditures included: \$103,300 principle, \$12,900 interest for the year and \$300 in paying agent fees. Next year's budgeted costs for payment of principal on this bond increase to \$114,300, with interest requirements of \$9,700, and paying-agent fees at the standard annual amount of \$300 for total debt requirements of \$124,300. Annual principle payments on bond debt will decline over the remaining two years after reaching a high in 2022. Any surplus of revenues over expenses is added to the fund balance to help meet future debt obligations.

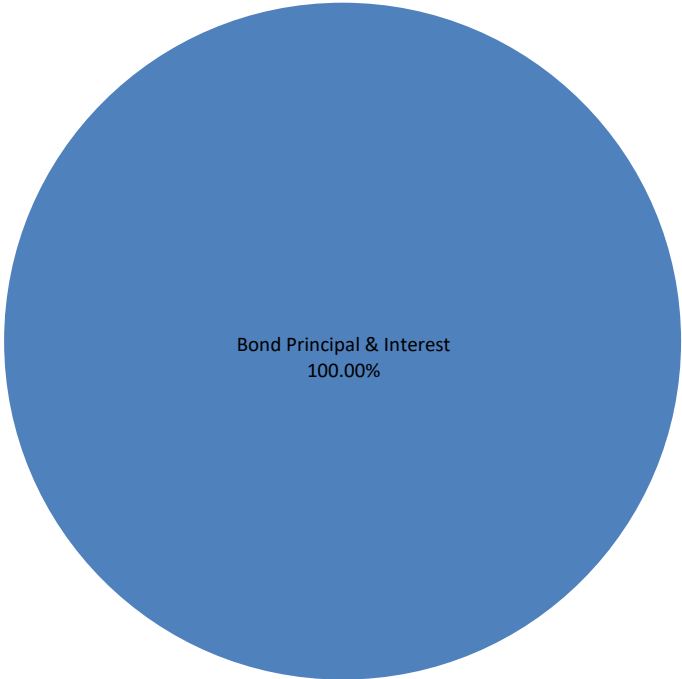
Bayfront Park Marina Bond Debt Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 27,801	\$ 28,228	\$ 29,541	\$ 30,441
REVENUES				
Operating :				
Interest Income	1,547	900	900	700
Lease Payment	114,200	116,500	116,500	124,000
TOTAL REVENUES	115,747	117,400	117,400	124,700
EXPENDITURES				
Bond Principal and Interest	114,007	116,500	116,500	124,300
Excess of Revenues Over Expenditures	1,740	900	900	400
FUND BALANCE - DECEMBER 31	\$ 29,541	\$ 29,128	\$ 30,441	\$ 30,841

Revenues



Expenditures



Bear River Valley Improvements Bond Fund

Established in 2010, the Building Authority Bear River Valley Improvements Bond Fund was established to account for bond-debt payments associated with sales by the City's Building Authority in 2010 of \$2,900,000 in general obligation bonds, the proceeds from which were used to finance improvements to the Bear River Valley Recreation Area. These facilities were owned by the Building Authority and "leased" to the City until debt obligations were to be satisfied in 2029 when ownership would be transferred to the City.

The bonds were refinanced in 2017 to receive a lower interest rate and are still scheduled to mature in 2029. The City of Petoskey refinanced the bonds, so they are no longer an obligation of the Building Authority and ownership of the assets transferred to the City.

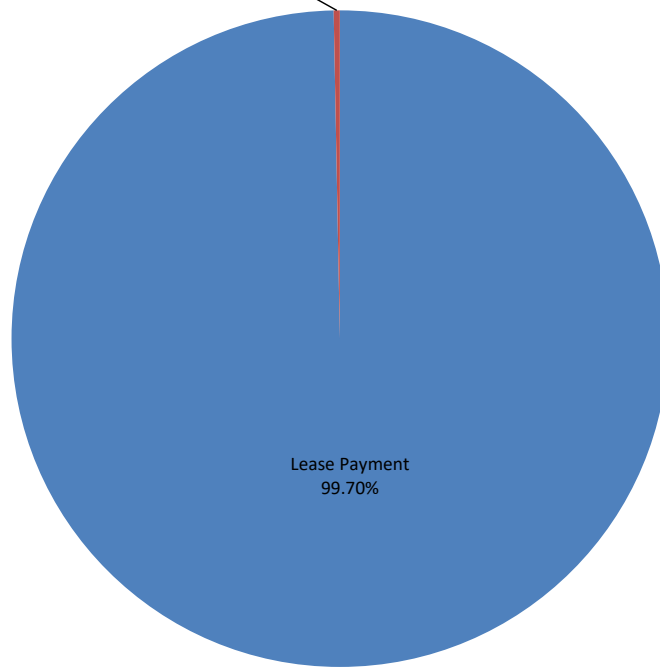
Revenues. Revenues include an annual lease payment received from the Tax Increment Finance Authority Fund. The City refinanced this bond issue during 2017, which established a new bond debt schedule. The annual lease payment is set at \$265,000 for 2022, with bond principle payments scheduled to slowly decline beginning with 2023. The refunding bond debt schedule reduces the required annual amount, resulting from a lower interest rate. The lease payment will fluctuate each year as scheduled future payments decrease each year over the remaining seven years of the bond debt payments.

Expenditures. Total 2021 expenditures included: \$171,800 principle, \$63,300 interest for twelve months and \$300 in paying agent fees. Next year's budgeted costs for payment of principal on this bond issue per the bond amortization schedule includes \$205,700, with interest requirements of \$57,700, and paying-agent fees at the standard annual amount of \$300 for total debt requirements of \$263,700. Any surplus of revenues over expenses is added to the fund balance to help meet future debt obligations based on a pre-arranged debt-repayment schedule, to satisfy lease-contract requirements associated with the original 2010 revenue-bond sale.

Bear River Valley Bond Debt Fund

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
FUND BALANCE - January 1	\$ 120,001	\$ 121,331	\$ 122,011	\$ 123,611
REVENUES				
Operating :				
Interest Income	1,353	1,300	1,000	800
Lease Payment	225,000	236,000	236,000	265,000
TOTAL REVENUES	226,353	237,300	237,000	265,800
EXPENDITURES				
Bond Principal and Interest	224,343	235,400	235,400	263,700
Excess of Revenues Over Expenditures	2,010	1,900	1,600	2,100
FUND BALANCE - DECEMBER 31	\$ 122,011	\$ 123,231	\$ 123,611	\$ 125,711

Revenues



Expenditures

