



2024 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, 2023

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

Proposed 2024 Annual Budget

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

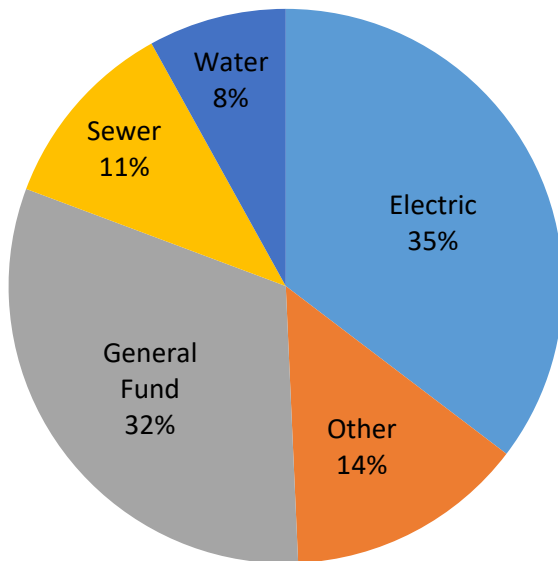
For your review and consideration is the 2024 Annual Budget for the City of Petoskey. The budget process begins in August and involves all Departments Heads and their Supervisors in preparing estimated amounts for current year and budgeted amounts for 2024 and takes several months to complete. The Annual 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 \$35,123,200 the proposed 2024 Operating and Capital Budget is \$1,431,750 more than the 2023 Budget. This increase in expenditures for 2024 is attributed to capital project increases for park projects, local street improvements, and downtown parking lot enhancements.

The 2024 budget included continues 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 2024 are included in pages 4-6 of this narrative.

City Revenues



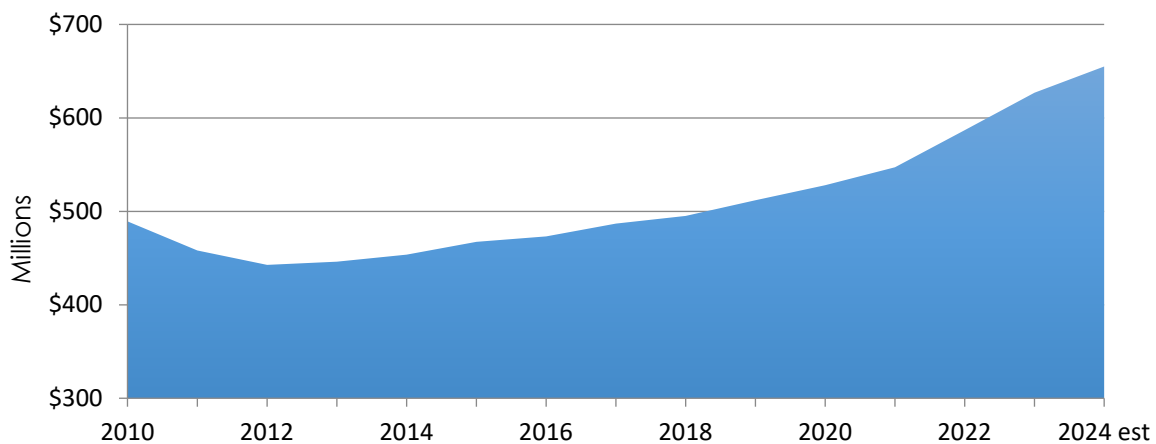
2024 operating expenditures, excluding capital costs, are budgeted at \$29,991,000 or \$1,255,250 more than 2023 budgeted amounts, due to increases in the electric and water funds and a Right-of-Way transfer for the street construction projects in 2024.

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 4% increase in 2024 that will be formally determined later next year. Overall, the City's taxable value is estimated at \$655,190,261 for 2024.

Taxable Value

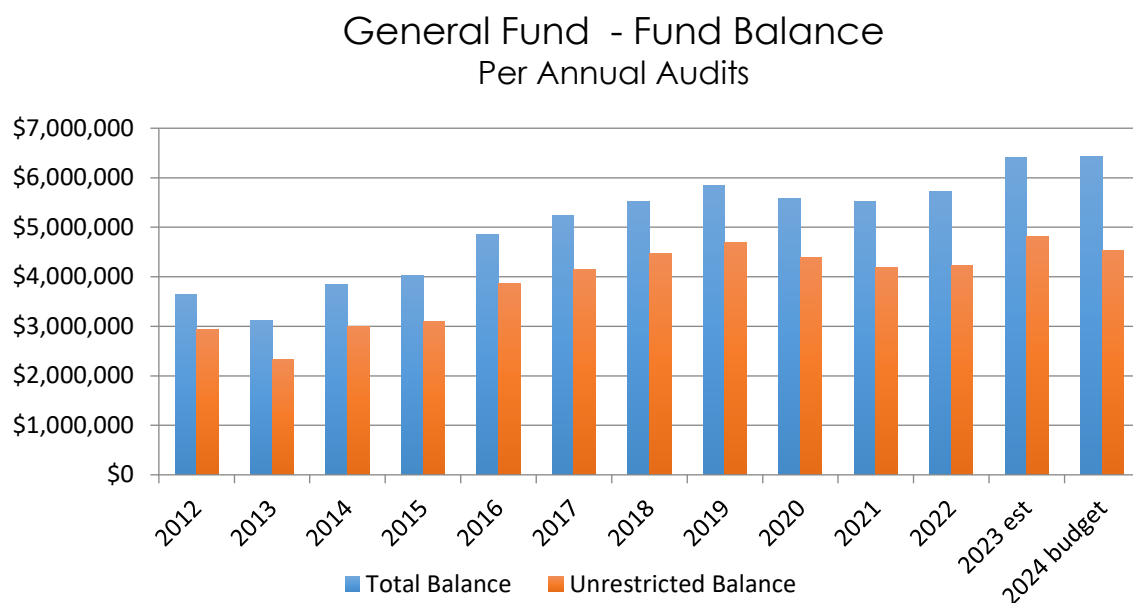


The proposed General Fund Budget shows revenues exceeding expenditures by \$17,500 increasing the General Fund reserves to an estimated \$6,420,048 or 62% of 2024 budgeted fund expenditures by end of 2024. Restricted Fund Balance amounts estimated at \$1,429,537 for the Marina and \$455,117 for Refuse Collection account totaling \$1,884,654 of the fund balance and would leave an estimated \$4,535,394 or 71% in unrestricted General Fund balance at the end of 2024.

Additionally, estimated actual expenditures for 2023 of \$9,846,700 are 3.6% less than budgeted or \$352,950 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 2023. 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 a 50% increase in the Unrestricted General Fund Balance from \$3 million in 2015 to an estimated \$4.5 million by the end of 2024.

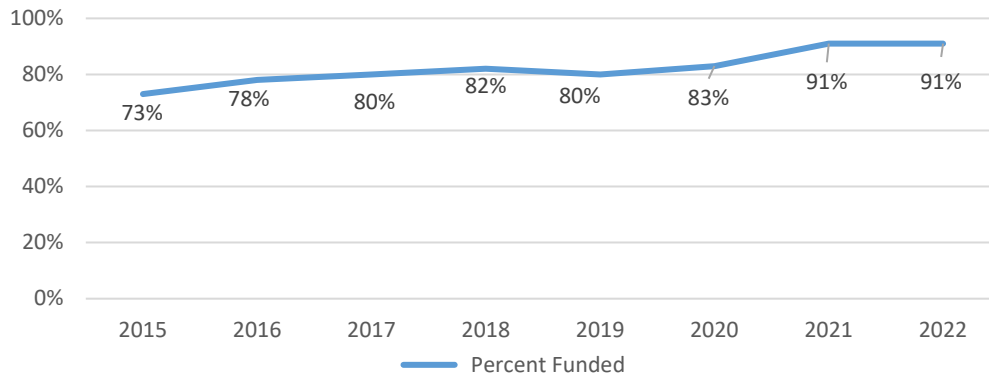
In 2021, tax levy for fire equipment of .75 mills ended reducing the City's overall millage rate. The overall millage rate for 2024 is proposed at 13.1523.



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.

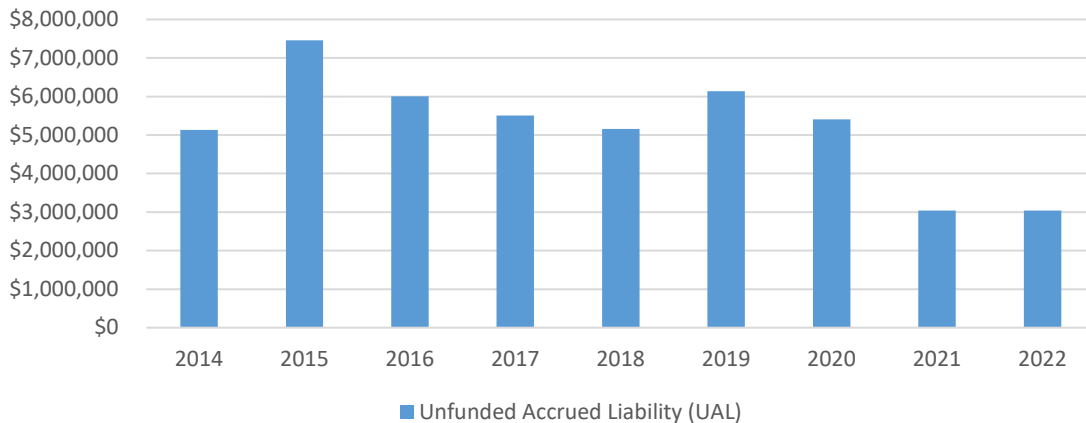
Even with the new MERS assumptions requiring increased annual payments, the City has made great strides in decreasing the overall Unfunded Accrued Liability (UAL) while increasing the funding rate from 73% in 2015 to an estimated 91% by the end of 2023.

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 \$5.6 million towards the UAL and has earmarked another \$600,000 in 2024 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)



2024 Capital Improvement Projects

Streets and Drainage

In 2024, East Mitchell Street from Division Street to the City limit will be resurfaced with assistance of Small Urban Grant funding. This project will be coordinated with Emmet County Road Commission as they will be picking up at the City limit and extending repaving to Division Road.

Bay View Avenue from East Mitchell to the dead end will be reconstructed including curbs and gutters.

The City will also earmark \$524,400 to complete miscellaneous pavement preservation, paving and street repairs. Portions of the following streets will be included: Rose, Clinton, Winter Park Lane, and Balsam Avenue.

Water and Wastewater System

Water and sanitary sewer mains will be replaced as part of the street reconstruction work on Bay View Avenue from East Mitchell Street to the dead end. We have also budgeted for upgrades on Emmet Street from East Mitchell to Michigan Street in conjunction with potential redevelopment of adjacent properties. We continue to budget for Lead and Copper Rule Materials Inventory work that is due by January 2025. The Wastewater Treatment Plant aeration blowers are scheduled for upgrades to more efficiently manage our aeration process along with upgrades to our Programmable Logic Controllers (PLC). The Ingalls Pump Station is scheduled for a new roof along with exterior painting and improvements. We have also budgeted \$45,000 for miscellaneous water and sewer spot repairs and upgrades that we may encounter during 2024. We have added \$50,000 to the budget to explore engineering solutions to dead-ends and noncirculating water mains that are prone to water quality complaints. Candidates include Karomol Court, Valley View, Ann Street and Wesley Street.

Sidewalks

In our continuing efforts to improve upon walkability within the City of Petoskey, the City has budgeted \$200,000 for sidewalk construction and replacements at Howard and East Mitchell southeast corner, as well as miscellaneous City-wide sidewalk spot repairs will also be completed in 2024.

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 2024, the City will continue its strong investments in the electric distribution system by earmarking \$1.3 million for system-wide upgrades.

Specifically, just over \$1.0 million has been earmarked for the installation of three-phase underground lines in the residential areas including portions of Jennings Avenue, Howard Street, Jefferson, Waukazoo, Fulton, Petoskey, Grove, Hill, Morgan, Priebe and Hillcrest.

Not only does undergrounding electric lines improve reliability of our municipal electric service delivery but it also creates more aesthetically pleasing neighborhoods. The City will also be completing electrical substation maintenance on the Mitchell Street and Petoskey Substation. We are also continuing to study the initial phase of Automated Metering Infrastructure (AMI) for the water and electric 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, along with \$75,000 for continued landscaping and beautification efforts around equipment areas in the Central Business District.

Motorpool

Motor Pool purchases planned for 2024 total \$678,000 and include the following:

- Replacement of a 2013 front mount mower for Parks and Recreation
- Replacement of a 2003 front-end loader for Public Works
- Replacement of a 2012 heavy-duty underbody plow truck for Public Works
- Replacement of a 2020 patrol vehicle for Public Safety

Buildings and Grounds

We have allocated \$100,000 for the East Lake Fire Station and Public Safety West Station to install vehicle exhaust extraction systems to more safely and efficiently perform testing and maintenance of vehicles and equipment.

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 2024:

Pennsylvania Park Upgrades

As part of the Downtown Greenway Corridor, site amenities from Bay Street to East Mitchell Street will include Park Avenue sidewalk widening landscaping, lighting and storm water management improvements. Grant funds will offset shared costs within Parking, Streets and Electric funds.

Resource Center Landscaping Upgrades

We have allocated \$25,000 to make improvements and upgrades to the landscaping including hardscapes for picnic areas.

Winter Sports Park Pavilion/Hockey Rink Upgrades

A capital campaign has been raising funds for the addition of a pavilion over the existing hockey rink. This allocation would be used to contribute to the overall project and supplemental costs.

Winter Sports Park Lodge Roof and Windows/Bates Field

The existing Winter Sports Park building is 33 years old. Replacement of the roof will be the first phase of improvements. This project is allocated at \$200,000. This project was bid and scheduled for 2023, and will be carried forward and scheduled to be completed during the off season. We will also include roofing upgrades at Bates Field facility.

Sunset Park Improvements

This project will include an accessible pathway, fencing replacement, landscaping improvements, amenities (picnic tables, benches, trash containers) and parking lot improvements. TIFA funds will be used for this project.

Little Traverse Wheelway Resurfacing

We have \$150,000 to continue to invest in on-going resurfacing needs for the wheelway.

Little Traverse Wheelway

We have budgeted for the 20% match of the High Water Infrastructure Grant requirement. Our hope is that we will continue to work with our community partners to reduce this commitment.

Park Master Plans

Master Planning for Pennsylvania, Arlington, and Washington Parks, utilizing concepts from the Parks and Recreation Master Plan. This public engagement process will assist in refining capital needs and plans for these public spaces.

The annual budgeting approval process is one of the most important tasks of City Council. I want to express my gratitude to Finance Director Audrey Plath, Finance Supervisor Bridgette Lemieur, 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 2024 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	\$ 10,394,400	\$ 9,825,800	\$ 551,100	\$ 10,376,900
Major street	1,011,000	598,900	456,600	1,055,500
Local Street	1,165,400	370,100	889,200	1,259,300
General Street	1,460,500	1,316,400	211,700	1,528,100
Tax Increment Finance Authority	571,000	236,000	445,000	681,000
Library	1,778,900	1,697,400	25,100	1,722,500
Downtown Management	284,900	311,000	-	311,000
Downtown Parking	1,155,700	913,500	308,000	1,221,500
Right-of-Way	2,114,100	2,102,600	-	2,102,600
	19,935,900	17,371,700	2,886,700	20,258,400
ENTERPRISE FUNDS				
Electric	11,695,100	11,670,600	1,249,500	12,920,100
Water	2,662,500	3,084,600	441,000	3,525,600
Sewer	3,724,200	2,928,700	555,000	3,483,700
	18,081,800	17,683,900	2,245,500	19,929,400
LESS DUPLICATIONS				
	38,017,700	35,055,600	5,132,200	40,187,800
Fund Transfers:				
Right-of-Way	2,100,000	2,100,000	-	2,100,000
Electric	428,600	428,600	-	428,600
Water & Sewer	334,800	334,800	-	334,800
Building Rents	194,600	194,600	-	194,600
Administrative Fees	2,006,600	2,006,600	-	2,006,600
	5,064,600	5,064,600	-	5,064,600
TOTAL	\$ 32,953,100	\$ 29,991,000	\$ 5,132,200	\$ 35,123,200
INTERNAL SERVICE FUND				
Motor Pool	\$ 1,238,700	\$ 1,201,100	\$ 678,000	\$ 1,879,100

Long-Term Debt Amortization

Schedule of Long Term Debt

General Obligations	January 1, 2024 Principal Balance
City of Petoskey Building Authority - 2021 Library refunding	\$ 1,320,000
City of Petoskey Building Authority - 2017 Bear River Valley	1,211,915
City of Petoskey Building Authority - 2017 Bayfront Park Marina	113,085
Total General Obligations	<u>\$ 2,645,000</u>
Revenue Obligation	
Water and Sewer Fund - 2017 WWTP/Lift Station Improvements	\$ 4,020,000
Water and Sewer Fund - 2021 WWTP Improvements refunding	2,775,000
Total Revenue Obligations	<u>\$ 6,795,000</u>

Annual Principal and Interest Requirements

Fiscal Year Ending December 31	General Obligation Bonds	Revenue Bonds	Total Annual Debt Service
2024	636,735	1,126,600	1,763,335
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>\$ 2,843,488</u>	<u>\$ 7,942,600</u>	<u>\$ 10,786,088</u>

City of Petoskey Personnel

November 2023

City-Wide

77 Full-Time Employees

58 Part-Time Employees

City Administration & Finance

14 Full-Time Employees

Library

8 Full-Time Employees

15 Part-Time Employees

Parks & Recreation

9 Full-Time Employees

28 Part-Time Employees

Public Safety

19 Full Time Employees:

- 1 Administrative
- 4 Lieutenants
- 14 PSOs

5 Part-Time PSOs

2 Paid on Call Fire Division

1 Part-Time Crossing Guard

Public Works

22 Full-Time Employees

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

2 Part-Time Street Employees

Downtown Management

5 Full-Time Employees

2 Part-Time Employees

3 Part-Time Trolley Drivers

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 2024 total \$10,394,400. This is a projected increase of \$76,400 over what is expected to be received by year's end of \$10,318,000. The 2023 year-end revenue estimate is \$191,000 more than originally budgeted due in part from an increase of tax revenue.

Based on proposed 2024 budgeted revenues of \$10,394,400 and proposed budgeted expenditures of \$10,376,900, revenues will exceed expenditures by \$17,500 in the General Fund. This activity will result in an estimated ending fund balance of \$6,420,048 or 62% of 2024 budgeted fund expenditures. Restricted Fund Balance amounts estimated at \$1,429,537 for the Marina and \$455,117 for Refuse Collection account totaling \$1,884,654 of the fund balance and would leave an estimated \$4,535,394 or 71% in unrestricted General Fund balance at the end of 2024.

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 2023, operating revenues are expected to total \$5,105,400, a net increase of \$283,844 when compared to 2022. The increase is due to a continued rise in taxable values increasing property tax revenue. Total 2024 operating income is proposed to total \$5,556,200, an 8.8% increase, or \$450,800 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 2023 of \$627,037,172 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 4% or \$28,153,089 for a total of \$655,190,261 as the real estate market in Petoskey remains strong. The State's inflation rate multiplier is calculated to be 5.1% for 2024 and will not require a 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 \$4,256,900 estimated for this year to \$4,370,700 or \$113,800 more than 2023. 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 2023 and is expected to be rolled back again in 2024.

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 \$724,900 for 2023 and is estimated at \$755,300 for 2024.

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 2024 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 2023 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 2024, several months after the budget is approved, it will be recommended to City Council that tax millages remain the same as in 2023. 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 \$655,190,261 in 2024, \$4,093,900 would be received for general purposes and \$276,800 would be received for solid-waste programs.

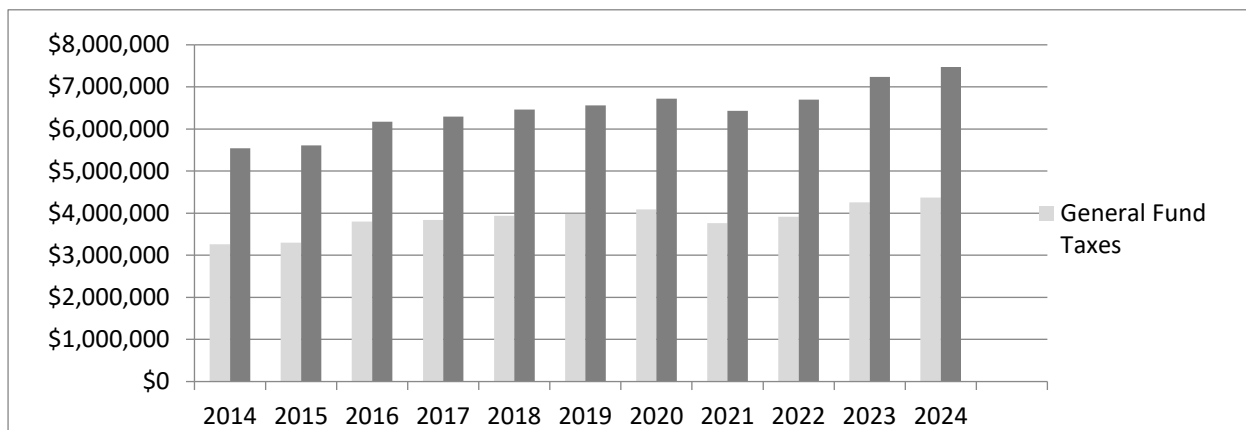
For 2024, the City's General Fund, Right-of-Way Fund and Library Fund, based upon a total millage rate of 13.1523 mills, would provide net property tax revenues to these funds at an estimated total of \$7,475,000. Limits that are established by provisions of the City Charter and applicable State statutes 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	\$655,190,261	\$4,737,400	\$200,900	\$1,000	\$26,400	\$415,200	\$4,093,900
Cleanup	0.4890	655,190,261	320,400	13,600	100	1,800	28,100	276,800
R.O.W.	3.7233	655,190,261	2,439,500	103,500	500	13,600	213,800	2,108,100
Library	1.7094	655,190,261	1,120,000	22,500	100	3,000	98,200	996,200
	13.1523		\$8,617,300	\$340,500	\$1,700	\$44,800	\$755,300	\$7,475,000

In 2024, the City's taxable value is estimated to increase to \$655,190,261 or 4% more than that established for 2023. 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; revenues from 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 \$745,800 in 2024, or \$49,300 more than the total included in the 2023 annual budget in part, due to an anticipated reimbursement from the presidential primary election. By the end of this year, receipts of State-shared revenues are expected to provide the General Fund with about \$17,400 more than estimated when the City's 2023 annual budget was established at \$696,500. The increase in both amounts are due to higher sales tax collections than anticipated. After a decrease in State-shared revenues from 2003 to 2016, 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 2023, \$55,000 was budgeted for interest income with \$75,000 for 2024, 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 \$2,204,200 in 2024. For 2023, \$2,635,000 is anticipated to be received, which is \$26,600 more than budgeted. The grant revenue for the Winter Sports Park Ice Rink project is deferred until 2024 and the Boor property purchase process is scheduled for fall 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 2024.

Grant revenue for 2023 is expected to be \$61,700 more than budgeted actual this year due to a public safety training grant received for \$48,000. Grants for 2024 include: Jaws of Life training \$4,500, Public Safety training \$6,300, Emmet County Local Revenue Sharing Board \$16,000 for public-safety operations, Park \$75,800 in grant revenue from Townships participating in the City's recreation programs, for a total of \$102,600.

Totaling \$119,300 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 \$104,300 for 2024, which is \$7,000 more than what is now expected to be received by the end of 2023. 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 28 such programs, which includes various categories of basketball, football, skating, skiing, soccer, softball, tennis, 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 79% of participants in City-sponsored and/or City-supervised recreation and sports programs are non-City residents, and 48% 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.

2022 Recreation Program Participation

- 28 recreation programs
- 2,404 participants
- 56% 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 \$13,100 in 2024 to \$567,600 from 2023 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 2023 are anticipated to total \$456,400 with \$456,500 proposed for 2024.

2023 Park Rentals

- 113 paid shelter and facility rental reservations
- Campers at Magnus Park stayed 10,130 "nights"
- 1,400 transient boaters stayed 6,105 nights at the marina

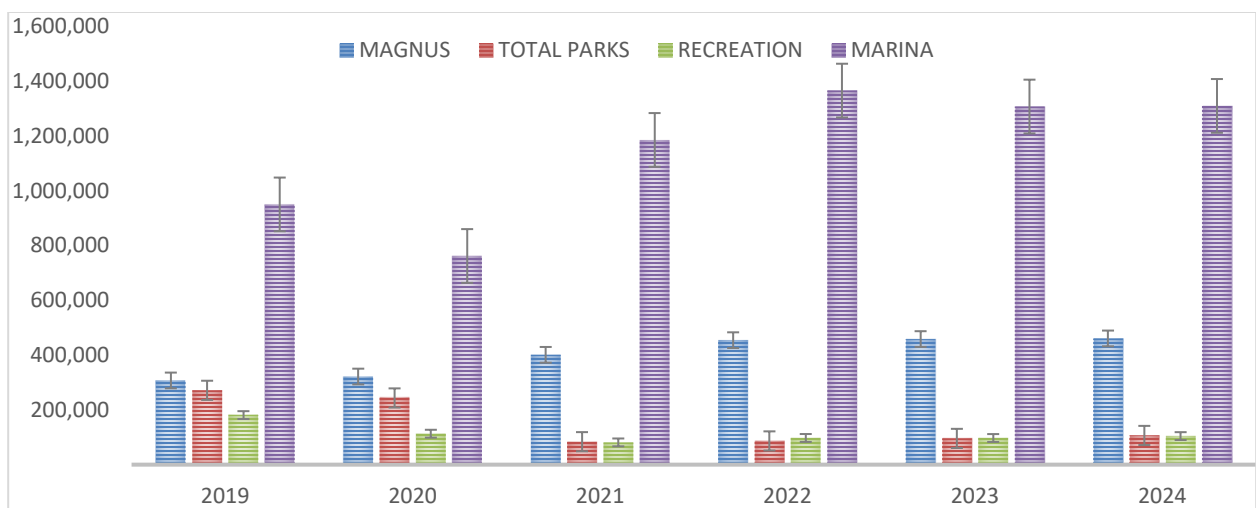
Beginning in 2010, the City initiated a fee for private use of park facilities to help defray costs for Department of Parks and Recreation staff to setup, take down and cleanup following each event. The City receives requests to use facilities such as Bayfront Park for weddings, reunions and other such 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 2023 and are expected to remain the same at \$15,000 for 2024 with the 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 2023, \$1,308,100 is anticipated for receipt, or \$5,900 more than the \$1,302,200 budgeted for this year. Fuel sales of gasoline and diesel peaked in 2005 at 142,805 gallons and dropped to as low as 94,694 gallons in 2014, and for 2021 increased to a new all-time high of 182,873. For 2024, fuel sales are budgeted at \$698,000 as fuel prices remain higher than previous years.

The volume of fuel sales in 2023 increased slightly from 2022, but is less noticeable since the price per gallon decreased slightly from 2022. Daily rentals at Bayfront Park Marina mooring wells during 2023 provided \$307,500, with \$307,000 budgeted for 2024. Seasonal rentals of mooring wells, provided \$276,000 with \$277,000 proposed for next year.

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

Parks and Recreation Revenues



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

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

As the last category of General Fund revenues, income that is derived from transfers has been proposed to total \$2,558,000 for 2024 up by \$51,600 from the \$2,506,400 that has been actually transferred. This includes \$24,100 from the Downtown Management Board after agreeing to have the City provide additional accounting and technology services for the downtown operations, along with \$7,000 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 2024 have been computed at \$178,600 and from the Water and Sewer Fund at \$334,800.

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 \$511,500 from the General Street Fund; \$578,700 from the Electric Fund; \$716,100 from the Water and Sewer Fund; \$24,100 from the Downtown Parking Fund; \$139,200 from the Motor Pool Fund; \$7,000 from the Library Fund and \$30,000 from the Marina Restricted Account within the General Fund.

EXPENSES

Summary. Total General Fund expenditures for 2024 are proposed at \$10,376,900 or \$177,250 more than the \$10,199,650 that had been approved in 2023. Total estimated actual expenditures for 2023 of \$9,846,700 are 3.6% less than budgeted or \$352,950. The difference is largely due to the Winter Sports Park Hockey Rink project put on hold until 2024.

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 \$86,300 for 2024, costs for legislative and citizen-participation activities have increased by \$47,400 due to three or possible four elections being held in 2024, including the November General election, as \$12,700 is now anticipated to be spent on elections in 2023. 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 and expenses associated with early in-person voting which will be in effect in 2024.

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 at least three elections next year including the General Election in November at which names of Mayoral candidates will appear on the ballot. 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 2024 have been proposed at \$971,000, for a budget decrease of \$13,050, with increases in the City Manager Office (\$18,200), the Office of City Assessor (\$27,050) and Economic Development (\$8,000) and a decrease in the Office of City Planner (\$66,300) due to the code enforcement position budgeted in Public Safety for 2024. Total General Administrative costs for 2023 are estimated at \$905,800 or \$78,250 less than the budgeted amount of \$984,050.

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, City Arts and Culture (\$40,000), Northern Lakes Economic Alliance (\$10,000), and Housing North (\$10,000).

The City Assessor with City Council's approval contracted in fall of 2023 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.

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 property-assessment appeals and property inspections are \$55,200. 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 2023, actual costs are now expected to total the same for this year and based on this experience \$145,000 has been budgeted again for 2024.

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 City Zoning Administrator, Planning Commission, Zoning Board of Appeals, and Sign Committee and also works with the Downtown Development Authority on special projects.

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 \$1,056,400 in 2024 or \$3,300 more than budgeted in 2023. 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.

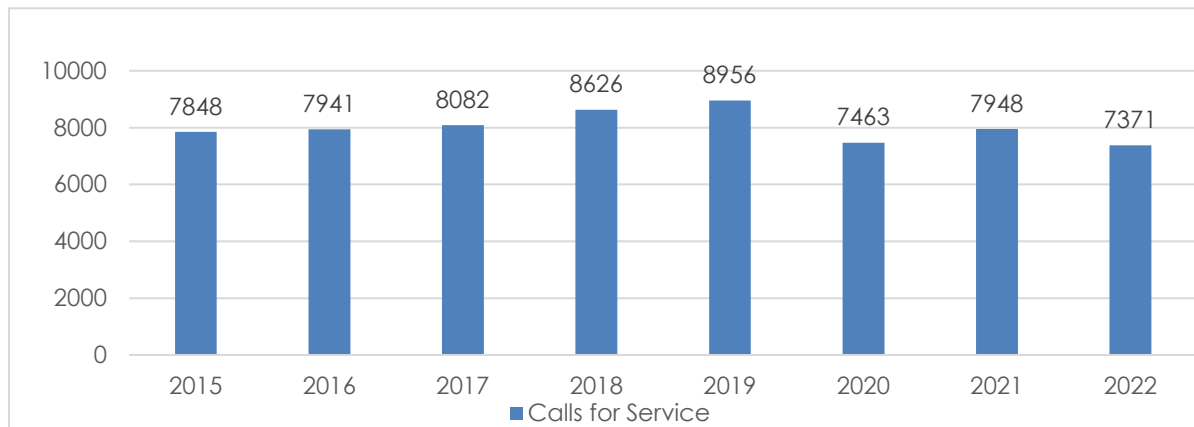
Information technology has a budgeted decrease of \$17,800 next year, the decrease due to less repairs and upgrades expected to take place in 2024. In 2018, the City began utilizing an outside contractor for information technology services, who has several members on staff that specialize in different areas and have been working with the City to upgrade the City's systems. Outside IT services have increased response time from prior years, 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 2024, expenditures that are believed necessary to provide combined police, fire and emergency-medical services have been proposed to total \$3,873,600, an increase of \$217,900 more than the 2023 budgeted amount of \$3,655,700, with the increase being in wages, fringe benefits, and equipment purchases.

The 2024 budget includes the thirteenth 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



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 four officers and three on-call firefighters to staff the station and respond to fire related emergencies.

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

- **23 Full-Time Personnel**
 - 16 PSOs
 - 4 Lieutenants
 - 1 Director
 - 1 Administrative
 - 4 Part-Time PSOs
 - 3 On-Call Firefighter
 - 1 Code Enforcement Officer
- **7,371 law-enforcement calls for service in 2022**
- **938 fire and medical calls in 2022**

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 2022, the Detective investigated 153 new cases resulting in 35 felony arrest warrants, 43 misdemeanor arrest warrants and the execution of 18 search warrants. The Detective also assisted the schools on 11 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. \$202,000 is anticipated in 2023 and \$135,000 budgeted for 2024. 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.

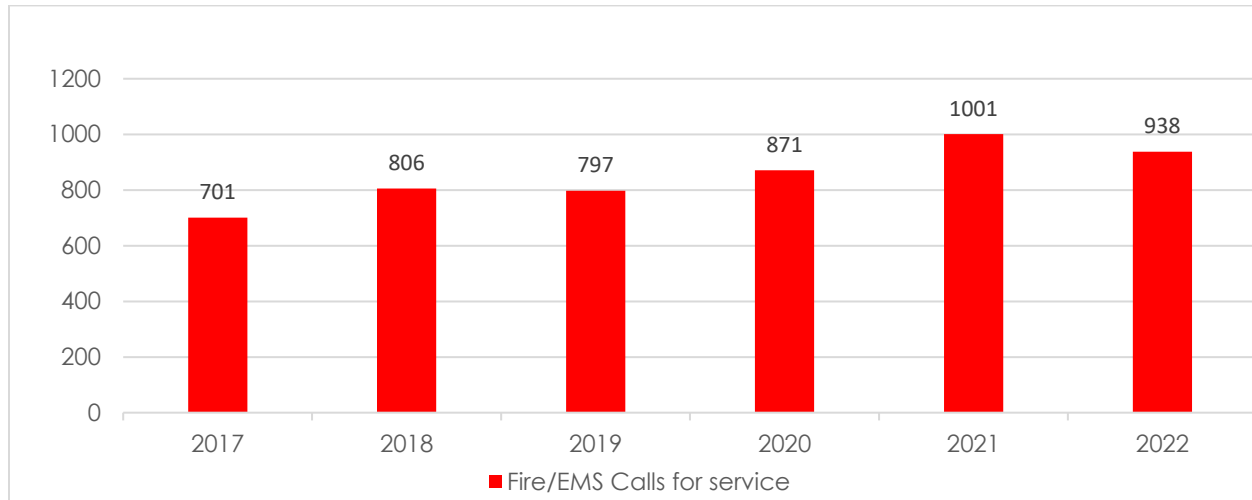
Proposed to originally total \$2,869,800 for 2023, personnel service costs within the Department of Public Safety are expected to now total \$36,900 less at \$2,832,900 for 2023. A total of \$3,065,600 is budgeted for 2024. The increase is largely due to an increase in wages and fringe benefits for officers per the collective bargaining agreement and the addition of the Code Enforcement Officer.

Training and vehicle rental payments made to the Motor Pool Fund for use of equipment have been proposed at \$423,900 next year, down \$4,500 from the \$428,400 budgeted for in 2023 with \$449,400 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 \$64,500 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 \$82,400 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 \$7,000 for costs at the Public Safety West Station for snow plowing, cleaning and maintenance services. Community education activities, proposed to cost \$1,500 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 approximately 576 children.

Fire/EMS Calls for Service 2017-2022



Parks & Recreation. The Department of Parks and Recreation with 9 full-time employees, one shared Administrative Assistant and 31 seasonal employees, operates and maintains 24 park sites on over 1,260 acres of land and provides approximately 28 organized recreational programs for youth and adults of the community.

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 2024 are proposed to total \$3,642,800, which is \$115,800 less than budgeted for in 2023, actual costs for this year are now expected to total \$3,590,700 or \$167,900 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 \$405,500 for 2024, 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 \$136,900 more than 2023 estimated actual costs of \$268,600, due to capital outlay projects. 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 2022 and 2023.

The parks-and-special facilities category is proposed at \$1,543,000 for 2024, an increase of \$219,200 over the \$1,323,800 expected to actually be spent this year. The difference being the number of capital outlay projects scheduled for 2024 which includes; the Winter Sports Park improvements, resurfacing of a portion of Little Traverse Wheelway, design and construction drawings for the slope failure area on the LTW, Bates roofing and master planning for Arlington, Pennsylvania and Washington Parks.

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 \$178,100, or \$10,100 less than the \$188,200 that is now expected to be spent this year. Activities include: replacing picnic boards and shower upgrades for a total of \$6,000.

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

Magnus Park

- *Campers at Magnus Park stayed 10,130 "nights"*
- *Average occupancy 84% from May 15 – October 16 and 96% from July 1 – August 31.*

2023 Operations

- *\$456,400 in revenues*
- *\$188,200 in expenses*
- *Net income of \$268,200 remains in the General Fund to offset other parks expenses*

Bayfront Park Marina

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

2023 Operations

- *\$1,308,100 operating revenue*
- *\$1,040,100 operating expense*
- *Net gain of \$268,000*

Bayfront Park Marina is estimated to actually cost \$1,372,100 in 2023 or \$61,000 less than budgeted. The difference in the capital outlay. High water levels, ice damage has been minimal for the last couple of years, however repairs are budgeted at \$70,000 if needed.

Other than capital outlay, expenditures within the marina, costs are consistent with previous years. The one fluctuating item is fuel cost, which is subject to changes in the market place on the purchase side and

weather conditions on the sales side, which affects sales at the pump.

The City participates in the Statewide facility-reservation system which not only takes marina reservation requests, it also accounts for all noncash transactions at the marina made by credit card and remits a weekly wire transfer to the City along with an accounting of each month's activities.

Included within the Marina budget is 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 \$90,300.

With budgeted revenues for 2024 proposed at \$1,310,400 and proposed expenditures at \$1,056,100, revenues will exceed expenditures by \$254,300, which will be added to the marina fund balance reserve in the General Fund of nearly \$1,429,537. The reserve may only be used for marina purposes and helps to ensure sufficient funds are available to meet annual bond-debt obligations and maintenance of the marina.

Recreation programs within the Department of Parks and Recreation expenditure category are expected to cost \$303,800 in 2024, an increase of \$1,200 over 2023 estimated actual costs of \$302,600. In 2022, recreation program expenses were only offset 33% by \$97,479 in revenues that were derived from program fees, grants and reimbursements for services that are provided by the City to other governmental units. In previous years over 65% of the program costs were covered by participant revenues.

Program revenues for 2024 are now budgeted to cover 59% 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 \$199,500 next year, personnel-services costs would increase by \$23,600 over budgeted costs for 2023, the difference being in wage increases and staffing challenges.

Within the last expenditure category of the Department of Parks and Recreation are costs for downtown-maintenance activities that have been proposed for 2024 at \$156,300, which is \$52,700 more than estimated for 2023 which is due to increases in wages and contracted services. 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 forestry related causes 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 \$709,300 is now estimated to end the year \$10,000 less than expected. With two expenditure categories of administration and solid waste, \$746,800 has been proposed as costs for 2024. 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 \$474,200 for 2024, a \$19,200 increase from the \$455,000 budgeted for in 2023. Other activity costs include communication, office supplies, vehicle rental and education and are budgeted slightly more than 2023 budgeted costs at \$37,200, resulting in total proposed costs of \$511,400.

Solid-waste programs are expected to cost a total of \$235,400 in 2024, \$4,400 more than actual program totals for 2023 which are anticipated at \$231,000. For 2024, activities again would include monitoring of the City's former River Road landfill for \$9,500, 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 \$132,000. Curbside recycling is provided by Emmet County Department of Public Works totaling \$93,900.

As part of this 2024 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 budgeted at \$276,800, which is \$14,600 more than the 2023 estimated amount. Based on these budgeted amounts, program revenues will exceed expenditures by \$41,400 which will be added to prior year estimated reserves of \$413,600.

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% 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 2022, MERS assumed rate of return was 7% with a wage inflation factor of 3%.

In 2017, the City began making an annual additional payment to MERS. The unfunded accrued liability has been reduced from \$7,461,522 in 2015 to \$3,041,953 in 2022 and the plan is 91% 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 2024, 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 seven 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 History

<u>Year</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>
2024 budget	\$6,420,048	\$4,535,394	\$1,884,654
2023 est. actual	6,402,548	4,813,665	1,588,883
2022	5,713,298	4,226,562	1,486,736
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

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 2024 are proposed to be reimbursed a total of \$2,006,600 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 \$513,400, which is in addition to the administrative fees. The administrative fees go to offset the \$2,356,700 in total expenditures for these activities leaving the remaining \$350,100 to be funded by other General Fund revenue items, such as property tax revenue.

The Department of Parks and Recreation receives revenues through user fees from the recreation programs offered, Magnus park campsite fees and Bayfront Park Marina sales and services. For 2024, these along with other smaller revenue sources would provide \$2,160,700 in revenues to offset \$3,642,800 in expenditures leaving \$1,482,100 to be funded through other General Fund operations.

Magnus Park covers costs of all activities' expenses and provides an additional \$278,400 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 \$119,300. 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 \$3,873,600 to be funded through other General Fund revenue.

General Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget	Change 2023 vs 2024
FUND BALANCE - January 1	\$ 5,512,339	\$ 6,288,226	\$ 5,931,248	\$ 6,402,548	\$ 114,322
REVENUES					
Operating :					
Property Tax	3,994,019	4,196,200	4,324,200	4,736,800	540,600
Licenses and Permits	20,500	24,400	28,400	34,900	10,500
State Shared Revenues	748,454	696,500	713,900	745,800	49,300
Charges for Services	58,582	39,100	38,900	38,700	(400)
	4,821,556	4,956,200	5,105,400	5,556,200	600,000
Nonoperating:					
Interest Income	61,651	55,000	70,000	75,000	20,000
Other	3,780	1,000	1,200	1,000	-
	65,431	56,000	71,200	76,000	20,000
Activities:					
Grants	116,677	504,500	566,200	102,600	(401,900)
Public Safety	72,686	132,200	108,900	119,300	(12,900)
Recreation	97,479	111,200	97,300	104,300	(6,900)
Parks	541,183	558,300	554,500	567,600	9,300
Bayfront Park Marina	1,366,288	1,302,200	1,308,100	1,310,400	8,200
	2,194,313	2,608,400	2,635,000	2,204,200	(404,200)
Transfers:					
City Hall Building Rent	38,000	38,000	38,000	38,000	-
Electric Fund	194,500	178,800	178,800	178,600	(200)
Water and Sewer Fund	371,500	334,300	334,300	334,800	500
Administration Fees	1,930,100	1,955,300	1,955,300	2,006,600	51,300
	2,534,100	2,506,400	2,506,400	2,558,000	51,600
TOTAL REVENUES	9,615,400	10,127,000	10,318,000	10,394,400	267,400
EXPENDITURES					
Legislation and Citizen Participation:					
City Council	26,966	27,500	29,400	29,800	2,300
Elections	31,241	11,400	12,700	56,500	45,100
	58,207	38,900	42,100	86,300	47,400
General Administration:					
City Manager	329,934	355,500	353,900	373,700	18,200
City Assessor	117,924	150,950	152,800	178,000	27,050
City Attorney	111,273	145,000	145,000	145,000	-
City Planner	142,031	254,600	208,900	188,300	(66,300)
Economic Development	51,451	78,000	45,200	86,000	8,000
	752,612	984,050	905,800	971,000	(13,050)
Department of Finance:					
Director of Finance - Treasurer	351,031	300,200	296,900	303,000	2,800
Accounting	289,364	306,300	293,400	320,000	13,700
Utility Billing	216,688	212,600	211,700	217,200	4,600
Information Technology	166,691	234,000	171,000	216,200	(17,800)
	1,023,774	1,053,100	973,000	1,056,400	3,300

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget	Change 2023 vs 2024
Department of Public Safety: Law Enforcement, Fire Protection, Emergency Medical Services	3,514,866	3,655,700	3,635,800	3,873,600	217,900
Department of Parks and Recreation:					
Building and Grounds	400,211	301,900	268,600	405,500	103,600
Downtown Maintenance	115,386	103,600	135,400	156,300	52,700
Parks and Special Facilities	883,900	1,425,100	1,323,800	1,543,000	117,900
Magnus Park	227,152	211,000	188,200	178,100	(32,900)
Recreation Programs	295,520	283,900	302,600	303,800	19,900
Bayfront Park Marina	1,223,890	1,433,100	1,372,100	1,056,100	(377,000)
	3,146,059	3,758,600	3,590,700	3,642,800	(115,800)
Department of Public Works:					
Administration	477,891	487,300	468,300	511,400	24,100
Solid Waste	223,082	222,000	231,000	235,400	13,400
	700,973	709,300	699,300	746,800	37,500
TOTAL EXPENDITURES	9,196,491	10,199,650	9,846,700	10,376,900	177,250
Excess of Revenues Over Expenditures	418,909	(72,650)	471,300	17,500	90,150
FUND BALANCE - DECEMBER 31	\$ 5,931,248	\$ 6,215,576	\$ 6,402,548	\$ 6,420,048	204,472

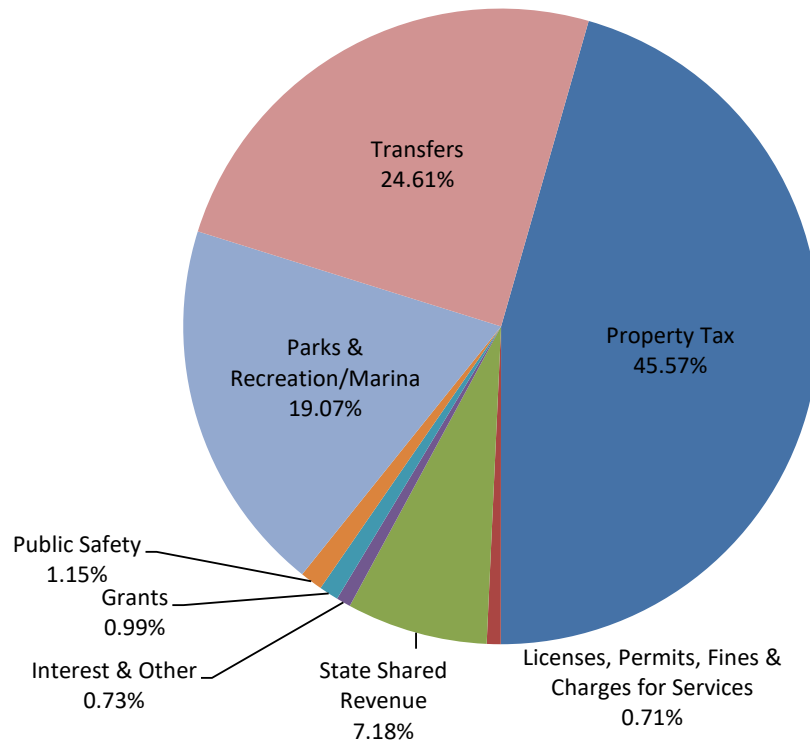
General Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget	Change 2023 vs 2024
EXPENDITURES - Detailed					
Legislation and Citizen Participation					
City Council:					
Personnel	\$ 20,744	\$ 21,200	\$ 21,100	\$ 21,100	\$ (100)
Office Expense	759	700	800	900	200
Training & Transportation	5,462	5,600	7,500	7,800	2,200
	26,966	27,500	29,400	29,800	2,300
Elections:					
Personnel	13,251	4,900	5,000	25,100	20,200
Office Expense	7,033	1,500	2,500	9,400	7,900
Contracted Services	10,957	5,000	5,200	22,000	17,000
	31,241	11,400	12,700	56,500	45,100
General Administration					
City Manager:					
Personnel	297,677	333,100	331,900	348,000	14,900
Office Expense	5,968	7,500	6,700	8,000	500
Contracted Services	19,625	6,400	6,600	6,700	300
Training & Transportation	6,664	8,500	8,700	10,500	2,000
	329,934	355,500	353,900	373,200	17,700
City Assessor:					
Personnel	-	-	-	-	
Office Expense	3,760	5,050	1,500	1,000	(4,050)
Contracted Services	114,164	145,900	151,300	177,000	31,100
	117,924	150,950	152,800	178,000	27,050
City Attorney:					
Contracted Services	111,273	145,000	145,000	145,000	0
City Planner:					
Personnel	117,322	225,100	166,300	152,300	(72,800)
Office Expense	3,479	4,700	4,500	4,500	(200)
Contracted Services	17,489	18,000	34,000	28,000	10,000
Training & Transportation	3,740	6,800	4,100	3,500	(3,300)
	142,031	254,600	208,900	188,300	(66,300)
Economic Development:					
Contracted Services	51,451	78,000	45,200	86,000	8,000
Department of Finance					
Director of Finance - Treasurer:					
Personnel	302,560	266,000	263,000	272,700	6,700
Office Expense	3,709	5,700	3,500	4,000	(1,700)
Contracted Services	35,662	18,200	19,800	21,500	3,300
Training & Transportation	9,099	10,300	10,600	4,800	(5,500)
	351,031	300,200	296,900	303,000	2,800

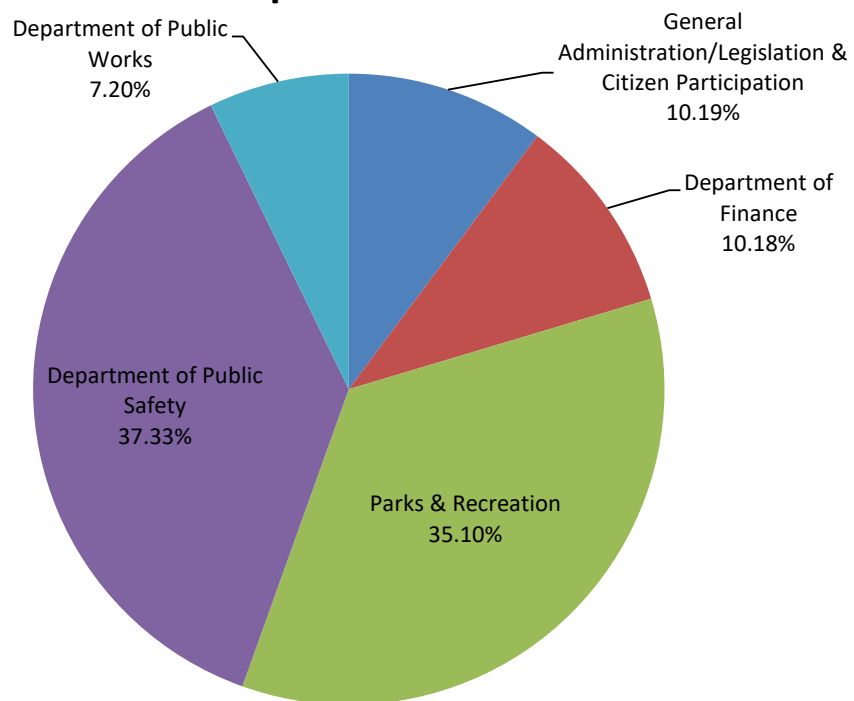
	2022 Actual	2023 Budget	2023 Estimate	2024 Budget	Change 2023 vs 2024
Accounting:					
Personnel	275,713	291,000	279,700	304,800	13,800
Office Expense	4,070	5,000	4,000	4,500	(500)
Contracted Services	9,178	9,800	9,500	9,800	0
Training & Transportation	404	500	200	400	(100)
	289,364	306,300	293,400	319,500	13,200
Utility Billing:					
Personnel	153,587	148,500	148,200	149,800	1,300
Office Expense	3,243	5,000	2,700	5,000	0
Contracted Services	59,857	58,600	60,700	62,300	3,700
Training & Transportation	-	500	100	100	(400)
	216,688	212,600	211,700	217,200	4,600
Information Technology:					
Office Expense	55,228	65,000	26,000	69,700	4,700
Contracted Services	111,463	169,000	145,000	146,500	(22,500)
Training & Transportation	-	-	-	-	0
	166,691	234,000	171,000	216,200	(17,800)
Department of Public Safety					
Law Enforcement, Fire Protection, Emergency Medical Services:					
Personnel	2,721,135	2,869,800	2,832,900	3,065,600	195,800
Office Expense	156,742	155,800	150,100	155,800	0
Contracted Services	59,686	59,800	63,400	82,400	22,600
Training & Transportation	446,107	428,400	449,400	423,900	(4,500)
Debt requirements	100,000	100,000	100,000	100,000	0
Capital Outlay/Equipment	31,197	41,900	40,000	45,900	4,000
	3,514,866	3,655,700	3,635,800	3,873,600	217,900
Department of Parks and Recreation					
Building and Grounds:					
Personnel	265,326	146,300	146,300	113,200	(33,100)
Materials & Supplies	95,836	96,600	87,000	102,300	5,700
Contracted Services	39,049	59,000	35,300	90,000	31,000
Capital Outlay/Equipment	-	-	-	100,000	100,000
	400,211	301,900	268,600	405,500	103,600
Downtown Maintenance:					
Personnel	80,295	64,500	90,100	111,300	46,800
Office Expense	15,418	16,500	17,800	18,000	1,500
Contracted Services	11,674	15,000	19,900	19,100	4,100
Training & Transportation	8,000	7,600	7,600	7,900	300
	115,386	103,600	135,400	156,300	52,700
Parks and Special Facilities:					
Personnel	406,238	384,000	403,100	471,900	87,900
Office Expense	135,040	138,600	158,700	160,900	22,300
Contracted Services	174,599	170,000	223,000	402,000	232,000
Training & Transportation	123,890	118,000	117,500	123,000	5,000
Capital Outlay/Equipment	44,132	614,500	421,500	385,200	(229,300)
	883,900	1,425,100	1,323,800	1,543,000	117,900

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget	Change 2023 vs 2024
Magnus Park:					
Personnel	100,726	98,900	77,000	73,400	(25,500)
Office Expense	88,456	78,000	77,400	61,900	(16,100)
Contracted Services	29,970	26,500	26,500	35,000	8,500
Training & Transportation	8,000	7,600	7,300	7,800	200
	<u>227,152</u>	<u>211,000</u>	<u>188,200</u>	<u>178,100</u>	<u>(32,900)</u>
Recreation Programs:					
Personnel	189,759	175,900	196,100	199,500	23,600
Office Expense	28,208	25,000	27,400	24,800	(200)
Contracted Services	60,989	64,500	62,300	61,900	(2,600)
Training & Transportation	11,050	12,700	11,800	12,600	(100)
Capital Outlay/Equipment	5,514	5,000	5,000	5,000	0
	<u>295,520</u>	<u>283,100</u>	<u>302,600</u>	<u>303,800</u>	<u>20,700</u>
Bayfront Park Marina:					
Personnel	122,583	142,300	97,800	90,500	(51,800)
Office Expense	120,181	116,500	119,800	117,600	1,100
Contracted Services	68,971	87,500	52,500	99,500	12,000
Gas & Oil	658,777	550,000	626,600	625,300	75,300
Training & Transportation	16,988	17,200	16,700	17,900	700
Debt requirements	124,000	119,600	119,600	90,300	(29,300)
Capital Outlay/Equipment	112,391	400,000	339,100	15,000	(385,000)
	<u>1,223,890</u>	<u>1,433,100</u>	<u>1,372,100</u>	<u>1,056,100</u>	<u>(377,000)</u>
Department of Public Works					
Administration:					
Personnel	443,681	455,000	435,900	474,200	19,200
Office Expense	8,176	6,800	6,900	8,400	1,600
Training & Transportation	26,033	25,500	25,500	28,800	3,300
	<u>477,891</u>	<u>487,300</u>	<u>468,300</u>	<u>511,400</u>	<u>24,100</u>
Solid Waste:					
Personnel	28,617	25,900	29,100	30,500	4,600
Office Expense	457	500	500	500	0
Contracted Services	183,405	188,800	190,500	193,400	4,600
Training & Transportation	10,603	6,800	10,900	11,000	4,200
	<u>223,082</u>	<u>222,000</u>	<u>231,000</u>	<u>235,400</u>	<u>13,400</u>
TOTAL EXPENDITURES	<u>\$ 9,196,491</u>	<u>\$ 10,198,850</u>	<u>\$ 9,846,700</u>	<u>\$ 10,375,900</u>	<u>177,050</u>

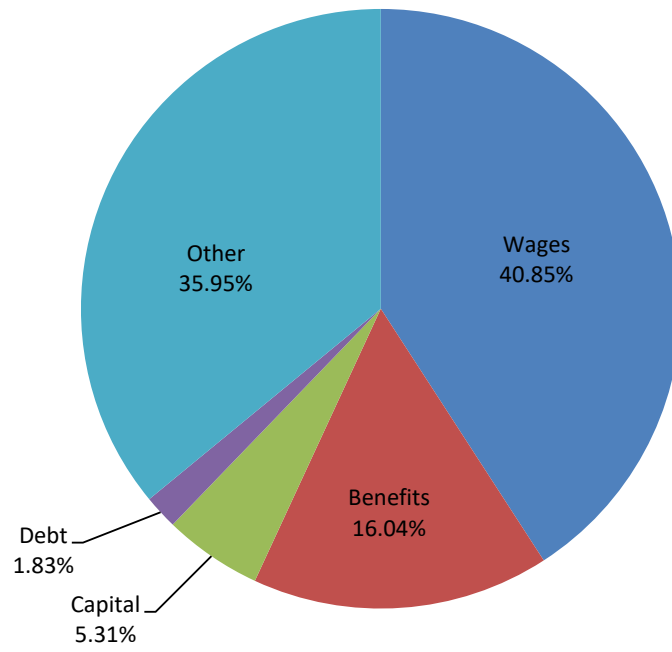
Revenues



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 2024 total \$1,011,000, with total budgeted expenditures proposed at \$1,055,500, resulting in an excess of expenditures over revenues of \$44,500 that will be deducted from the \$902,634 estimated beginning fund balance, leaving an estimated ending fund balance of \$858,134. 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 2023, activities within the Major Street fund included a full reconstruct of Bridge Street from Franklin Street to the Bridge Street Bridge along with the asphalt resurfacing of Porter Street between US-131 and Curtis Avenue.

Operating revenues for 2024 are expected to increase by \$217,600 from 2023 budgeted amount in part due to a 2024 State small urban grant for \$235,900. 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) are estimated to increase by 2.2% in 2024 are distributed over the State's fiscal year that ends in September, requiring 2024 fourth-quarter City revenues to be estimated. Amounts established by the State are always subject to revision based on further changes in economic conditions. 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 \$35,000 for next year, after receiving \$36,000 in 2023.

Expenditures. Major Street system actual expenditures for 2023 are estimated at \$1,074,300 which is \$69,100 less than in 2022. For 2024, budgeted costs total \$1,055,500 or \$18,800 less than will be spent in 2023. Projects scheduled for 2024 include East Mitchell Street between Division Street and the City Limits; Howard Street Between Penney's Alley and East Mitchell Street; and Emmet Street between East Mitchell and Michigan Street, which is dependent upon adjacent properties proceeding with redevelopment.

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 \$107,700. 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 2023 by \$7,600. Total winter maintenance costs are estimated at \$243,300 in 2023. Budgeted costs for 2024 are \$250,800 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.

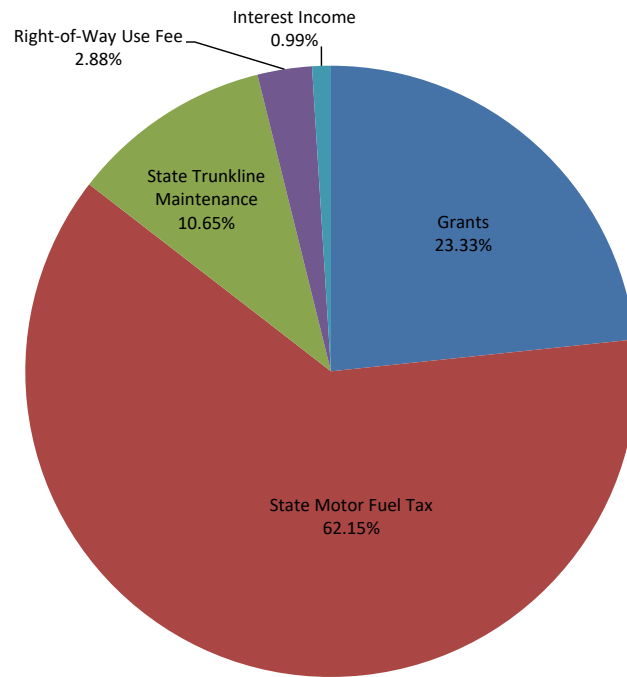
The administration and engineering activity, which was typically the largest budget activity within the street funds, accounts for such activities as contracted engineering services, fringe benefit costs for one-half of Department of Public Works operations employees, and administrative fees paid to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

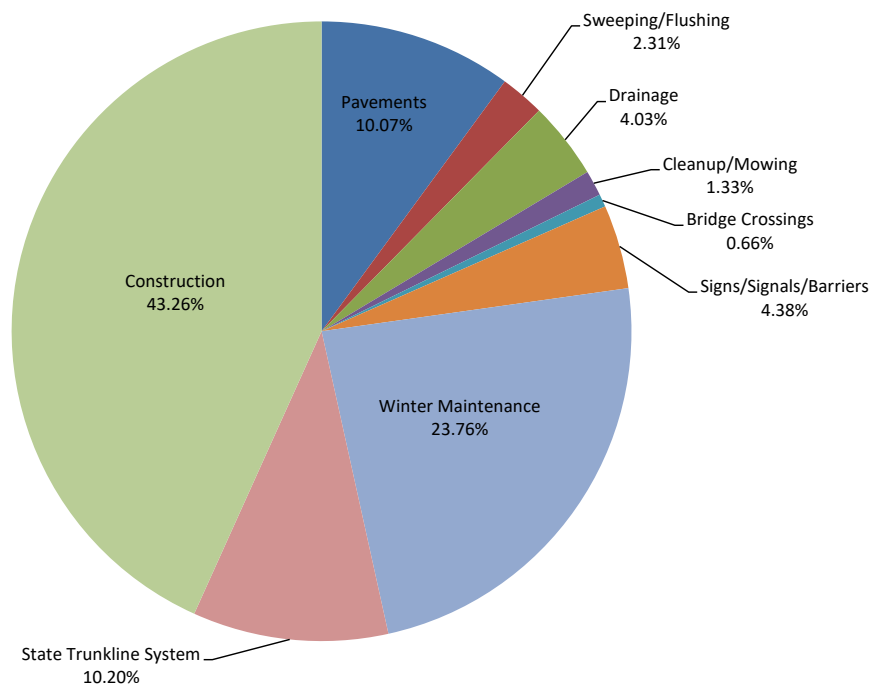
Major Street Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
FUND BALANCE - January 1	\$ 1,333,986	\$ 1,240,926	\$ 1,205,534	\$ 902,634
REVENUES				
Operating :				
Grants	-	-	-	235,900
State Motor Fuel Tax	609,871	640,000	616,000	628,300
State Trunkline Maintenance	68,083	119,400	119,400	107,700
Right-of Way Use Fee	25,315	24,000	27,000	29,100
Other Federal Grant	303,750	-	-	-
	1,007,019	783,400	762,400	1,001,000
Nonoperating:				
Interest Income	7,902	7,500	9,000	10,000
Transfers:				
Right of Way Fund	-	-	-	-
TOTAL REVENUES	1,014,921	790,900	771,400	1,011,000
EXPENDITURES				
State Trunkline:				
Pavements	3,225	7,800	3,550	4,800
Drainage	1,289	2,200	2,400	2,200
Cleanup and Mowing	4,274	5,900	9,500	9,200
Signs-Signals and Barriers	465	1,300	550	1,300
Sweeping and Flushing	6,039	9,600	7,700	9,600
Winter Maintenance	86,261	77,600	70,600	80,600
	101,553	104,400	94,300	107,700
Major Street System:				
Construction	647,047	785,000	550,000	456,600
Pavements	49,395	103,700	72,400	106,300
Drainage	30,132	42,500	35,900	42,500
Cleanup and Mowing	5,404	14,000	8,800	14,000
Bridge Crossings	3,190	2,500	1,000	7,000
Signs-Signals and Barriers	44,332	49,000	45,200	46,200
Sweeping and Flushing	26,137	24,400	23,400	24,400
Winter Maintenance	236,183	250,900	243,300	250,800
	1,041,821	1,272,000	980,000	947,800
TOTAL EXPENDITURES	1,143,374	1,376,400	1,074,300	1,055,500
Excess of Revenues Over Expenditures	(128,453)	(585,500)	(302,900)	(44,500)
FUND BALANCE - DECEMBER 31	\$ 1,205,534	\$ 655,426	\$ 902,634	\$ 858,134

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 2024 budgeted revenues for the Local Street Fund total \$265,400, with total budgeted expenditures proposed at \$1,259,300, with \$889,200 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 \$943,279 would be decreased by \$93,900 resulting in an ending fund balance of \$849,379, 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 require resurfacing for only a short distance. This amount is again included within both the Major and Local Street Funds.

In 2023, the Local Street Fund included funds to rehabilitate Maple Street from Charlevoix Avenue to Porter Street with new asphalt surfaces and curb and gutter spot repairs, which was bid as part of the Bridge Street full reconstruct and Porter Street resurfacing project.

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 (excl. snow pay) are estimated to increase by 2.2% in 2024 are distributed over 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. 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 \$25,000 for next year after receiving \$25,900 this year.

For 2024, there is a \$900,000 transfer being proposed from the Right-of-Way Fund to cover capital costs as compared to \$200,000 in 2019, \$200,000 in 2020, \$500,000 in 2021, \$1,100,000 in 2022, and no transfer in 2023. The City built up the fund balance in the ROW Fund to cover costs of reconstructing Howard Street.

Expenditures. Total actual expenditures for 2023 are estimated at \$438,200, which is \$47,500 less than the \$485,700 budgeted. The primary difference being the decrease in street construction expenditures. Proposed expenditures for 2024 total \$1,259,300, which is \$821,100 more than 2023 estimated costs, due to an increase in construction projects. Construction cost for 2024 total \$889,200 which include asphalt rehabilitation on Rose Street from Clinton Street to Winter Park Lane; Winter Park Lane from Arlington Avenue to the Winter Sports Park; Balsam Avenue from Arlington Avenue to Dead-end; a reconstruction project for Bay View Avenue from East Mitchell to Dead-End; and a storm sewer project tied to the Park Avenue Improvements.

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 with longer winters resulting in total costs exceeding budget amounts.

Budget estimates for 2024 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. 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 2024. 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.

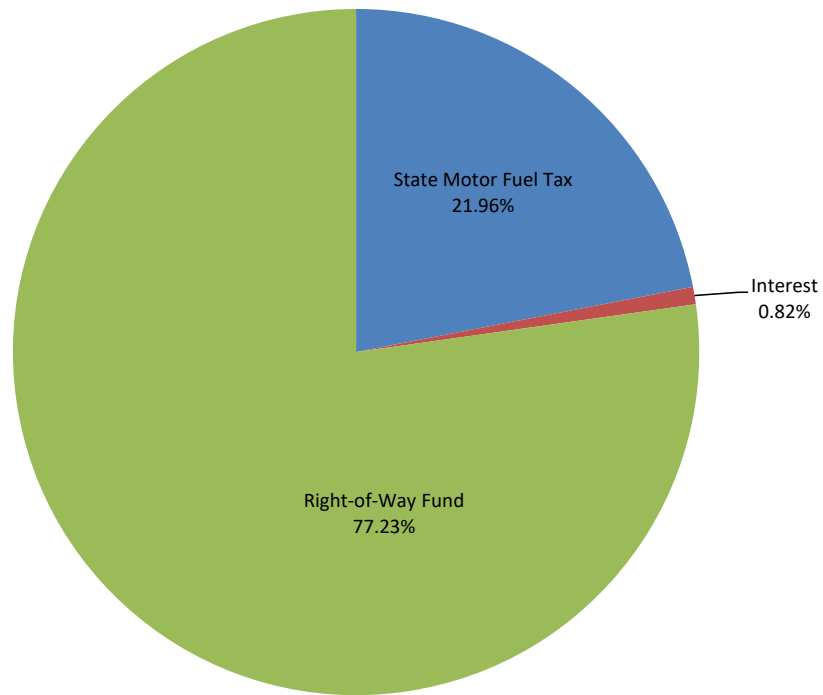
The administration and engineering activity, typically the largest budget activity within the street funds - accounts for such activities as contracted engineering services, fringe benefit costs for one-half of the Department of Public Works operations employees, and administrative fees paid to the General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

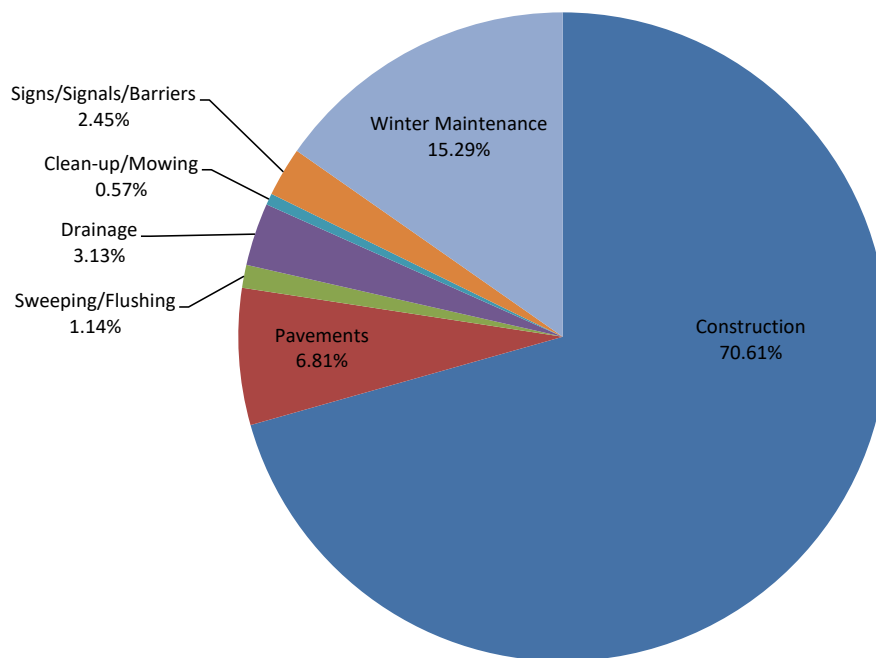
Local Street Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
FUND BALANCE - January 1	\$ 1,048,900	\$ 1,009,200	\$ 1,123,879	\$ 943,279
REVENUES				
Operating :				
State Motor Fuel Tax	245,133	265,000	250,900	255,900
Nonoperating:				
Interest Income & Other	8,372	8,500	6,700	9,500
Transfers:				
Right of Way Fund	1,100,000	-	-	900,000
TOTAL REVENUES	1,353,505	273,500	257,600	1,165,400
EXPENDITURES				
Local Street System:				
Construction	981,345	115,000	110,000	889,200
Pavements	25,248	85,700	54,100	85,700
Drainage	32,317	40,400	29,500	39,400
Cleanup and Mowing	4,457	8,300	6,800	7,200
Signs-Signals and Barriers	24,566	29,900	31,400	30,900
Sweeping and Flushing	12,891	13,900	13,900	14,400
Winter Maintenance	197,703	192,500	192,500	192,500
Administration				
TOTAL EXPENDITURES	1,278,527	485,700	438,200	1,259,300
Excess of Revenues Over Expenditures	74,978	(212,200)	(180,600)	(93,900)
FUND BALANCE - DECEMBER 31	\$ 1,123,879	\$ 797,000	\$ 943,279	\$ 849,379

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 2024 have been budgeted at \$1,460,500, with expenditures budgeted at \$1,528,100, for a difference of \$67,600 which will be subtracted from the existing fund balance estimated at \$1,368,509 and resulting in an estimated ending fund balance of \$1,300,909.

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 2023 of \$1,460,500 are on track with the budgeted amount. For 2024, budgeted revenues are proposed to increase by \$1,000 to \$1,460,500, with the difference being an increase interest income.

Expenditures. Approved 2023 budgeted expenditures totaled \$1,556,500 for the General Street Fund, but actual expenditures are now anticipated to be \$1,444,700 at year end, \$111,800 less than budgeted. The difference occurred due to a reduction in forestry work related to tree and shrub plantings, and engineering costs related to street design.

General Street Fund expenditure line-items include: project jobbing, sidewalk replacements and installations, sidewalk snow removal, forestry, street lighting and administration. Sidewalk improvements are consistently budgeted at about \$200,000 each year, although, in some years costs have been higher due to larger projects. For 2024 budgeted sidewalk costs are again \$200,000 due to smaller sized projects and planned city-wide spot repairs.

For 2023, sidewalk projects included Bridge Street to Franklin Street, spot repairs on Porter and Maple, and also a retaining wall on Jennings. In 2024, sidewalk projects include Bay View Avenue, replacements to the JC Penney corner near Howard and East Mitchell Streets along with city-wide spot repairs.

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 and contracted labor was sought to provide the service as needed. Actual costs for 2023 are estimated at \$64,800, which is the same as budgeted, and \$66,300 planned for 2024.

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 2024.

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.

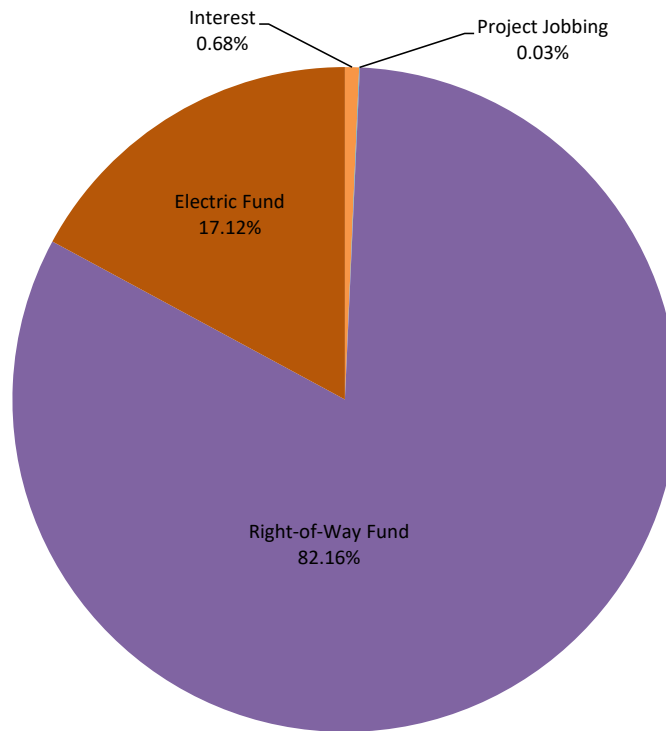
Accounting changes were made in 2010 for these street-related costs that helped to simplify required annual reports provided to the State of Michigan under Public Act 51 of 1951 for State-shared revenue received by the City. The re-classification assists in aggregating cost of services that benefit all 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 2024 proposed budget for administration is \$1,005,400, which is \$26,500 more than 2023 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 \$1,528,100.

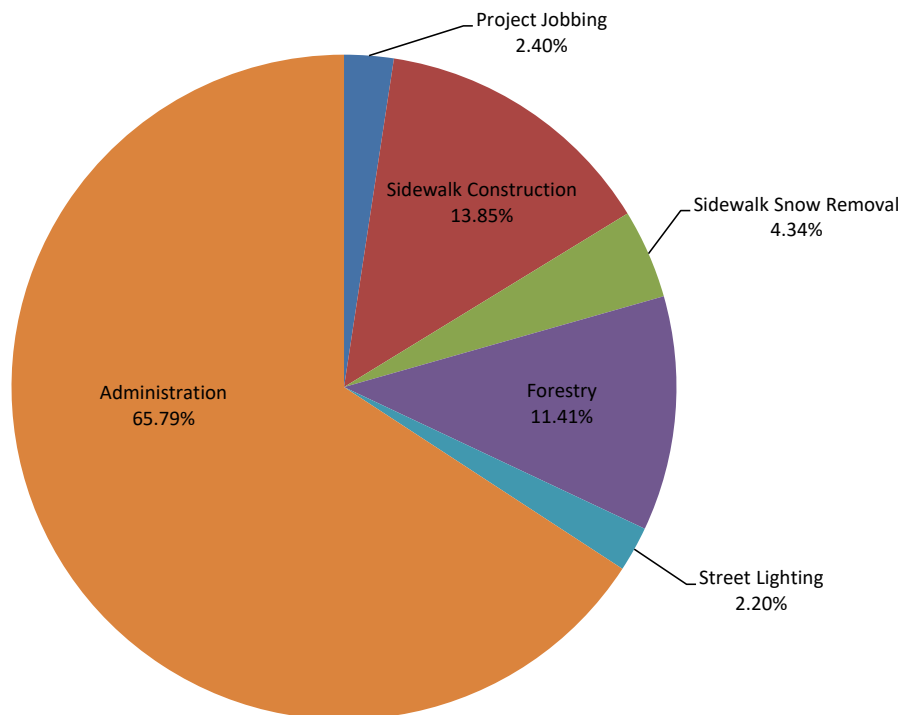
General Street Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
FUND BALANCE - January 1	\$ 1,587,578	\$ 1,360,161	\$ 1,352,709	\$ 1,368,509
REVENUES				
Operating :				
Project Jobbing/Other	1,207	1,000	500	500
Nonoperating:				
Grants	48,750	-	-	-
Interest Income	9,483	8,500	10,000	10,000
	58,233	8,500	10,000	10,000
Transfers:				
Right of Way Fund	1,000,000	1,200,000	1,200,000	1,200,000
Electric Fund	250,000	250,000	250,000	250,000
	1,250,000	1,450,000	1,450,000	1,450,000
TOTAL REVENUES	1,309,439	1,459,500	1,460,500	1,460,500
EXPENDITURES				
General Street Operations:				
Project Jobbing	29,712	37,100	37,100	36,700
Sidewalk Construction	456,813	267,700	228,900	211,700
Sidewalk Snow Removal	54,528	64,800	64,800	66,300
Street Lighting	33,600	33,600	33,600	33,600
Forestry	107,447	174,400	118,000	174,400
Administration	862,208	978,900	962,300	1,005,400
TOTAL EXPENDITURES	1,544,309	1,556,500	1,444,700	1,528,100
Excess of Revenues Over Expenditures	(234,870)	(97,000)	15,800	(67,600)
FUND BALANCE - DECEMBER 31	\$ 1,352,709	\$ 1,263,161	\$ 1,368,509	\$ 1,300,909

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 3% over its current level in the TIFA District for 2024. Captured property tax revenue now estimated at \$547,600 for this year is projected to increase by \$16,400 in 2024 to \$564,000.

Interest income budgeted at \$7,000 for next year makes up the only other revenue item for a total budget amount of \$571,000 for 2024 or \$16,400 more than the amount now expected to be received in 2023.

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 \$246,400 next year, \$7,600 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 2023, expenditures for the Solanus Mission Beach totaled \$6,100 from the 2022 project, the Bayfront Clock Tower project was completed with expenditures in 2023 of \$59,800 with a total cost of \$106,500, and consulting services of \$9,800.

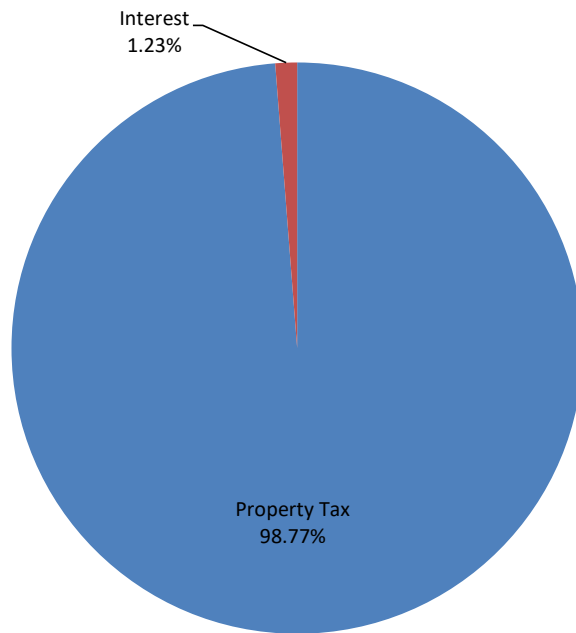
For 2024, the TIFA Fund has budgeted upgrades to the Resource Center (\$25,000), Sunset Park improvements (\$400,000) that include an accessible pathway, fencing, amenities, parking lot improvements, and consulting services (\$20,000).

With total budgeted expenditures of \$681,000 and budgeted revenues of \$571,000, the 2024 budget calls for an excess of expenditures over revenues of \$110,000 that when subtracted to an estimated beginning Fund Balance of \$1,237,933 would result in an ending Fund Balance of \$1,127,933.

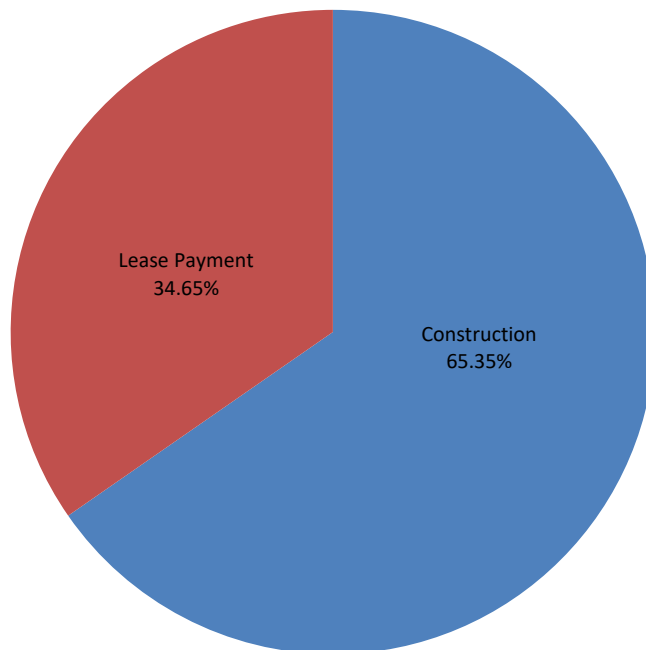
Tax Increment Finance Authority Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
FUND BALANCE - January 1	\$ 1,023,101	\$ 935,401	\$ 1,028,433	\$ 1,237,933
REVENUES				
Operating :				
Property Tax	545,483	574,000	547,600	564,000
Nonoperating:				
Interest Income	(28,481)	3,000	7,000	7,000
Grants	108,500	-	-	-
	80,019	3,000	7,000	7,000
TOTAL REVENUES	625,503	577,000	554,600	571,000
EXPENDITURES				
Operations:				
Construction	365,545	255,000	101,500	445,000
Lease Payment	265,000	254,000	254,000	246,400
Paying Agent Fees	(10,373)	(10,000)	(10,400)	(10,400)
TOTAL EXPENDITURES	620,171	499,000	345,100	681,000
Excess of Revenues Over Expenditures	5,331	78,000	209,500	(110,000)
FUND BALANCE - DECEMBER 31	\$ 1,028,433	\$ 1,013,401	\$ 1,237,933	\$ 1,127,933

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 2024, proposed budgeted expenditures of \$1,722,500 will be offset by \$1,778,900 in budgeted revenues, resulting in a difference of \$56,400, which will be added to the existing fund balance estimated to be \$262,434 and will result in an estimated ending fund balance of \$318,834.

Revenues. In addition to revenues provided through two City property tax millages at \$996,200, 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 \$.50 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 2024 are expected to total \$594,500.

Total proposed 2024 revenues of \$1,778,900 are budgeted at \$55,400 more than the \$1,723,500 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 4% over 2023 levels. Taxable values will increase, which is expected to be partially offset should the State's inflation factor require 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 2024 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 2024 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 \$50,000, 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 2023 are now estimated at \$2,692,500 or \$757,800 more than the \$1,934,700 originally budgeted for this year. This is due to additional costs associated with capital improvements to the Library buildings with exterior improvement to the building and grounds including sidewalk repair and snow melting system, pointing and cleaning brick, eaves troughs, parapet walls and ramp replacements. The 2024 proposed budget totals \$1,722,500, 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.

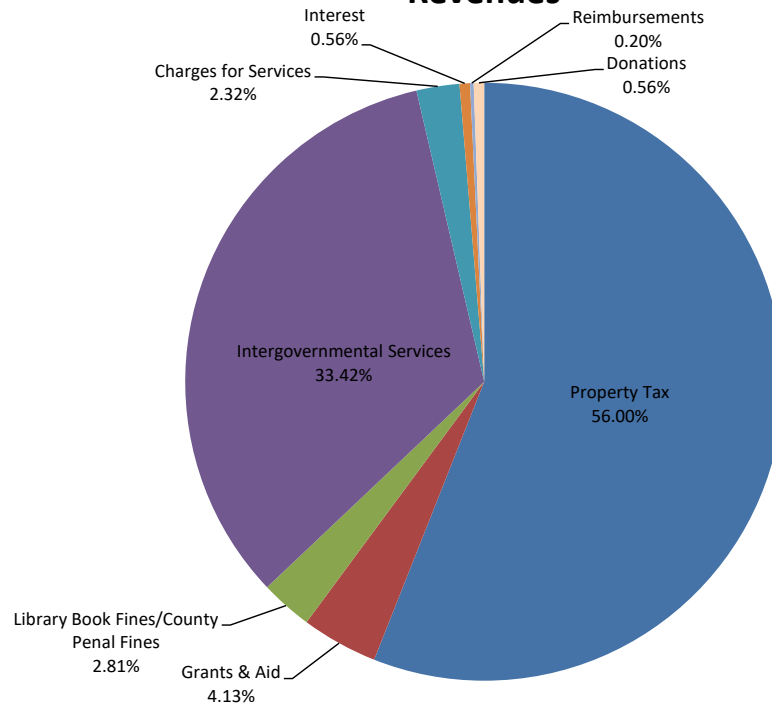
Compared to the 2023 original budget amounts, the 2024 proposed budget decreased by \$212,200, with the decrease in capital outlay. The 2023 estimated actual amount of \$2,692,500 is \$970,000 more than next years proposed budget, with the difference also in capital outlay.

Debt-service costs to cover obligations associated with the refunding bond have been budgeted at \$275,300 for 2024 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.

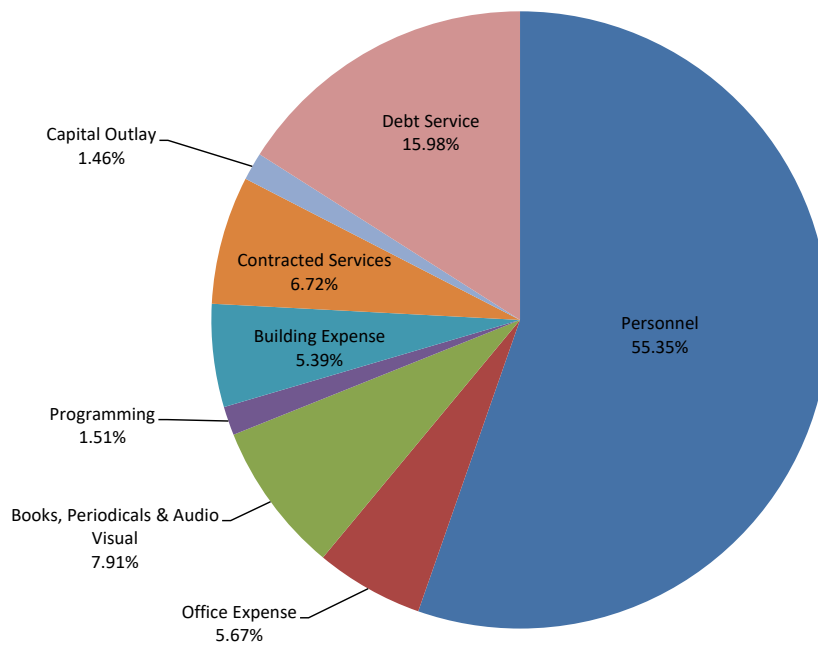
Library Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
FUND BALANCE - January 1	\$ 1,197,879	\$ 1,186,090	\$ 1,231,434	\$ 262,434
REVENUES				
Operating :				
Property Tax	891,720	945,700	952,900	996,200
Grants	73,744	68,600	68,600	55,900
State Aid	17,101	17,400	17,600	17,500
Library Book Fines	145	-	-	-
County Penal Fines	60,125	60,000	53,300	50,000
Intergovernmental Services	532,495	548,500	559,600	594,500
Charges for Services	63,810	37,800	46,400	41,300
	1,639,140	1,678,000	1,698,400	1,755,400
Nonoperating:				
Interest Income	5,944	5,000	10,000	10,000
Donations	12,917	7,000	11,800	10,000
Reimbursements	2,639	3,000	3,300	3,500
	21,501	15,000	25,100	23,500
TOTAL REVENUES	1,660,641	1,693,000	1,723,500	1,778,900
EXPENDITURES				
Library services:				
Personnel	851,159	959,700	892,700	953,400
Office Expense	76,801	81,200	81,500	97,700
Contracted Services	186,429	138,300	203,000	115,800
Book, Periodicals and audio-Visual	117,414	121,800	128,900	136,300
Programming	30,678	25,500	25,500	26,000
Building Expense	93,897	83,600	74,500	92,900
Debt Service	241,239	283,400	283,400	275,300
Capital Outlay	29,468	241,200	1,003,000	25,100
TOTAL EXPENDITURES	1,627,086	1,934,700	2,692,500	1,722,500
Excess of Revenues Over Expenditures	33,555	(241,700)	(969,000)	56,400
FUND BALANCE - DECEMBER 31	\$ 1,231,434	\$ 944,390	\$ 262,434	\$ 318,834

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 Board operations were moved from the Chamber of Commerce Building in 2010 and have been performed since that time from the Board's office at 216 Park Avenue. In 2023, Marketing and Promotions activities were moved to a new location at 409A E. Lake Street with Parking Services operations remaining at 216 Park Avenue. 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 5%, are as follows: eligible first-floor area rate \$0.21, eligible areas on floors other than first floors rate \$0.0525, and eligible undeveloped vacant-lot areas rate \$0.063. If approved, assessment revenues are estimated to provide \$118,500, with program revenue at \$55,400, interest income at \$4,000, and a contribution from the Parking Fund for a total of \$284,900.

Program revenue next year has increased due to more participation in program sponsorships including: Trolley ads, Movies in the Park at Dark, Wonderful Winter Weekend, two pop up events, May Getaway, calendar ads and sales, and its Toast to Downtown Annual Meeting.

Also, a contribution of \$107,000 from the Parking Fund will be used to support the administration related to the Lake Street Marketing and Promotions Office. The intention is that the revenue from the Downtown Management fund fully support this office in future years. The contribution from the Parking Fund is included in expenses within Administration Fees.

Expenditures. Programs and services that are proposed by the Downtown Management Board have been budgeted at \$80,800 in 2024 or \$2,300 less than the \$83,100 proposed by the Downtown Management Board and approved by the City Council for 2023. Marketing Promotions are budgeted at \$65,000 for 2024 or \$9,500 more than budgeted for 2023. Other expenditures include Beautification, Economic Enhancement, Marketing Promotions and Administration totaling \$165,200. A market analysis study is proposed as recommended by the Board's new strategic plan. By the end of this year, estimated actual expenditures will total \$150,100 or \$26,800 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.

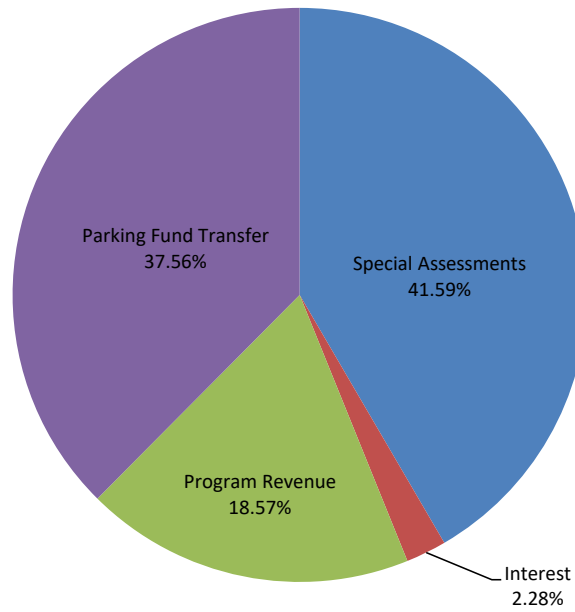
As is always the case, a variety of downtown-area programs, services, and projects are proposed for funding within other City funds. The Downtown Parking Fund, which is also overseen by the Downtown Management Board, includes recommended expenditures of \$1,221,500 next year, as well as the General Fund which contains proposed expenditures for downtown services as part of the Department of Parks and Recreation operations totaling \$156,300 and the proposed Electric Fund budget includes \$23,500 in expenses for community services.

Proposed revenues for 2024 of \$284,900 are less than proposed expenditures of \$311,000, resulting in a \$26,100 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.

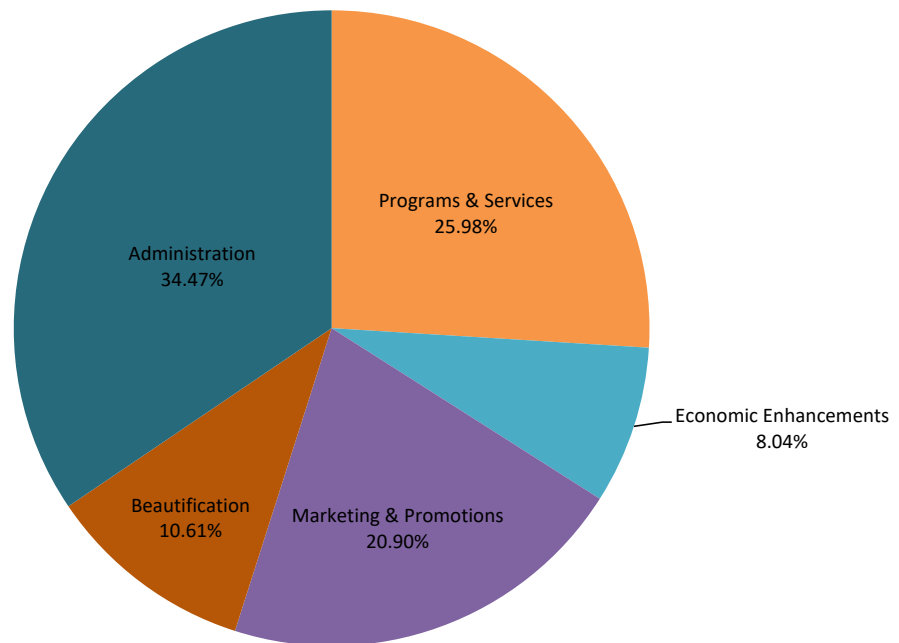
Downtown Management Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
FUND BALANCE - January 1	\$ 215,276	\$ 233,189	\$ 259,730	\$ 268,430
REVENUES				
Operating :				
Special assessment	112,458	113,100	113,100	118,500
Program Revenue	30,168	42,600	40,500	52,900
	142,626	155,700	153,600	171,400
Nonoperating:				
Interest Income	1,110	6,000	5,200	6,500
Transfers:				
Parking Fund	-	-	-	107,000
TOTAL REVENUES	143,736	161,700	158,800	284,900
EXPENDITURES				
Downtown Management Operations:				
Programs & Services	51,849	83,100	67,400	80,800
Economic Enhancements	1,081	3,500	1,200	25,000
Marketing Promotions	23,029	55,500	57,000	65,000
Beautification	21,535	34,500	24,500	33,000
Administration	1,787	300	-	107,200
TOTAL EXPENDITURES	99,281	176,900	150,100	311,000
Excess of Revenues Over Expenditures	44,455	(15,200)	8,700	(26,100)
FUND BALANCE - DECEMBER 31	\$ 259,730	\$ 217,989	\$ 268,430	\$ 242,330

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. The fund also contributed to the purchase of the rail corridor through Pennsylvania Park and to the construction of the Downtown restrooms.

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 2023 are now expected to reach \$1,018,200, which is nearly \$84,568 more than in 2022. A local marketing campaign, consistent enforcement and management, stable economy, healthy shopping district, and a destination for visitors and locals 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 \$582,500 with \$439,000 from on-street parking and \$143,500 from parking lots. Total budgeted revenues for next year are proposed at \$1,155,700, which is 14% more than expected to be received by the end of this year and 24% more than received in 2022.

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 2023 are expected to total \$856,100. Budgeted expenses for 2024 are proposed at \$1,221,500 or \$365,400 more than expected by the end of this year. The difference is due to an increase in capital outlay, contracted services, and administrative fees.

For several years and again this year, the Management Board has included funds towards the cost of snow removal and painting streetscape fixtures (\$150,000). Other capital outlay projects included are; Saville Parking Lot pay station installation and paving, (\$215,000), bike corrals and Lake Street entry sign (\$28,000), and tractor for snow removal (\$65,000) for a total capital outlay amount of \$308,000.

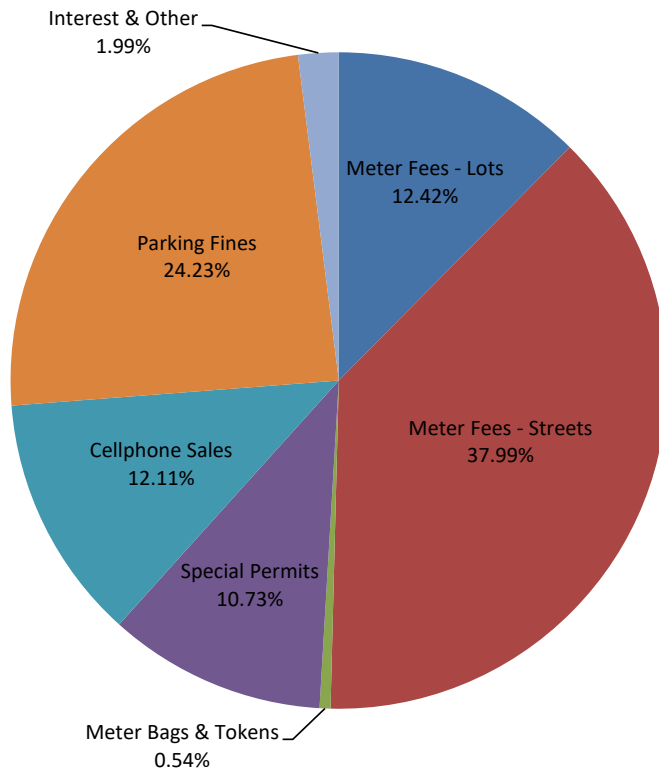
Along with six other City funds, the Downtown Parking Fund routinely pays the City's General Fund an administrative fee as reimbursement for "overhead-type" costs that regularly are covered by the General Fund for personnel and equipment associated with maintenance services that are provided by the City.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

Proposed budgeted revenues of \$1,155,700 and expenses of \$1,221,500 for 2024, will result in an excess of expenditures over revenues of \$65,800. The Parking Fund's estimated beginning retained earnings of \$1,573,268 will be decreased by \$65,800 for an estimated ending retained earnings of \$1,507,468.

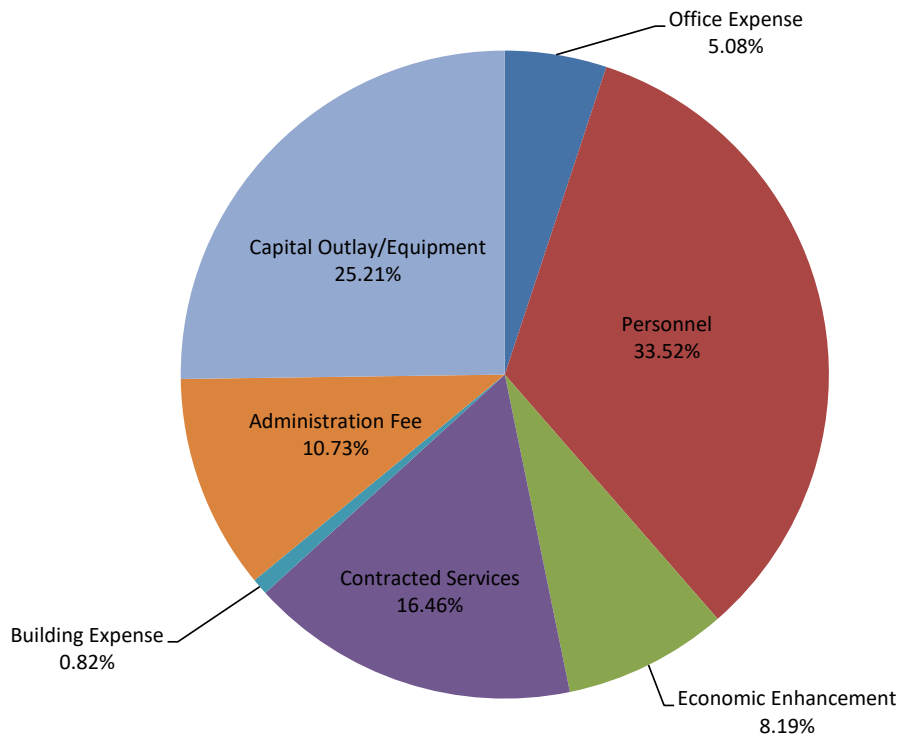
Downtown Parking Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
RETAINED EARNINGS- January 1	\$ 1,078,203	\$ 1,763,464	\$ 1,411,168	\$ 1,573,268
REVENUES				
Operating :				
Meter Fees - Lots	114,644	161,000	123,700	143,500
Meter Fees- Streets	342,725	360,000	389,400	439,000
Meter Bags and Tokens	10,087	16,500	4,400	6,200
Special Permits	100,800	140,000	115,200	124,000
Cellphone Sales	143,336	210,000	145,000	140,000
Parking Fines	217,532	200,000	220,000	280,000
	929,125	1,087,500	997,700	1,132,700
Nonoperating:				
Interest income	392	2,000	16,000	18,000
Other	4,115	5,000	4,500	5,000
	4,507	7,000	20,500	23,000
TOTAL REVENUES	933,632	1,094,500	1,018,200	1,155,700
EXPENSES				
Parking Operations:				
Personnel	281,550	404,000	409,700	409,400
Office Expense	52,256	40,000	58,200	62,000
Economic Enhancement	9,898	65,000	56,000	100,000
Contracted Services	224,120	141,000	150,000	201,000
Building Expense	9,443	10,000	8,500	10,000
Administration Fee	23,400	23,500	23,700	131,100
Capital Outlay/Equipment	-	216,500	150,000	308,000
TOTAL EXPENSES	600,667	900,000	856,100	1,221,500
Excess of Revenues Over Expenses	332,965	194,500	162,100	(65,800)
RETAINED EARNINGS - DECEMBER 31	\$ 1,411,168	\$ 1,957,964	\$ 1,573,268	\$ 1,507,468

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 \$2,114,100 and total expenditures budgeted at \$2,102,600, revenues will exceed expenditures by \$11,500, which will be added to an estimated beginning fund balance of \$1,590,721 for an estimated ending fund balance of \$1,602,221. A fund balance is being maintained to help fund a number of anticipated future projects, including Howard Street in 2025 estimated to cost \$1,500,000.

Revenues. The initial 1988 five-mill tax levy maintained the same 3.7233 mills in 2023 and was approved last May. For 2024, a millage rate of 3.7233 is again being recommended. 2023 was the first year since 1994 when the "Headlee Amendment" was passed that the millage had not been rolled as a result of a 7.9% inflation rate. 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.

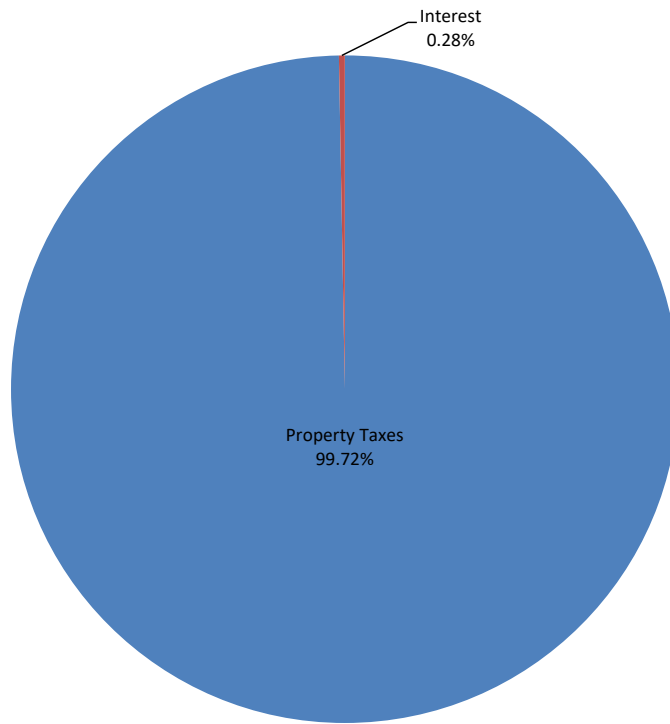
With taxable values estimated to increase by 4.0% for next year due to current real estate sales and the State's rate of inflation being less than the actual increase in market value, property tax revenues are budgeted at \$2,108,100, which is \$83,100 more than the \$2,025,000 estimated to be received in 2023, a 4.1% increase. Total proposed revenues for 2024 are budgeted at \$2,114,100 when interest and penalties are added of \$6,000.

Expenditures. Transfers to other City funds next year from the Right-of-Way Fund have been proposed to total \$2,100,000, of which \$1,200,000 will be transferred to the General Street Fund, \$900,000 being transferred to the Local Street Fund. As noted above, transfers are being limited next year to accumulate funds for larger upcoming projects. In addition, \$2,600 has been budgeted for contracted services in 2024, an amount budgeted annually for engineering and auditing purposes, for total expenditures of \$2,102,600.

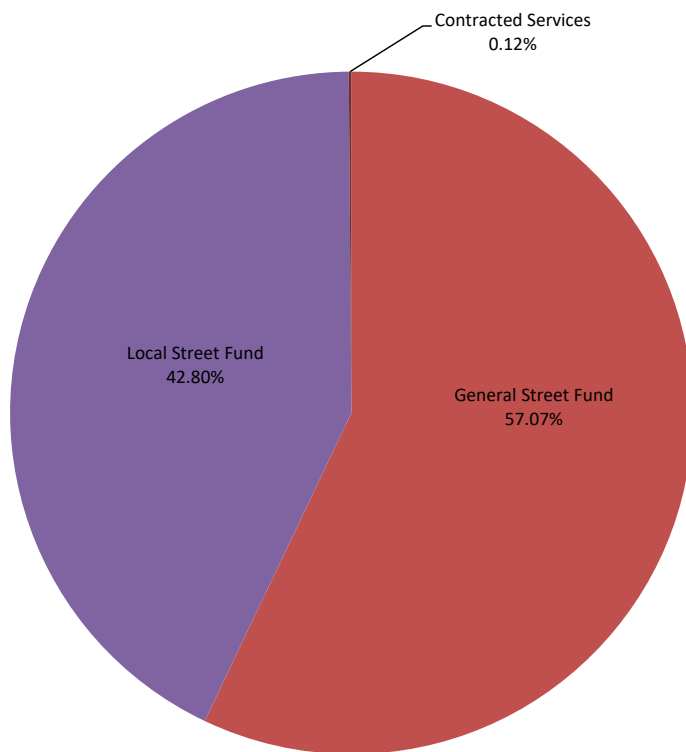
Right-Of-Way Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
FUND BALANCE - January 1	\$ 970,360	\$ 762,860	\$ 762,221	\$ 1,590,721
REVENUES				
Operating :				
Property Tax	1,889,447	2,000,000	2,025,000	2,108,100
Interest income	4,321	3,100	6,000	6,000
TOTAL REVENUES	1,893,768	2,003,100	2,031,000	2,114,100
EXPENDITURES				
Construction:				
Contracted Services	1,907	2,000	2,500	2,600
Transfers:				
Major Street Fund	-	-	-	-
Local Street Fund	1,100,000	-	-	900,000
General Street Fund	1,000,000	1,200,000	1,200,000	1,200,000
Water & Sewer Fund	-	-	-	-
	2,100,000	1,200,000	1,200,000	2,100,000
TOTAL EXPENDITURES	2,101,907	1,202,000	1,202,500	2,102,600
Excess of Revenues Over Expenditures	(208,140)	801,100	828,500	11,500
FUND BALANCE - DECEMBER 31	\$ 762,221	\$ 1,563,960	\$ 1,590,721	\$ 1,602,221

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 25% of which is overhead and 75% underground, services the power needs of 5,351 customers.

Customer Type	City of Petoskey	Bear Creek Township	Resort Township	Total
Residential	2,946	762	186	3,894
Commercial	562	176	37	775
Industrial	3	2	0	5
Non-Profit	159	32	5	196
Bay View Assoc.	0	481	0	481
TOTAL CUSTOMERS				5,351

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 2024 are budgeted at \$3,158,500, or \$10,100 more than estimated actual revenues in 2023. Revenues from commercial-industrial sales next year are budgeted at \$7,658,000, or \$116,000 more than estimated actual revenues for 2023, and 1.7% higher than actual revenues collected from commercial-industrial customers in 2022. Revenues are consumption dependent which is directly related to weather and economic changes from year to year. Non-operating revenue for 2024 includes receipt of the thirteenth 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 2024 are budgeted at \$11,695,100, which is \$123,900 less than anticipated to be received in 2023, and \$286,700 more than budgeted for in 2023. With total expenses budgeted at \$11,670,600, net income of \$24,500 is anticipated for 2024. With depreciation expense of \$1,225,000, cash inflows will exceed expenses by \$1,249,500.

Expenditures. Expenses for the Electric Fund in 2023 are now projected to be \$11,753,300 or \$82,700 more than the \$11,670,600 now proposed to be spent in 2024. For 2024, wholesale purchased power is budgeted to cost \$7,132,000 or \$132,000 more than budgeted for 2023, and \$89,000 less than estimated actual costs. Purchases of wholesale power are always the Electric Fund's greatest annual cost. Wholesale costs fluctuate based on 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 2024 will make up 27% 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 2024 at \$781,300, a \$45,200 increase over budgeted 2023 expenses of \$736,100. 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 \$1,730,100 for 2024. Included in these expenses are functions such as engineering, rate studies, 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 \$605,700 in 2024, an increase of \$19,200 from 2023 budgeted expenses.

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 through 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 \$350,000 budgeted for 2024.

The Sheridan Street and Curtis Avenue garages, which are owned by the Electric Fund, are expected to cost \$218,700 to operate in 2024. These facilities are made available for use to several other City departments which are charged \$156,600 for their share of actual facility operating costs in 2024.

Non-operating expenses within the Electric Fund include \$1,225,000 in depreciation for 2024, slightly more than the 2023 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 2024, the budget is proposing to transfer out \$428,600, \$200 less than in 2023. \$178,600 is proposed to be transferred to the General Fund, a \$200 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 2021, underground conversion included the residential areas of Waukazoo Avenue, Rush, Beech, and Pearl Streets. Electric substation improvements also occurred in 2021 and included battery installations at Mitchell Road Substation and the beginning of 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, undergrounding was performed on East Lake Street in conjunction with the street reconstruct project that also included portions of Bay, Rose, Ottawa, Summit, Williams and Clinton Streets. The City began development of an electric GIS database and continued to work on the implementation of three vehicle charging stations.

In 2023, conversions from overhead to underground continued mainly in areas associated with street resurfacing projects and included Bridge, Maple and Porter Streets along with portions of Curtis Avenue, Franklin, Fulton, Washington and Baxter Streets. Areas of Michigan Street and Grand Avenue were scheduled, but will be completed early 2024. Also, the City completed the installation of electric vehicle charging stations located at Bayfront Park, Elks Lot and Darling Lot.

2024 construction projects within the Electric Fund will focus on the continuation of system-wide voltage conversions and upgrades that include:

- Residential Underground Installation \$448,586
Conversion of existing overhead distribution circuit to underground. Work will include portions of Jennings Avenue, Howard Street, Jefferson Street and Waukazoo Avenue.
- Residential Underground Installation \$222,000
Conversion of existing overhead distribution circuit to underground. Work will include portions of Howard, Fulton, Petoskey and Grove Streets.
- Residential Underground Installation \$231,500
Conversion of existing overhead distribution circuit to underground. Work will include portions of Morgan Street, Priebe Avenue and Hillcrest Street
- East Mitchell Road Conversion Project \$122,400
Removes overhead system in wooded area near Hill Street and converts to more reliable underground.
- Electric System GIS Database \$50,000
Continued development of database for Electric System GIS. Expand data collecting to secondary and service lines plus conduit, handholes and pedestals.
- Electric Equipment Area Renovations \$75,000
Equipment areas mainly in the Central Business District will be upgraded with new landscape elements.
- Downtown Greenway Corridor Lighting Upgrades \$75,000
New lighting upgrades in conjunction with the Greenway Corridor Project along Park Avenue - from East Mitchell Street to Bay Street.

- Emmet Street-Lighting Upgrades and Improvements \$25,000
Replace lighting and components between East Mitchell Street and Michigan Street in conjunction with redevelopment of adjacent properties.

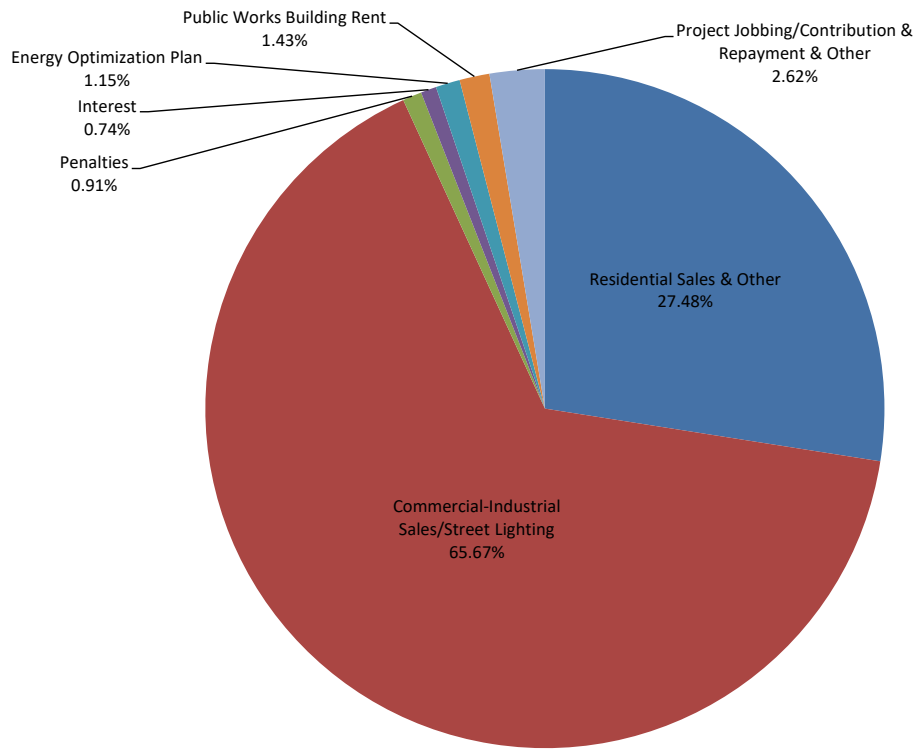
Total Capital Projects

\$1,249,486

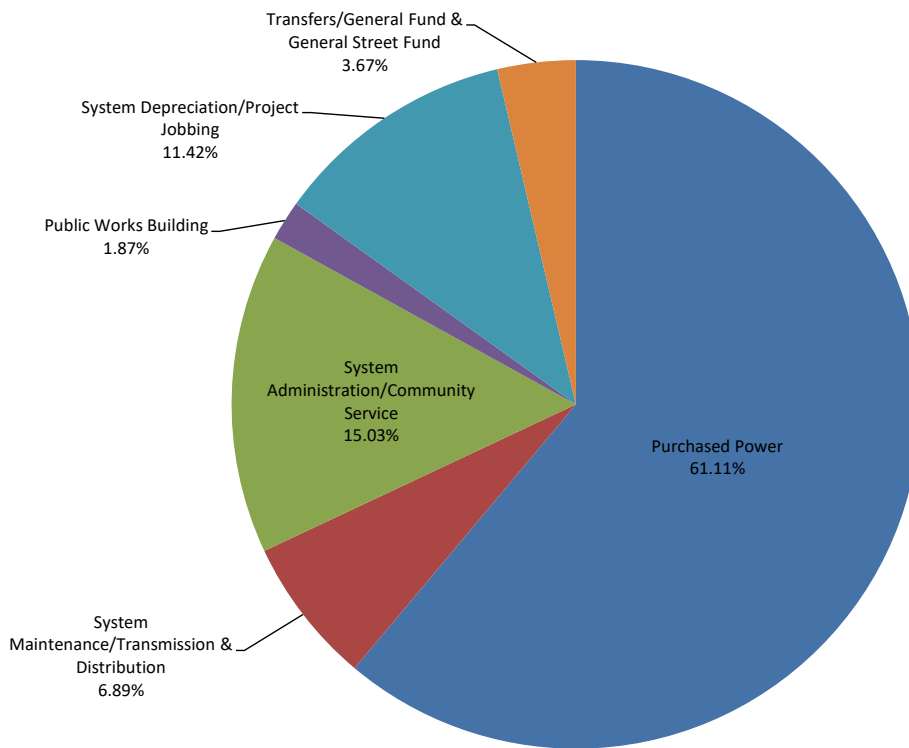
Electric Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
RETAINED EARNINGS - January 1	\$ 25,539,654	\$ 25,347,354	\$ 24,653,914	\$ 24,719,614
REVENUES				
Operating :				
Residential Sales	3,123,514	3,226,500	3,148,400	3,158,500
Commercial and Industrial Sales	7,525,414	7,479,000	7,542,000	7,658,000
Street Lighting	21,948	24,000	21,000	22,000
Energy Optimization Plan	146,171	141,500	141,700	135,000
Penalties	114,466	85,500	103,500	106,200
Other	49,230	45,000	49,000	55,500
	10,980,744	11,001,500	11,005,600	11,135,200
Nonoperating:				
Project Jobbing	201,262	106,000	345,000	195,000
Interest Income	16,110	70,000	83,000	87,000
Rents and Royalties	10,328	10,500	10,300	10,300
Public Works Building Rent	120,900	104,900	104,900	156,600
Contribution repayment	100,000	100,000	100,000	100,000
Other	(364,090)	15,500	170,200	11,000
	84,510	406,900	813,400	559,900
TOTAL REVENUES	11,065,254	11,408,400	11,819,000	11,695,100
EXPENSES:				
Operating:				
Purchased Power	7,442,218	7,000,000	7,221,000	7,132,000
Transmission and Distribution	6,589	23,500	19,500	23,100
System Maintenance	609,303	736,100	687,900	781,300
Community Service	23,260	24,600	24,100	23,500
Administration	1,805,226	1,714,100	1,713,200	1,730,100
	9,886,596	9,498,300	9,665,700	9,690,000
Nonoperating:				
Public Works Building	195,787	185,100	201,500	218,700
Project Jobbing	237,882	61,200	250,300	108,300
System Depreciation	1,186,229	1,217,000	1,207,000	1,225,000
	1,619,898	1,463,300	1,658,800	1,552,000
Transfers:				
General Fund	194,500	178,800	178,800	178,600
Motorpool Fund	-	-	-	-
General Street Fund	250,000	250,000	250,000	250,000
	444,500	428,800	428,800	428,600
TOTAL EXPENSES	11,950,994	11,390,400	11,753,300	11,670,600
Excess of Revenues Over Expenses	(885,740)	18,000	65,700	24,500
RETAINED EARNINGS - DECEMBER 31	\$ 24,653,914	\$ 25,365,354	\$ 24,719,614	\$ 24,744,114

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 (2022)		569,378,000
Daily Average		1,559,000
Number of Wells		7
Customers - Inside City		3,007
Customers - Outside City		378

Petoskey Wastewater System Overview		(in gallons)
WWTP Plant Capacity		2,500,000
WWTP Peak Plant Capacity		5,000,000
Average Daily Flow		1,164,000
Total Gallons Treated (2022)		425,155,000
Customers - Inside City		2,943
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 2024 user-fee revenues for the Water and Sewer Fund to be \$6,047,400, which is \$55,400 more than 2023 estimated totals. Estimated revenues for 2023 are slightly more than budgeted amounts, but nearly the same as in 2022. For 2024, budgeted revenues are based on historical usage.

Non-operating revenues are estimated to be \$339,300 in 2024, 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. An updated rate study is expected to be conducted in 2024.

With current year gross revenues expected to total \$6,362,200 and expenses \$5,576,800 net income for the Water & Sewer Fund will total \$785,400. 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 2024, net income is budgeted at \$373,400.

Expenditures. For 2024, total expenses (operating & non-operating) for the Water and Sewer Fund have been proposed at \$6,013,300, a decrease of \$4,300 compared to 2023 budget figures. Operating costs for the water division in 2024 include \$377,900 for water source and pump expenses, and \$60,500 for water purification expenses. \$680,000 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 \$939,400, an increase of 7.7% compared to 2023 budget figures, due to an increase in personnel costs and a projected rate study. 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 2024 non-operating expenses within the water division are budgeted to total \$692,000, up from the 2023 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 \$1,966,600, 3.7% less than the 2023 budget amount, and 2.4% more than actual expenses in 2022. 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.

2024 non-operating expenses within the sewer division are proposed to total \$962,100 down 8.4% from the 2023 budget. Non-operating expenses consist of debt-service interest payments, system depreciation, and miscellaneous jobbing. Interest and related debt expense for the 2024 refunding revenue-bond issues, will be \$141,100 and system depreciation has been proposed at \$821,000 in 2024.

It is projected that the Water and Sewer Fund will have net income in 2024 of \$373,400, which would increase Water and Sewer Fund estimated retained earnings to \$29,091,312. The retained earnings amount does include net asset costs of the water and wastewater utility system.

Capital Projects.

Water and sewer capital projects for 2024 include upgrades in conjunction with street improvement projects along with improvements to the Wastewater Treatment Plant (WWTP) and Ingalls Pump Station and include:

Water System

- Bay View Avenue Water Main Replacement and Service Upgrades \$246,000
Replace water main and components between East Mitchell Street and Bay View Avenue dead-end.
- 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 Improvements \$40,000
Pump station is considered critical infrastructure and needs new roof, exterior upgrades and painting.
- Dead-End Water Mains/Water Quality Investigations \$50,000
Engineering solutions for segments of dead-end mains that are prone to water quality issues.
- Miscellaneous Spot Repairs and Service Line Investigations \$30,000
Water repairs will take place in conjunction with residential street resurfacing projects.

Sewer System

- Bay View Avenue Sewer Main Spot repairs & Structure Adjustment \$15,000
Replace sewer main and components between East Mitchell Street and Bay View Avenue dead-end.
- Emmet Street Sewer Main Replacement and Service Upgrades \$75,000
Replace sewer 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 \$15,000
Sanitary repairs will take place in conjunction with residential street resurfacing projects.
- WWTP-Aeration Tank Blowers and PLC/Controls Upgrades \$450,000
Aeration blowers at the WWTP will be upgraded with new controls to better manage aeration process along with Programmable Logic Controller (PLC) upgrades.

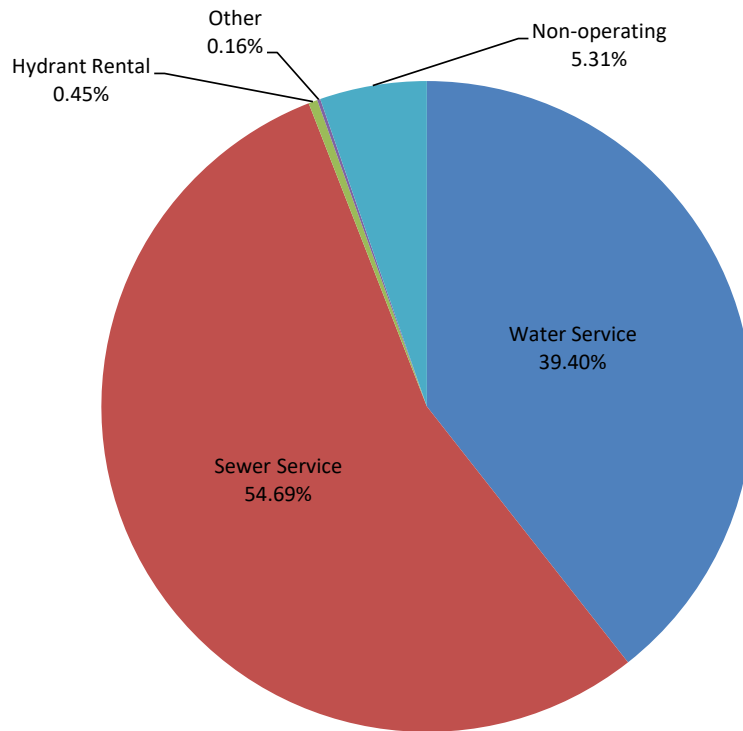
Total Capital Projects

996,000

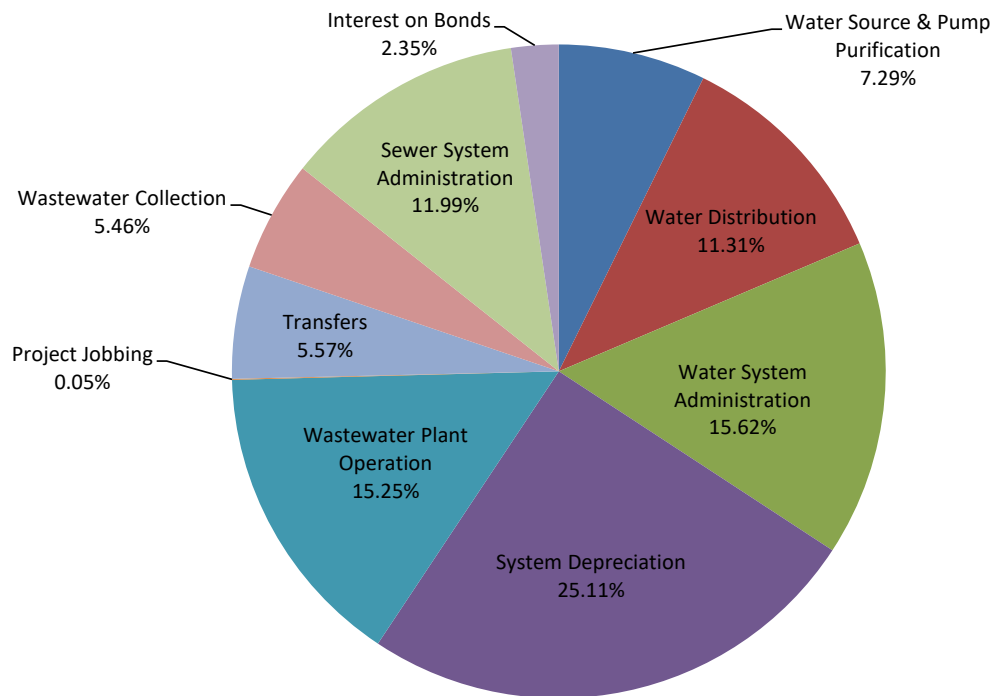
Water and Sewer Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
RETAINED EARNINGS - January 1	\$ 27,586,803	\$ 28,277,253	\$ 27,932,512	\$ 28,717,912
REVENUES				
Operating :				
Water-Residential Sales	1,274,908	1,249,300	1,278,900	1,285,800
Water-Commercial & Industrial Sales	1,225,962	1,174,800	1,224,900	1,230,400
Sewer-Residential Sales	2,157,812	2,188,600	2,168,300	2,206,000
Sewer-Commercial & Industrial Sales	1,280,476	1,307,100	1,284,400	1,286,700
Hydrant Rental	40,176	40,400	28,500	28,500
Other	12,642	7,000	7,000	10,000
	5,991,977	5,967,200	5,992,000	6,047,400
Nonoperating:				
Grants	22,500	-	-	
Tower Rental	82,973	82,500	82,500	55,300
Project Jobbing	30,241	12,000	14,800	15,000
Interest Income	103,428	85,000	85,000	85,000
Other	(453,558)	-	-	-
Sewage Service Covenants	181,229	187,000	187,900	184,000
	(33,187)	366,500	370,200	339,300
Transfers: Right of Way	-	-	-	-
TOTAL REVENUES	5,958,790	6,333,700	6,362,200	6,386,700
EXPENSES				
Water Operating:				
Source and Pumping	276,747	319,600	328,100	377,900
Purification	47,810	60,000	58,100	60,500
Distribution	471,832	672,700	576,700	680,000
Administration	832,773	872,500	851,400	939,400
	1,629,162	1,924,800	1,814,300	2,057,800
Sewer Operating:				
Wastewater Plant Operation	885,441	933,700	794,800	917,100
Wastewater Collection	308,292	325,400	318,700	328,600
Administration	725,866	779,800	653,200	720,900
	1,919,598	2,038,900	1,766,700	1,966,600
Nonoperating:				
Project Jobbing	3,563	-	4,400	3,000
System Depreciation	1,451,645	1,496,000	1,488,000	1,510,000
Interest on Bonds	237,612	223,600	169,100	141,100
	1,692,820	1,719,600	1,661,500	1,654,100
Transfers:				
General Fund	371,500	334,300	334,300	334,800
TOTAL EXPENSES	5,613,080	6,017,600	5,576,800	6,013,300
Excess of Revenues Over Expenses	345,709	316,100	785,400	373,400
RETAINED EARNINGS - DECEMBER 31	\$ 27,932,512	\$ 28,593,353	\$ 28,717,912	\$ 29,091,312

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 \$1,201,100, which is a \$40,500 increase over estimated expenses for 2023, while revenues are budgeted at \$1,238,700, an increase of \$32,900 over this year's estimated actual amount. Retained earnings in the Motor Pool Fund, which consists of cash, inventory, vehicles and equipment, are estimated at \$5,535,437 in 2024. Cash is used for capital items, and in 2024 it is proposed that the Motor Pool Fund replace the following four vehicles and equipment with a total cost of \$678,000:

Public Works: Front-End Loader & Heavy-Duty Plow Truck

Parks & Recreation: Out-Front Mower

Public Safety: Patrol Vehicle

Revenues. Revenues for the Motor Pool Fund are budgeted at \$1,238,700 for 2024, \$66,000 more than budgeted for 2023. 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 \$1,169,700 for next year. Income from other sources include interest from investments and the sale of surplus assets and should provide \$69,000.

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 \$591,500 from the General Fund, which as a result of public-safety equipment and Parks Department, is charged many flat rates for vehicles and equipment, \$142,800 from the Major Street Fund, \$82,400 from the Local Street Fund, \$70,300 from the General Street Fund, \$169,600 from the Electric Fund, \$111,200 from the Water and Sewer Fund and \$1,900 from other sources.

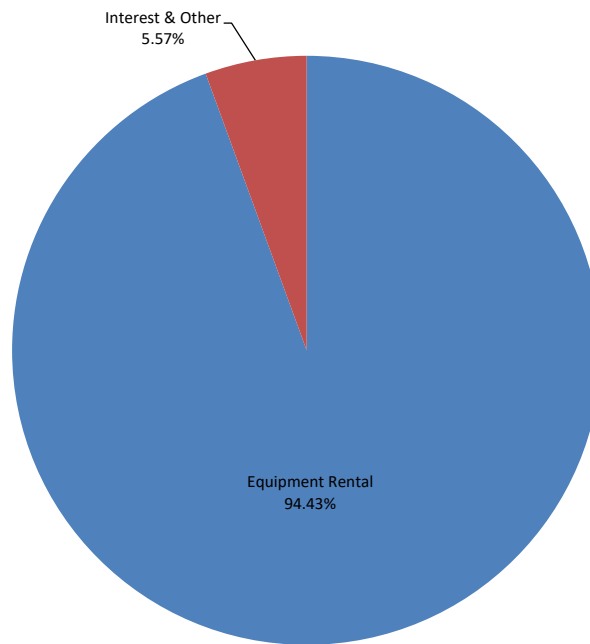
To help provide funding for future purchases of fire equipment, beginning in 2019, a portion of the Motor Pool's Fund Balance is being set aside in a reserve account. An amount of not less than \$25,000 will be added to the reserve account on an annual basis. For the five years 2019 through 2023, \$50,000 was transferred to the Firetruck Reserve Fund Balance for a total current balance of \$250,000.

Expenses. The Motor Pool Fund, which is fairly consistent in operations, is projected to spend \$1,201,100 in 2024, a 1.5% increase over budgeted expenditures in 2023. The increase is attributable to gas and oil expenses, which can vary based on the market. These 2024 budgeted expenses include; \$195,000 for maintenance of vehicles and equipment, \$58,000 insurance and \$1,500 professional services, \$17,000 for tools, \$150,000 for fuel, \$85,400 for building and vehicle rent, \$139,200 for administration fees, \$528,900 for depreciation and \$26,100 in other various expense items.

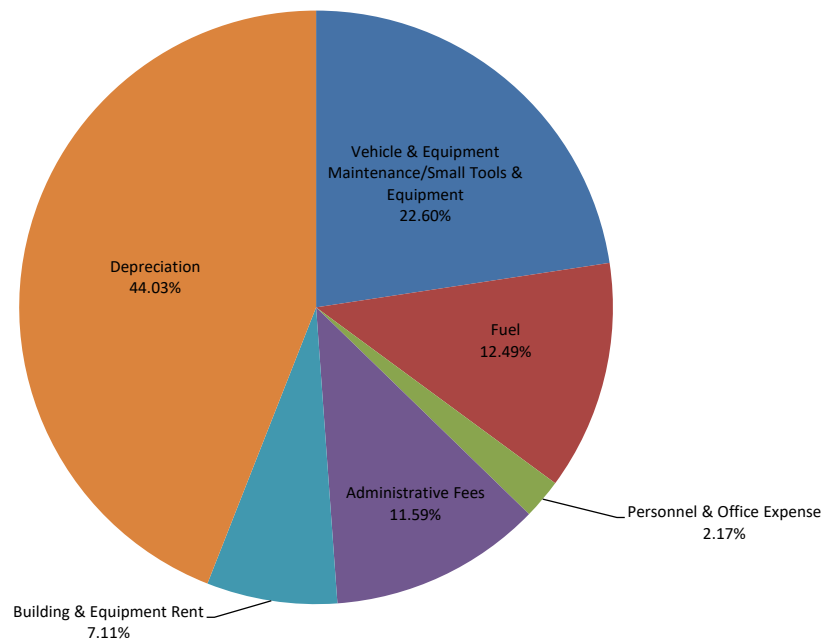
Motor Pool Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
RETAINED EARNINGS - January 1	\$ 5,358,641	\$ 5,401,068	\$ 5,452,637	\$ 5,497,837
REVENUES				
Operating :				
Equipment Rental	1,223,571	1,129,700	1,147,900	1,169,700
Nonoperating:				
Interest Income	11,777	13,000	12,000	13,000
Transfer	-	-	-	-
Other	(18,457)	30,000	45,900	56,000
	(6,680)	43,000	57,900	69,000
Contributions:				
Electric Fund	-	-	-	-
Contributions	-	-	-	-
	-	-	-	-
TOTAL REVENUES	1,216,891	1,172,700	1,205,800	1,238,700
EXPENSES				
Operating:				
Personnel	16,142	22,000	22,000	22,000
Office Expense	1,374	4,100	3,200	4,100
Small Tools & Equipment	8,837	17,000	12,000	17,000
Vehicle & Equipment Maintenance	194,558	251,300	267,500	254,500
Fuel	169,701	145,000	145,000	150,000
Building & Equipment Rent	65,431	57,600	57,200	85,400
Depreciation	531,952	552,000	518,900	528,900
Administrative fees	134,900	134,800	134,800	139,200
TOTAL EXPENSES	1,122,895	1,183,800	1,160,600	1,201,100
Excess of Revenues Over Expenses	93,996	(11,100)	45,200	37,600
RETAINED EARNINGS - DECEMBER 31	\$ 5,452,637	\$ 5,389,968	\$ 5,497,837	\$ 5,535,437

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 last annual lease payment of \$115,600 will meet the required 2024 debt-service obligation, according to the pre-arranged debt-repayment schedule.

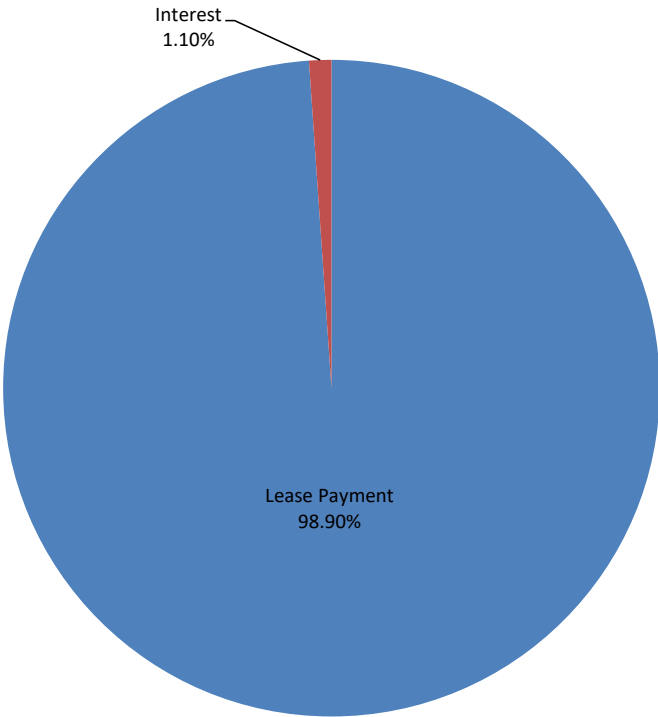
The City refinanced this bond issue in 2017, which established a new debt service schedule beginning in 2018. The bond refinancing has saved the City, on average, approximately \$25,000 in total interest expense costs each year, which matures on April 1, 2024.

Expenditures. Total 2023 expenditures included: \$113,100 principle, \$6,300 interest for the year and \$200 in paying agent fees. Next year's budgeted costs for payment of principal on this bond will again be \$113,100, with interest requirements of \$2,300, and paying-agent fees at the standard annual amount of \$200 for total debt requirements of \$115,600. Upon maturity in April 2024, any remaining fund balance will be returned to the Marina Reserved Fund Balance.

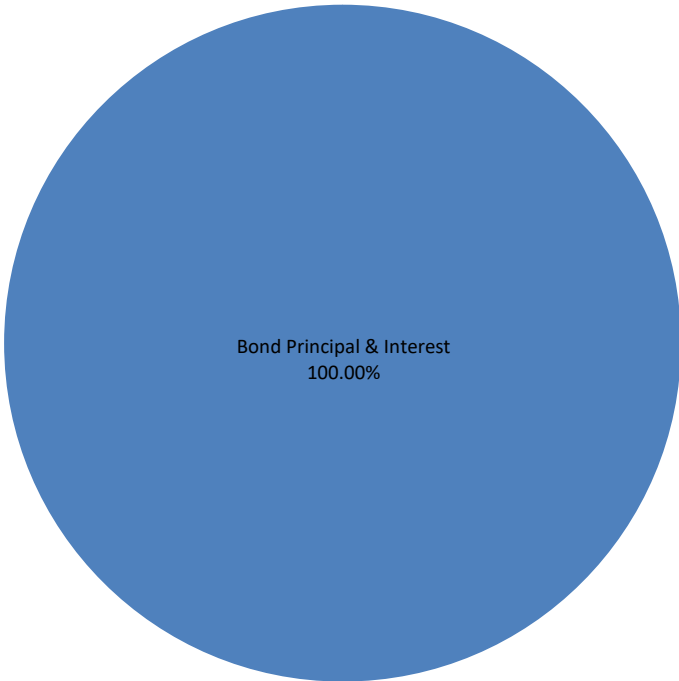
Bayfront Park Marina Bond Debt Fund

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
FUND BALANCE - January 1	\$ 31,404	\$ 32,104	\$ 28,349	\$ 29,504
REVENUES				
Operating :				
Interest Income	(2,985)	1,000	1,000	1,000
Lease Payment	124,000	119,600	119,600	90,300
TOTAL REVENUES	121,015	120,600	120,600	91,300
EXPENDITURES				
Bond Principal and Interest	124,070	119,600	119,445	115,600
Excess of Revenues Over Expenditures	(3,055)	1,000	1,155	(24,300)
FUND BALANCE - DECEMBER 31	\$ 28,349	\$ 33,104	\$ 29,504	\$ 5,204

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.

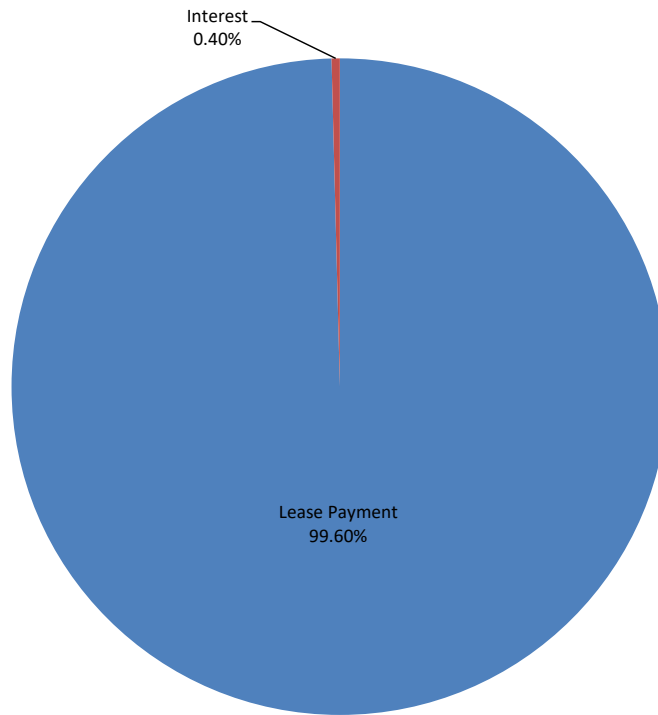
Revenues. Revenues include an annual lease payment received from the Tax Increment Finance Authority Fund. The City refinanced this bond issue during 2017, which established a new bond debt schedule. The annual lease payment is set at \$246,400 for 2024, with bond principle payments that began declining in 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 five years of the bond debt payments.

Expenditures. Total 2023 expenditures included: \$201,900 principle, \$51,500 interest for twelve months and \$200 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 \$44,400, and paying-agent fees at the standard annual amount of \$200 for total debt requirements of \$246,600. 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

	2022 Actual	2023 Budget	2023 Estimate	2024 Budget
FUND BALANCE - January 1	\$ 123,602	\$ 125,802	\$ 122,803	\$ 123,988
REVENUES				
Operating :				
Interest Income	(2,369)	800	800	1,000
Lease Payment	265,000	265,000	254,000	246,400
TOTAL REVENUES	262,631	265,800	254,800	247,400
EXPENDITURES				
Bond Principal and Interest	263,430	263,700	253,615	246,600
Excess of Revenues Over Expenditures	(799)	2,100	1,185	800
FUND BALANCE - DECEMBER 31	\$ 122,803	\$ 127,902	\$ 123,988	\$ 124,788

Revenues



Expenditures

