



2023 ANNUAL BUDGET



City of Petoskey

Office of City Manager

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

October 31, 2022

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

Proposed 2023 Annual Budget

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

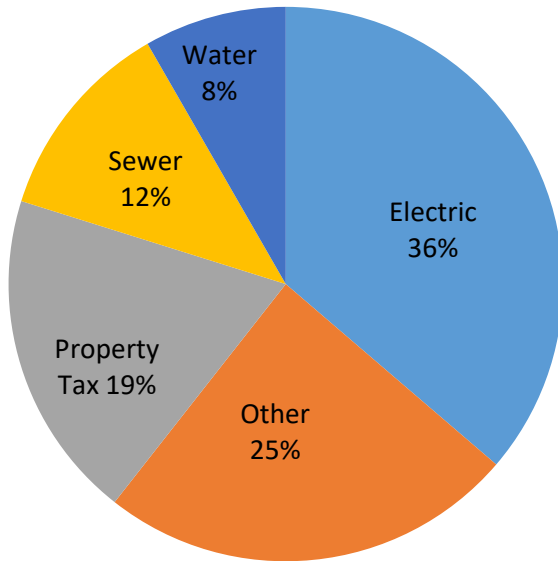
For your review and consideration is the 2023 Annual Budget for the City of Petoskey. The budget process begins in August and involves all Departments Heads and their Supervisors in preparing estimated amounts for current year and budgeted amounts for 2023 and takes several months to complete. The Annual 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 be vigilant to the changing economic climate and will strive to minimize the financial impacts while promoting a high quality of life that residents are accustomed to.

Totaling \$33,691,450 the proposed 2023 Operating and Capital Budget is \$3,850 more than the 2022 Budget, with the 2023 Governmental Funds being \$1,467,850 less than 2022 and the 2023 Enterprise Funds \$528,000 more than the 2022 budget.

The 2022 budget included continued significant investments in capital improvement projects as we continue to address unground infrastructure, street and sidewalk projects, and parks and community spaces priorities. Capital project highlights for 2023 include the following: Washington Park access engineering, Winter Sports Park roof and windows and doors replacement, Little Traverse Wheelway resurfacing, Arboretum conversion; street projects at Porter and Maple and Bridge Street including water/sewer upgrades and sidewalk construction, residential electric underground conversion on Michigan, Grand, Bridge, Maple and Porter.

City Revenues

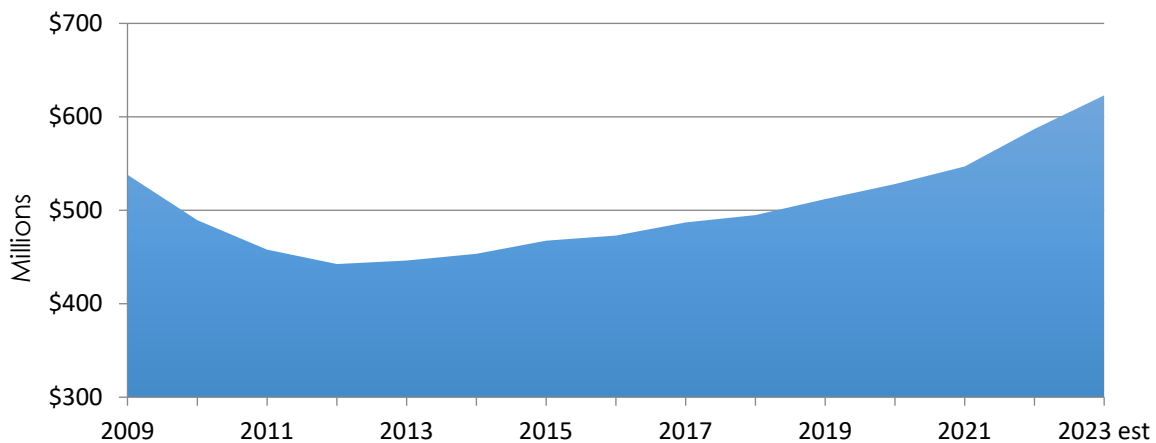


2023 operating expenditures, excluding capital costs, are budgeted at \$28,735,750 or \$1,481,150 more than 2022 budgeted amounts, mainly due to increases in electric and water funds and a reduction in Right-of-Way transfers to build up this budget for the next street reconstruction project. Operating 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. We are forecasting a 6% increase in 2023 that will be formally determined later next year. Overall, the City's taxable value is estimated at \$622,745,563 for 2023.

Taxable Value

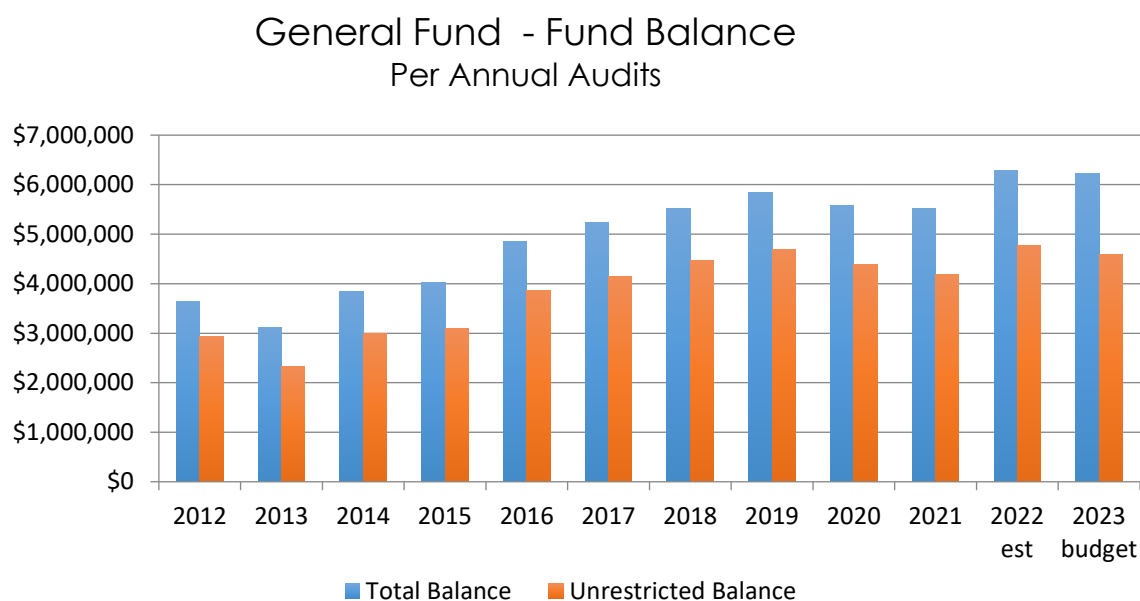


The proposed General Fund Budget shows a use of fund balance of \$72,650 based upon City Council direction, decreasing the General Fund Unrestricted Reserve Balance to an estimated \$4,593,370 by end of 2023. With this decrease in the reserves, the Unrestricted General Fund Reserve is 45% of General Fund expenditures. In 2015 Government Finance Officers Association (GFOA), recommended local governments maintain an unassigned fund balance in an amount no less than two months of general fund operating revenues or expenditures, for Petoskey, this amount would equate to a minimum unassigned fund balance of \$1.7 million. The 2023 budget will also show \$604,000 in American Rescue Plan Act funds as deferred revenue that will be disbursed based upon Council direction.

Additionally, estimated actual expenditures for 2022 are projected to be \$1,122,000 less than budgeted due to operating expenses being less in various activities in the General Fund, along with delays in capital improvement projects . Most General Fund categories were slightly below budgeted expenditures for 2022. 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 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 \$4.6 million by the end of 2023, a 65% increase.

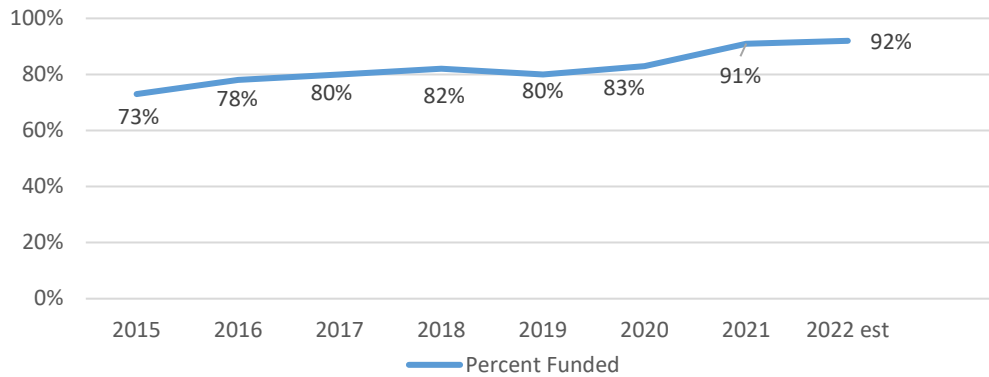
In 2021, tax levy for fire equipment of .75 mills ended reducing the City's overall millage rate. The overall millage rate for 2023 is proposed at 13.1523.



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.

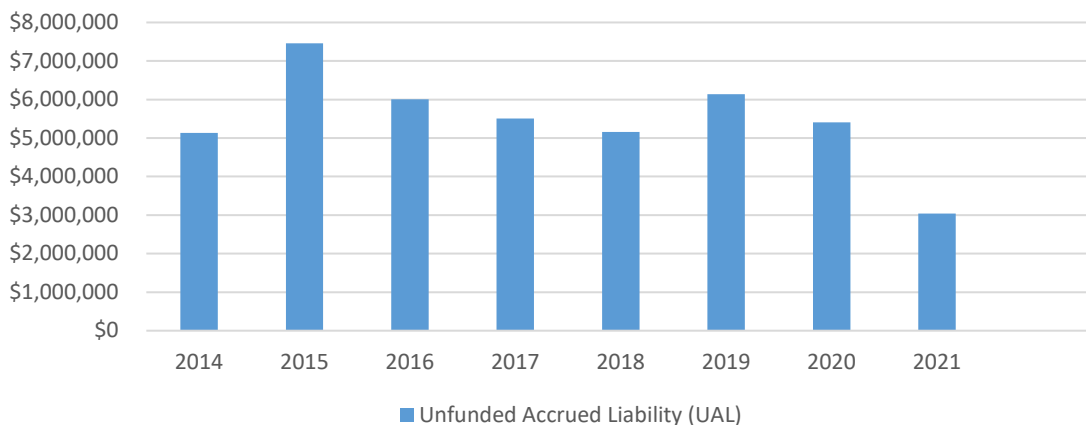
Even with the new MERS assumptions requiring increased annual payments, the City has made great strides in decreasing the overall Unfunded Accrued Liability (UAL) while increasing the funding rate from 73% in 2015 to an estimated 92% by the end of 2022.

MERS Percent Funded



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 \$600,000 in 2023 to pay down the UAL. Monies for this MERS contribution will be funded from the City's enterprise funds as well as the street fund. The overall goal as established in the City's 2021 Action Plan to achieve 90% funding in all employee divisions has been realized.

MERS Unfunded Accrued Liability (UAL)



2023 Capital Improvement Projects

Streets and Drainage

In 2023, Bridge Street from Franklin Street to the Bridge will be fully reconstructed with new pavement, ADA ramps and new sidewalks. Mitchell Street from US 31 to Emmet Street, including Emmet Street from Mitchell Street to Michigan Street will include a reconfiguration of sidewalks, lighting, signage, and landscaping in conjunction with redevelopment of 400 Emmet Street.

The City will also earmark \$300,000 to complete miscellaneous pavement preservation, paving and street repairs. Porter and Maple Streets are considered based upon their current fair to poor PASER ratings.

Water and Wastewater System

Water and sanitary sewer mains will be replaced as part of the street reconstruction work on Bridge Street from Franklin Street to the Bridge and Mitchell Street from US 31 to Emmet Street including Emmet Street from Mitchell Street to Michigan Street. Costs for both water and sewer main replacement are estimated at \$745,000 including replacement of all lead and copper water service lines that are encountered when replacing the underground utilities. We have also budgeted \$50,000 for miscellaneous water and sewer spot repairs and upgrades that we may encounter during 2023.

Sidewalks

In our continuing efforts to improve upon walkability within the City of Petoskey, the City has budgeted \$260,000 for sidewalk additions and replacements in conjunction with the Bridge Street reconstruction project between Franklin Street and the Bridge as well as miscellaneous City-wide sidewalk spot repairs will also be completed in 2023.

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 2023, the City will continue its strong investments in the electric distribution system by earmarking \$1.3 million for system-wide upgrades.

Specifically, \$978,000 has been earmarked for the installation of three-phase underground lines in the residential areas Michigan Street, Grand Avenue, and Bridge, Maple and Porter Streets. Not only does undergrounding electric lines improve reliability of our municipal electric service delivery but it also creates more aesthetically pleasing neighborhoods. This underground electric infrastructure project will also create valuable circuit redundancy for the downtown area minimizing the duration and frequency of electric outages. The City will also be completing electrical substation maintenance on the Mitchell Street and Petoskey Substation. Costs for substation repairs are estimated at \$50,000. We are also adding \$200,000 for backup generators at critical facilities and studying the initial phase of Automated Metering Infrastructure (AMI) for the water system.

Lastly, \$50,000 has been budgeted to complete additional Geographical Information Systems (GIS) mapping transferring existing electric computer models and record drawings to an updated database and providing field crews with field tablets.

Motorpool

Motor Vehicle Pool purchases planned for 2023 total \$572,000 and include the following:

- Replacement of a 2009 batwing mower for Parks and Recreation
- Replacement of a 2001 bucket truck for the Electric Department
- Replacement of a 2012 Staff vehicle with a potential electric vehicle
- Replacement of a 2015 Staff vehicle for Public Works
- Replacement of a 2008 pickup truck for Water Department
- Addition of a rescue utility cart for Public Safety at Bay Harbor Station
- Replacement of 2017 patrol vehicle for Public Safety
- Replacement of 2018 patrol vehicle for Public Safety

Parks and Special Facilities Improvements

In the City's continuing efforts to improve upon and expand parks and city facilities, the City will undertake a variety of projects in 2023:

Washington Park

We have allocated \$10,000 to create a turn-around style parking lot off of Petoskey Street on the south end of the park and provide improved access to Washington Street on the north side of the park. We will also create a new pedestrian access off of Emmet Street into the park area and extend sidewalks to key areas within the park.

Winter Sports Park Lodge Roof

The existing Winter Sports Park building is 33 years old. Replacement of the roof will be the first phase of improvements that may include the installation of roof-top solar. This project is allocated at \$100,000.

Winter Sports Park Building Renovations

We have allocated \$100,000 for interior renovations that would include window and door replacements within the facility.

Little Traverse Wheelway Resurfacing

We have allocated \$150,000 to replace a half-mile segment of the LTW.

Arboretum Conversion

This project will reconfigure a section of the LTW and restore the area with native shoreline plants, wildflower/pollinator and birding areas. We have allocated \$200,000 from TIFA for this project.

Magnus Park Master Plan

We have \$10,000 from TIFA set aside to develop renovation plans and schedule for the campground.

Pedestrian Bridge – City Hall Campus

New decking will be installed on the bridge over the Bear River near City Hall. An allocation of \$25,000 has been made from TIFA for this project.

The annual budgeting approval process is one of the most important tasks of City Council. I want to express my gratitude to former Finance Director/City Clerk Alan Terry, Finance Director/Treasurer Audrey Plath and City Clerk/Executive Assistant Sarah Bek, and to all Department Heads and City staff that assisted in preparing and compiling this budget document. I am blessed to work alongside a great team of employees that are professional, dedicated and diligent with City resources. We look forward to working with the City Council in 2023 to continue to carry out the policies and directives of this body.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Shane Horn', with a stylized, flowing script.

Shane Horn
City Manager

Budget Overview

	Revenues	Operating Expenditures	Capital Expenditures	Total Expenditures
GOVERNMENTAL FUNDS				
General	\$ 10,127,000	\$ 9,138,250	\$ 1,061,400	\$ 10,199,650
Major street	790,900	591,400	785,000	1,376,400
Local Street	273,500	370,700	115,000	485,700
General Street	1,459,500	1,288,800	267,700	1,556,500
Tax Increment Finance Authority	577,000	244,000	255,000	499,000
Library	1,693,000	1,693,500	241,200	1,934,700
Downtown Management	161,700	176,900	-	176,900
Downtown Parking	1,094,500	683,500	216,500	900,000
Right-of-Way	2,003,100	1,202,000	-	1,202,000
	<u>18,180,200</u>	<u>15,389,050</u>	<u>2,941,800</u>	<u>18,330,850</u>
ENTERPRISE FUNDS				
Electric	11,408,400	11,390,400	869,500	12,259,900
Water	2,603,500	2,742,600	586,600	3,329,200
Sewer	3,730,200	3,275,000	557,800	3,832,800
	<u>17,742,100</u>	<u>17,408,000</u>	<u>2,013,900</u>	<u>19,421,900</u>
LESS DUPLICATIONS	35,922,300	32,797,050	4,955,700	37,752,750
Fund Transfers:				
Right-of-Way	1,200,000	1,200,000	-	1,200,000
Electric	428,800	428,800	-	428,800
Water & Sewer	334,300	334,300	-	334,300
Building Rents	142,900	142,900	-	142,900
Administrative Fees	1,955,300	1,955,300	-	1,955,300
	<u>4,061,300</u>	<u>4,061,300</u>	<u>-</u>	<u>4,061,300</u>
TOTAL	<u>\$ 31,861,000</u>	<u>\$ 28,735,750</u>	<u>\$ 4,955,700</u>	<u>\$ 33,691,450</u>
INTERNAL SERVICE FUND				
Motor Pool	<u>\$ 1,172,700</u>	<u>\$ 1,183,800</u>	<u>\$ 362,200</u>	<u>\$ 1,546,000</u>

Long-Term Debt Amortization

Schedule of Long Term Debt

General Obligations	January 1, 2023 Principal Balance
City of Petoskey Building Authority - 2021 Library refunding	\$ 1,585,000
City of Petoskey Building Authority - 2017 Bear River Valley	1,413,830
City of Petoskey Building Authority - 2017 Bayfront Park Marina	226,170
Total General Obligations	<u>\$ 3,225,000</u>
Revenue Obligation	
Water and Sewer Fund - 2017 WWTP/Lift Station Improvements	\$ 4,230,000
Water and Sewer Fund - 2021 WWTP Improvements refunding	3,495,000
Total Revenue Obligations	<u>\$ 7,725,000</u>

Annual Principal and Interest Requirements

Fiscal Year Ending December 31	General Obligation Bonds	Revenue Bonds	Total Annual Debt Service
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	<u>\$ 3,499,266</u>	<u>\$ 9,092,175</u>	<u>\$ 12,591,441</u>

City of Petoskey Personnel

November 2022

City-Wide

76 Full-Time Employees

52 Part-Time / Seasonal Employees

City Administration & Finance

13 Full-Time Employees

Library

9 Full-Time Employees

13 Part-Time Employees

Parks & Recreation

9 Full-Time Employees

28 Part-Time / Seasonal Employees

Public Safety

19 Full Time Employees:

- 1 Administrative
- 4 Lieutenants
- 14 PSOs

5 Part-Time PSOs

0 Volunteer Fire Division

1 Part-Time Crossing Guard

Public Works

23 Full-Time Employees

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

2 Part-Time Street Employees

Downtown Management

3 Full-Time Employees

3 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 2023 total \$10,127,000. This is a projected increase of \$523,600 over what is expected to be received by year's end of \$9,603,400. The difference coming from a decrease in grants for this year and two projects deferred. The 2022 year-end revenue estimate is \$688,600 less than originally budgeted.

Based on proposed 2023 budgeted revenues of \$10,127,000 and proposed budgeted expenditures of \$10,199,650, expenditures will exceed revenues by \$72,650 in the General Fund. This activity will result in an estimated ending fund balance of \$6,215,576 or 61% of 2023 budgeted fund expenditures. Restricted Fund Balance amounts estimated at \$1,197,640.00 for the Marina and \$424,566 for Refuse Collection account totaling \$1,622,206 of the fund balance and would leave an estimated \$4,593,370 or 74% in unrestricted General Fund balance at the end of 2023.

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 2022, operating revenues are expected to total \$4,795,800, a net increase of \$292,317 when compared to 2021. The increase is due to a continued rise in taxable values increasing property tax revenue, along with increases in state shared revenues. Total 2023 operating income is proposed to total \$4,956,200, a 3.2% increase, or \$160,400 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 taxable value for 2022 of \$587,531,579 continues to exceed the previous high in 2009 of \$538,145,301. The City's 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 values to free fall while limiting increases to smaller increments.

The total taxable value for next year is estimated to increase 6% or \$35,213,984 for a total of \$622,745,563 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. An 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 \$4,005,800 estimated for this year to \$4,196,200 or \$190,400 more than 2022. 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 7.2306 mills in 2022 and is expected to be rolled back again in 2023.

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 \$682,800 for 2022 and is estimated at \$723,800 for 2023.

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 2023 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 2022 are at 3.7233 mills for street rights-of-way and 1.7094 mills for combined library purposes for a total 5.4327.

Although the City Council will formally establish, by June, actual rates at which the City's property taxes would be levied in 2023, several months after the budget is approved, it will be recommended to City Council that tax millages remain the same as in 2022, when most were reduced by the Headlee Amendment. The proposed tax rates are for general purposes estimated at 7.2306 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 \$622,745,563 in 2023, \$3,884,000 would be received for general purposes and \$262,200 would be received for solid-waste programs.

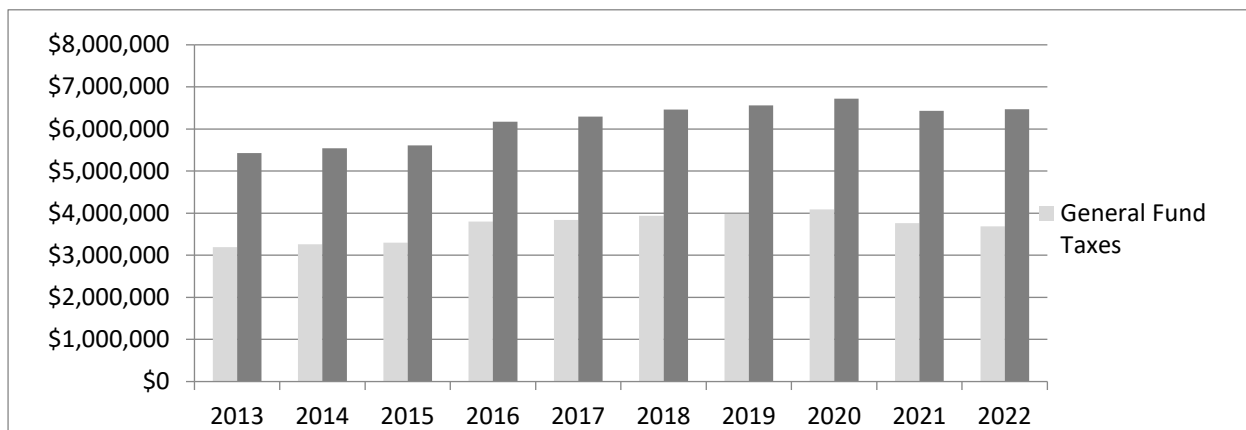
For 2023, the City's General Fund, Right-of-Way Fund and Library Fund, based upon a total millage rate of 13.1523 mills, would provide net property tax revenues to these funds at an estimated total of \$7,091,900. Limits that are established by provisions of the City Charter and applicable State statutes 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 5.8477 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	7.2306	\$622,745,563	\$4,502,800	\$205,400	\$ 600	\$14,900	\$397,900	\$3,884,000
Cleanup	0.4890	622,745,563	304,500	13,900	500	1,000	26,900	262,200
R.O.W.	3.7233	622,745,563	2,318,600	105,800	200	7,700	204,900	2,000,000
Library	1.7094	622,745,563	1,064,600	22,900	200	1,700	94,100	945,700
	13.1523		\$8,190,500	\$348,000	\$1,500	\$25,300	\$723,800	\$7,091,900

In 2023 the City's taxable value is estimated to increase to \$622,745,563 or 6% more than that established for 2022. Deducted from tax levies will be captured tax revenues from three tax-increment financing districts and a 2.5-mill equivalent as revenue sharing to Resort Township as part of the Act 425 Agreement.

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 \$696,500 in 2023, or \$77,500 more than the total included in the 2022 annual budget. By the end of this year, receipts of State-shared revenues are expected to provide the General Fund with about \$109,100 more than estimated when the City's 2022 annual budget was established at \$619,000. 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 now have begun to increase. In 2022, \$45,000 was budgeted for interest income with \$55,000 for 2023, as investment rates are on the rise as the Federal Reserve implements rate hikes.

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 \$2,608,400 in 2023. For 2022, \$2,227,100 is anticipated to be received, which is \$895,800 less than budgeted, due to a decrease in grant revenue when the Winter Sports Park Ice Rink project was deferred until 2024 and the Boor property purchase process is backed up to 2023. 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 2023.

Grant revenue for 2023 is expected to be \$348,400 more than estimated actual this year and includes: Jaws of Life training \$4,500, Public Safety training \$2,500, Bayfront Park Marina fuel system \$197,500, Emmet County Local Revenue Sharing Board \$15,000 for public-safety operations, Park \$68,000 in grant revenue from Townships participating in the City's recreation programs, \$217,000 Boor property purchase (deferred from 2022) for a total of \$504,500.

Totaling \$132,200 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 \$111,200 for 2023, which is \$12,000 more than what is now expected to be received by the end of 2022.

Some recreation programs were not held in 2021 due to the pandemic significantly affecting revenues. All programs resumed for 2022, but participation was not at pre pandemic levels. 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, volleyball and archery. 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 77% 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.

2021 Recreation Program Participation

- 29 recreation programs
- 1,954 participants
- Participation numbers trending upward since 2020 pandemic
- 58% 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 \$12,800 in 2023 to \$558,300 from 2022 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 2022 are anticipated to total \$455,000 with \$458,000 proposed for 2023. Camp site rental rates are proposed to increase in 2023 by \$2.00 per night.

2022 Park Rentals

- 123 paid shelter and facility rental reservations
- Campers at Magnus Park stayed 10,970 "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.

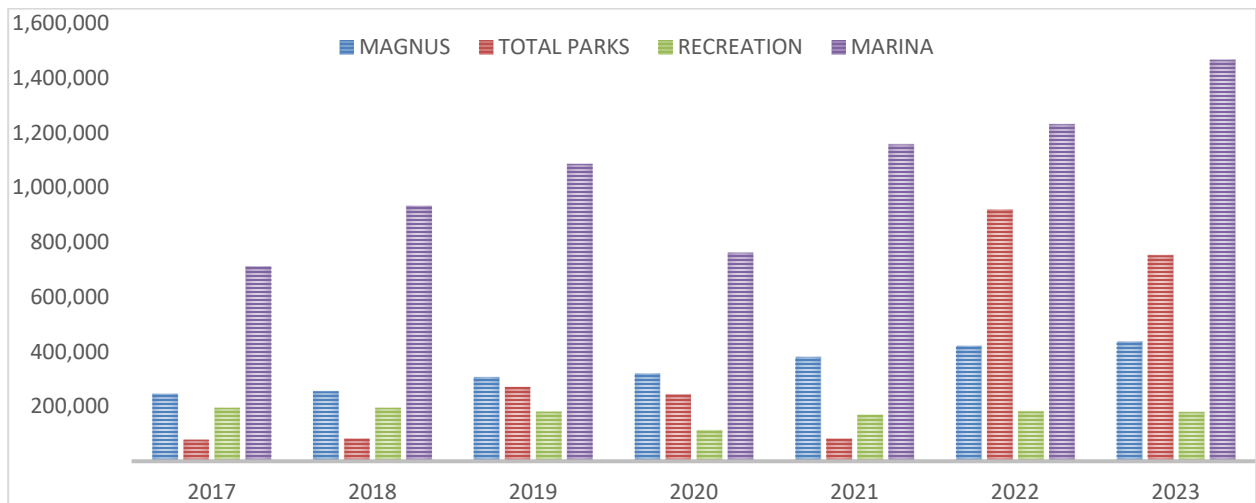
Fees were budgeted at \$15,000 for 2022 and are expected to remain nearly the same at \$15,000 for 2023 with the increased popularity of outdoor events.

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 2022, \$1,358,400 is anticipated for receipt, or \$252,700 more than the \$1,105,700 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, and for 2021 increased to a new all-time high of 182,873. For 2023, fuel sales are budgeted at \$735,000 due to the large increase in fuel prices. The volume of fuel sales in 2022 decreased due to poor spring weather conditions and the price per gallon rose significantly.

Daily rentals at Bayfront Park Marina mooring wells during 2022 provided \$262,000, with \$270,000 budgeted for 2023. Seasonal rentals of mooring wells, provided \$273,000 with \$280,000 proposed for next year. Daily rentals are effected by the spring weather in May and June which was windy and cooler than in 2021, reducing sales.

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 \$2,506,400 for 2023 down by \$27,700 from the \$2,534,100 that has been actually transferred. This includes \$23,700 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 2023 have been computed at \$178,800 and from the Water and Sewer Fund at \$334,300.

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 \$507,000 from the General Street Fund; \$559,500 from the Electric Fund; \$694,300 from the Water and Sewer Fund; \$23,700 from the Downtown Parking Fund; \$134,800 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 2023 are proposed at \$10,199,650 or \$227,950 more than the \$9,971,700 that had been approved in 2022. Total estimated actual expenditures for 2022 of \$8,849,700 are 11% less than budgeted or \$1,122,000. The difference is largely due to the Winter Sports Park Hockey Rink project put on hold until 2024 when funding becomes available, the Boor property purchase deferred to 2023 and the unfilled vacant Public Safety officer positions.

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.

Administrative. Proposed at \$38,900 for 2023, costs for legislative and citizen-participation activities have decreased by \$14,400 mainly due to one election next year including only the November General election, as \$34,600 is now anticipated to be spent on elections in 2022. 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 requires school board positions to be included on the November ballot, which eliminated 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 one election next year that being the November General Election, at which names of and First and Third Ward City Councilmember candidates will appear on the ballot. Beginning with the 2022 November election of City Councilmembers the Mayor will serve a 2 year term and Councilmembers will serve a 3 year term. This will result in only voters from First and Third Ward going to the polls in 2023. Second and Fourth Ward will not be going to the polls as the Mayor position is not on the ballot in odd numbered years.

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 first generation machines, with funding for the project again provided through the Help America Vote Act (HAVA).

Total General Administration costs for 2023 have been proposed at \$984,050, for a budget increase of \$207,050, with increases in the City Manager Office (\$71,100), the Office of City Assessor (\$33,050), the City Planner Office (\$41,200) for a code Enforcement Officer, and Economic Development (\$61,700). Total General Administrative costs for 2022 are estimated at \$756,900 or \$20,100 less than the budgeted amount of \$777,000.

The City Assessor recently resigned his position with the City of Petoskey as a contracted service. City Council approved a professional services contract at the October 17, 2022 City Council meeting to engage with Berg Assessing and Consulting to provide assessing contractual services.

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 on these tax appeals, which in part are being made by larger commercial businesses and residential properties. 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, additional this year; City Arts and Culture (\$40,000), Northern Lakes Economic Alliance(\$10,000), and Housing North (\$10,000).

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.

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 \$26,000. 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 \$145,000 for 2022, actual costs are now expected to total the same for this year and based on this experience \$145,000 has been budgeted again for 2023.

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 2023 that will further the plan's implementation.

The budget includes funding for a full-time Code Enforcement Officer (\$52,000) as directed by City Council.

General Fund expenditures associated with operations of the Department of Finance, which includes functional activities of Director of Finance-Treasurer, Accounting, Utility-Billing and Information Technology, have been proposed to total \$1,053,100 in 2023 or \$13,800 less than budgeted in 2022. 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 \$10,900 next year due to continued upgrades to computer systems and technology. 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.

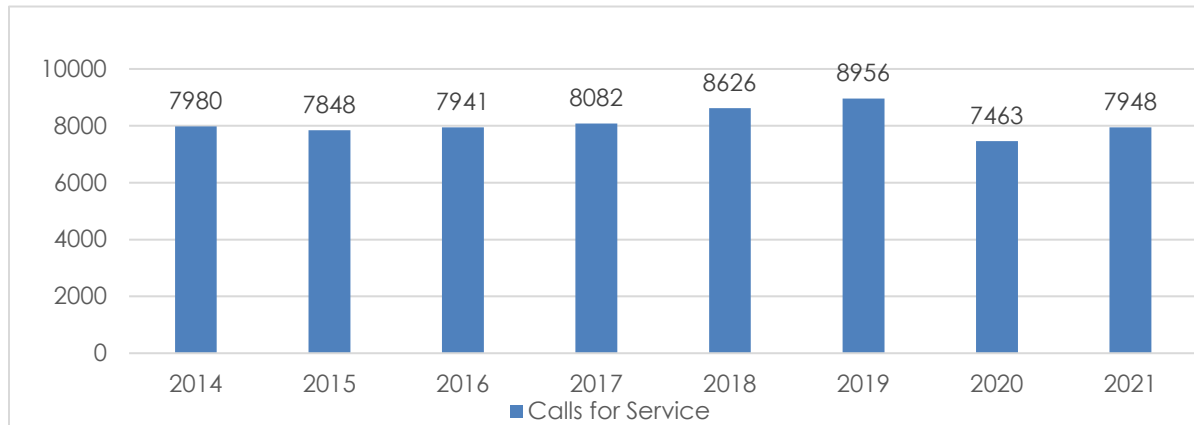
Outside IT services have reduced costs and increased response time from prior years, although the City's demand for IT services continues to increase, which in-turn increases contracted service costs. In 2017, the Library was established as a backup to the City's main computer server in case it goes 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 2023, expenditures that are believed necessary to provide combined police, fire and emergency-medical services have been proposed to total \$3,655,700, an increase of \$151,300 more than the 2022 budgeted amount of \$3,504,400, with the increase due to wages and fringe benefits.

The 2023 budget includes the twelfth payment of the \$1,600,000 loan owed to the Electric Fund over a 20-year period at 2% interest for 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

- **21 Full-Time Personnel**
 - 15 PSOs
 - 4 Lieutenants
 - 1 Director
 - 1 Administrative
 - 6 Part-Time PSOs
- **7,948 law-enforcement calls for service in 2021**
- **1,001 fire and medical calls in 2021**

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 2021, the Detective investigated 182 new cases resulting in 111 felony arrest warrants, 64 misdemeanor arrest warrants and the execution of

17 search warrants. The Detective also assisted the schools on 24 complaints.

The establishment of a Detective position, along with other administrative changes has reduced the hours spent on overtime significantly from 2010 when overtime for the Department of Public Safety cost the City \$196,805 and was reduced down to \$90,400 in 2016, with \$136,000 anticipated in 2022 and \$135,000 budgeted for 2023. The recent increase is due to vacancies in personnel that have been difficult to fill, along with time spent at Petoskey School events which are reimbursed by the school.

Included within the 2023 budget is proposed an additional full time School Liaison Officer with Petoskey Public Schools funding one-half of the annual cost. Total budgeted annual costs for the officer are estimated at \$130,000 with \$65,000 to be reimbursed. Staff is researching possible grants to cover costs for the position.

Proposed to originally total \$2,730,100 for 2022, personnel service costs within the Department of Public Safety are expected to now total \$64,700 less at \$2,665,400 for 2022, a total of \$2,869,800 budgeted for 2023. The increase is largely due to an increase in wages for officers per the collective bargaining agreement and the additional school liaison officer.

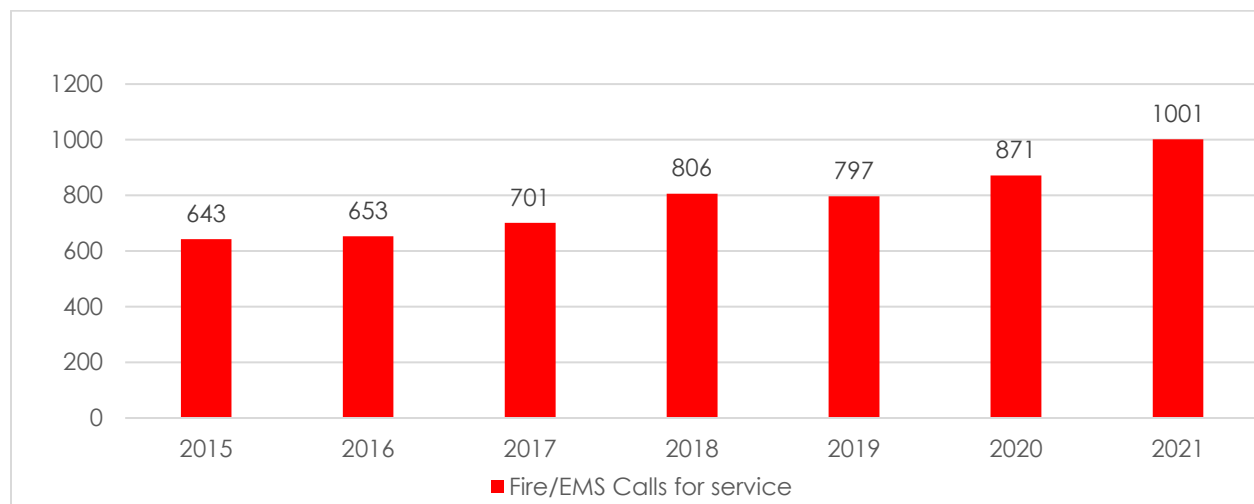
Training and vehicle rental payments made to the Motor Pool Fund for use of equipment have been proposed at \$428,400 next year, down \$12,000 from the \$440,400 budgeted for in 2022 with \$438,400 expected to actually be spent by the end of the year. The City is implementing a new vehicle replacement 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, one full size utility vehicle, two small utility units outfitted for off road medical calls and boat fires along with two rescue boats.

Set at \$70,500 are proposed expenditures for "utilities" within the Department of Public Safety, of which \$28,500 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 \$59,800 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, annual required hose testing and self-contained breathing apparatus testing, continuing education and certifications, 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 2015-2021



Parks & Recreation. The Department of Parks and Recreation with nine full-time employees, one shared Administrative Assistant and 15 seasonal employees, operates and maintains 24 park sites on over 1,260 acres of land and provides approximately 14 organized recreational programs for youth and adults of the community. In 2021, 1,954 individuals utilized recreation programs, which is 1,084 more than in 2020. The participation numbers are expected to increase as the recovery from the pandemic strengthens.

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 2023 are proposed to total \$3,758,600, which is \$139,200 less than budgeted for in 2022, actual costs for this year are now expected to total \$2,933,500 or \$964,300 less than budgeted with the Winter Sports Park Ice Rink improvements deferred until 2024.

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 \$301,900 for 2023, 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 22% less than 2022 estimated actual costs of \$388,000, due to a reduction in the additional retirement payment to MERS in the General Fund. 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. There were no capital outlay projects scheduled for 2021 and 2022.

The parks-and-special facilities category is proposed at \$1,425,100 for 2023, an increase of \$651,500 over the \$773,600 expected to actually be spent this year. The difference being the number of capital outlay projects scheduled for 2023 which includes; the winter sports park reroofing and interior renovations, resurfacing of a portion of Little Traverse Wheelway and engineering access points at Washington Park.

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 \$211,000, or \$2,400 more than the \$208,600 that is now expected to be spent this year. Activities include: washing machine, cabin furniture, laundry room door, playground improvements, and window screens \$22,000.

Magnus Park continues to more than cover all costs to operate and maintain the facility, thereby providing additional revenues to fund other park operations.

Bayfront Park Marina

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

2022 Operations

- \$1,358,400 operating revenue
- \$1,191,700 operating expense
- Net gain of \$166,700

The 25% discount for extended day campers was eliminated which provides additional rental income. A \$2.00 per night rate increase is also proposed for 2023.

Bayfront Park Marina is estimated to actually cost \$1,191,700 in 2022 or \$24,500 more than budgeted. The difference in cost is due to the large increase in the price of fuel sold at the marina. With high water levels,

ice damage has been minimal for the last couple of years except this year when repairs were made by Walstrom Dock and Dredge at \$50,000.

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 again within the Marina budget is funding to replace the fuel system that is delayed due to lead time necessary to receive the fuel tank. Also included is funding to make necessary dock repairs if ice damage does occur.

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. Fund transfers to cover debt service requirements next year will decrease to \$119,600.

With budgeted revenues for 2023 proposed at \$1,499,700 (incl. \$197,500 grant) and proposed expenditures at \$1,433,100, revenues will exceed expenditures by \$66,600, which will be added to the marina fund balance reserve in the General Fund of nearly \$1,197,640. 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.

Magnus Park

- Campers at Magnus Park stayed 10,970 "nights"
- Average occupancy 88% from May 15 – October 16 and 96% from July 1 – August 31.

2022 Operations

- \$455,000 in revenues
- \$208,600 in expenses
- Net income of \$246,400 remains in the General Fund to offset other parks expenses

Recreation programs within the Department of Parks and Recreation expenditure category are expected to cost \$283,900 in 2023, an increase of 4.7% over 2022 estimated actual costs of \$271,100. In 2021, recreation program expenses were only offset 58% by \$155,669 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 program offerings were again limited in 2021 due to the pandemic restricting participation. In previous years over 65% of the program costs were covered by participant revenues.

Program revenues for 2023 are now budgeted to cover 62% 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 \$175,900 next year, personnel-services costs would decrease by \$1,200 over estimated actual costs for 2022, the difference being a reduction in retirement plan costs.

Within the last expenditure category of the Department of Parks and Recreation are costs for downtown-maintenance activities that have been proposed for 2023 at \$103,600, which is \$1,600 less than budgeted for 2022. 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 \$8,000 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 budgeted at \$672,300 is now estimated to end the year \$13,400 less at \$658,900 with the difference due to a reduction in overall personnel costs. With two expenditure categories of administration and solid waste, \$709,300 has been proposed as costs for 2023.

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 \$455,000 for 2023, an \$18,000 increase from the \$437,000 budgeted for in 2022. Other activity costs include communication, office supplies, vehicle rental and education and are again budgeted nearly the same as 2022 budgeted costs at \$32,300, resulting in total proposed costs of \$487,300.

Solid-waste programs are expected to cost a total of \$222,000 in 2023, \$24,700 more than actual program totals for 2022 which are anticipated at \$197,300. For 2022, activities again would include monitoring of the City's former River Road landfill for \$8,500, collection of residential rubbish and the chipping and hauling of brush utilizing long-term contractors and the collection of leaves by contractors and City crews total \$123,200. Curbside recycling provided by Emmet Department of Public Works personnel, along with County Department of Public Works total \$90,300.

As part of this 2023 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 \$262,200, which is \$37,200 more than property taxes from the 2022 amount. Based on these budgeted amounts, program revenues will exceed expenditures by \$40,200 which will be added to prior year estimated reserves of \$384,300.

Retirement Benefits. The City participates in a retirement plan administered through the Municipal Employee Retirement System (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 in the required annual 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 in 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 and finally to Public Safety employees. As of 2021, all newly hired City employees will participate in a defined contribution plan that caps the City's maximum liability at 10% of wages.

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 payment. These changes have helped to eliminate the effects of the changes made by MERS. 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%.

In 2017, the City began making an additional payment to MERS in the amount of \$1 million dollars. The unfunded accrued liability has been reduced from \$7,461,522 in 2015 to \$2,043,210 in 2022 and the plan is nearly 92% funded. The Unfunded Accrued Liability 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 an additional payment in 2023, although smaller than in previous years.

General Fund Balance

The following is a history of the City's General Fund, audited fund balance for the last eight years showing 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, 2023 through 2014

<u>Year</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>
2023 budget	\$6,215,576	\$4,593,370	\$1,622,206
2022 est. actual	6,288,226	4,772,820	1,515,406
2021	5,512,339	4,191,339	1,321,000
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

The General Fund is reimbursed from other funds for staff time spent providing services to the individual funds to those funds. These activities within the General Fund's budget for 2023 are proposed to be reimbursed a total of \$1,955,300 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 \$513,100, which is in addition to the administrative fees. The administrative fees go to offset the \$2,657,600 in total expenditures for these activities leaving the remaining \$702,300 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 2023, these along with other smaller revenue sources would provide \$2,454,200 in revenues to offset \$3,758,600 in expenditures leaving \$1,304,400 to be funded through other General Fund operations. Magnus Park covers costs of all activities' expenses and provides an additional \$246,400 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 to the general public at no cost.

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 \$154,200. 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 \$3,665,700 to be funded through other General Fund revenue.

General Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 5,577,366	\$ 6,032,169	\$ 5,534,526	\$ 6,288,226
REVENUES				
Operating :				
Property Tax	3,800,221	3,904,200	4,005,800	4,196,200
Licenses and Permits	21,165	24,300	21,400	24,400
State Shared Revenues	644,329	619,000	728,100	696,500
Charges for Services	37,767	41,500	40,500	39,100
	4,503,483	4,589,000	4,795,800	4,956,200
Nonoperating:				
Interest Income	65,687	45,000	45,000	55,000
Other	12,723	1,000	1,400	1,000
	78,410	46,000	46,400	56,000
Activities:				
Grants	365,889	1,330,200	156,100	504,500
Public Safety	85,259	54,700	67,900	132,200
Recreation	81,171	121,300	99,200	111,200
Parks	483,169	511,000	545,500	558,300
Bayfront Park Marina	1,186,041	1,105,700	1,358,400	1,302,200
	2,201,529	3,122,900	2,227,100	2,608,400
Transfers:				
City Hall Building Rent	38,000	38,000	38,000	38,000
Electric Fund	199,400	194,500	194,500	178,800
Water and Sewer Fund	376,500	371,500	371,500	334,300
Administration Fees	1,917,300	1,930,100	1,930,100	1,955,300
	2,531,200	2,534,100	2,534,100	2,506,400
TOTAL REVENUES	9,314,621	10,292,000	9,603,400	10,127,000
EXPENDITURES				
Legislation and Citizen Participation:				
City Council	27,229	28,200	27,600	27,500
Elections	8,996	25,100	34,600	11,400
	36,225	53,300	62,200	38,900
General Administration:				
City Manager	306,969	284,400	303,100	355,500
City Assessor	138,767	117,900	125,400	150,950
City Attorney	130,241	145,000	145,000	145,000
City Planner	163,037	213,400	156,700	254,600
Economic Development	15,344	16,300	26,700	78,000
	754,359	777,000	756,900	984,050

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
Department of Finance:				
Director of Finance - Treasurer	302,339	314,700	310,300	300,200
Accounting	295,268	307,300	285,600	306,300
Utility Billing	226,273	221,800	210,500	212,600
Information Technology	181,371	223,100	186,000	234,000
	<u>1,005,252</u>	<u>1,066,900</u>	<u>992,400</u>	<u>1,053,100</u>
Department of Public Safety:				
Law Enforcement, Fire Protection, Emergency Medical Services	<u>3,538,110</u>	<u>3,504,400</u>	<u>3,445,800</u>	<u>3,655,700</u>
Department of Parks and Recreation:				
Building and Grounds	499,643	409,100	388,000	301,900
Downtown Maintenance	100,236	105,200	100,500	103,600
Parks and Special Facilities	1,197,475	1,701,000	773,600	1,425,100
Magnus Park	220,874	219,800	208,600	211,000
Recreation Programs	269,274	295,500	271,100	283,900
Bayfront Park Marina	1,068,964	1,167,200	1,191,700	1,433,100
	<u>3,356,465</u>	<u>3,897,800</u>	<u>2,933,500</u>	<u>3,758,600</u>
Department of Public Works:				
Administration	459,017	469,000	461,600	487,300
Solid Waste	208,034	203,300	197,300	222,000
	<u>667,051</u>	<u>672,300</u>	<u>658,900</u>	<u>709,300</u>
TOTAL EXPENDITURES	<u>9,357,462</u>	<u>9,971,700</u>	<u>8,849,700</u>	<u>10,199,650</u>
Excess of Revenues Over Expenditures	<u>(42,840)</u>	<u>320,300</u>	<u>753,700</u>	<u>(72,650)</u>
FUND BALANCE - DECEMBER 31	<u>\$ 5,534,526</u>	<u>\$ 6,352,469</u>	<u>\$ 6,288,226</u>	<u>\$ 6,215,576</u>

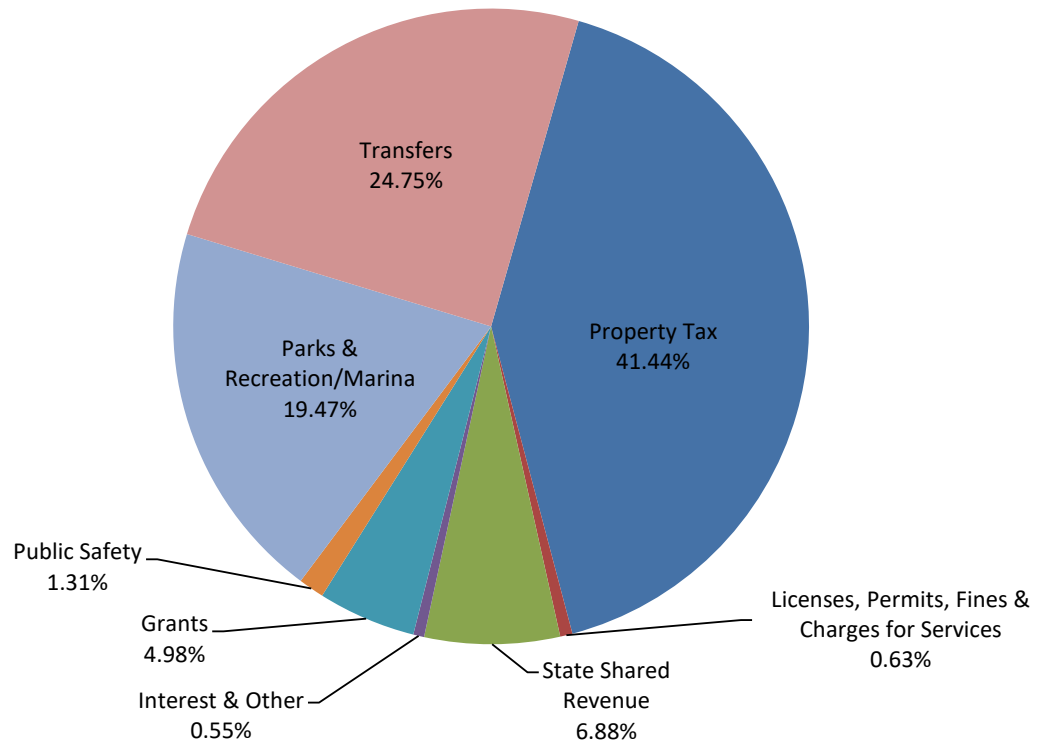
General Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
EXPENDITURES - Detailed				
Legislation and Citizen Participation				
City Council:				
Personnel	\$ 20,748	\$ 21,200	\$ 21,200	\$ 21,200
Office Expense	1,070	700	800	700
Training & Transportation	5,411	6,300	5,600	5,600
	<u>27,229</u>	<u>28,200</u>	<u>27,600</u>	<u>27,500</u>
Elections:				
Personnel	4,234	10,100	15,100	4,900
Office Expense	788	8,000	8,500	1,500
Contracted Services	3,974	7,000	11,000	5,000
	<u>8,996</u>	<u>25,100</u>	<u>34,600</u>	<u>11,400</u>
General Administration				
City Manager:				
Personnel	293,027	270,000	270,000	333,100
Office Expense	9,260	7,000	6,700	7,500
Contracted Services	3,025	1,000	20,000	6,400
Training & Transportation	1,657	6,400	6,400	8,500
	<u>306,969</u>	<u>284,400</u>	<u>303,100</u>	<u>355,500</u>
City Assessor:				
Personnel	-	-	-	-
Office Expense	2,337	2,000	2,000	5,050
Contracted Services	136,430	115,900	123,400	145,900
	<u>138,767</u>	<u>117,900</u>	<u>125,400</u>	<u>150,950</u>
City Attorney:				
Contracted Services	130,241	145,000	145,000	145,000
City Planner:				
Personnel	154,564	187,000	135,100	225,100
Office Expense	3,213	3,100	3,300	4,700
Contracted Services	1,609	18,000	12,000	18,000
Training & Transportation	3,652	5,300	6,300	6,800
	<u>163,037</u>	<u>213,400</u>	<u>156,700</u>	<u>254,600</u>
Economic Development:				
Contracted Services	15,344	16,300	26,700	78,000
Department of Finance				
Director of Finance - Treasurer:				
Personnel	265,356	277,000	269,000	266,000
Office Expense	4,728	5,500	4,300	5,700
Contracted Services	23,502	20,500	28,300	18,200
Training & Transportation	8,753	11,700	8,700	10,300
	<u>302,339</u>	<u>314,700</u>	<u>310,300</u>	<u>300,200</u>

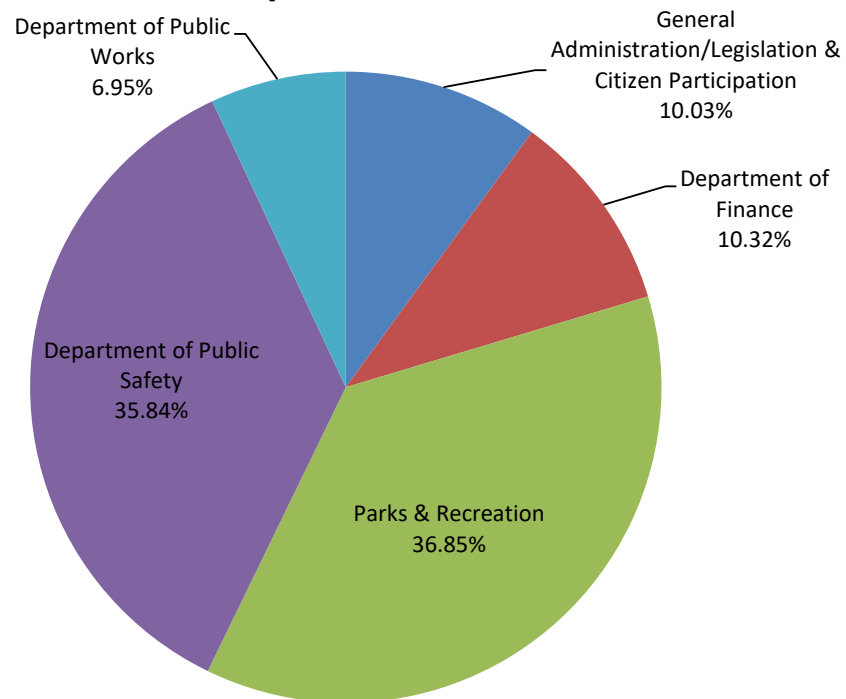
	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
Accounting:				
Personnel	279,822	281,300	272,500	291,000
Office Expense	4,456	5,500	5,000	5,000
Contracted Services	10,821	20,000	8,000	9,800
Training & Transportation	168	500	100	500
	295,268	307,300	285,600	306,300
Utility Billing:				
Personnel	154,583	146,700	144,000	148,500
Office Expense	11,934	11,000	10,000	5,000
Contracted Services	59,756	63,600	56,000	58,600
Training & Transportation	-	500	500	500
	226,273	221,800	210,500	212,600
Information Technology:				
Office Expense	62,881	62,100	31,000	65,000
Contracted Services	118,491	161,000	155,000	169,000
Training & Transportation	-	-	-	-
	181,371	223,100	186,000	234,000
Department of Public Safety				
Law Enforcement, Fire Protection, Emergency Medical Services:				
Personnel	2,736,858	2,730,100	2,665,400	2,869,800
Office Expense	150,939	126,900	143,000	155,800
Contracted Services	51,545	60,800	59,000	59,800
Training & Transportation	435,886	440,400	438,400	428,400
Debt requirements	100,000	100,000	100,000	100,000
Capital Outlay/Equipment	62,882	46,200	40,000	41,900
	3,538,110	3,504,400	3,445,800	3,655,700
Department of Parks and Recreation				
Building and Grounds:				
Personnel	276,065	277,200	269,100	146,300
Materials & Supplies	116,835	100,400	85,700	96,600
Contracted Services	19,751	31,500	33,200	59,000
Training & Transportation	-	-	-	-
Capital Outlay/Equipment	86,992	-	-	-
	499,643	409,100	388,000	301,900
Downtown Maintenance:				
Personnel	67,432	63,600	65,200	64,500
Office Expense	11,172	16,600	15,900	16,500
Contracted Services	13,933	17,000	11,400	15,000
Training & Transportation	7,700	8,000	8,000	7,600
	100,236	105,200	100,500	103,600
Parks and Special Facilities:				
Personnel	359,703	367,200	358,000	384,000
Office Expense	136,977	132,500	133,000	138,600
Contracted Services	175,492	156,500	99,800	170,000
Training & Transportation	121,578	123,800	123,400	118,000
Capital Outlay/Equipment	403,725	921,000	59,400	614,500
	1,197,475	1,701,000	773,600	1,425,100

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
Magnus Park:				
Personnel	95,098	110,300	89,000	98,900
Office Expense	80,932	76,500	82,100	78,000
Contracted Services	37,144	25,000	29,500	26,500
Training & Transportation	7,700	8,000	8,000	7,600
	<u>220,874</u>	<u>219,800</u>	<u>208,600</u>	<u>211,000</u>
Recreation Programs:				
Personnel	194,493	186,200	177,100	175,900
Office Expense	23,216	25,200	23,400	25,000
Contracted Services	36,448	66,100	55,500	65,300
Training & Transportation	12,580	13,000	11,900	12,700
Capital Outlay/Equipment	2,536	5,000	3,200	5,000
	<u>269,274</u>	<u>295,500</u>	<u>271,100</u>	<u>283,900</u>
Bayfront Park Marina:				
Personnel	134,372	136,400	146,500	142,300
Office Expense	118,605	115,300	113,800	116,500
Contracted Services	118,074	73,000	85,000	87,500
Gas & Oil	536,360	445,500	630,000	550,000
Training & Transportation	16,867	18,500	16,900	17,200
Debt requirements	116,500	124,000	124,000	119,600
Capital Outlay/Equipment	28,186	254,500	75,500	400,000
	<u>1,068,964</u>	<u>1,167,200</u>	<u>1,191,700</u>	<u>1,433,100</u>
Department of Public Works				
Administration:				
Personnel	425,212	437,000	429,000	455,000
Office Expense	6,921	6,500	7,100	6,800
Training & Transportation	26,883	25,500	25,500	25,500
	<u>459,017</u>	<u>469,000</u>	<u>461,600</u>	<u>487,300</u>
Solid Waste:				
Personnel	24,611	21,800	25,300	25,900
Office Expense	551	300	200	500
Contracted Services	177,867	170,200	165,800	188,800
Training & Transportation	5,006	11,000	6,000	6,800
	<u>208,034</u>	<u>203,300</u>	<u>197,300</u>	<u>222,000</u>
TOTAL EXPENDITURES	<u>\$ 9,357,462</u>	<u>\$ 9,971,700</u>	<u>\$ 8,849,700</u>	<u>\$ 10,199,650</u>

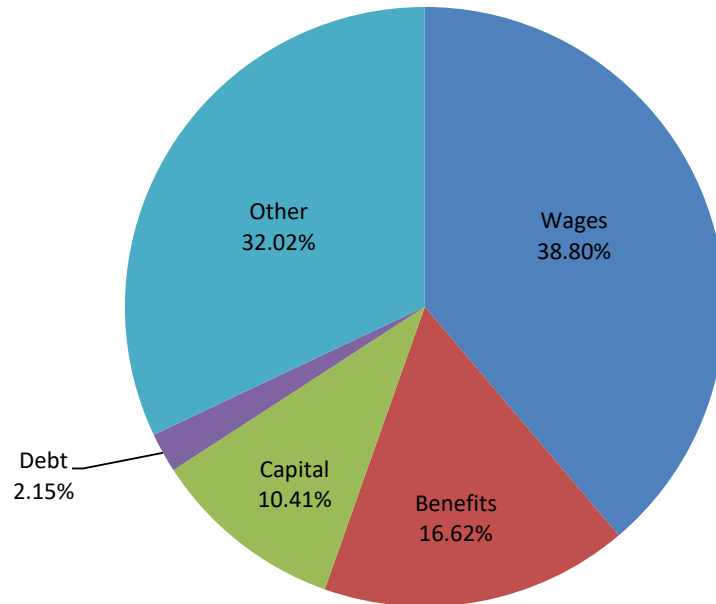
Revenues



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 2023 total \$790,900, with total budgeted expenditures proposed at \$1,376,400, resulting in an excess of expenditures over revenues of \$585,500 that will be deducted from the \$1,240,926 estimated beginning fund balance, leaving an estimated ending fund balance of \$655,426. This is sufficient to cover a year's worth of operating expenses.

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 2022, a mill and fill resurfacing project for State Street between Howard Street and Kalamazoo Avenue was completed within this fund. No transfers are scheduled for 2023 as there are sufficient funds available to cover the proposed projects.

Operating revenues for 2023 are expected to decrease by \$244,400 from 2022 actual amounts due to a 2022 \$303,700 State small urban grant and an estimated increase in state trunkline revenue for next year. State-shared revenues are based on two components: one is the City's population from the 2020 census of 5,877, 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 6% in 2023 are distributed over the State's fiscal year that ends in September, requiring 2023 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 2022. 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 \$60,000 for next year, after receiving \$42,400 in 2022.

Expenditures. Major Street system actual expenditures for 2022 are estimated at \$1,129,900 which is \$717,300 more than in 2021 due to an increase in construction projects. For 2023 budgeted costs total \$1,376,400 or \$246,500 more than will be spent in 2022, due to projects scheduled for Bridge Street, Porter Street from US-131 to Curtis Bridge and the East Mitchell Entrance at US-31.

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 \$104,400. 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 2022 by \$19,300. These costs are higher than in 2021, which was a colder winter that followed a mild winter. Total winter maintenance costs are estimated at \$230,600. Budgeted costs for 2023 are \$250,900 based on past experience. The City has not experienced a so called "average" 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.

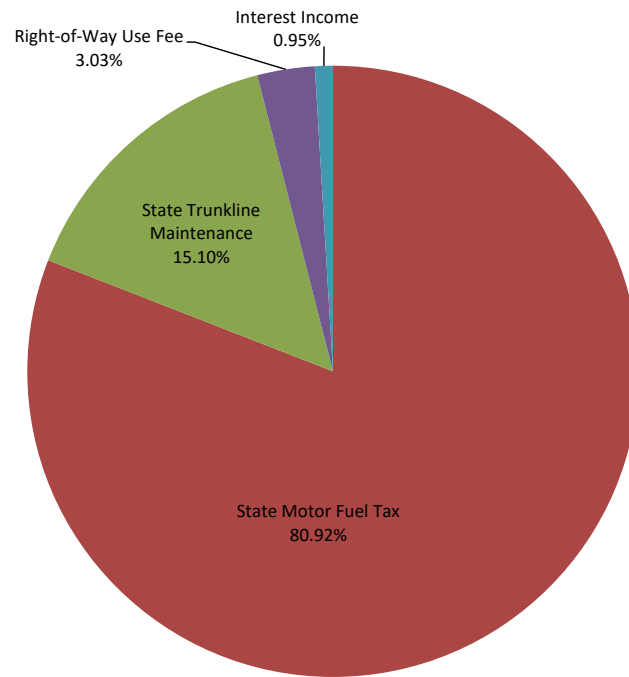
The administration and engineering activity, which was typically the largest budget activity within the street funds, accounts for such activities as contracted engineering services, fringe benefit costs for one-half of Department of Public Works operations employees, and administrative fees paid to 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 each of the three funds, 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.

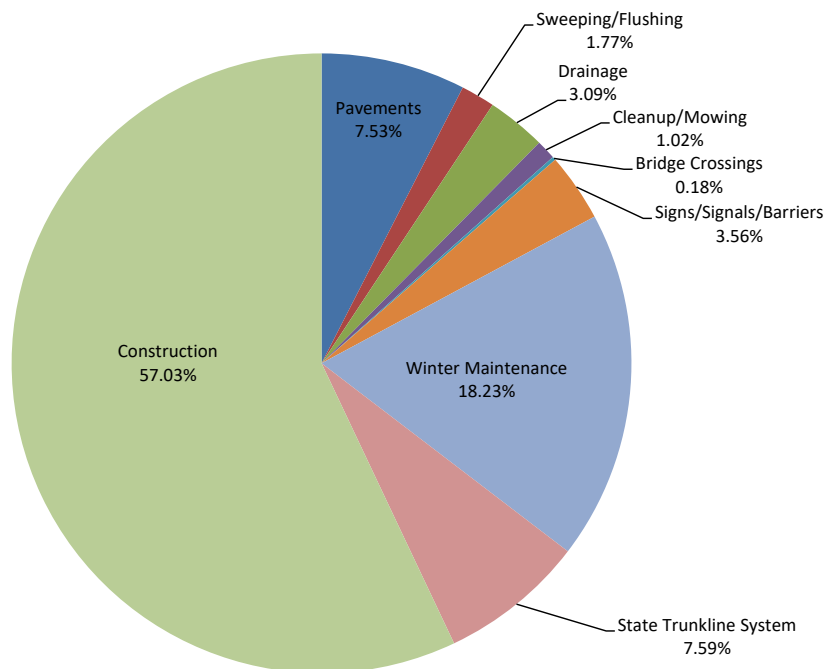
Major Street Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 961,543	\$ 1,253,716	\$ 1,335,526	\$ 1,240,926
REVENUES				
Operating :				
Grants	-	375,000	303,700	-
State Motor Fuel Tax	634,445	592,600	604,000	640,000
State Trunkline Maintenance	120,056	119,400	95,000	119,400
Right-of Way Use Fee	24,103	21,000	25,300	24,000
	778,604	1,108,000	1,028,000	783,400
Nonoperating:				
Interest Income	7,987	7,500	7,300	7,500
Transfers:				
Right of Way Fund	-	-	-	-
TOTAL REVENUES	786,591	1,115,500	1,035,300	790,900
EXPENDITURES				
State Trunkline:				
Pavements	26,038	22,800	4,000	7,800
Drainage	580	2,200	1,500	2,200
Cleanup and Mowing	3,196	5,900	4,400	5,900
Signs-Signals and Barriers	599	1,300	500	1,300
Sweeping and Flushing	4,565	9,600	8,200	9,600
Winter Maintenance	63,492	77,600	60,600	77,600
	98,470	119,400	79,200	104,400
Major Street System:				
Construction	-	600,000	645,600	785,000
Pavements	50,315	95,800	61,100	103,700
Drainage	37,907	43,100	40,100	42,500
Cleanup and Mowing	10,109	15,000	6,800	14,000
Bridge Crossings	2,245	4,500	4,500	2,500
Signs-Signals and Barriers	27,803	41,600	37,600	49,000
Sweeping and Flushing	20,716	24,400	24,400	24,400
Winter Maintenance	165,043	249,900	230,600	250,900
	314,138	1,074,300	1,050,700	1,272,000
TOTAL EXPENDITURES	412,608	1,193,700	1,129,900	1,376,400
Excess of Revenues Over Expenditures	373,983	(78,200)	(94,600)	(585,500)
FUND BALANCE - DECEMBER 31	\$ 1,335,526	\$ 1,175,516	\$ 1,240,926	\$ 655,426

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 2023 budgeted revenues for the Local Street Fund total \$273,500, with total budgeted expenditures proposed at \$485,700, with \$115,000 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 \$1,009,200 would be decreased by \$212,200 resulting in an ending fund balance of \$797,000, which can cover more than a year's worth of expenditures.

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 2022, a portion of East Lake Street from Division Street to Kalamazoo Avenue along with portions of Kalamazoo Avenue, Ottawa, Summit, Clinton, and Williams Street were reconstructed. In 2023, a project to rehabilitate asphalt on Maple Street from Porter to Charlevoix Avenue is budgeted at \$115,000.

Revenues. Income to the Local Street Fund originates from three sources, operating revenues, Interest Income and fund transfers. Operating revenues consist of the City's share of State-imposed, motor fuel tax reimbursements along with 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 2020 census of 5,877, with the other being Petoskey's 22.38 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 U.S. Bureau of the Census has performed the 2020 census, which will affect state shared revenues for the next ten years.

The State-established amounts are forecasted to decrease slightly in 2023 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 \$24,200 this year.

For 2023, there is no transfer being proposed from the Right-of-Way Fund to cover operating nor capital costs as compared to \$300,000 in 2018, and \$200,000 in 2019, \$200,000 in 2020, \$500,000 in 2021 and \$1,100,000 in 2022. The City is building up the fund balance in the ROW Fund to cover costs of reconstructing Howard Street and resurfacing of East Mitchell Street in 2024.

Expenditures. Total actual expenditures for 2022 are estimated at \$1,389,200, which is \$332,900 less than the \$1,722,100 budgeted. The primary difference being the decrease in street construction expenditures. Proposed expenditures for 2023 total \$485,700, which is \$903,500 less than 2022 estimated costs, due to the reduction in construction projects. Construction costs for 2023 includes asphalt rehabilitation on Maple Street from Porter to Charlevoix Avenue in the amount of \$115,000.

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 2022 expected to be \$15,500 under budget.

Budget estimates for 2023 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 2023. 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 a formal bid process.

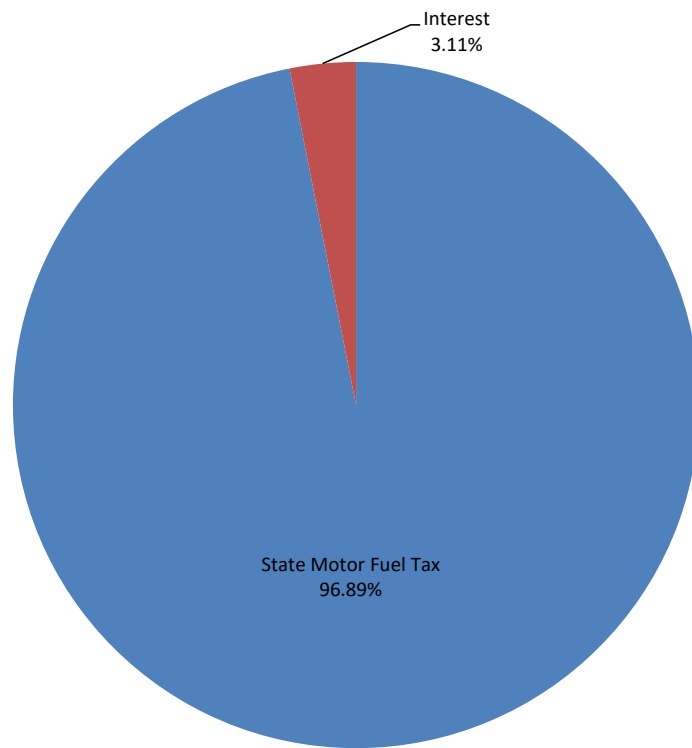
The administration and engineering activity, typically the largest budget activity within the street funds - accounts for such activities as contracted engineering services, fringe benefit costs for one-half of the Department of Public Works operations employees, and administrative fees paid to the General 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.

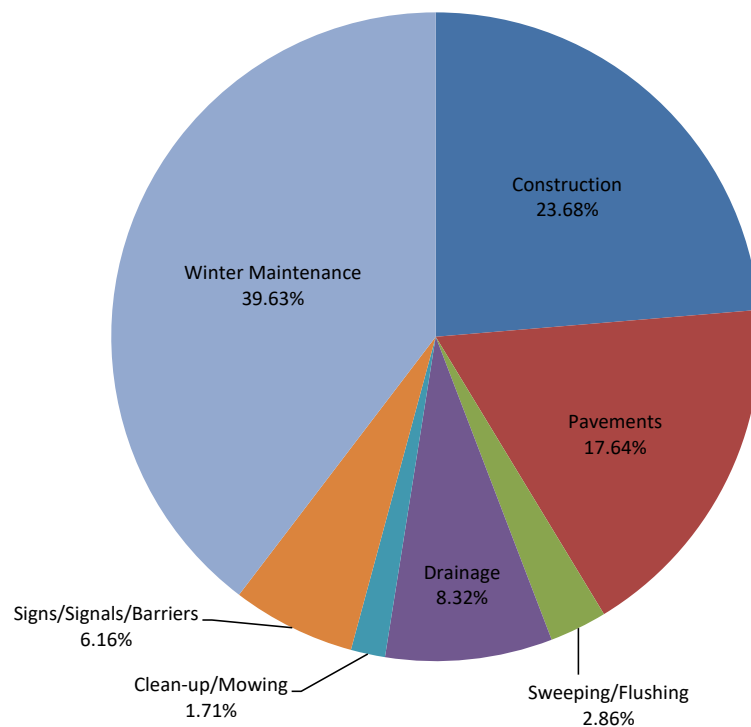
Local Street Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 795,598	\$ 996,506	\$ 1,048,900	\$ 1,009,200
REVENUES				
Operating :				
State Motor Fuel Tax	267,342	252,000	242,000	265,000
Nonoperating:				
Interest Income & other	357,058	9,800	7,500	8,500
Transfers:				
Right of Way Fund	500,000	1,100,000	1,100,000	-
TOTAL REVENUES	1,124,399	1,361,800	1,349,500	273,500
EXPENDITURES				
Local Street System:				
Construction	644,460	1,358,000	1,104,000	115,000
Pavements	34,692	86,200	43,900	85,700
Drainage	29,513	40,400	30,600	40,400
Cleanup and Mowing	5,658	8,400	6,200	8,300
Signs-Signals and Barriers	13,287	25,900	18,000	29,900
Sweeping and Flushing	12,105	13,700	12,500	13,900
Winter Maintenance	131,383	189,500	174,000	192,500
Administration				
TOTAL EXPENDITURES	871,097	1,722,100	1,389,200	485,700
Excess of Revenues Over Expenditures	253,302	(360,300)	(39,700)	(212,200)
FUND BALANCE - DECEMBER 31	\$ 1,048,900	\$ 636,206	\$ 1,009,200	\$ 797,000

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 2023 have been budgeted at \$1,459,500, with expenditures budgeted at \$1,556,500, for a difference of \$97,000 which will be subtracted from the existing fund balance estimated at \$1,360,161 and resulting in an estimated ending fund balance of \$1,263,161.

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 2022 of \$1,307,300 are higher than the budgeted total amount due to a State small urban grant. For 2022, budgeted revenues are proposed to increase by \$200,000 to \$1,459,500, with the difference being an increase in transfers from the Right of Way Fund.

Expenditures. Approved 2022 budgeted expenditures totaled \$1,704,000 for the General Street Fund, but actual expenditures are now anticipated to be \$1,536,600 at year end, \$167,400 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 2023 budgeted sidewalk costs decrease to \$267,700 due to more average number of projects in 2023.

For 2021, budget included sidewalk monies largely for Greenwood Road and spot repairs associated with street mill and fill resurfacing projects. For 2022, the majority of the work was on East Lake Street with some work on State Street, along with miscellaneous as-needed spot repairs city-wide. In 2023 sidewalk projects include Bridge Street to Franklin Street, spot repairs on Porter and Maple, and also a retaining wall on Jennings.

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 2022 are estimated at \$54,800, which is less than budgeted costs of \$65,800 and are budgeted at \$64,800 for 2023.

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 2023.

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 Street employees; and administrative fees remitted to the General Fund for services provided by staff at City Hall for the three street funds. For 2023 this activity also includes engineering for future street reconstructions of \$120,000.

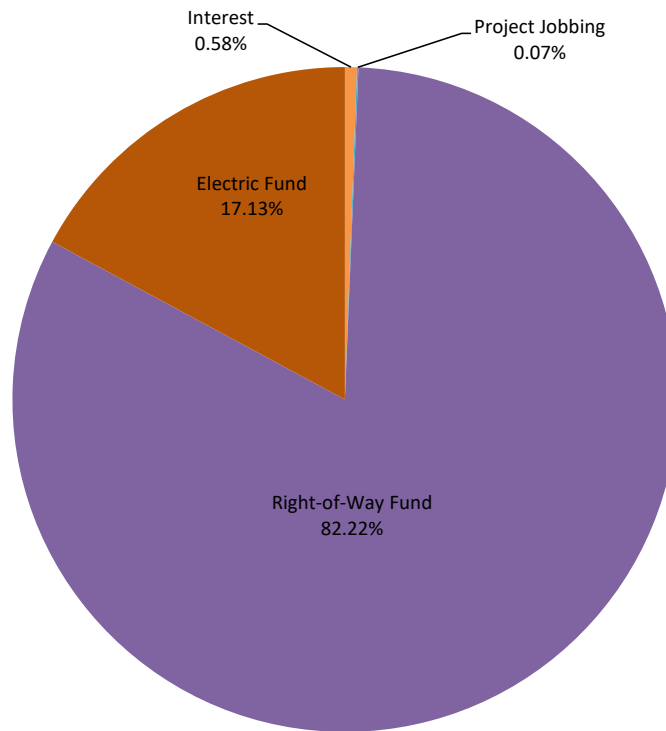
Accounting changes were made in 2010 for these street-related costs that helped to simplify required annual reports provided to the State of Michigan under Public Act 51 of 1951 for State-shared revenue received by the City. The re-classification assists in aggregating cost of services that benefit all three funds overall, but had 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 2023 proposed budget for administration is \$978,900, which is \$45,500 more than 2022 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 \$1,556,500.

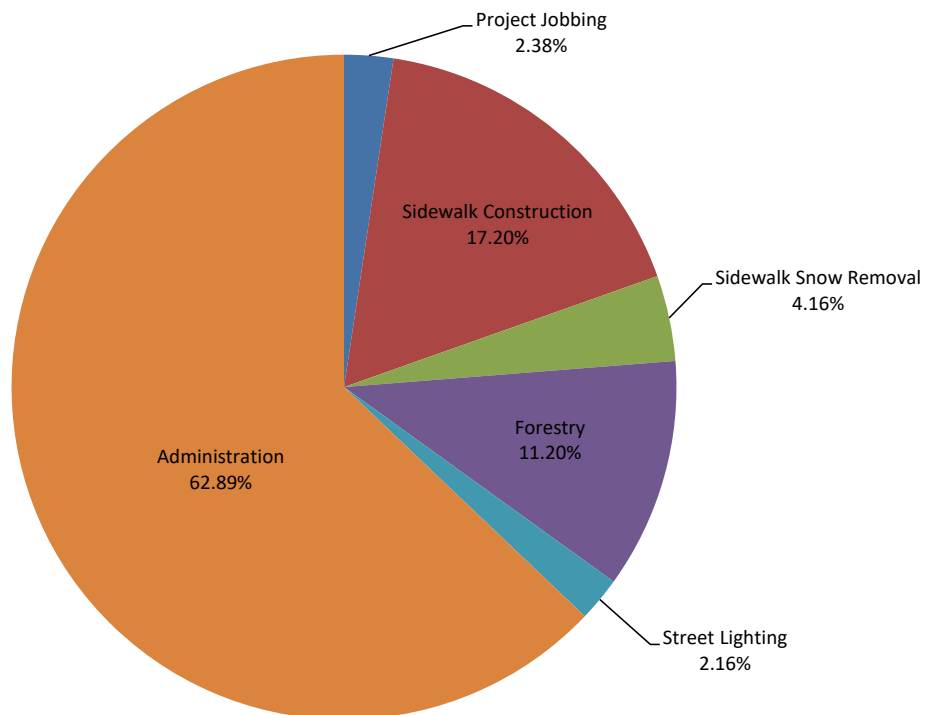
General Street Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 1,399,140	\$ 1,521,845	\$ 1,589,461	\$ 1,360,161
REVENUES				
Operating :				
Project Jobbing/Other	1,606	1,000	500	1,000
Nonoperating:				
Grants	-	-	48,800	-
Interest Income	10,444	8,000	8,000	8,500
	10,444	8,000	56,800	8,500
Transfers:				
Right of Way Fund	1,200,000	1,000,000	1,000,000	1,200,000
Electric Fund	250,000	250,000	250,000	250,000
	1,450,000	1,250,000	1,250,000	1,450,000
TOTAL REVENUES	1,462,050	1,259,000	1,307,300	1,459,500
EXPENDITURES				
General Street Operations:				
Project Jobbing	11,725	37,500	22,600	37,100
Sidewalk Construction	215,523	457,300	488,000	267,700
Sidewalk Snow Removal	43,361	65,800	54,800	64,800
Street Lighting	33,100	33,600	33,600	33,600
Forestry	83,782	176,400	89,200	174,400
Administration	884,237	933,400	848,400	978,900
TOTAL EXPENDITURES	1,271,729	1,704,000	1,536,600	1,556,500
Excess of Revenues Over Expenditures	190,321	(445,000)	(229,300)	(97,000)
FUND BALANCE - DECEMBER 31	\$ 1,589,461	\$ 1,076,845	\$ 1,360,161	\$ 1,263,161

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 6% over its current level in the TIFA District for 2023, after a 36% increase in 2022, due to additions to the hospital. Captured property tax revenue now estimated at \$419,800 for this year is projected to increase by \$154,200 in 2023 to \$574,000.

Interest income budgeted at \$3,000 for next year makes up the only other revenue item for a total budget amount of \$577,000 for 2023 or \$41,700 more than the amount now expected to be received in 2022.

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 \$254,000 next year, \$11,000 less 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 2022, expenditures included the Solanus Mission Beach project at \$315,000, which came in over the anticipated budget amount of \$250,000, with an \$112,500 grant received to offset a portion of the costs. The Bayfront Clock Tower received an unexpected face lift following an inspection earlier this year. Total cost of the clock project is now estimated to be \$55,000. Total expenditures for 2022 still remained under budget by \$24,000 at \$623,000.

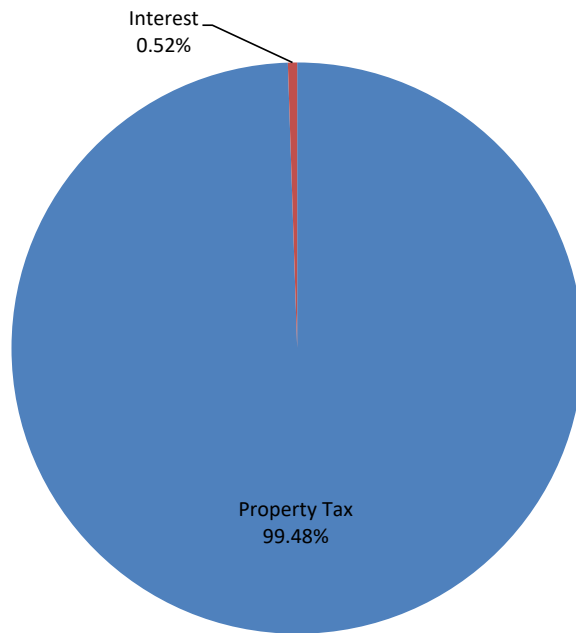
For 2023, the TIFA Fund has budgeted, the conversion of the Arboretum that includes reconfiguring the Little Traverse Wheelway and restore area with native shoreline plants, wildflowers and birding area (\$200,000). The pedestrian bridge at City Hall will be re-decked (\$25,000) after being deferred this year. A Master Plan for Magnus Park Campground redevelopment will be performed (\$10,000). A contingency for shoreline erosion control improvements and consultant fees (\$20,000) is also included.

With total budgeted expenditures of \$499,000 and budgeted revenues of \$577,000, the 2023 budget calls for net excess of revenues over expenditures of \$78,000 that when added to an estimated beginning Fund Balance of \$935,401 would result in an ending Fund Balance of \$1,013,401.

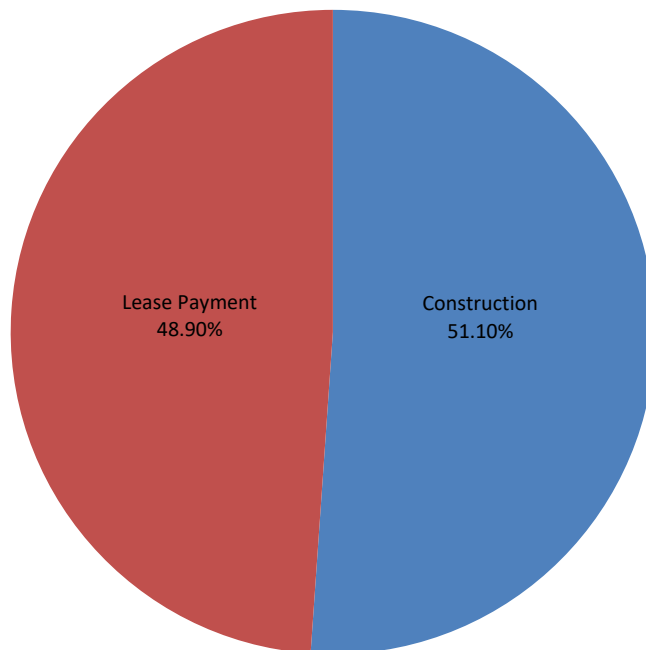
Tax Increment Finance Authority Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 925,687	\$ 986,887	\$ 1,023,101	\$ 935,401
REVENUES				
Operating :				
Property Tax	410,636	419,800	419,800	574,000
Nonoperating:				
Interest Income	(3,745)	8,500	3,000	3,000
Grants	9,000	125,000	112,500	-
	5,255	133,500	115,500	3,000
TOTAL REVENUES	415,891	553,300	535,300	577,000
EXPENDITURES				
Operations:				
Construction	92,850	375,000	368,000	255,000
Lease Payment	236,000	265,000	265,000	254,000
Paying Agent Fees	(10,373)	7,000	(10,000)	(10,000)
TOTAL EXPENDITURES	318,477	647,000	623,000	499,000
Excess of Revenues Over Expenditures	97,415	(93,700)	(87,700)	78,000
FUND BALANCE - DECEMBER 31	\$ 1,023,101	\$ 893,187	\$ 935,401	\$ 1,013,401

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 2023, proposed budgeted expenditures of \$1,934,700 will be offset by \$1,693,000 in budgeted revenues, resulting in a difference of \$241,700, which will be subtracted from the existing fund balance estimated to be \$1,188,090 and will result in an estimated ending fund balance of \$946,390.

Revenues. In addition to revenues provided through two City property tax millages at \$945,700, 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 \$.49 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 2023 are expected to total \$548,500.

Total proposed 2023 revenues of \$1,693,000 are budgeted at \$61,900 more than the \$1,631,100 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 6% over 2022 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 0.8103 mills for 2023 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 0.8991 mills for a total of 1.7094 next year.

The 2023 budget is based on the maximum allowable millage rate of 1.7094, 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 2022 are now estimated at \$1,641,600 or \$63,700 more than the \$1,577,900 originally budgeted for this year. The 2023 proposed budget totals \$1,934,700, 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. These millages are up for renewal in the 2024 tax year.

Compared to the 2022 original budget amounts, the 2023 proposed budget increased by \$356,800, with the increase in personnel services and capital outlays. While 2022 estimated actual amount of \$1,641,600 is \$293,100 less than next years proposed budget, with the difference also in personnel, and capital services.

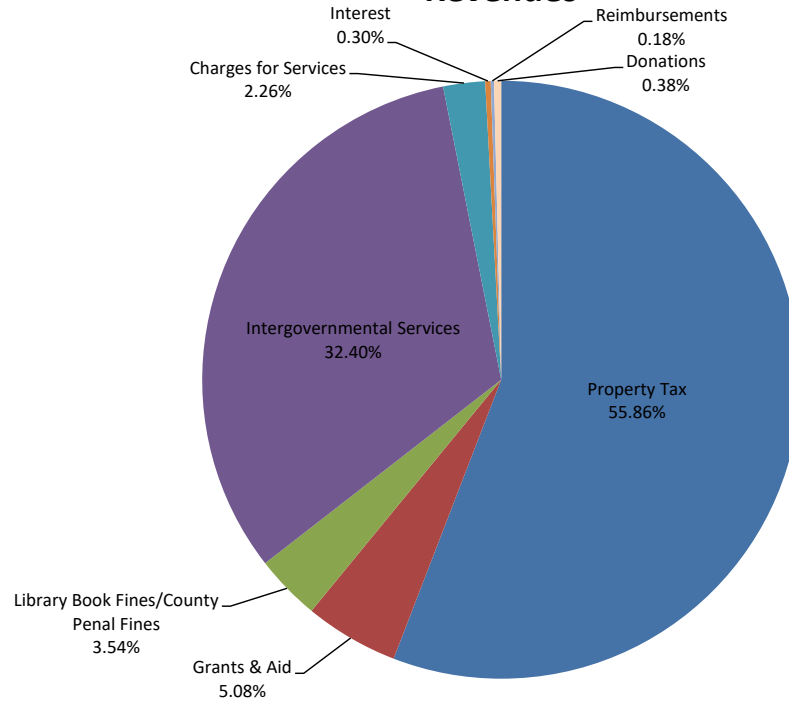
Included within the budget this year is \$241,200 for capital improvements to the Library and Carnegie Buildings with exterior improvements to the building and grounds including sidewalk repair and snow melting system, pointing and cleaning brick, eaves troughs, parapet walls and ramp replacements.

Debt-service costs to cover obligations associated with the refunding bond have been budgeted at \$283,400 for 2023 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 \$254,200 in 2026, to a high of \$291,400 in 2027.

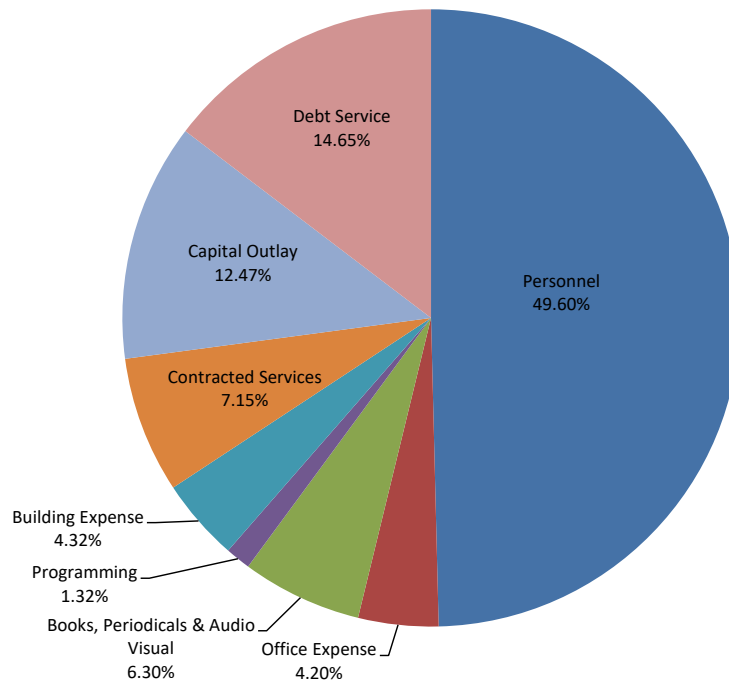
Library Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 1,051,429	\$ 1,117,237	\$ 1,198,590	\$ 1,188,090
REVENUES				
Operating :				
Property Tax	852,101	874,500	874,500	945,700
Grants	44,069	58,100	94,100	68,600
State Aid	14,492	14,400	16,000	17,400
Library Book Fines	171	300	300	-
County Penal Fines	67,815	60,000	60,000	60,000
Intergovernmental Services	518,058	526,500	531,000	548,500
Charges for Services	40,332	34,000	40,700	38,300
	1,537,037	1,567,800	1,616,600	1,678,500
Nonoperating:				
Interest Income	5,750	5,000	5,000	5,000
Donations	7,815	6,000	6,500	6,500
Reimbursements	5,210	2,000	3,000	3,000
	18,775	13,000	14,500	14,500
TOTAL REVENUES	1,555,813	1,580,800	1,631,100	1,693,000
EXPENDITURES				
Library services:				
Personnel	755,218	850,400	831,200	959,700
Office Expense	60,257	74,800	75,300	81,200
Contracted Services	82,815	98,600	189,000	138,300
Book, Periodicals and audio-Visual	112,226	116,500	116,500	121,800
Programming	16,998	25,500	26,000	25,500
Building Expense	96,007	123,100	118,600	83,600
Debt Service	254,798	243,000	243,000	283,400
Capital Outlay	30,333	46,000	42,000	241,200
TOTAL EXPENDITURES	1,408,652	1,577,900	1,641,600	1,934,700
Excess of Revenues Over Expenditures	147,161	2,900	(10,500)	(241,700)
FUND BALANCE - DECEMBER 31	\$ 1,198,590	\$ 1,120,137	\$ 1,188,090	\$ 946,390

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 rate increase as a way of keeping up with inflation.

The proposed special assessment rates, increased by 7%, are as follows: eligible first-floor area rate \$0.20, eligible areas on floors other than first floors rate \$0.05, and eligible undeveloped vacant-lot areas rate \$0.06. If approved, assessment revenues are estimated to provide \$113,100, with program revenue at \$42,600, and interest income at \$6,000, for a total of \$161,700.

Program revenue next year has decreased due to a reduction in program sponsorships including: the Holiday Parade, Ghost Walks, Trolley ads, Downtown Trick or Treat, Presenting Sponsors, Gallery Walk and Summer Open House. New program revenues are included for a May Getaway and Pop up Events.

Expenditures. Programs and services that are proposed by the Downtown Management Board have been budgeted at \$83,100 in 2023 or \$4,900 more than the \$78,200 proposed by the Downtown Management Board and approved by the City Council for 2022. Marketing Promotions are budgeted at \$55,500 for 2023 or \$4,200 more than budgeted for 2022. By the end of this year, estimated actual expenditures will total \$125,500 or \$29,800 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.

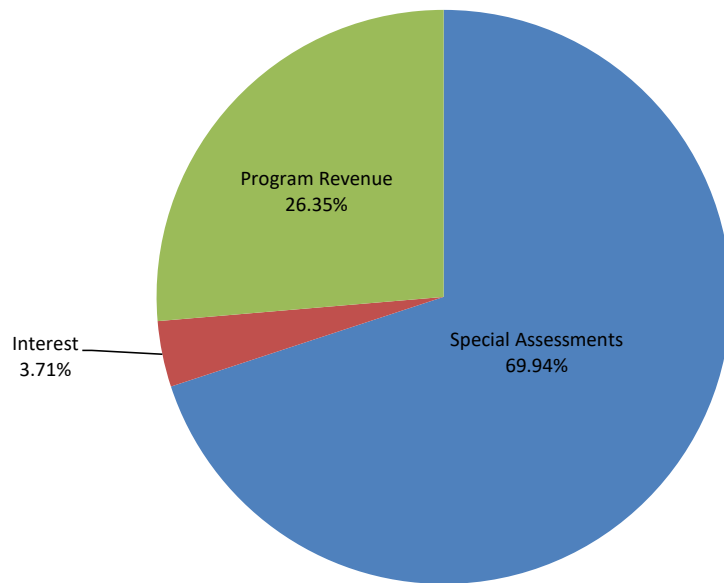
As is always the case, a variety of downtown-area programs, services, and projects are proposed for funding within other City funds. The Downtown Parking Fund, which is also overseen by the Downtown Management Board, includes recommended expenditures of \$900,000 next year, as well as the General Fund which contains proposed expenditures for downtown services as part of the Department of Parks and Recreation operations totaling \$103,600 and the proposed Electric Fund budget includes \$24,600 in expenses for community services.

Proposed revenues for 2023 of \$161,700 are less than proposed expenditures of \$176,900, resulting in a \$15,200 decrease 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, Gary Albert, Marnie Duse, Benjamin Slocum, Joe Keedy, Megan DeWindt, Stafford Drew Smith, and Mayor John Murphy.

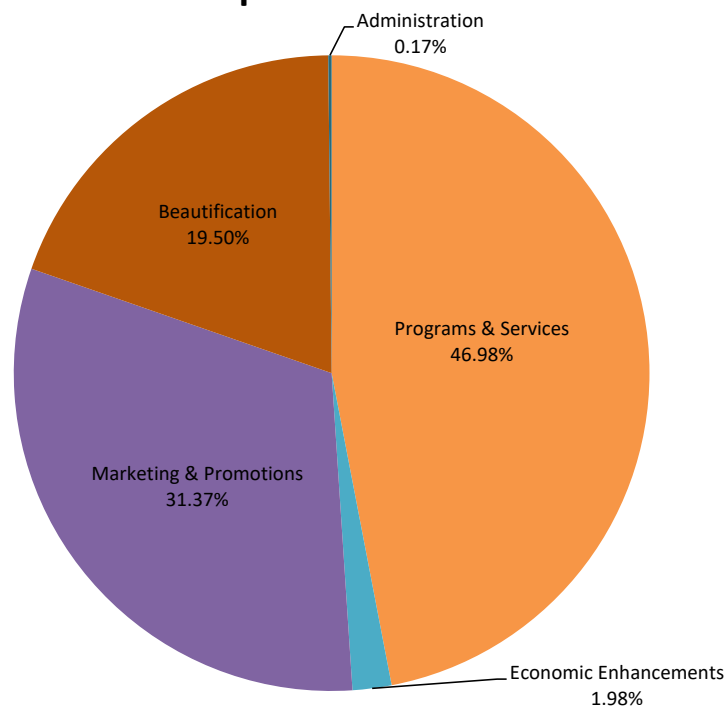
Downtown Management Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 176,723	\$ 184,913	\$ 215,489	\$ 233,189
REVENUES				
Operating :				
Special assessment	110,698	105,700	105,700	113,100
Program Revenue	8,385	47,900	33,500	42,600
	119,083	153,600	139,200	155,700
Nonoperating:				
Interest Income	6,299	3,000	4,000	6,000
TOTAL REVENUES	125,382	156,600	143,200	161,700
EXPENDITURES				
Downtown Management Operations:				
Programs & Services	29,973	78,200	54,300	83,100
Economic Enhancements	1,037	2,000	1,900	3,500
Marketing Promotions	18,120	51,300	47,000	55,500
Beautification	28,696	23,500	22,000	34,500
Administration	8,790	300	300	300
TOTAL EXPENDITURES	86,616	155,300	125,500	176,900
Excess of Revenues Over Expenditures	38,766	1,300	17,700	(15,200)
FUND BALANCE - DECEMBER 31	\$ 215,489	\$ 186,213	\$ 233,189	\$ 217,989

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 app parking meter sales, meter bags, tokens and interest income. Estimated revenues for 2022 are now expected to reach \$1,119,300, which is nearly \$371,000 more than in 2021, 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 \$521,000 with \$360,000 from on-street parking and \$161,000 from parking lots. Total budgeted revenues for next year are proposed at \$1,094,500, which is 2% less than expected to be received by the end of this year and 46% more than received in 2021.

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 2022 are expected to total \$434,300. Budgeted expenses for 2023 are proposed at \$900,000 or \$465,700 more than expected by the end of this year. The difference is due to some budgeted contracted services and capital outlay items not performed in 2022.

For several years and again this year, the Management Board has included funds towards the cost of a parking lot development project (\$150,000) in the event a specific project moves forward. Other capital outlay projects included are; bike racks (\$10,000), Livery and Petrie lots landscaping (\$6,500), the Gateway design installation (\$50,000) for a total capital outlay amount of \$216,500.

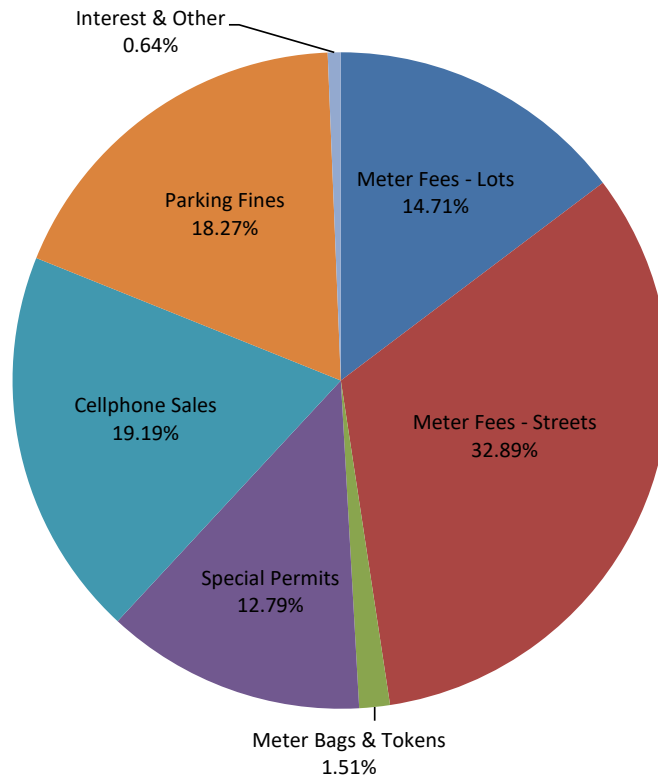
Along with six other City funds, the Downtown Parking Fund routinely pays the City's General Fund an administrative fee as reimbursement for "overhead-type" costs that regularly are covered by the General Fund for personnel and equipment associated with maintenance services that are provided by the City. 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 \$1,094,500 and expenses of \$900,000 for 2023, will result in an excess of revenues over expenditures of \$194,500. The Parking Fund routinely has a surplus in revenue over expenditures each year. With businesses fully open, 2023 revenues will increase and the Parking Fund's estimated beginning retained earnings of \$1,763,464 will be increased by \$194,500 for an estimated ending retained earnings of \$1,957,964.

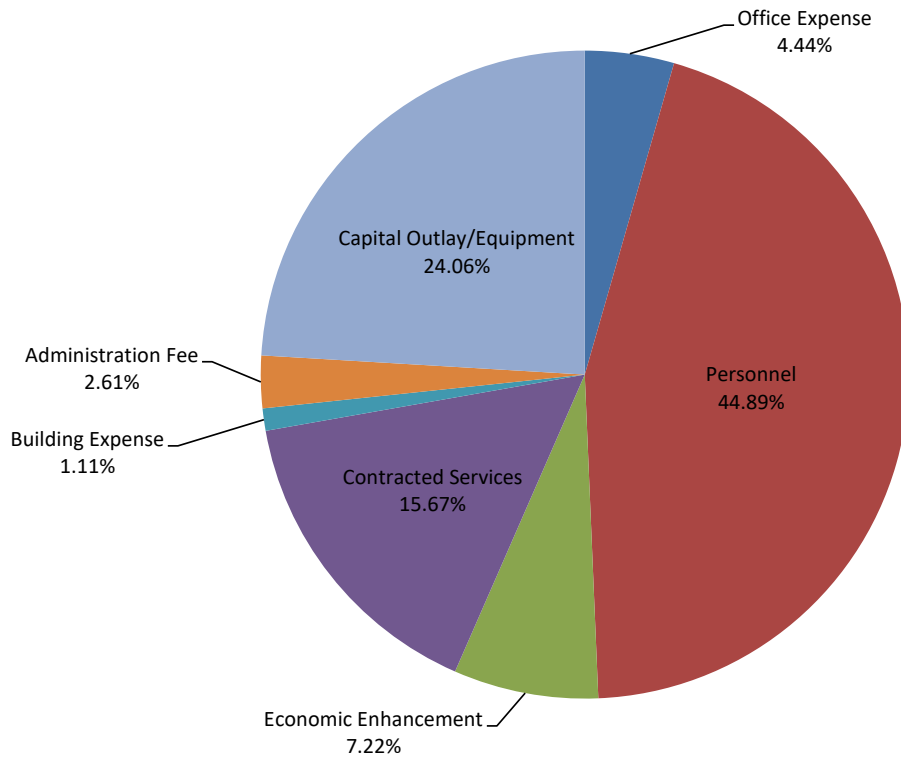
Downtown Parking Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
RETAINED EARNINGS- January 1	\$ 821,277	\$ 1,071,255	\$ 1,078,464	\$ 1,763,464
REVENUES				
Operating :				
Meter Fees - Lots	111,672	99,900	170,000	161,000
Meter Fees- Streets	312,829	437,000	384,500	360,000
Meter Bags and Tokens	13,355	11,000	17,800	16,500
Special Permits	92,288	87,000	140,000	140,000
Cellphone Sales	96,542	60,000	200,000	210,000
Parking Fines	104,567	200,000	200,000	200,000
	731,252	894,900	1,112,300	1,087,500
Nonoperating:				
Interest income	1,381	4,000	2,000	2,000
Other	16,526	5,000	5,000	5,000
	17,907	9,000	7,000	7,000
TOTAL REVENUES	749,159	903,900	1,119,300	1,094,500
EXPENSES				
Parking Operations:				
Personnel	265,351	245,000	225,000	404,000
Office Expense	40,566	37,000	24,400	40,000
Economic Enhancement	6,314	23,500	17,000	65,000
Contracted Services	144,574	201,000	126,500	141,000
Building Expense	12,367	10,000	8,000	10,000
Administration Fee	22,800	23,500	23,400	23,500
Capital Outlay/Equipment	-	185,000	10,000	216,500
TOTAL EXPENSES	491,972	725,000	434,300	900,000
Excess of Revenues Over Expenses	257,187	178,900	685,000	194,500
RETAINED EARNINGS - DECEMBER 31	\$ 1,078,464	\$ 1,250,155	\$ 1,763,464	\$ 1,957,964

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 \$2,003,100 and total expenditures budgeted at \$1,202,000, revenues will exceed expenditures by \$801,100, which will be added to an estimated beginning fund balance of \$762,860 for an estimated ending fund balance of \$1,563,960. A fund balance is being maintained to help fund a number of anticipated future projects, including Howard Street in 2024 estimated to cost \$1,750,000.

Revenues. The initial 1988 five-mill tax levy has been reduced to 3.7233 mills in 2022 by the "Headlee Amendment", which the City Council approved last May. For 2023, a millage rate of 3.7233 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 requires 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.

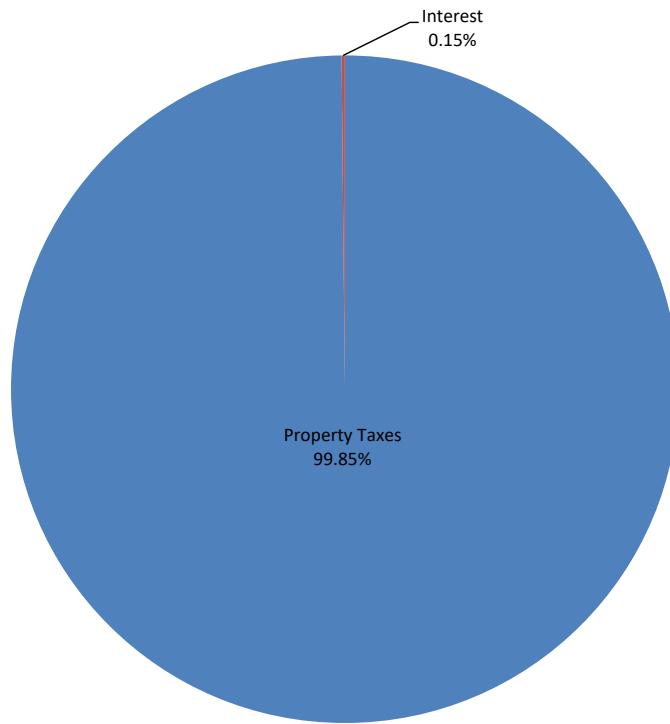
With taxable values estimated to increase by 6.0% for next year due to current real estate sales and the State's rate of inflation being more than the actual increase in market value, property tax revenues are budgeted at \$2,000,000, which is \$111,000 more than the \$1,889,000 estimated to be received in 2022, a 5.88% increase. Total proposed revenues for 2023 are budgeted at \$2,003,100 when interest and penalties are added of \$3,100.

Expenditures. Transfers to other City funds next year from the Right-of-Way Fund have been proposed to total \$1,200,000, which will be transferred to the General Street Fund as the lone recipient of funding next year. As noted above, transfers are being limited next year to accumulate funds for larger upcoming projects. In addition, \$2,000 has been budgeted for contracted services in 2023, an amount budgeted annually for engineering and auditing purposes, for total expenditures of \$1,202,000.

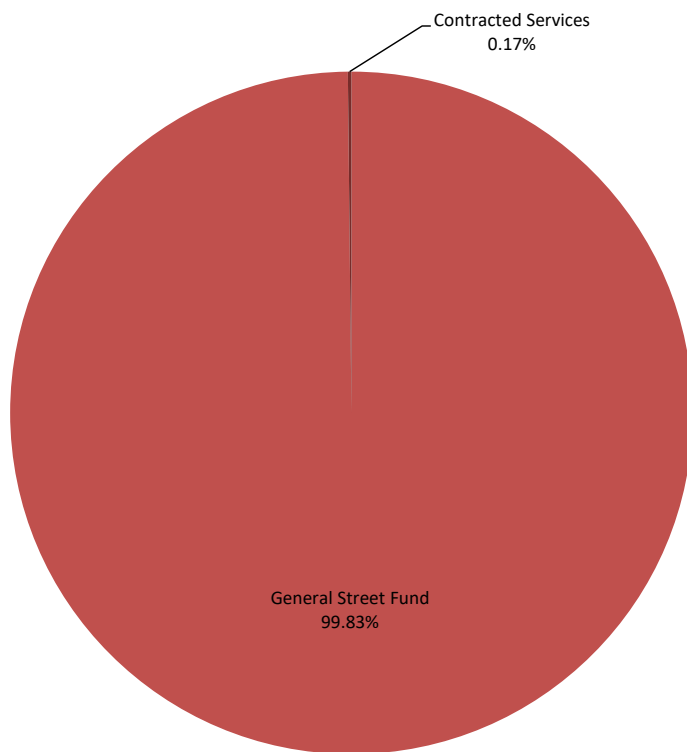
Right-Of-Way Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 850,378	\$ 959,801	\$ 970,360	\$ 762,860
REVENUES				
Operating :				
Property Tax	1,817,240	1,861,000	1,889,000	2,000,000
Interest income	4,389	2,100	5,500	3,100
TOTAL REVENUES	1,821,628	1,863,100	1,894,500	2,003,100
EXPENDITURES				
Construction:				
Contracted Services	1,646	2,000	2,000	2,000
Transfers:				
Major Street Fund	-	-	-	-
Local Street Fund	500,000	1,100,000	1,100,000	-
General Street Fund	1,200,000	1,000,000	1,000,000	1,200,000
Water & Sewer Fund	-	-	-	-
	1,700,000	2,100,000	2,100,000	1,200,000
TOTAL EXPENDITURES	1,701,646	2,102,000	2,102,000	1,202,000
Excess of Revenues Over Expenditures	119,982	(238,900)	(207,500)	801,100
FUND BALANCE - DECEMBER 31	\$ 970,360	\$ 720,901	\$ 762,860	\$ 1,563,960

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 27% of which is overhead and 73% underground, services the power needs of 5,331 customers.

Customer Type	City of Petoskey	Bear Creek Township	Resort Township	Total
Residential	2,946	777	184	3,907
Commercial	561	162	38	761
Industrial	3	2	0	5
Non-Profit	146	29	4	179
Bay View Assoc.	0	479	0	479
TOTAL CUSTOMERS				5,331

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, as well as customer penalties.

Non-operating revenues include interest income from investments, project jobs for electric customers, 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 based on the study implemented annual rate adjustments through 2021. The City also implemented a seasonal summer and winter 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 2023 are budgeted at \$3,226,500, or \$119,500 more than budgeted revenues in 2022. Revenues from commercial-industrial sales next year are budgeted at \$7,479,000, or \$185,000 more than estimated actual revenues for 2022, and 4.3% higher than actual revenues collected from commercial-industrial customers in 2021. The revenues in 2022 increased following a reduction in the previous year due to the pandemic closing or reducing many business operations. Estimating usage based on the last three years of usage remains difficult due to the closing and reopening of facilities during a portion of the period.

Non-operating revenue for 2023 includes receipt of the twelfth 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 2023 are budgeted at \$11,408,400, which is \$84,700 more than anticipated to be received in 2022, and \$243,520 more than received in 2021. With total expenses budgeted at \$11,390,400, net income of \$18,000 is anticipated for 2023. With depreciation expense of \$1,217,000, cash inflows will exceed expenses by \$1,235,000.

Expenditures. Expenses for the Electric Fund in 2022 are now projected to be \$11,516,000 or \$125,600 more than the \$11,390,400 now proposed to be spent in 2023. For 2023, wholesale purchased power is budgeted to cost \$7,000,000 or \$662,100 more than budgeted for 2022, and \$50,000 less than estimated actual costs. Purchases of wholesale power are always the Electric Fund's greatest annual cost. Wholesale costs which had been decreasing due to stable wholesale markets, are now increasing due to current industry and market conditions.

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 approximately 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 will receive through MPPA in 2023 will make up 24% of the City's power supply portfolio.

The City has also entered into power purchase commitments with MPPA for future solar renewable resources within the State of Michigan. Although, these solar facilities are currently facing constructability challenges due to supply chain logistics, panel availability, international trade issues, and overall market conditions, it is with optimism these projects will ultimately be completed. Dependent upon the success of these projects, which will take place over the next 2-3 years, MPPA forecasts the City's source of renewables will increase to 34% by 2025, exceeding the City's goal of 30%. MPPA continues to evaluate power supply options on behalf of the City of Petoskey and balance these options with existing project commitments and agreements.

System maintenance activities are budgeted for 2023 at \$736,100, a \$48,300 decrease over budgeted 2022 expenses of \$784,400. 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 Electric System personnel.

System administration costs, always the second largest Electric Fund expense category, have been proposed at \$1,714,100 for 2023. 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 \$586,500 in 2023, down from the \$600,000 budgeted in 2022.

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 2022 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, with \$400,000 for 2023.

The Sheridan Street and Curtis Avenue garages, which are owned by the Electric Fund, are expected to cost \$177,400 to operate in 2022. These facilities are made available for use to several other City departments which are charged \$120,900 for their share of actual facility operating costs in 2022. The City also made 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 \$1,248,000 in depreciation for 2023, slightly more than the 2022 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 2023, the budget is proposing to transfer out \$428,800, \$15,700 less than in 2022. \$178,800 is proposed to be transferred to the General Fund, a \$15,700 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 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.

In 2022, overhead distribution circuits were converted to underground along East Lake Street and included portions of Bay, Rose, Ottawa, Summit, Williams and Clinton Streets. The City began development of an electric system GIS database and will have installed 3 vehicle charging stations.

2023 construction projects within the Electric Fund will focus on the continuation of system-wide voltage conversions and upgrades that include:

- Residential Underground Installation \$978,000
Conversion of existing overhead distribution circuit to underground. Majority of the work will be along Michigan Street (\$373,000), Grand Avenue (\$181,000) along with Bridge, Maple, Porter Streets and a portion of Curtis Avenue (\$424,000).
- Petoskey Substation Reclosure Maintenance \$50,000
Electrical Substation work that includes replacement of two circuit reclosures initially installed in 2005.
- Electric System GIS Database \$50,000
Continued development of database for Electric System GIS. Addition of primary (15kV) equipment into GIS System and distribution of tablets to field crews.
- Mitchell Street Lighting (\$25,000)
Reconfiguration of Mitchell Street from US-31 to Emmet Street. Street lighting portion of project.
- Utility System Generation \$200,000
Purchase of backup generators for critical facilities including lift stations and domestic water production sites (wells).

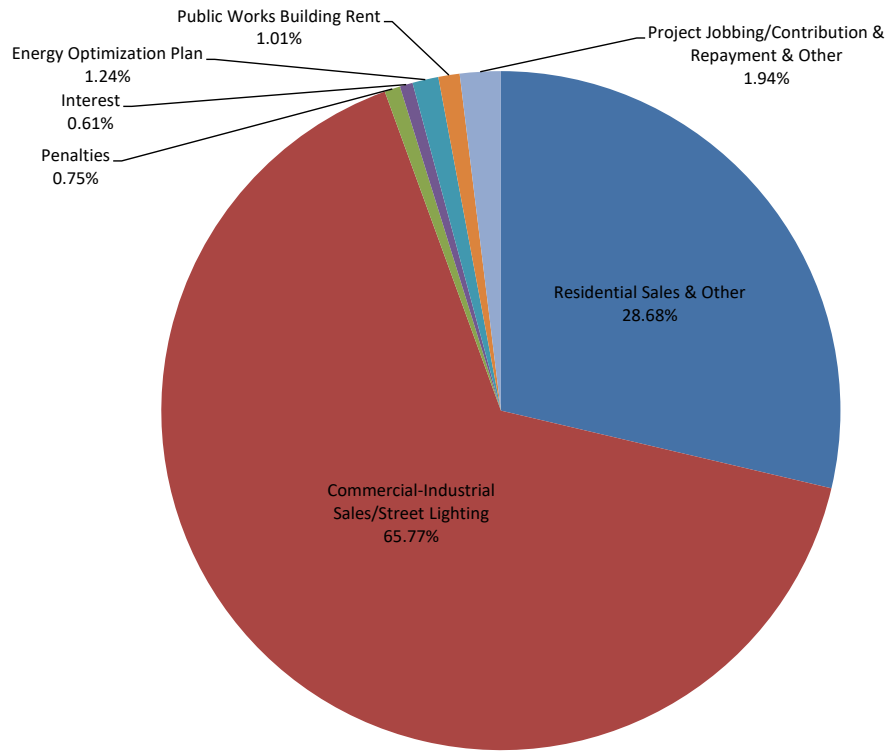
Total Capital Projects

\$1,303,000

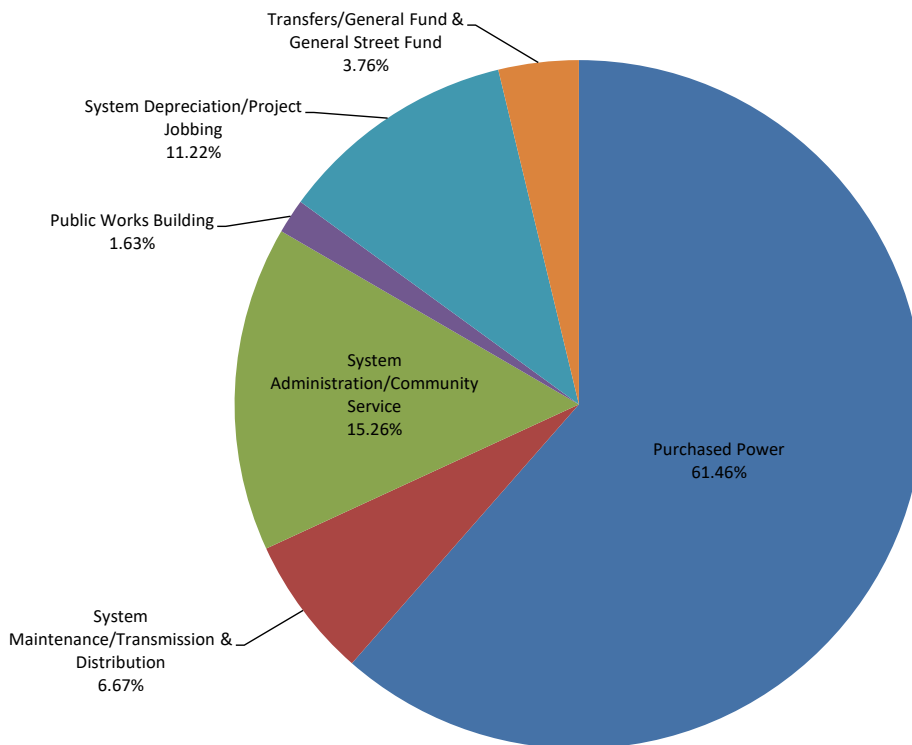
Electric Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
RETAINED EARNINGS - January 1	\$ 25,497,666	\$ 25,200,975	\$ 25,539,654	\$ 25,347,354
REVENUES				
Operating :				
Residential Sales	3,004,418	3,107,000	3,116,800	3,226,500
Commercial and Industrial Sales	7,171,709	7,275,000	7,294,000	7,479,000
Street Lighting	21,591	28,000	22,300	24,000
Energy Optimization Plan	141,185	141,500	142,500	141,500
Penalties	84,683	66,500	107,200	85,500
Other	75,370	45,000	49,500	45,000
	10,498,954	10,663,000	10,732,300	11,001,500
Nonoperating:				
Project Jobbing	183,139	73,000	158,100	106,000
Interest Income	68,910	50,000	75,400	70,000
Rents and Royalties	10,328	10,500	10,500	10,500
Public Works Building Rent	114,200	120,900	120,900	104,900
Contribution repayment	100,000	100,000	100,000	100,000
Other	189,349	25,500	126,500	15,500
	665,926	379,900	591,400	406,900
TOTAL REVENUES	11,164,880	11,042,900	11,323,700	11,408,400
EXPENSES:				
Operating:				
Purchased Power	6,439,828	6,337,900	7,050,000	7,000,000
Transmission and Distribution	16,875	23,500	20,400	23,500
System Maintenance	834,019	784,400	675,200	736,100
Community Service	19,580	24,600	20,300	24,600
Administration	1,809,959	1,846,900	1,821,200	1,714,100
	9,120,261	9,017,300	9,587,100	9,498,300
Nonoperating:				
Public Works Building	131,214	208,000	177,400	185,100
Project Jobbing	196,278	61,100	116,000	61,200
System Depreciation	1,225,740	1,150,000	1,191,000	1,217,000
	1,553,232	1,419,100	1,484,400	1,463,300
Transfers:				
General Fund	199,400	194,500	194,500	178,800
Motorpool Fund	-	-	-	-
General Street Fund	250,000	250,000	250,000	250,000
	449,400	444,500	444,500	428,800
TOTAL EXPENSES	11,122,892	10,880,900	11,516,000	11,390,400
Excess of Revenues Over Expenses	41,988	162,000	(192,300)	18,000
RETAINED EARNINGS - DECEMBER 31	\$ 25,539,654	\$ 25,362,975	\$ 25,347,354	\$ 25,365,354

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 (2021)	536,893,000
Daily Average	1,471,000
Number of Wells	7
Customers - Inside City	3,002
Customers - Outside City	370

Petoskey Wastewater System Overview	(in gallons)
WWTP Plant Capacity	2,500,000
WWTP Peak Plant Capacity	5,000,000
Average Daily Flow	1,140,000
Total Gallons Treated (2021)	415,428,000
Customers - Inside City	2,940
Customers Outside City	212

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 2023 user-fee revenues for the Water and Sewer Fund to be \$5,967,200, which is \$59,600 more than 2022 estimated totals. Estimated revenues for 2022 are slightly more than budgeted amounts, but nearly the same as in 2021. 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 2023, budgeted revenues are based on historical usage and include a scheduled rate increase.

Non-operating revenues are estimated to be \$366,500 in 2023, 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. The Authority now only includes Bear Creek Township as Springvale Township does not send any sewage to the City of Petoskey.

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 \$6,269,200 and expenses \$5,500,500 net income for the Water & Sewer Fund will total \$768,700. 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 2023, net income is budgeted at \$316,100.

Expenditures. For 2023, total expenses (operating & non-operating) for the Water and Sewer Fund have been proposed to reach \$6,017,600, an increase of \$189,600 compared to 2022 budget figures. The increase is due to lead and copper service line study and an increase in depreciation expense which is a noncash item.

Operating costs for the water division in 2023 include \$319,600 for water source and pump expenses, and \$60,000 for water purification expenses. \$672,700 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 are proposed at \$872,500, an increase of 0.6% compared to 2022 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 2023 non-operating expenses within the water division are budgeted to total \$677,000, up from the 2022 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 \$2,038,900, is virtually the same as the 2022 budget, and 13% more than actual expenses in 2021. 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.

2023 non-operating expenses within the sewer division are proposed to total \$1,042,600 up 1.5% from the 2022 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, will be \$223,600 and system depreciation has been proposed at \$819,000 in 2023.

It is projected that the Water and Sewer Fund will have net income in 2023 of \$316,100, which would increase Water and Sewer Fund estimated retained earnings to \$28,593,353. The retained earnings amount does include net asset costs of the water and wastewater utility system.

Capital Projects.

Water and sewer capital projects for 2023 are being performed in conjunction with the Bridge Street reconstruction and residential street resurfacing projects and include:

Water System

- Bridge Street Water Main Replacement and Service Upgrades \$350,000
Replace water main and components between Franklin Street and the bridge.
- Emmet Street Water Main Replacement and Service Upgrades \$75,000
Replace water main and components between East Mitchell Street and Michigan Street in conjunction with redevelopment of adjacent properties.
- Ingalls Pump Station Generator \$325,000
Installation of an on-site generator to provide reliability and power supply. Ingalls pump station provides water to all pressure districts in Petoskey.

- Miscellaneous Spot Repairs and Service Line Investigations \$25,000
Water repairs will take place in conjunction with residential street resurfacing projects.

Sewer System

- Bridge Street Sewer Main Replacement and Service Upgrades \$245,000
Replace sewer main and components between Franklin Street and the bridge.
- Emmet Street Sewer Main Replacement and Service Upgrades \$75,000
Replace water main and components between East Mitchell Street and Michigan Street in conjunction with redevelopment of adjacent properties.
- Miscellaneous Sanitary Sewer Main Spot Repairs and Upgrades \$25,000
Sanitary repairs will take place in conjunction with residential street resurfacing projects.

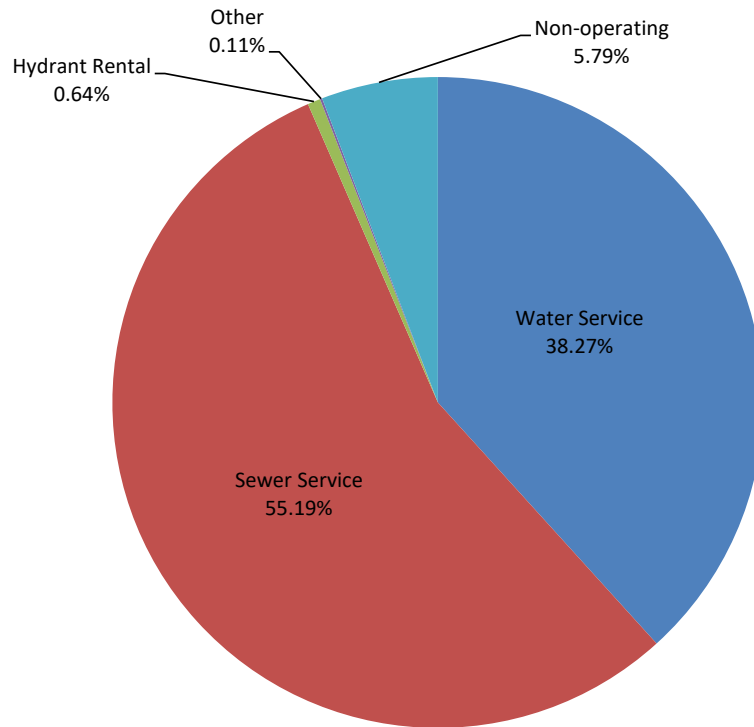
Total Capital Projects

1,120,000

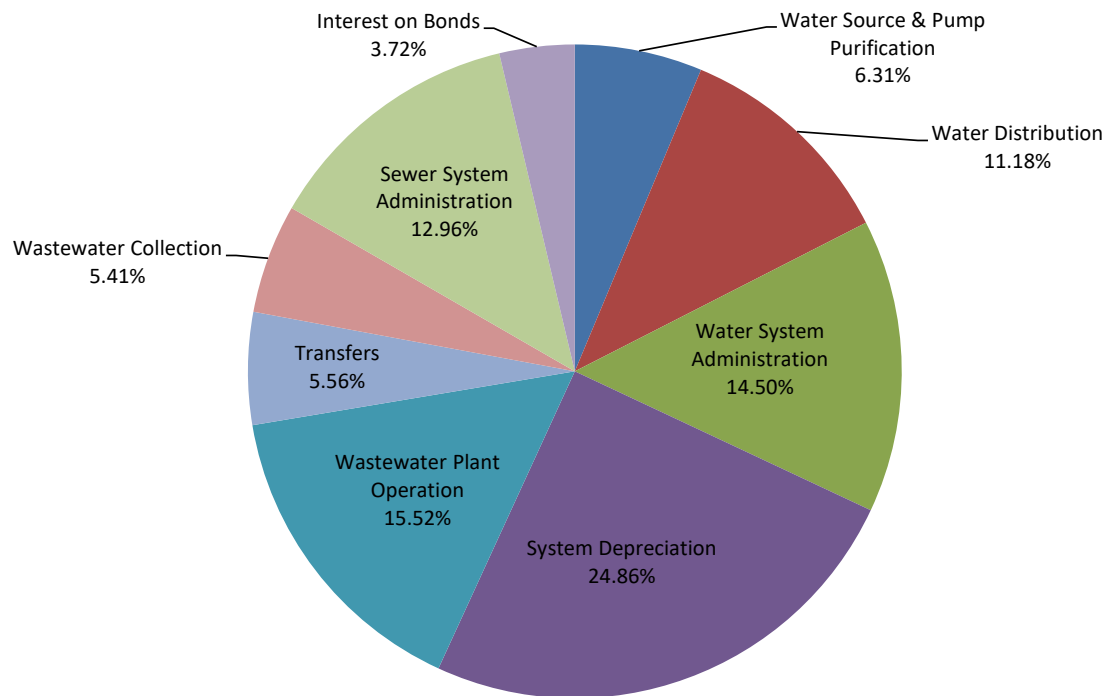
Water and Sewer Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
RETAINED EARNINGS - January 1	\$ 26,852,824	\$ 27,340,382	\$ 27,508,553	\$ 28,277,253
REVENUES				
Operating :				
Water-Residential Sales	1,239,982	1,230,000	1,237,000	1,249,300
Water-Commercial & Industrial Sales	1,192,694	1,150,000	1,161,700	1,174,800
Sewer-Residential Sales	2,151,604	2,165,000	2,167,000	2,188,600
Sewer-Commercial & Industrial Sales	1,321,149	1,330,000	1,294,600	1,307,100
Hydrant Rental	40,176	32,000	40,000	40,400
Other	21,464	8,100	7,300	7,000
	5,967,069	5,915,100	5,907,600	5,967,200
Nonoperating:				
Tower Rental	73,833	80,000	75,000	82,500
Project Jobbing	6,305	12,000	22,600	12,000
Interest Income	104,448	50,000	75,000	85,000
Other	(66,037)	-	-	-
Sewage Service Covenants	175,595	189,000	189,000	187,000
	294,144	331,000	361,600	366,500
Transfers: Right of Way	-	-	-	-
TOTAL REVENUES	6,261,213	6,246,100	6,269,200	6,333,700
EXPENSES				
Water Operating:				
Source and Pumping	292,836	326,200	296,000	319,600
Purification	23,739	48,500	48,400	60,000
Distribution	398,255	543,200	422,700	672,700
Administration	853,339	867,500	791,100	872,500
	1,568,169	1,785,400	1,558,200	1,924,800
Sewer Operating:				
Wastewater Plant Operation	789,532	933,200	814,400	933,700
Wastewater Collection	296,277	323,100	284,400	325,400
Administration	718,196	782,700	752,100	779,800
	1,804,005	2,039,000	1,850,900	2,038,900
Nonoperating:				
Project Jobbing	-	-	5,300	-
System Depreciation	1,423,465	1,373,000	1,465,000	1,496,000
Interest on Bonds	433,346	259,100	249,600	223,600
	1,856,811	1,632,100	1,719,900	1,719,600
Transfers:				
General Fund	376,500	371,500	371,500	334,300
TOTAL EXPENSES	5,605,484	5,828,000	5,500,500	6,017,600
Excess of Revenues Over Expenses	655,729	418,100	768,700	316,100
RETAINED EARNINGS - DECEMBER 31	\$ 27,508,553	\$ 27,758,482	\$ 28,277,253	\$ 28,593,353

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 \$1,183,800 a \$58,800 increase over estimated expenses for 2022, while revenues are budgeted at \$1,172,700 a decrease of \$33,600 under this year's estimated actual amount. Retained earnings in the Motor Pool Fund, which consists of cash, inventory, vehicles and equipment, are estimated at \$5,428,841 in 2023. Cash is used for capital items, and in 2023 it is proposed that the Motor Pool Fund replace the following eight vehicles and equipment with a total cost of \$572,000:

Public Works: Staff vehicles, Bucket truck

Parks & Recreation: Batwing mower, Pickup truck

Public Safety: Patrol vehicles (2), Rescue Cart

Motor Pool: Staff vehicle

Revenues. Revenues for the Motor Pool Fund are budgeted at \$1,172,700 for 2023, \$26,100 less than budgeted for 2022. 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 \$1,129,700 for next year. Income from other sources include interest from investments and the sale of surplus assets and should provide \$43,000.

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, \$120,000 from the Major Street Fund, \$90,000 from the Local Street Fund, \$73,000 from the General Street Fund, \$165,000 from the Electric Fund, \$105,000 from the Water and Sewer Fund and \$1,700 from other sources.

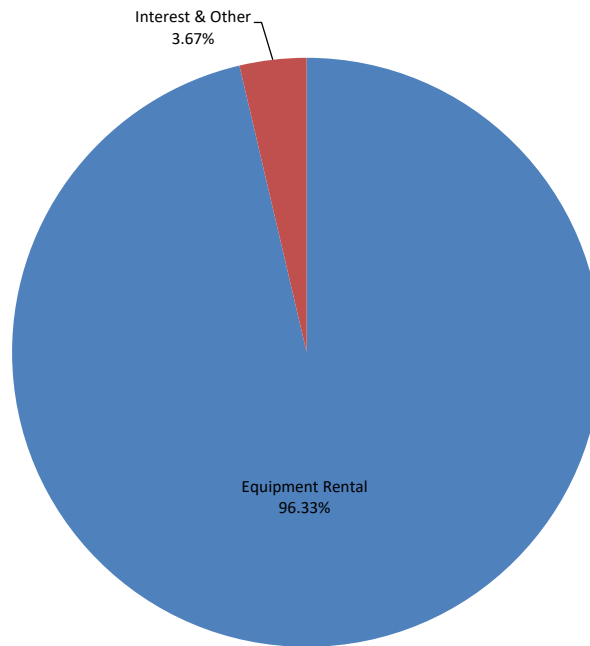
To help provide funding for future purchases of fire equipment, beginning in 2019, a portion of the Motor Pool's Fund Balance is being set aside in a reserve account. An amount of not less than \$25,000 will be added to the reserve account on an annual basis. For the four years 2019 through 2022, \$50,000 was transferred to the Firetruck Reserve Fund Balance for a total current balance of \$200,000.

Expenses. The Motor Pool Fund, which is fairly consistent in operations, is projected to spend \$1,183,800 in 2023, a 3.2% increase over budgeted expenditures in 2022. The increase is attributable to gas and oil expenses, which can vary based on the market. These 2023 budgeted expenses include; \$195,000 for maintenance of vehicles and equipment, \$55,000 insurance and \$1,300 professional services, \$17,000 for tools, \$145,000 for fuel, \$57,600 for building and vehicle rent, \$134,800 for administration fees, \$552,000 for depreciation and \$26,100 in other various expense items.

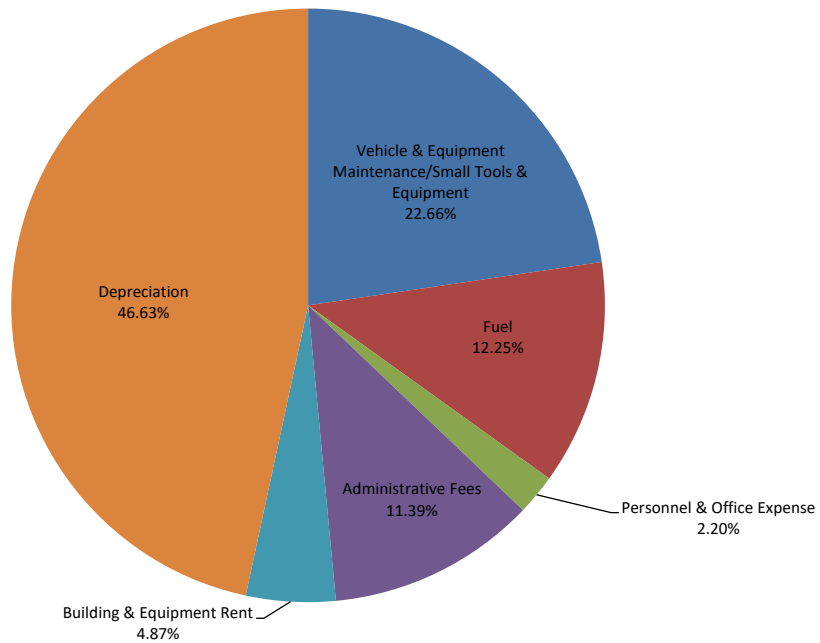
Motor Pool Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
RETAINED EARNINGS - January 1	\$ 5,225,773	\$ 5,364,955	\$ 5,358,641	\$ 5,439,941
REVENUES				
Operating :				
Equipment Rental	1,125,758	1,163,800	1,173,300	1,129,700
Nonoperating:				
Interest Income	13,400	10,000	11,000	13,000
Transfer	-	-	-	-
Other	69,526	25,000	22,000	30,000
	82,926	35,000	33,000	43,000
Contributions:				
Electric Fund	-	-	-	-
Contributions	-	-	-	-
	-	-	-	-
TOTAL REVENUES	1,208,684	1,198,800	1,206,300	1,172,700
EXPENSES				
Operating:				
Personnel	18,441	22,000	20,300	22,000
Office Expense	1,779	4,100	3,400	4,100
Small Tools & Equipment	10,298	17,000	12,800	17,000
Vehicle & Equipment Maintenance	210,467	264,200	177,200	251,300
Fuel	107,383	125,000	160,000	145,000
Building & Equipment Rent	62,129	66,200	57,400	57,600
Depreciation	533,518	514,000	559,000	552,000
Administrative fees	131,800	134,900	134,900	134,800
TOTAL EXPENSES	1,075,816	1,147,400	1,125,000	1,183,800
Excess of Revenues Over Expenses	132,868	51,400	81,300	(11,100)
RETAINED EARNINGS - DECEMBER 31	\$ 5,358,641	\$ 5,416,355	\$ 5,439,941	\$ 5,428,841

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 \$119,600 will meet the required 2023 debt-service obligation, according to the pre-arranged debt-repayment schedule, with only two payments remaining.

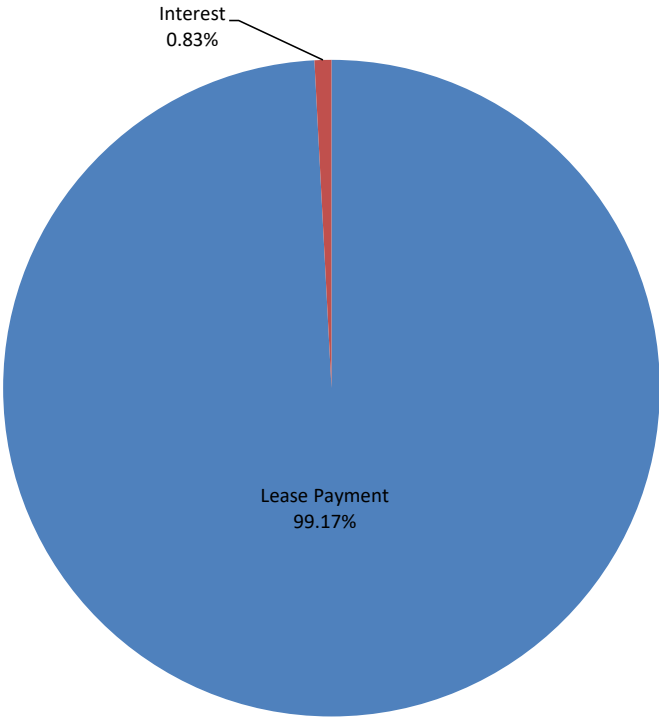
The City refinanced this bond issue in 2017, which established a new debt service schedule beginning in 2018. The bond refinancing is projected to save the City, on average, approximately \$25,000 in total interest expense costs each year, which matures in two years on April 1, 2024.

Expenditures. Total 2022 expenditures included: \$114,400 principle, \$9,700 interest for the year and \$200 in paying agent fees. Next year's budgeted costs for payment of principal on this bond decrease to \$113,100, with interest requirements of \$6,300, and paying-agent fees at the standard annual amount of \$200 for total debt requirements of \$119,600. Annual principle payments on bond debt will decline over the remaining year after reaching a high in 2022. Upon maturity in April 2024, any remaining fund balance will be returned to the Marina Reserved Fund Balance.

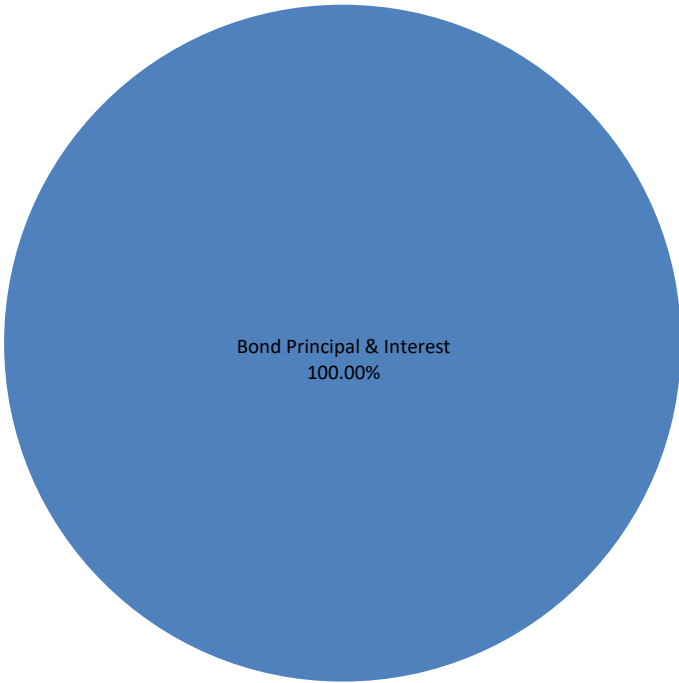
Bayfront Park Marina Bond Debt Fund

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 29,393	\$ 30,441	\$ 31,404	\$ 32,104
REVENUES				
Operating :				
Interest Income	1,779	700	1,000	1,000
Lease Payment	116,500	124,000	124,000	119,600
TOTAL REVENUES	118,279	124,700	125,000	120,600
EXPENDITURES				
Bond Principal and Interest	116,268	124,300	124,300	119,600
Excess of Revenues Over Expenditures	2,011	400	700	1,000
FUND BALANCE - DECEMBER 31	\$ 31,404	\$ 30,841	\$ 32,104	\$ 33,104

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.

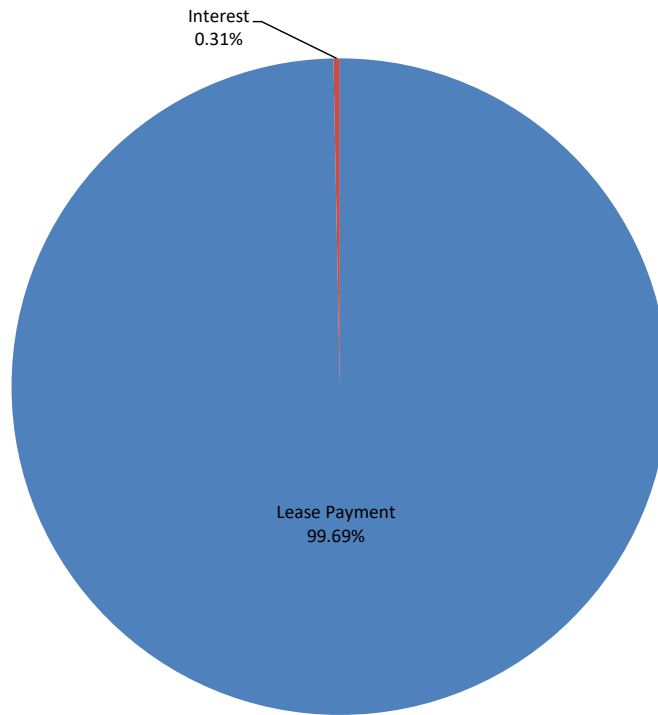
Revenues. Revenues include an annual lease payment received from the Tax Increment Finance Authority Fund. The City refinanced this bond issue during 2017, which established a new bond debt schedule. The annual lease payment is set at \$254,000 for 2023, with bond principle payments scheduled to slowly 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 six years of the bond debt payments.

Expenditures. Total 2022 expenditures included: \$205,700 principle, \$57,700 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 \$202,000, with interest requirements of \$51,600, and paying-agent fees at the standard annual amount of \$200 for total debt requirements of \$253,800. 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

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
FUND BALANCE - January 1	\$ 121,893	\$ 123,611	\$ 123,602	\$ 125,802
REVENUES				
Operating :				
Interest Income	866	800	800	800
Lease Payment	236,000	265,000	265,000	254,000
TOTAL REVENUES	236,866	265,800	265,800	254,800
EXPENDITURES				
Bond Principal and Interest	235,157	263,700	263,600	253,800
Excess of Revenues Over Expenditures	1,709	2,100	2,200	1,000
FUND BALANCE - DECEMBER 31	\$ 123,602	\$ 125,711	\$ 125,802	\$ 126,802

Revenues



Expenditures

