



2025 ANNUAL BUDGET



City of Petoskey

Resolution

Resolution No. 24-96

WHEREAS, as required of City Charter provisions, the City Manager has presented to the City of Petoskey City Council the City's proposed annual budget for 2025; and

WHEREAS, as also is required of City Charter provisions, the City Council on December 2, 2025, conducted a public hearing to receive comments concerning these proposed budgets for the City's various funds:

General Fund

January 1, 2025 Fund Balance	\$ 6,519,169
Revenues	<u>13,038,700</u>
Expenditures:	
General Governmental Services	3,525,500
Public Safety	4,024,900
Public Works	805,600
Recreation and Cultural	<u>4,175,300</u>
Total Expenditures	12,531,300
December 31, 2025 Fund Balance	<u>\$ 7,026,569</u>

Major Street Fund

January 1, 2025 Fund Balance	\$ 1,136,610
Revenues	2,211,200
Expenditures	<u>2,561,400</u>
December 31, 2025 Fund Balance	<u>\$ 786,410</u>

Local Street Fund

January 1, 2025 Fund Balance	\$ 1,200,320
Revenues	292,400
Expenditures	<u>674,300</u>
December 31, 2025 Fund Balance	<u>\$ 818,420</u>

General Street Fund

January 1, 2025 Fund Balance	\$ 1,543,507
Revenues	1,460,100
Expenditures	<u>1,837,400</u>
December 31, 2025 Fund Balance	<u>\$ 1,166,207</u>

Tax Increment Finance Authority Fund

January 1, 2025 Fund Balance	\$ 1,154,973
Revenues	824,600
Expenditures	<u>1,020,300</u>
December 31, 2025 Fund Balance	\$ <u>959,273</u>

Library Fund

January 1, 2025 Fund Balance	\$ 476,749
Revenues	1,947,900
Expenditures	<u>1,889,300</u>
December 31, 2025 Fund Balance	\$ <u>535,349</u>

Downtown Management Fund

January 1, 2025 Fund Balance	\$ 252,154
Revenues	172,100
Expenditures	<u>276,300</u>
December 31, 2025 Fund Balance	\$ <u>147,954</u>

Downtown Parking Fund

January 1, 2025 Retained Earnings	\$ 1,686,317
Revenues	909,700
Expenses	<u>1,234,900</u>
December 31, 2025 Retained Earnings	\$ <u>1,361,117</u>

Right-of-Way Fund

January 1, 2025 Fund Balance	\$ 1,684,265
Revenues	2,254,400
Expenditures	<u>2,601,600</u>
December 31, 2025 Fund Balance	\$ <u>1,337,065</u>

Electric Fund

January 1, 2025 Retained Earnings	\$ 25,559,502
Revenues	11,756,600
Expenses	<u>11,750,200</u>
December 31, 2025 Retained Earnings	\$ <u>25,565,902</u>

Water and Sewer Fund

January 1, 2025 Retained Earnings	\$ 30,109,891
Revenues	6,715,500
Expenses	<u>6,576,900</u>
December 31, 2025 Retained Earnings	<u>\$ 30,248,491</u>

Motor Pool Fund

January 1, 2025 Retained Earnings	\$ 5,559,651
Revenues	1,252,100
Expenses	<u>1,205,700</u>
December 31, 2025 Retained Earnings	<u>\$ 5,606,051</u>

Building Authority Bear River Valley Improvements Bond Fund

January 1, 2025 Fund Balance	\$ 127,430
Revenues	222,700
Expenditures	<u>221,900</u>
December 31, 2025 Fund Balance	<u>\$ 128,230</u>

WHEREAS, following the public hearing to receive comments concerning the proposed 2025 Annual Budget and its consideration of the proposed budget, the City Council wishes to approve the proposed budgets of these various City funds; and

NOW, THEREFORE, BE IT RESOLVED that the City of Petoskey City Council does and hereby approves the 2025 Annual Budget as presented by the City Manager and as summarized in this resolution; and

BE IT FURTHER RESOLVED that the City Manager be and is hereby authorized to declare certain obsolete City owned personal property as surplus and to arrange for its sale or disposal; and

BE IT FURTHER RESOLVED that the City Manager be and is hereby authorized to make adjustments among line item appropriations so long as the total expenditure budget for the assigned fund is not exceeded; and

BE IT FURTHER RESOLVED that the City Manager be and is hereby authorized to negotiate with and establish certain rates for electric-utility customers as might be deemed appropriate in response to on-going utility-industry restructuring efforts; and

BE IT FURTHER RESOLVED that the City Manager be and is hereby authorized to continue the City's participation in the various feasibility studies that are conducted by the Michigan Public Power Agency or to join in with other studies, service committees, or projects that would be established by the Agency, such as those related to power-supply issues, or those that would meet municipal electric-system needs; and

BE IT FURTHER RESOLVED that the City Manager be and is hereby authorized to work with other municipally-owned electric utilities to study the feasibilities of satisfying short- and long-term power-supply needs; and

BE IT FURTHER RESOLVED that the City Manager or Director of Public Works are designated representatives and are hereby authorized to work through Michigan Public Power Agency to identify and enter into power purchase agreements, commitments or transactions to satisfy power supply needs, consistent with the Energy Services Risk Management Policy and power supply goals as adopted by the City of Petoskey; and

BE IT FURTHER RESOLVED the rates and charges for services, fees, permits, licenses and the like and as listed in the City's Schedule of Fees and Charges and as attached to this resolution are approved and authorized to be charged and collected as applicable; and

BE IT FURTHER RESOLVED that the various parts, sections, and clauses of this resolution are hereby declared to be severable. If any part, sentence, paragraph, section, or clause is adjudged unconstitutional or invalid by a court of competent jurisdiction, the remainder of the resolution shall not be affected thereby.

I, Sarah Bek, Clerk of the City of Petoskey, do hereby certify that the foregoing is a true copy of a resolution adopted by the City of Petoskey City Council in regular session assembled on the 2nd day of December, 2024, and of the whole thereof.

In witness where of, I have here unto set my hand and affirmed the corporate seal of said City this 9th day of December, 2024.



Sarah Bek, City Clerk



City of Petoskey

Office of City Manager

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

November 12, 2024

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

Proposed 2025 Annual Budget

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

For your review and consideration is the 2025 Annual Budget for the City of Petoskey. The proposed budget is the result of countless hours of data accumulation and review, financial and operational projections, and coordination among all City departments. 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 Annual Budget is driven by the City's Master Plan, Action Plan, and established financial policies. 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 efficient and effective general government services. 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.

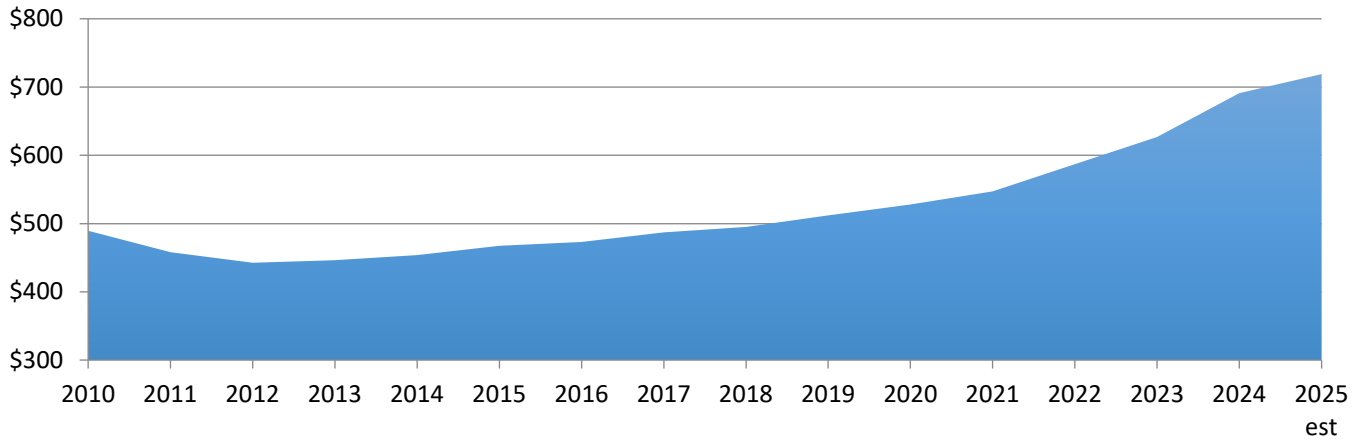
Totaling \$40,393,100 the proposed 2025 Operating and Capital Budget is \$5,269,900 more than the 2024 Budget. This increase in expenditures for 2025 is attributed to grant reimbursable projects at Maple Block Flats and the Little Traverse Wheelway Slope Restoration engineering and design. The 2025 budget increases can also be attributed to capital projects associated with the reconstruction of Howard Street, park projects and downtown parking lot enhancements.

The 2025 budget 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 2025 are included in pages 4-6 of this narrative.

The City's taxable value continues to increase slowly due mainly from real estate sales and limited new construction. 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.

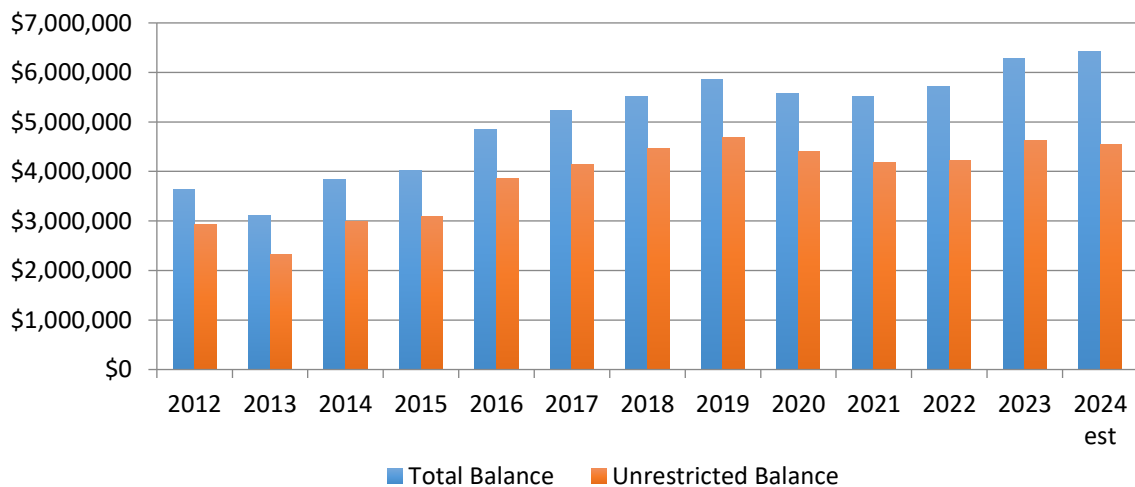
Following a sharp decline in taxable value from 2010-2012 of \$96 million, the City experienced nominal increases in taxable values over the next nine years to recoup the losses. We are forecasting a 3.8% increase in 2025 that will be formally determined later next year. Overall, the City's taxable value is estimated at \$719,113,430 for 2025.

Taxable Value (millions)



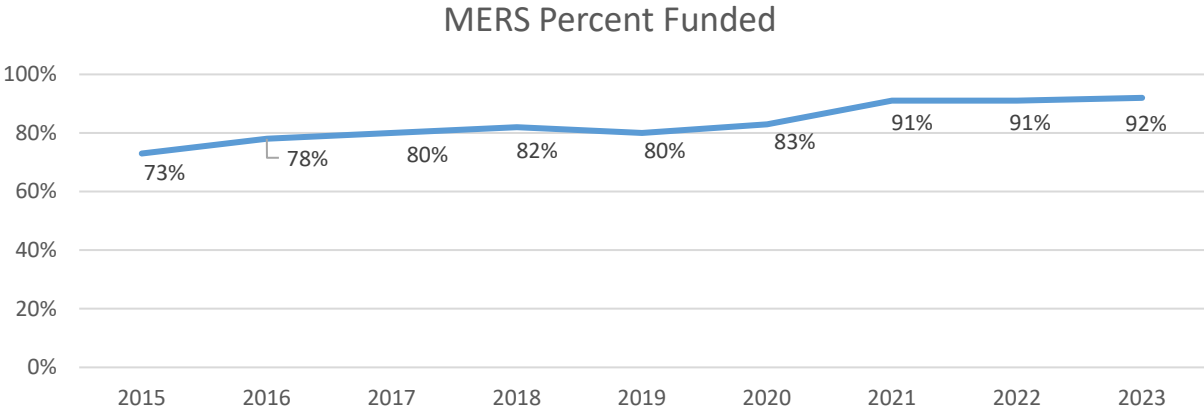
The proposed General Fund Budget shows revenues exceeding expenditures by \$552,400 increasing the General Fund reserves to an estimated \$7,071,569 or 57% of 2025 budgeted fund expenditures by end of 2025. Restricted Fund Balance amounts estimated at \$1,602,135 for the Marina and \$469,180 for Refuse Collection account totaling \$2,071,315 of the fund balance and would leave an estimated \$4,447,854 in unrestricted General Fund by the end of 2024.

General Fund - Fund Balance
Per Annual Audits

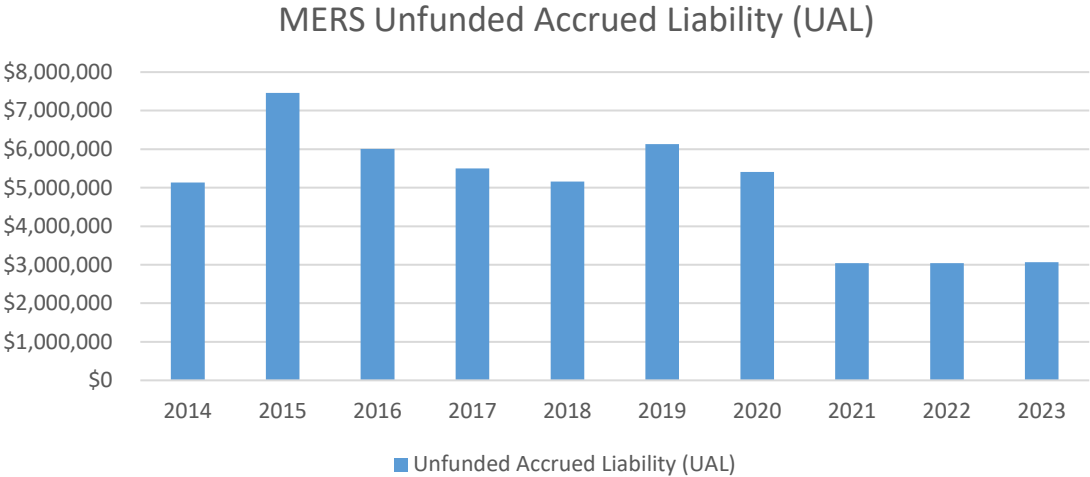


In 2015, the City along with other municipalities enrolled in MERS, experienced up to a 50% increase in annual contributions due to changes in actuarial assumptions. These assumptions included lowering the assumed rate of return on investments from 8% to 7.75%, adjusting mortality tables to reflect longer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

Even with the new MERS assumptions requiring increased annual payments, the City has made great strides in decreasing the overall Unfunded Accrued Liability (UAL) while increasing the funding rate from 73% in 2015 to an estimated 92% by the end of 2024.



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 \$6.2 million towards the UAL and has earmarked another \$400,000 in 2025 to pay down the UAL. Monies for this MERS contribution will be funded from the City's General Fund, Enterprise Funds as well as the General 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.



2025 Capital Improvement Projects

Streets and Drainage

In 2025, Howard Street from Sheridan Street to State Street including a portion of Washington Street from Petoskey to Howard will be fully reconstructed with new pavement, curb and gutter with drive approaches, sidewalks and ADA ramps. Water and Sewer mains will be replaced as well as undergrounding of electrical.

We have also budgeted for the removal of the railroad tracks within Howard Street and the sidewalk area south of East Mitchell Street in conjunction with sidewalk upgrades.

Water and Wastewater System

Water and sanitary sewer mains will be replaced as part of the street reconstruction work on Howard Street. We have also budgeted for miscellaneous water and sewer spot repairs and upgrades as needed. We continue to budget for Lead and Copper Rule Materials Inventory work as we work to compile a Complete Distribution Service Materials Inventory (CDSMI). This work will be offset by the use of EGLE grant funding for this effort. We continue to budget \$50,000 to explore engineering solutions to dead-ends and non-circulating 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 \$358,800 for sidewalk construction and replacements in conjunction with the Howard Street reconstruction project. Sidewalk replacement and upgrades to Howard and East Mitchell southeast corner, pending the progress on the JC Penny redevelopment project. We continue to budget for miscellaneous City-wide sidewalk spot repairs in 2025.

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 2025, the City will continue its strong investments in the electric distribution system by earmarking \$1.1 million for system-wide upgrades.

Specifically, just over \$600,000 has been earmarked for the installation of three-phase underground lines in the residential areas including portions of West Sheridan, Howard Street, Fulton, Grove, Petoskey, 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 a 46kV metering structure replacement at the River Road connection. 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.

Motorpool

Motor Vehicle Pool purchases planned for 2025 total \$695,000 and include the following:

- Staff Pool Vehicle Replacement
- WWTP Staff Vehicle Replacement
- Staff Vehicle Replacement
- Public Safety - patrol vehicle replacement
- Public Works - One-ton Dump Truck Replacement
- Parks and Rec Pickup Truck Replacement
- Electric Department Pickup Truck Replacement
- Electric Department Bucket Truck Replacement
- Public Works – Portable Light Tower Replacement x 2

Buildings and Grounds

We have allocated \$100,000 for improvements to City buildings and grounds including:

- \$15,000 to replace original radiant tube heaters at the East Lake Street Station
- \$25,000 to replace 1989 HVAC unit at East Lake Street Fire Station
- \$30,000 to upgrade the Public Safety firing range including lead removal, cleaning and potential ballistic block replacement
- \$30,000 to replace deteriorating cedar boards around columns at the Historical Museum

City Council authorized the use of \$50,000 out of our ARPA allocation as a match for an additional \$50,000 from Emmet County to use for access control and security enhancements at City Hall as well as audio/visual improvements in Council Chambers and the Community Room.

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 2025:

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 General, Parking, Streets and Electric funds. This project will be rebid in the fall of 2024 for spring 2025 construction.

Winter Sports Park

Master Planning will continue into 2025 as all areas within the Winter Sports Park (WSP) will be analyzed for potential improvements and upgrades. City Council will ultimately provide guidance and priority on project(s) within the WSP including direction on the multi-use pavilion project.

Bates Park Sewer Grinder Pump Replacement

There are two existing sewer grinder pumps at Bates Park that need to be replaced.

Little Traverse Wheelway Resurfacing

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

Park Master Plans

Master Planning for Curtis Park, River Road Sports Complex, and Lockwood Park, 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.

Parking

The 2025 Capital Improvement Plan includes funds from the Parking Fund to improve the Saville Lot with new paving, storm water infrastructure, central pay station, and associated renovations to improve the flow and functionality of the lot. The Parking Fund also includes resources to add central pay stations at the Petrie Lot and Darling Lot. The Downtown trolley is also slated for painting and exterior repairs.

TIFA

Funds are budgeted for the section of the Little Traverse Wheelway between the turn-around bathrooms at the Bayfront and the area behind Kilwins to replace the existing deteriorating asphalt with concrete.

Magnus Park has been a widely used resource for many years with revenue covering the cost of operations. The campground has outdated infrastructure (water, sewer, electrical). The Master Plan could incorporate plans for expanded housing opportunities utilizing additional property on the ridge and off of Charlevoix Avenue.

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, 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 2025 to continue to carry out the policies and directives of this body.

Respectfully Submitted,



Shane Horn
City Manager

Budget Overview

	Revenues	Operating Expenditures	Capital Expenditures	Total Expenditures
GOVERNMENTAL FUNDS				
General	\$ 13,038,700	\$ 11,530,100	\$ 956,200	\$ 12,486,300
Major street	2,211,200	588,600	1,972,800	2,561,400
Local Street	292,400	377,900	296,400	674,300
General Street	1,460,100	1,346,900	490,500	1,837,400
Tax Increment Finance Authority	824,600	211,300	809,000	1,020,300
Library	1,947,900	1,806,800	82,500	1,889,300
Downtown Management	172,100	276,300	-	276,300
Downtown Parking	909,700	789,700	445,200	1,234,900
Right-of-Way	2,254,400	2,601,600	-	2,601,600
	<u>23,111,100</u>	<u>19,529,200</u>	<u>5,052,600</u>	<u>24,581,800</u>
ENTERPRISE FUNDS				
Electric	11,756,600	11,750,200	1,142,800	12,893,000
Water	2,983,200	3,366,500	1,239,000	4,605,500
Sewer	3,732,300	3,210,400	682,800	3,893,200
	<u>18,472,100</u>	<u>18,327,100</u>	<u>3,064,600</u>	<u>21,391,700</u>
LESS DUPLICATIONS				
	41,583,200	37,856,300	8,117,200	45,973,500
Fund Transfers:				
Right-of-Way	2,600,000	2,600,000	-	2,600,000
Electric	418,900	418,900	-	418,900
Water & Sewer	315,600	315,600	-	315,600
Building Rents	201,700	201,700	-	201,700
Administrative Fees	2,044,200	2,044,200	-	2,044,200
	<u>5,580,400</u>	<u>5,580,400</u>	<u>-</u>	<u>5,580,400</u>
TOTAL	<u>\$ 36,002,800</u>	<u>\$ 32,275,900</u>	<u>\$ 8,117,200</u>	<u>\$ 40,393,100</u>
INTERNAL SERVICE FUND				
Motor Pool	<u>\$ 1,252,100</u>	<u>\$ 1,205,700</u>	<u>\$ 695,000</u>	<u>\$ 1,900,700</u>

Long-Term Debt Amortization

Schedule of Long Term Debt

General Obligations	January 1, 2025 Principal Balance
City of Petoskey Building Authority - 2021 Library refunding	\$ 1,060,000
City of Petoskey Building Authority - 2017 Bear River Valley	1,010,000
Total General Obligations	\$ 2,070,000

Revenue Obligation	
Water and Sewer Fund - 2017 WWTP/Lift Station Improvements	\$ 3,800,000
Water and Sewer Fund - 2021 WWTP Improvements refunding	2,060,000
Total Revenue Obligations	\$ 5,860,000

Annual Principal and Interest Requirements

Fiscal Year Ending December 31	General Obligation Bonds	Revenue Bonds	Total Annual Debt Service
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	\$ 2,206,753	\$ 6,816,000	\$ 9,022,753

City of Petoskey Personnel

November 2024

City-Wide

77 Full-Time Employees

68 Part-Time / Seasonal Employees

City Administration & Finance

13 Full-Time Employees

Library

8 Full-Time Employees

15 Part-Time Employees

Parks & Recreation

9 Full-Time Employees

37 Part-Time / Seasonal Employees

Public Safety

20 Full Time Employees:

- 1 Administrative
- 1 Code Enforcement Officer
- 4 Lieutenants
- 15 PSOs (includes 2 School Resource Officers)

6 Part-Time PSOs

3 Paid on Call Fire Division

1 Part-Time Crossing Guard

Public Works

22 Full-Time Employees

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

2 Part-Time Street Employees

Downtown Management

5 Full-Time Employees

1 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, 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 2025 total \$13,038,700. This is a projected increase of \$1,435,900 over what is expected to be received by year's end of \$11,602,800. The 2024 year-end revenue estimate is \$1,208,400 more than originally budgeted due in part from an increase of tax revenue received of \$75,600, increase in grants received of \$933,800, interest income of \$50,000 and Marina fuel sales revenue of \$138,700.

Based on proposed 2025 budgeted revenues of \$13,038,700 and proposed budgeted expenditures of \$12,486,300, revenues will exceed expenditures by \$552,400 in the General Fund. This activity will result in an estimated ending fund balance of \$7,071,569 or 57% of 2025 budgeted fund expenditures. Restricted Fund Balance amounts are estimated at \$1,602,135 for the Marina and \$469,180 for Refuse Collection account totaling \$2,071,315 of the fund balance and would leave an estimated \$4,447,854 or 63% 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 2024, operating revenues are expected to total \$5,628,600, a net increase of \$549,084 when compared to 2023. This is due to an increase in taxable values which provides additional tax revenue, and the reinstatement of the 1% tax administration fee. Total 2025 operating income is proposed to total \$5,843,400, a 3.8% increase, or \$214,800 over this year's estimated actual revenues.

Property Tax Levies. The City's 2024 taxable value of \$692,767,011 experienced an increase of 10.48% from 2023 due to the State's inflationary multiplier rate set above the cap of 5%, and a strong home sales market. The total taxable value for next year is estimated to reach \$719,113,430 as the real estate market in Petoskey remains strong. The State's inflation rate multiplier is 3.1% for 2025 and will require a millage rollback as part of the Headlee calculation. Increases in taxable value received from new construction 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 \$4,437,300 estimated for 2024 to \$4,651,600, an increase of \$214,300 for 2025. 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 7.0346 mills in 2024 and is expected to be rolled back again in 2025.

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 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 \$809,800 for 2024 and is estimated at \$853,200 for 2025.

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 2025 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 2024 are at 3.6223 mills for street rights-of-way and 1.6630 mills for combined library purposes for a total 5.2853.

Although the City Council will formally establish, by June, actual rates at which the City's property taxes would be levied in 2025, several months after the budget is approved, it will be recommended to City Council that tax millages remain the same as in 2024. The proposed tax rates are for general purposes estimated at 7.0346 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 \$719,113,430 in 2025, of which \$4,351,700 would be received for general purposes and \$299,900 would be received for solid-waste programs.

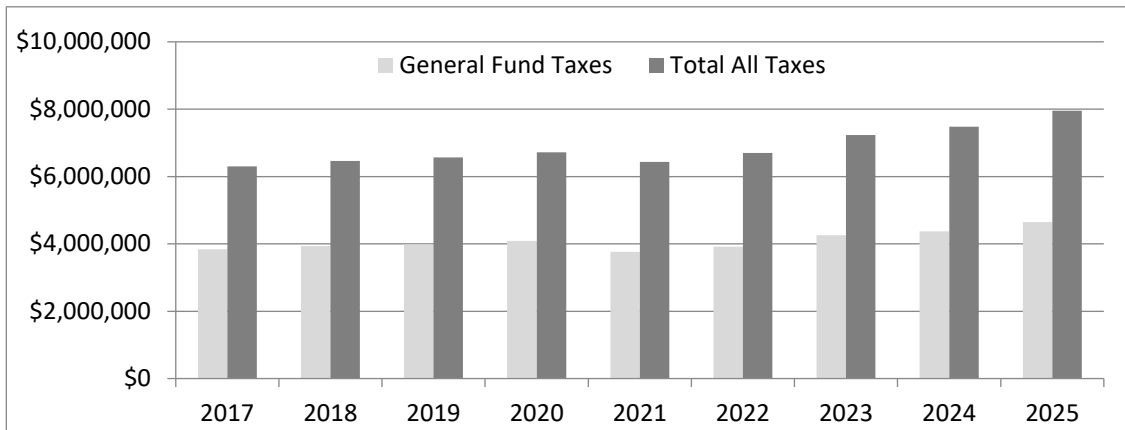
For 2025, the City's General Fund, Right-of-Way Fund and Library Fund, based upon a total millage rate of 12.8089 mills, would provide net property tax revenues to these funds at an estimated total of \$7,949,600. Limits that are established by provisions of the City Charter and applicable State statutes 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 6.1911 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	7.0346	\$719,113,430	\$5,058,700	\$198,500	\$900	\$38,100	\$469,500	\$4,351,700
Cleanup	0.4890	719,113,430	351,600	13,800	100	2,800	35,000	299,900
R.O.W.	3.6223	719,113,430	2,604,800	102,300	500	19,900	240,200	2,241,900
Library	1.6630	719,113,430	1,195,900	21,900	100	9,300	108,500	1,056,100
	12.8089		\$9,211,000	\$336,500	\$1,600	\$70,100	\$853,200	\$7,949,600

In 2025, the City's taxable value is estimated to increase to \$719,113,430 or 3.8% more than that established for 2024. 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 \$733,800 in 2025, or \$12,000 less than the total included in the 2024 annual budget. This is partially due to a decrease in election reimbursements for 2025 of which only one election is expected. By the end of this year, receipts of State-shared revenues are expected to provide the General Fund with \$5,000 less than estimated when the City's 2024 annual budget was established at \$745,800.

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. When Michigan's economy is struggling, sales tax revenues drop at the State level, and in turn local governmental units experience a corresponding decrease in revenue-sharing disbursements from the State.

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 the past two years, interest rates have been high, but are now beginning to drop as the Federal Reserve made cuts in 2024 and are expected to make additional cuts in 2025. In 2024, \$75,000 was budgeted for interest income and will be budgeted at \$90,000 for 2025.

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 \$4,537,100 in 2025. For 2024, \$3,285,000 is anticipated to be received, which is \$1,080,800 more than budgeted. This increase is due to grant funds received for multiple projects. 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 2024 is expected to be \$933,800 more than budgeted due to grant funds received for the Little Traverse Wheelway Restoration Study, the Winter Sports Park window and door replacements, and the Brownfield Redevelopment Grant and Loan for the Michigan Maple Block housing project.

Grants for 2025 include: Jaws of Life training \$4,500, State of Michigan for Public Safety training \$25,500, Emmet County Local Revenue Sharing Board \$18,100 for public-safety operations, ARPA funds allocated to Public Safety for revenue loss \$504,900, two Emmet County ARPA fund grants with a City match for City Hall security improvements totaling \$100,000, and Winter Sports Park study totaling \$100,000, a \$150,000 grant for the Park Avenue project, \$76,900 from Townships participating in the City's recreation programs, continuing Brownfield grant funding for the Maple Block housing project \$779,000, MSHDA Chill grant \$500,000 for home improvements, and also a Housing Readiness Incentive grant \$50,000 for Zoning Ordinance amendments and revisions.

Totaling \$156,200 for next year, anticipated income through the public-safety-activity revenue category includes: fines collected for certain types of City Code civil-infractions, School Resource Officers, parking violations, 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 \$122,500 for 2025, which is \$4,400 more than what is now expected to be received by the end of 2024. 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 81% of participants in City-sponsored and/or City-supervised recreation and sports programs are non-City residents, and 39% 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.

2023 Recreation Program Participation

- 28 recreation programs
- 2,473 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 \$59,800 in 2025 to \$581,100 from 2024 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 site rentals with full-service campsites, or sites with water and electric service only. Magnus Park fees for 2024 are anticipated to total \$444,500 with \$499,700 proposed for 2025.

2024 Park Rentals

- 258 paid shelter and facility rental reservations
- Campers at Magnus Park stayed 10,331 "nights"
- 1,420 transient boaters stayed 5,692 nights at the marina

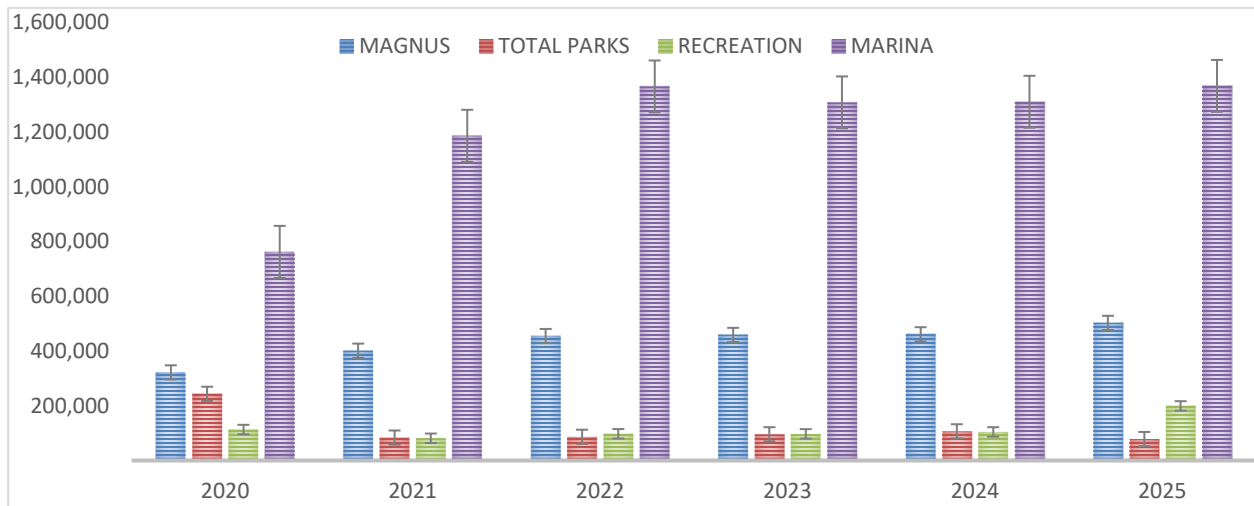
The City initiated a fee for private use of park facilities to help defray costs for Department of Parks and Recreation staff to setup, take down and cleanup following each event. The City receives requests to use facilities such as Bayfront Park for weddings, reunions

and other such gatherings, which the City staff accommodates by reserving the site for private use. Fees were budgeted at \$15,000 for 2024 and increasing to \$17,200 for 2025 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 2024, \$1,488,200 is anticipated for receipt, or \$177,800 more than the \$1,310,400 budgeted for this year. Fuel sales of gasoline and diesel peaked in 2024 at an all-time high of 193,002 gallons. For 2025, fuel sales are budgeted at \$750,000 as fuel prices remain higher than previous years but beginning to lower. Daily rentals at Bayfront Park Marina mooring wells during 2024 provided \$314,200, with \$311,000 budgeted for 2025. Seasonal rentals of mooring wells, provided \$279,900 with \$277,500 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 \$2,566,700 for 2025 up by \$8,700 from the \$2,558,000 that has been actually transferred. This includes \$24,500 from the Downtown Management Board after agreeing to have the City provide additional accounting and technology services for the downtown operations, along with \$7,200 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 2025 have been computed at \$168,900 and from the Water and Sewer Fund at \$315,600.

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 \$522,700 from the General Street Fund; \$583,600 from the Electric Fund; \$735,600 from the Water and Sewer Fund; \$24,500 from the Downtown Parking Fund; \$140,600 from the Motor Pool Fund; \$7,200 from the Library Fund and \$30,000 from the Marina Restricted Account within the General Fund.

EXPENSES

Summary. Total General Fund expenditures for 2025 are proposed at \$12,486,300 or \$2,109,400 more than the \$10,376,900 that had been approved in 2024. Total estimated actual expenditures for 2024 of \$11,324,500 are 8.4% more than budgeted or \$947,600. The difference is largely due to the start of the Maple Block Flats construction project breaking ground (funded by a Brownfield grant) and the Little Traverse Wheelway study (funded in part by a State grant).

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 \$51,400 for 2025, costs for legislative and citizen-participation activities have decreased by \$34,900 due to only one or two elections being held in 2025, including the November General election, as \$56,900 is now anticipated to be spent on elections in 2024. 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 began 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 one election next year including the General Election in November at which names of Second and Fourth Councilmember 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.

Total General Administration costs for 2025 have been proposed at \$2,331,400, for a budget increase of \$1,360,400 from 2024 budgeted amount. Increases in the City Manager Office (\$5,500), Economic Development (\$1,310,800), Office of City Planner (\$44,500), and a decrease in City Assessor (\$400). Total General Administrative costs for 2024 are estimated at \$1,041,900 or \$70,900 more than the budgeted amount of \$971,000.

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, Contracted Services for grant administration (\$1,296,000), City Arts and Culture (\$60,000), 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 2024, actual costs are now expected to total \$135,000 for this year and are being budgeted at \$145,000 for 2025.

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, Accounts Payable, Accounts Receivable, Payroll and Information Technology, have been proposed to total \$1,137,700 in 2025 or \$81,300 more than budgeted in 2024. Utility billing functions include costs for utility meter-reading services, billing services and one City staff position. The City uses a third party for utility bill printing, mailing and online customer services and the City continues to realize savings in billing costs and staff time.

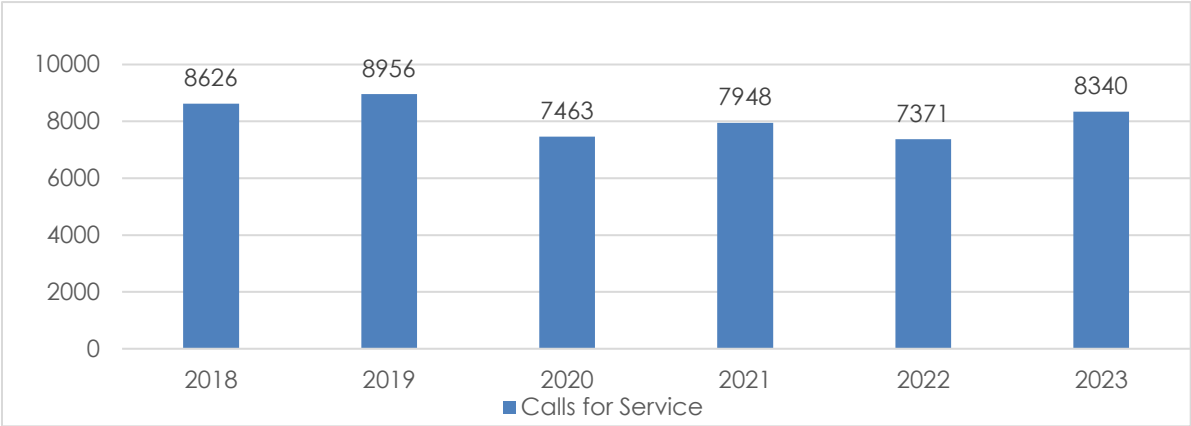
Information technology has a budgeted increase of \$48,700 next year due to an increase in the monthly charge for contracted services and system upgrades. In 2018, the City began utilizing an outside contractor for information technology services, who has several members on staff that specialize in different areas and have been working with the City to upgrade the City's systems. Outside IT services have increased response time from prior years, the City's demand for IT services continues to increase, which in-turn increases contracted service costs.

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 2025, expenditures that are believed necessary to provide combined police, fire and emergency-medical services have been proposed to total \$4,024,900, an increase of \$151,300 more than the 2024 budgeted amount of \$3,873,600, with the increase being in wages, fringe benefits, and equipment purchases.

The 2025 budget includes the fourteenth 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 five 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.

<u>Public Safety</u>
<ul style="list-style-type: none"> • 22 Full-Time Personnel <ul style="list-style-type: none"> ○ 15 PSOs ○ 4 Lieutenants ○ 1 Director ○ 1 Administrative ○ 6 Part-Time PSOs ○ 3 On-Call Firefighter ○ 1 Code Enforcement Officer • 8,340 law-enforcement calls for service in 2023 • 1,005 fire and medical calls in 2023

During 2023, the Detective investigated 186 new cases resulting in 36 felony arrest warrants, 49 misdemeanor arrest warrants and the execution of 12 search warrants. The Detective also assisted the schools on 11 complaints and continued investigations on 96 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. \$200,000 is anticipated in 2024 and \$185,000 budgeted for 2025. The recent increase is due to training costs from previous vacancies in

personnel, along with time spent at Petoskey Schools and events which are partially reimbursed by the school.

Proposed to originally total \$3,065,600 for 2024, personnel service costs within the Department of Public Safety are expected to now total \$8,100 more at \$3,073,700 for 2024. A total of \$3,146,300 is budgeted for 2025. 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.

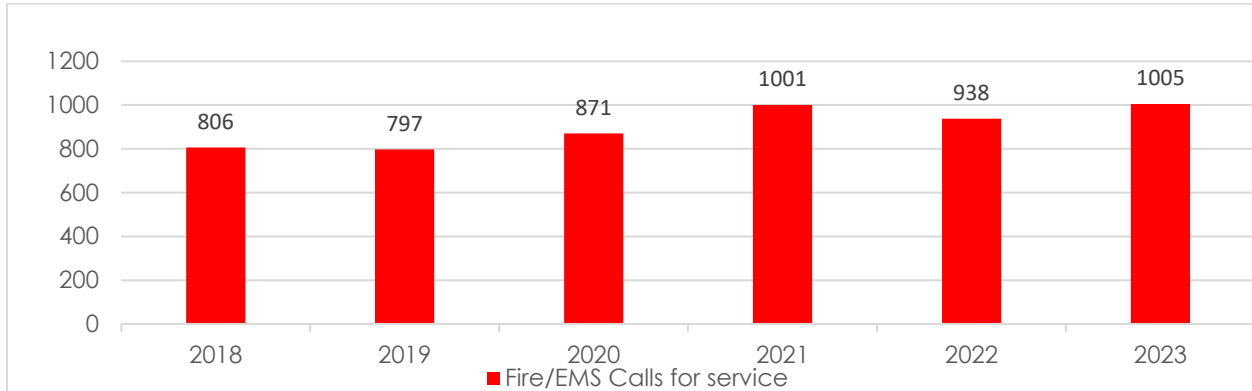
Training and vehicle rental payments made to the Motor Pool Fund for use of equipment have been proposed at \$486,800 next year, up \$62,900 from the \$423,900 budgeted for in 2024 with \$427,200 expected to actually be spent by the end of the year. Increase in training is due from a new State mandated requirement, but is partially offset with a grant. The City has implemented a 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 \$64,600 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 \$73,700 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 \$10,500 for costs at the Public Safety West Station for snow plowing, cleaning and maintenance services. Community education activities, proposed to cost \$3,300 next year, would include for the school program called "TEAM" (Teaching, Educating and Mentoring) provided to students in elementary, middle and high school grades, along with the Department's annual open house. In addition, during fire prevention week, officers visited all grade schools within the City of Petoskey and presented to more than 500 children.

Fire/EMS Calls for Service 2018-2023



Parks & Recreation. The Department of Parks and Recreation with 9 full-time employees, one shared Administrative Assistant and 36 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 2025 are proposed to total \$4,135,300, which is \$320,900 less than estimated for 2024, actual costs for this year are now expected to total \$4,456,200 or \$813,400 more than budgeted mainly due to the Little Traverse Wheelway Study being performed.

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 \$506,200 for 2025, 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 \$92,300 more than 2024 estimated actual costs of \$413,900, 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 \$1,909,300 for 2025, an increase of \$366,300 from the budgeted amount of 2024. The difference being the number projects scheduled for 2025 which includes; resurfacing of a portion of Little Traverse Wheelway, Park Avenue improvements, Greenway Corridor engineering, and Winter Sports Park design study. 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 \$196,200, or \$14,500 more than the \$181,700 that is now expected to be spent this year. Activities include: Site improvements, forestry maintenance and planting, and utility repairs for a total of \$20,000. Magnus Park continues to more than cover all costs to operate and maintain the facility, thereby providing additional revenues to fund other park operations.

<p style="text-align: center;"><u>Magnus Park</u></p> <ul style="list-style-type: none">• <i>Campers at Magnus Park stayed 10,331 "nights"</i>• <i>Average occupancy 84% from May 15 – October 16 and 96% from July 1 – August 31.</i> <p style="text-align: center;"><u>2024 Operations</u></p> <ul style="list-style-type: none">• <i>\$448,200 in revenues</i>• <i>\$181,700 in expenses</i>• <i>Net income of \$266,500 remains in the General Fund to offset other parks expenses</i>

Bayfront Park Marina

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

2024 Operations

- \$1,488,200 operating revenue
- \$1,116,000 operating expense
- Net gain of \$372,200

Bayfront Park Marina estimated costs of \$1,116,000 for 2024 are \$59,900 more than budgeted. The difference being in both gas and diesel fuel costs which is always subject to fluctuations in changes in the market place on the purchase side and weather conditions on the sales side, which affects sales at the pump.

Contracted services include pier concrete repairs and utility upgrades, harbor dredging, and repair around the lounge.

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 in prior years was 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 bonds that financed the Marina improvements. In April 2024, the last debt service payment was made.

With budgeted revenues for 2025 proposed at \$1,368,400 and proposed expenditures at \$1,002,000, revenues will exceed expenditures by \$366,400, which will be added to the marina fund balance reserve in the General Fund of nearly \$1,968,535. The reserve may only be used for marina purposes and helps to ensure sufficient funds are available to meet maintenance and necessary upgrades of the marina.

Recreation programs within the Department of Parks and Recreation expenditure category are expected to cost \$351,200 in 2025, an increase of \$23,000 over 2024 estimated actual costs of \$328,200. In 2023, recreation program expenses were offset 60% by \$171,407 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 2025 are now budgeted to cover 57% 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 \$233,000 next year, personnel-services costs would increase by \$33,500 over budgeted costs for 2024, 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 2025 at \$170,400, which is \$7,700 more than estimated for 2024 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 \$764,700 is now estimated to end the year \$17,900 more than expected. With two expenditure categories of administration and solid waste, \$805,600 has been proposed as costs for 2025. 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 \$489,600 for 2025, a \$15,400 increase from the \$474,200 budgeted for in 2024. Other activity costs include communication, office supplies, vehicle rental and education and are budgeted slightly less than 2024 budgeted costs at \$36,100, resulting in total proposed costs of \$525,700.

Solid-waste programs are expected to cost a total of \$279,900 in 2025, \$36,600 more than actual program totals for 2024 which are anticipated at \$243,300. For 2025, activities again would include monitoring of the City's former River Road landfill for \$8,000, 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 \$168,000. Curbside recycling is provided by Emmet County Department of Public Works totaling \$103,900.

As part of this 2025 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 \$299,900, which is \$20,800 more than the 2024 estimated amount. Based on these budgeted amounts, program revenues will exceed expenditures by \$20,000 which will be added to prior year estimated reserves of \$469,180.

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 2023, MERS assumed rate of return was 6.93% 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 \$3,069,727 in 2023 and the plan is 92% funded. The Unfunded Accrued Liability makes up a large portion of the required annual contribution and paying it down greatly reduces future required annual contributions. The City is again proposing an additional payment in 2025, 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>
2025	\$7,071,569	\$4,613,854	\$2,457,715
2024 <i>est</i>	6,519,169	4,447,854	2,071,315
2023	6,280,350	4,628,659	1,651,691
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

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 2025 are proposed to be reimbursed a total of \$2,044,200 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 \$484,500, which is in addition to the administrative fees. The administrative fees go to offset the \$2,486,600 in total expenditures for these activities leaving the remaining \$442,400 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 2025, these along with other smaller revenue sources would provide \$2,259,900 in revenues to offset \$4,135,300 in expenditures leaving \$1,875,400 to be funded through other General Fund operations.

Magnus Park covers costs of all activities' expenses and provides an additional \$303,500 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 \$156,200. Public Safety is generally provided without any direct fee for the services provided, which requires the majority of the annual costs, which for next year total \$4,024,900 to be funded through other General Fund revenue.

General Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget	Change 2024 vs 2025
FUND BALANCE - January 1	\$ 5,713,300	\$ 6,402,548	\$ 6,240,869	\$ 6,519,169	\$ 116,621
REVENUES					
Operating :					
Property Tax	4,287,840	4,736,800	4,812,400	5,037,700	300,900
Licenses and Permits	31,790	34,900	42,700	40,300	5,400
State Shared Revenues	723,641	745,800	740,800	733,800	(12,000)
Charges for Services	36,245	38,700	32,700	31,600	(7,100)
	5,079,516	5,556,200	5,628,600	5,843,400	287,200
Nonoperating:					
Interest Income	155,650	75,000	125,000	90,000	15,000
Other	1,925	1,000	6,200	1,500	500
	157,574	76,000	131,200	91,500	15,500
Activities:					
Grants	495,107	102,600	1,036,400	2,308,900	2,206,300
Public Safety	89,714	119,300	121,000	156,200	36,900
Recreation	99,856	104,300	118,100	122,500	18,200
Parks	543,863	567,600	521,300	581,100	13,500
Bayfront Park Marina	1,315,273	1,310,400	1,488,200	1,368,400	58,000
	2,543,812	2,204,200	3,285,000	4,537,100	2,332,900
Transfers:					
City Hall Building Rent	38,000	38,000	38,000	38,000	-
Electric Fund	178,800	178,600	178,600	168,900	(9,700)
Water and Sewer Fund	334,300	334,800	334,800	315,600	(19,200)
Administration Fees	1,955,300	2,006,600	2,006,600	2,044,200	37,600
	2,506,400	2,558,000	2,558,000	2,566,700	8,700
TOTAL REVENUES	10,287,303	10,394,400	11,602,800	13,038,700	2,644,300
EXPENDITURES					
Legislation and Citizen Participation:					
City Council	29,572	29,800	30,600	33,500	3,700
Elections	13,548	56,500	56,900	17,900	(38,600)
	43,120	86,300	87,500	51,400	(34,900)
General Administration:					
City Manager	349,865	373,700	368,700	379,200	5,500
City Assessor	151,528	178,000	177,500	177,600	(400)
City Attorney	117,498	145,000	135,000	145,000	-
City Planner	228,689	188,300	175,400	232,800	44,500
Economic Development	184,107	86,000	185,300	1,396,800	1,310,800
	1,031,687	971,000	1,041,900	2,331,400	1,360,400
Department of Finance:					
Director of Finance - Treasurer	287,047	303,000	298,600	313,400	10,400
Accounting	304,009	320,000	318,600	330,200	10,200
Utility Billing	227,017	217,200	238,200	229,200	12,000
Information Technology	134,712	216,200	207,500	264,900	48,700
	952,785	1,056,400	1,062,900	1,137,700	81,300

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget	Change 2024 vs 2025
Department of Public Safety: Law Enforcement, Fire Protection, Emergency Medical Services	3,598,365	3,873,600	3,911,300	4,024,900	151,300
Department of Parks and Recreation:					
Building and Grounds	255,904	405,500	413,900	506,200	100,700
Downtown Maintenance	135,752	156,300	162,700	170,400	14,100
Parks and Special Facilities	1,206,910	1,543,000	2,253,700	1,909,300	366,300
Magnus Park	154,653	178,100	181,700	196,200	18,100
Recreation Programs	306,348	303,800	328,200	351,200	47,400
Bayfront Park Marina	1,389,575	1,056,100	1,116,000	1,002,000	(54,100)
	<u>3,449,142</u>	<u>3,642,800</u>	<u>4,456,200</u>	<u>4,135,300</u>	<u>492,500</u>
Department of Public Works:					
Administration	462,819	511,400	521,400	525,700	14,300
Solid Waste	221,815	235,400	243,300	279,900	44,500
	<u>684,635</u>	<u>746,800</u>	<u>764,700</u>	<u>805,600</u>	<u>58,800</u>
TOTAL EXPENDITURES	<u>9,759,734</u>	<u>10,376,900</u>	<u>11,324,500</u>	<u>12,486,300</u>	<u>2,109,400</u>
Excess of Revenues Over Expenditures	<u>527,569</u>	<u>17,500</u>	<u>278,300</u>	<u>552,400</u>	<u>534,900</u>
FUND BALANCE - DECEMBER 31	<u>\$ 6,240,869</u>	<u>\$ 6,420,048</u>	<u>\$ 6,519,169</u>	<u>\$ 7,071,569</u>	<u>651,521</u>

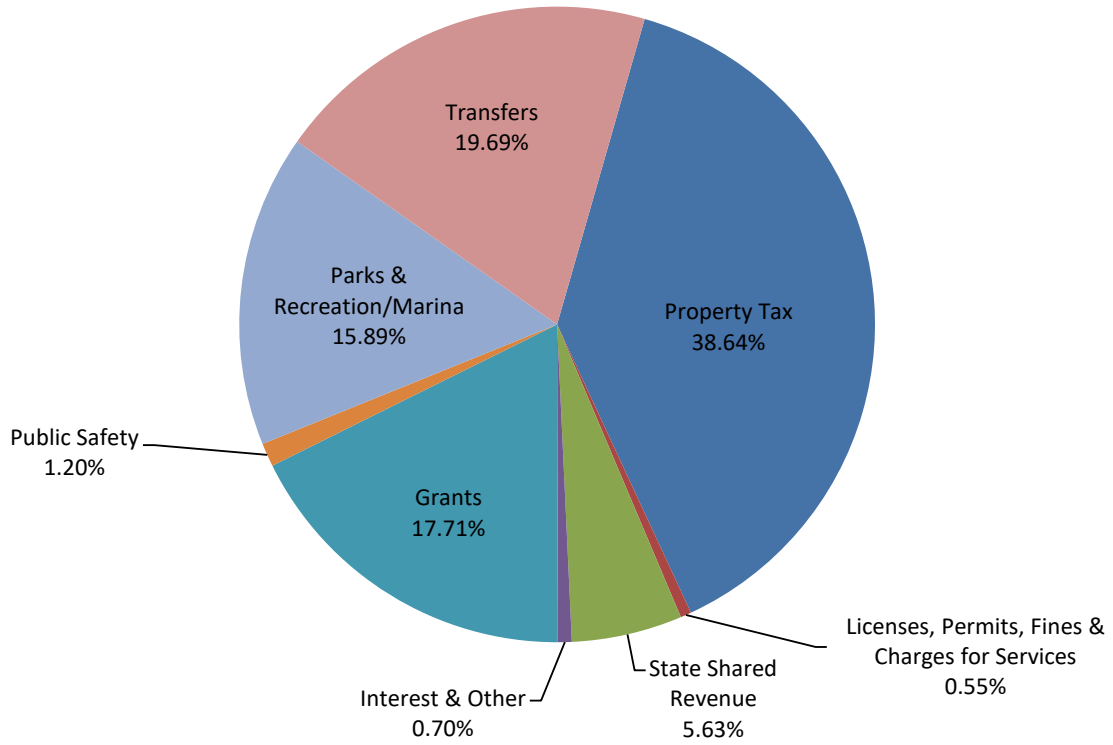
General Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget	Change 2024 vs 2025
EXPENDITURES - Detailed					
Legislation and Citizen Participation					
City Council:					
Personnel	\$ 20,740	\$ 21,100	\$ 22,900	\$ 23,800	\$ 2,700
Office Expense	559	900	600	900	0
Training & Transportation	8,273	7,800	7,100	8,800	1,000
	29,572	29,800	30,600	33,500	3,700
Elections:					
Personnel	3,732	25,100	25,500	8,200	(16,900)
Office Expense	3,571	9,400	9,400	3,200	(6,200)
Contracted Services	6,245	22,000	22,000	6,500	(15,500)
	13,548	56,500	56,900	17,900	(38,600)
General Administration					
City Manager:					
Personnel	331,702	348,000	345,100	354,600	6,600
Office Expense	5,044	8,000	7,100	7,100	(900)
Contracted Services	5,940	6,700	6,000	6,000	(700)
Training & Transportation	7,179	11,000	10,500	11,500	500
	349,865	373,700	368,700	379,200	5,500
City Assessor:					
Personnel	-	-	-	-	
Office Expense	1,235	1,000	400	500	(500)
Contracted Services	150,294	177,000	177,100	177,100	100
	151,528	178,000	177,500	177,600	(400)
City Attorney:					
Contracted Services	117,498	145,000	135,000	145,000	0
City Planner:					
Personnel	173,255	152,300	108,500	147,100	(5,200)
Office Expense	4,165	4,500	4,300	4,500	0
Contracted Services	34,379	28,000	54,000	78,000	50,000
Training & Transportation	3,965	3,500	2,900	3,200	(300)
	215,764	188,300	169,700	232,800	44,500
Economic Development:					
Contracted Services	184,107	86,000	185,300	1,396,800	1,310,800
Department of Finance					
Director of Finance - Treasurer:					
Personnel	253,804	272,700	270,100	284,000	11,300
Office Expense	3,295	4,000	3,500	3,500	(500)
Contracted Services	20,363	21,500	21,700	22,600	1,100
Training & Transportation	9,586	4,800	3,300	3,300	(1,500)
	287,047	303,000	298,600	313,400	10,400

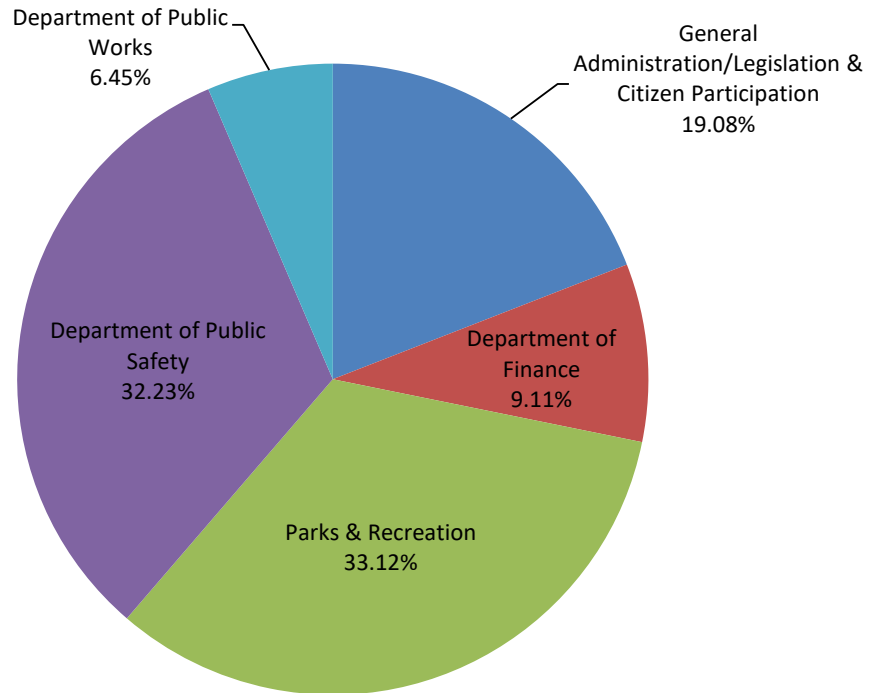
	2023 Actual	2024 Budget	2024 Estimate	2025 Budget	Change 2024 vs 2025
Accounting:					
Personnel	291,345	304,800	304,800	315,800	11,000
Office Expense	3,345	4,500	3,900	3,900	(600)
Contracted Services	9,178	9,800	9,800	10,100	300
Training & Transportation	142	400	100	400	0
	<u>304,009</u>	<u>319,500</u>	<u>318,600</u>	<u>330,200</u>	<u>10,700</u>
Utility Billing:					
Personnel	158,923	149,800	167,500	157,400	7,600
Office Expense	2,724	5,000	3,000	4,000	(1,000)
Contracted Services	65,370	62,300	67,700	67,700	5,400
Training & Transportation	-	100	-	100	0
	<u>227,017</u>	<u>217,200</u>	<u>238,200</u>	<u>229,200</u>	<u>12,000</u>
Information Technology:					
Office Expense	21,374	69,700	61,000	54,300	(15,400)
Contracted Services	113,339	146,500	146,500	210,600	64,100
Training & Transportation	-	-	-	-	0
	<u>134,712</u>	<u>216,200</u>	<u>207,500</u>	<u>264,900</u>	<u>48,700</u>
Department of Public Safety					
Law Enforcement, Fire Protection, Emergency Medical Services:					
Personnel	2,805,079	3,065,600	3,073,700	3,146,300	80,700
Office Expense	134,860	155,800	176,600	171,400	15,600
Contracted Services	64,298	82,400	87,900	73,700	(8,700)
Training & Transportation	452,407	423,900	427,200	486,800	62,900
Debt requirements	100,000	100,000	100,000	100,000	0
Capital Outlay/Equipment	41,721	45,900	45,900	46,700	800
	<u>3,598,365</u>	<u>3,873,600</u>	<u>3,911,300</u>	<u>4,024,900</u>	<u>151,300</u>
Department of Parks and Recreation					
Building and Grounds:					
Personnel	139,460	113,200	114,500	123,800	10,600
Materials & Supplies	79,047	102,300	101,900	129,400	27,100
Contracted Services	37,396	90,000	105,500	53,000	(37,000)
Capital Outlay/Equipment	-	100,000	92,000	200,000	100,000
	<u>255,904</u>	<u>405,500</u>	<u>413,900</u>	<u>506,200</u>	<u>100,700</u>
Downtown Maintenance:					
Personnel	90,891	111,300	117,700	124,800	13,500
Office Expense	16,697	18,000	18,100	18,100	100
Contracted Services	20,964	19,100	19,000	20,800	1,700
Training & Transportation	7,200	7,900	7,900	6,700	(1,200)
	<u>135,752</u>	<u>156,300</u>	<u>162,700</u>	<u>170,400</u>	<u>14,100</u>
Parks and Special Facilities:					
Personnel	423,405	471,900	470,400	463,800	(8,100)
Office Expense	145,336	160,900	158,200	180,500	19,600
Contracted Services	334,722	402,000	1,106,500	466,000	64,000
Training & Transportation	114,595	123,000	123,000	104,000	(19,000)
Capital Outlay/Equipment	188,852	385,200	395,600	695,000	309,800
	<u>1,206,910</u>	<u>1,543,000</u>	<u>2,253,700</u>	<u>1,909,300</u>	<u>366,300</u>

	2023	2024	2024	2025	Change
	Actual	Budget	Estimate	Budget	2024 vs 2025
Magnus Park:					
Personnel	71,353	73,400	89,300	100,700	27,300
Office Expense	62,424	61,900	64,600	63,700	1,800
Contracted Services	13,576	35,000	20,000	25,000	(10,000)
Training & Transportation	7,300	7,800	7,800	6,800	(1,000)
	<u>154,653</u>	<u>178,100</u>	<u>181,700</u>	<u>196,200</u>	<u>18,100</u>
Recreation Programs:					
Personnel	201,901	199,500	220,200	233,000	33,500
Office Expense	23,266	24,800	23,100	24,000	(800)
Contracted Services	64,411	61,900	66,800	69,400	7,500
Training & Transportation	11,779	12,600	13,100	19,800	7,200
Capital Outlay/Equipment	4,990	5,000	5,000	5,000	0
	<u>306,348</u>	<u>303,800</u>	<u>328,200</u>	<u>351,200</u>	<u>47,400</u>
Bayfront Park Marina:					
Personnel	96,119	90,500	89,200	98,500	8,000
Office Expense	122,445	117,600	123,900	122,300	4,700
Contracted Services	72,793	99,500	79,500	105,000	5,500
Gas & Oil	626,573	625,300	703,300	652,200	26,900
Training & Transportation	16,855	17,900	16,800	14,500	(3,400)
Debt requirements	119,600	90,300	90,300	-	(90,300)
Capital Outlay/Equipment	335,190	15,000	13,000	9,500	(5,500)
	<u>1,389,575</u>	<u>1,056,100</u>	<u>1,116,000</u>	<u>1,002,000</u>	<u>(54,100)</u>
Department of Public Works					
Administration:					
Personnel	431,373	474,200	485,400	489,600	15,400
Office Expense	5,946	8,400	7,200	7,300	(1,100)
Training & Transportation	25,500	28,800	28,800	28,800	0
	<u>462,819</u>	<u>511,400</u>	<u>521,400</u>	<u>525,700</u>	<u>14,300</u>
Solid Waste:					
Personnel	21,758	30,500	30,500	30,500	0
Office Expense	-	500	300	500	0
Contracted Services	194,910	193,400	201,500	237,900	44,500
Training & Transportation	5,147	11,000	11,000	11,000	0
	<u>221,815</u>	<u>235,400</u>	<u>243,300</u>	<u>279,900</u>	<u>44,500</u>
TOTAL EXPENDITURES	\$ 9,746,808	\$ 10,376,400	\$ 11,318,800	\$ 12,486,300	\$ 2,109,900

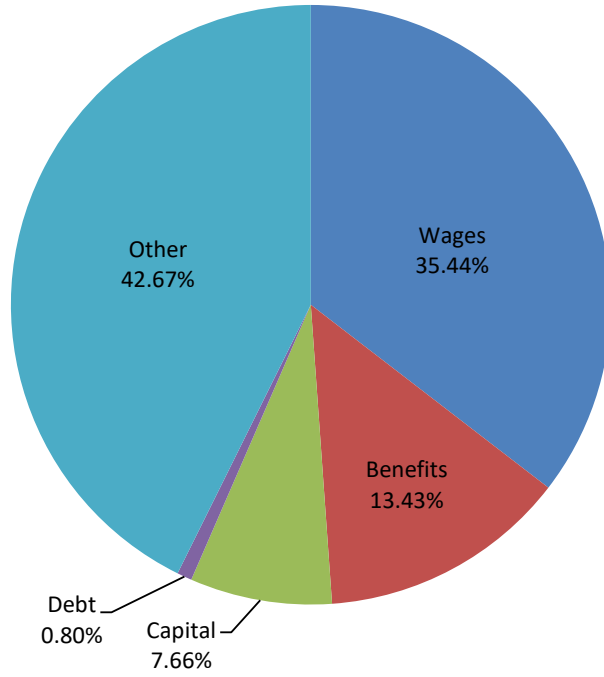
Revenues



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 2025 total \$2,211,200, with total budgeted expenditures proposed at \$2,561,400, resulting in an excess of expenditures over revenues of \$350,200 that will be deducted from the \$1,136,610 estimated beginning fund balance, leaving an estimated ending fund balance of \$786,410. 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 2024, activities within the Major Street fund included a mill & fill resurfacing project of East Mitchell Street from Division Street to the City Limits near Bay View Avenue.

Operating revenues for 2025 are expected to decrease by \$201,800 from 2024 budgeted amount in part due to a 2024 State small urban grant that was utilized for the resurfacing of East Mitchell Street. State-shared revenues are based on two components: 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 4.8% in 2025 and are distributed over the State's fiscal year that ends in September, requiring 2025 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 \$50,000 for next year, after receiving \$74,100 in 2024.

Expenditures. Major Street system actual expenditures for 2024 are estimated at \$893,200 which is \$43,062 less than in 2023. For 2025, budgeted costs total \$2,561,400 or \$1,505,900 more than budgeted for 2024. Projects scheduled for 2025 include a full reconstruction of Howard Street between Sheridan Street to State Street, and Howard Street rail removals from Mitchell Street to Michigan Street.

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 \$101,000. 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 in 2024 to be the same as budgeted. Budgeted costs for 2025 are again \$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.

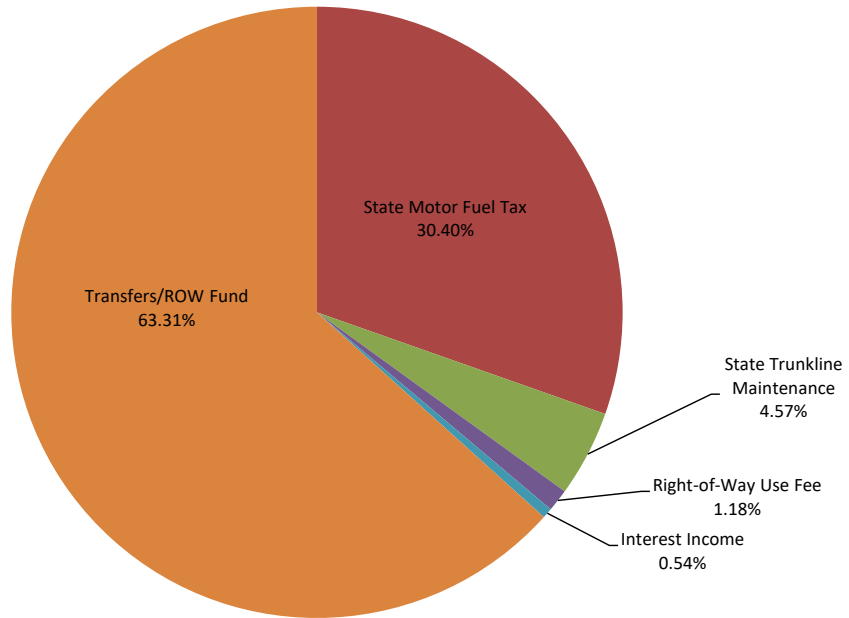
The administration and engineering activity, which was typically the largest budget activity within the street funds, accounts for such activities as contracted engineering services, fringe benefit costs for one-half of Department of Public Works employees, and administrative fees paid to the General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

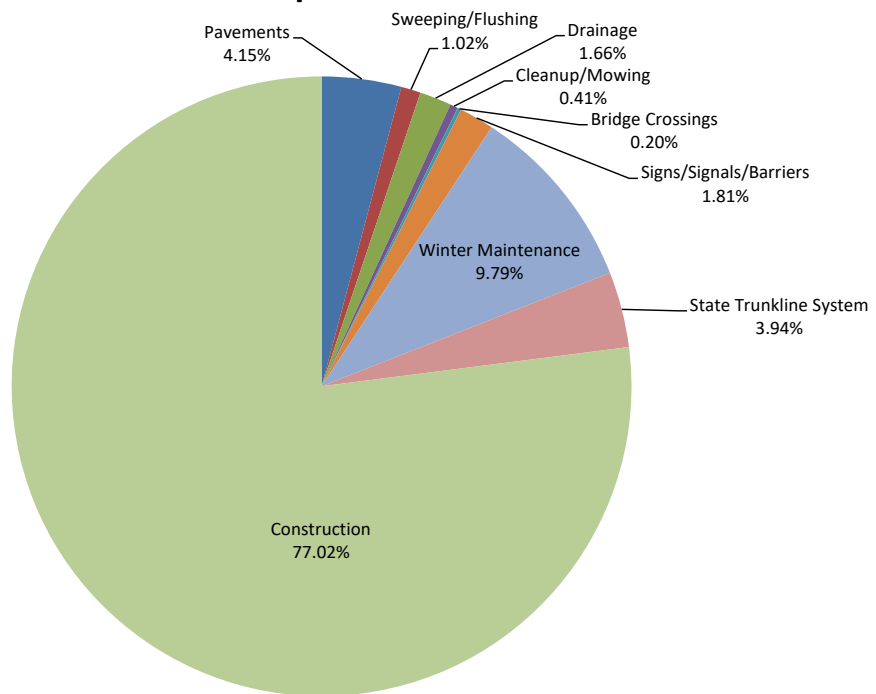
Major Street Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
FUND BALANCE - January 1	\$ 1,167,610	\$ 902,634	\$ 1,033,310	\$ 1,136,610
REVENUES				
Operating :				
Grants	-	235,900	209,800	-
State Motor Fuel Tax	631,249	628,300	638,300	672,100
State Trunkline Maintenance	127,247	107,700	107,700	101,000
Right-of Way Use Fee	27,002	29,100	25,700	26,100
Other Federal Grant	-	-	-	-
	785,498	1,001,000	981,500	799,200
Nonoperating:				
Interest Income	16,463	10,000	15,000	12,000
Transfers:				
Right of Way Fund	-	-	-	1,400,000
TOTAL REVENUES	801,961	1,011,000	996,500	2,211,200
EXPENDITURES				
State Trunkline:				
Pavements	4,729	4,800	6,600	9,100
Drainage	2,275	2,200	2,200	2,000
Cleanup and Mowing	10,013	9,200	10,400	6,200
Signs-Signals and Barriers	212	1,300	1,100	1,400
Sweeping and Flushing	5,479	9,600	10,600	10,900
Winter Maintenance	57,422	80,600	78,000	71,400
	80,129	107,700	108,900	101,000
Major Street System:				
Construction	531,457	456,600	322,900	1,972,800
Pavements	47,474	106,300	86,600	106,200
Drainage	33,047	42,500	35,400	42,500
Cleanup and Mowing	6,001	14,000	10,100	10,500
Bridge Crossings	-	7,000	7,000	5,000
Signs-Signals and Barriers	46,075	46,200	43,900	46,400
Sweeping and Flushing	16,837	24,400	27,600	26,200
Winter Maintenance	175,241	250,800	250,800	250,800
	856,132	947,800	784,300	2,460,400
TOTAL EXPENDITURES	936,262	1,055,500	893,200	2,561,400
Excess of Revenues Over Expenditures	(134,301)	(44,500)	103,300	(350,200)
FUND BALANCE - DECEMBER 31	\$ 1,033,310	\$ 858,134	\$ 1,136,610	\$ 786,410

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 2025 budgeted revenues for the Local Street Fund total \$292,400, with total budgeted expenditures proposed at \$674,300, with \$296,400 in construction activity scheduled for the Local Street Fund. In past years, the City was performing resurfacing projects that include various streets based on their conditions determined by the PASER rating method. An estimated beginning fund balance of \$1,200,320 would be decreased by \$381,900 resulting in an ending fund balance of \$818,420, 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 2024, the Local Street Fund included funds for the Bay View Avenue reconstruction from East Mitchell to Dead-end; and asphalt rehabilitation on Rose Street from Clinton Street to Winter Park Lane; Winter Park Lane from Arlington Avenue to the Winter Sports Park; and Balsam Avenue from Arlington Avenue to Dead-end.

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; 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 performed the 2020 census, which affects state shared revenues for the next ten years.

The State-established amounts (excl. snow pay) are estimated to increase by 4.8% in 2025 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 \$37,000 for next year after receiving \$55,100 this year.

For 2025, there is not a transfer being proposed from the Right-of-Way Fund to cover capital costs as compared to \$1,100,000 in 2022, no transfer in 2023, and \$900,000 transfer in 2024. The City built up the fund balance in the ROW Fund to cover costs of reconstructing Howard Street.

Expenditures. Total actual expenditures for 2024 are estimated at \$994,500, which is \$264,800 less than the \$1,259,300 budgeted. The difference is due in part to the postponement of the Park Avenue project. Proposed expenditures for 2025 total \$674,300, which is \$320,200 less than 2024 estimated costs, due to a decrease in construction projects. Construction costs for 2025 total \$296,400 which includes a full reconstruction on a portion of Washington Street from Petoskey Street to Howard Street, 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 2025 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 winters. 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 2025. 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.

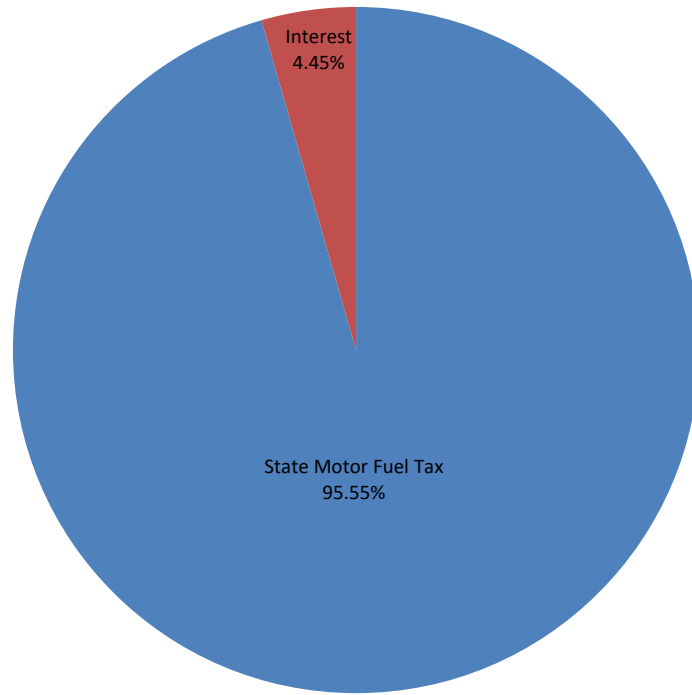
The administration and engineering activity, typically the largest budget activity within the street funds - accounts for such activities as contracted engineering services, fringe benefit costs for one-half of the Department of Public Works employees, and administrative fees paid to the General Fund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

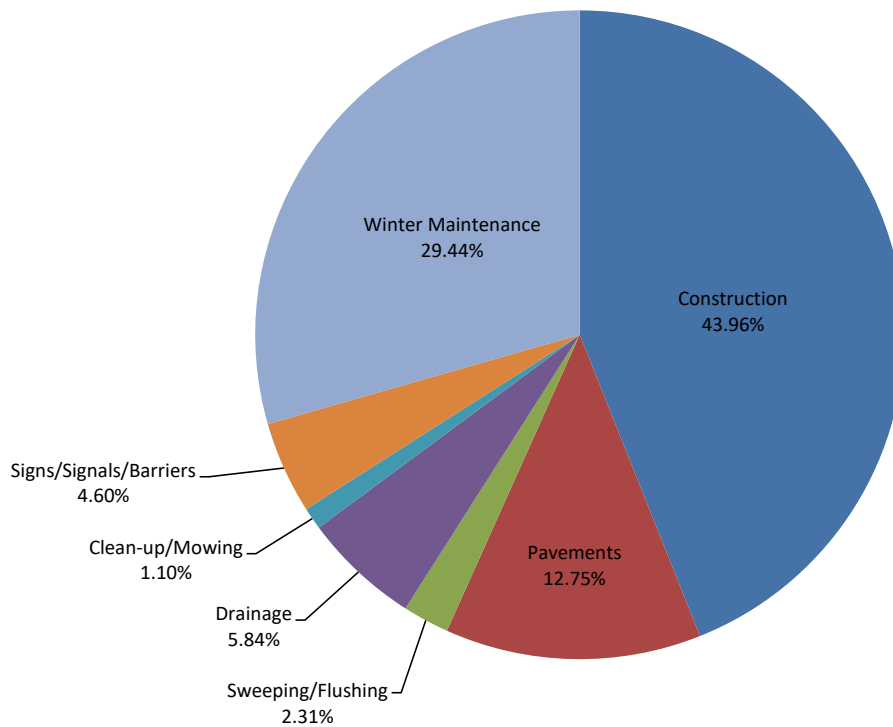
Local Street Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
FUND BALANCE - January 1	\$ 1,083,667	\$ 943,279	\$ 1,022,920	\$ 1,200,320
REVENUES				
Operating :				
State Motor Fuel Tax	258,136	255,900	255,900	279,400
Nonoperating:				
Interest Income & Other	17,861	9,500	16,000	13,000
Transfers:				
Right of Way Fund	-	900,000	900,000	-
TOTAL REVENUES	275,997	1,165,400	1,171,900	292,400
EXPENDITURES				
Local Street System:				
Construction	105,987	889,200	636,600	296,400
Pavements	27,852	85,700	80,200	86,000
Drainage	28,600	39,400	34,100	39,400
Cleanup and Mowing	4,519	7,200	6,300	7,400
Signs-Signals and Barriers	31,520	30,900	26,800	31,000
Sweeping and Flushing	9,844	14,400	18,000	15,600
Winter Maintenance	128,422	192,500	192,500	198,500
Administration				
TOTAL EXPENDITURES	336,744	1,259,300	994,500	674,300
Excess of Revenues Over Expenditures	(60,747)	(93,900)	177,400	(381,900)
FUND BALANCE - DECEMBER 31	\$ 1,022,920	\$ 849,379	\$ 1,200,320	\$ 818,420

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 are 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 2025 have been budgeted at \$1,460,100, with expenditures budgeted at \$1,837,400, for a difference of \$377,300 which will be subtracted from the existing fund balance estimated at \$1,543,507 and resulting in an estimated ending fund balance of \$1,166,207.

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 2024 of \$1,460,500 are on track with the budgeted amount. For 2025, budgeted revenues are proposed to decrease by \$400 to \$1,460,100, with the difference being a decrease in project jobbing.

Expenditures. Approved 2024 budgeted expenditures totaled \$1,528,100 for the General Street Fund, but actual expenditures are now anticipated to be \$1,351,600 at year end, \$176,500 less than budgeted. The main difference occurred due to the postponement of two projects that included a storm sewer project tied to the Park Avenue Improvements and the sidewalk repair at Howard Street and Mitchell Street, which are now planned for 2025.

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 2025 budgeted sidewalk costs are \$478,400 due to the Howard Street Reconstruction, and planned city-wide spot repairs.

Sidewalk snowplowing will continue in 2025 with four City-owned snow blowing units that will be supplemented with contracted labor providing sidewalk clearing as needed. The City began performing this service in house in 2018 due to higher than expected bid pricing. Actual costs for 2024 are estimated at \$59,300, which is \$7,000 lower than budgeted, and \$67,200 is budgeted for 2025.

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 2025.

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 2025, this activity also includes engineering for future street reconstructions of \$120,000.

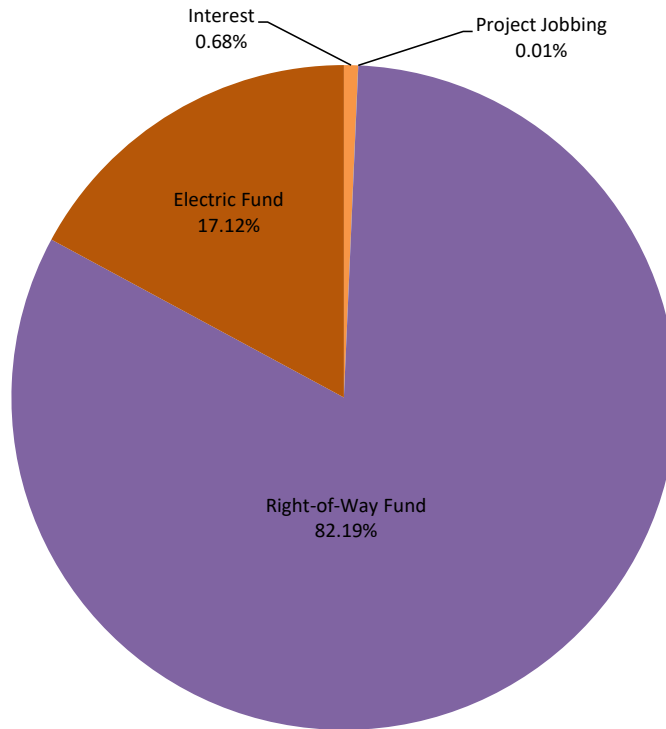
Accounting changes were made in 2010 for these street-related costs that helped to simplify required annual reports provided to the State of Michigan under Public Act 51 of 1951 for State-shared revenue received by the City. The re-classification assists in aggregating cost of services that benefit all 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 2025 proposed budget for administration is \$1,035,600, which is \$30,200 more than 2024 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 \$1,837,400.

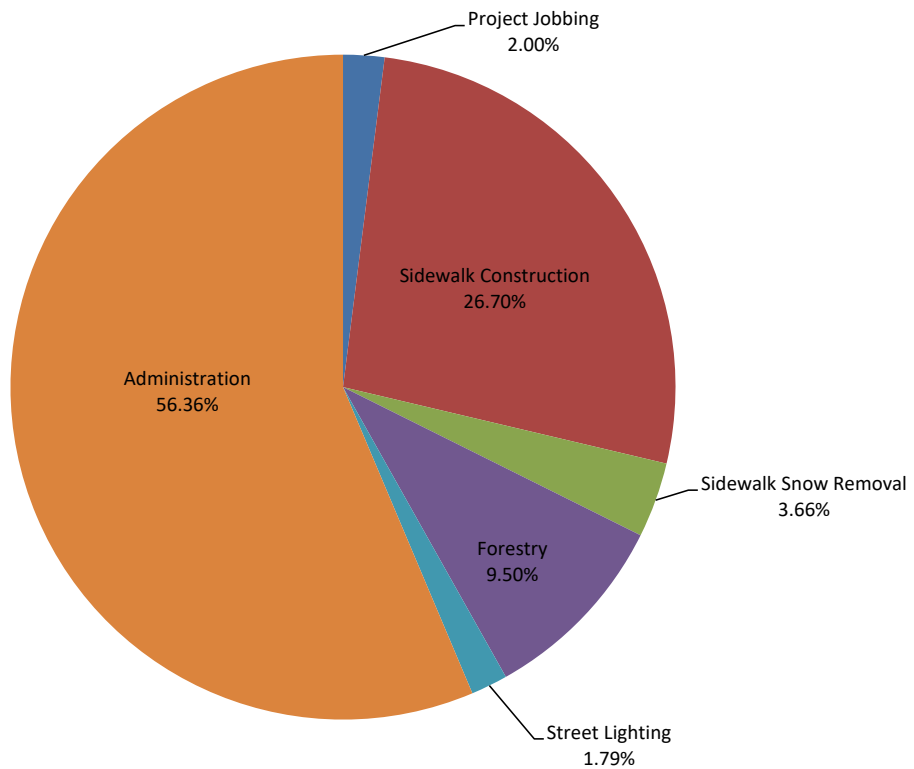
General Street Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
FUND BALANCE - January 1	\$ 1,306,015	\$ 1,368,509	\$ 1,434,607	\$ 1,543,507
REVENUES				
Operating :				
Project Jobbing/Other	95	500	500	100
Nonoperating:				
Grants	-	-	-	-
Interest Income	25,074	10,000	10,000	10,000
	25,074	10,000	10,000	10,000
Transfers:				
Right of Way Fund	1,200,000	1,200,000	1,200,000	1,200,000
Electric Fund	250,000	250,000	250,000	250,000
	1,450,000	1,450,000	1,450,000	1,450,000
TOTAL REVENUES	1,475,169	1,460,500	1,460,500	1,460,100
EXPENDITURES				
General Street Operations:				
Project Jobbing	30,691	36,700	34,300	36,800
Sidewalk Construction	196,482	211,700	142,900	490,500
Sidewalk Snow Removal	43,831	66,300	59,300	67,200
Street Lighting	30,800	33,600	32,600	32,800
Forestry	115,647	174,400	125,500	174,500
Administration	929,126	1,005,400	957,000	1,035,600
	1,346,577	1,528,100	1,351,600	1,837,400
TOTAL EXPENDITURES	1,346,577	1,528,100	1,351,600	1,837,400
Excess of Revenues Over Expenditures	128,592	(67,600)	108,900	(377,300)
FUND BALANCE - DECEMBER 31	\$ 1,434,607	\$ 1,300,909	\$ 1,543,507	\$ 1,166,207

Revenues



Expenditures



Tax Increment Finance Authority Fund

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

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

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

The captured taxable value is expected to increase by 4% over its current level in the TIFA District for 2025. Captured property tax revenue now estimated at \$553,900, a decrease of \$10,100 from the budgeted amount of \$564,000, which resulted from decisions made by the Board of Review and Michigan Tax Tribunal. An increase in property tax revenue for 2025 is projected to increase by \$16,500 from the 2024 estimated amount.

A grant of \$246,200 is expected to be received to offset the cost of the Arboretum Enhancement project. Interest income budgeted at \$8,000 for next year makes up the other revenue item for a total budget amount of \$824,600 for 2025.

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 \$221,700 next year, \$24,700 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 2024, expenditures for the Sunset Park Improvements totaled (\$370,000), consulting services of (\$5,000) for Resource Center and Arboretum design, and (\$24,000) for engineering services and re-decking of the Bayfront Pedestrian Bridge.

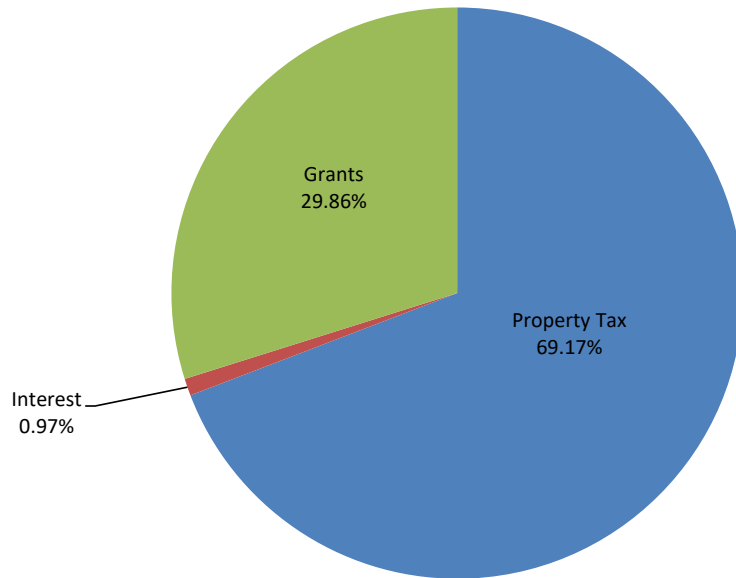
For 2025, the TIFA Fund has budgeted upgrades to the Bayfront East/Arboretum Enhancements (\$714,000), Bayfront Park Tunnel upgrades (\$35,000), Magnus Park design costs (\$50,000), consulting services (\$10,000).

With total budgeted expenditures of \$1,020,300 and budgeted revenues of \$824,600, the 2025 budget calls for an excess of expenditures over revenues of \$195,700 that when subtracted from an estimated beginning Fund Balance of \$1,154,973 would result in an ending Fund Balance of \$959,273.

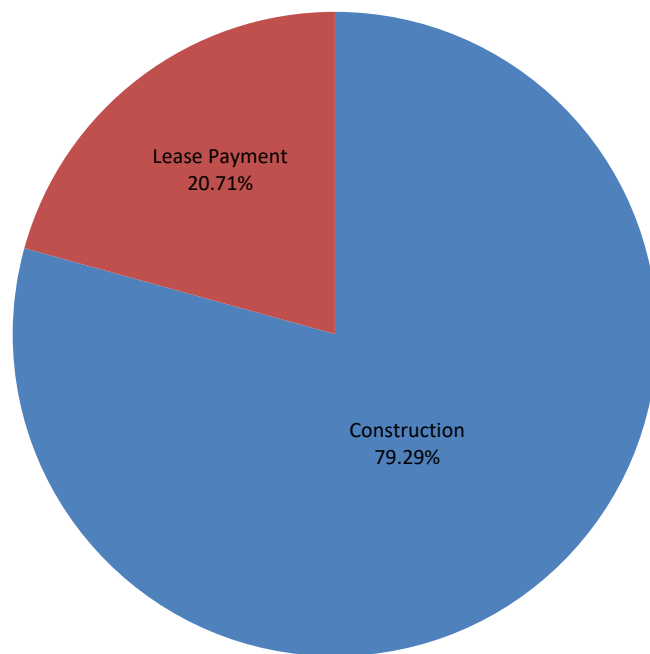
Tax Increment Finance Authority Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
FUND BALANCE - January 1	\$ 1,028,433	\$ 1,237,933	\$ 1,246,500	\$ 1,154,973
REVENUES				
Operating :				
Property Tax	533,542	564,000	553,900	570,400
Nonoperating:				
Interest Income	19,327	7,000	13,000	8,000
Grants	155	-	7,500	246,200
	19,482	7,000	20,500	254,200
TOTAL REVENUES	553,024	571,000	574,400	824,600
EXPENDITURES				
Operations:				
Construction	91,330	445,000	429,900	809,000
Lease Payment	254,000	246,400	246,400	221,700
Paying Agent Fees	(10,373)	(10,400)	(10,373)	(10,400)
	334,956	681,000	665,927	1,020,300
TOTAL EXPENDITURES	334,956	681,000	665,927	1,020,300
Excess of Revenues Over Expenditures	218,068	(110,000)	(91,527)	(195,700)
FUND BALANCE - DECEMBER 31	\$ 1,246,500	\$ 1,127,933	\$ 1,154,973	\$ 959,273

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 2025, proposed budgeted expenditures of \$1,889,300 will be offset by \$1,947,900 in budgeted revenues, resulting in a difference of \$58,600, which will be added to the existing fund balance estimated to be \$476,749 and will result in an estimated ending fund balance of \$535,349.

Revenues. In addition to revenues provided through two City property tax millages at \$1,059,100, 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 \$.5339 per capita. The Library also receives State Constitution mandated 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 6, 2024 as part of the State Primary election, voters in 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 2025 are expected to total \$224,400. On November 5, 2024 as part of the General Election, Resort and Bear Creek Townships will decide on a millage renewal for a four year .4 of a mill property tax. If approved, the millages will provide \$461,100 for services to those Township residents.

Total proposed 2025 revenues of \$1,947,900 are budgeted at \$101,900 more than the \$1,846,000 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 2024 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 0.7883 mills for 2025 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 0.8747 mills for a total of 1.6630 next year.

The 2025 budget is based on the maximum allowable millage rate of 1.6630, the same rate as approved this year by the City Council. Penal-fine income, conservatively proposed at \$60,000, is a portion of fines that are collected by the District Court and distributed to local units to offset public-library costs and can vary significantly from year to year. Local units that do not provide library services may designate another local-governmental unit as a recipient. In Petoskey's case, the library receives state aid and penal fines from Bear Creek, Resort and Springvale Townships as well as the City of Petoskey.

Expenditures. Total expenditures for 2024 are now estimated at \$1,807,800 or \$17,700 less than the \$1,825,500 originally budgeted for this year. The 2025 proposed budget totals \$1,889,300, which since 2013 has included increases to expenses in various line item amounts, the result of providing additional services to Bear Creek and Resort Townships and again in 2025 with additional services provided through new revenues from Little Traverse and Springvale Township millages.

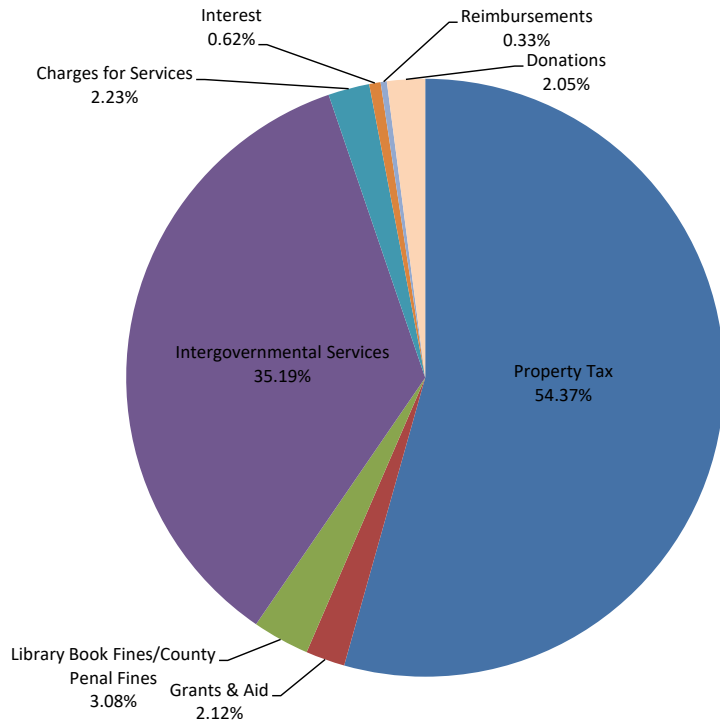
Compared to the 2024 original budget amounts, the 2025 proposed budget increased by \$63,800, with the increase mainly in electronic materials and contracted services. The 2024 estimated actual amount of \$1,807,800 is \$81,500 less than next years proposed budget, with the difference attributed to increased personnel costs and contracted services.

Debt-service costs to cover obligations associated with the refunding bond have been budgeted at \$267,400 for 2025 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.

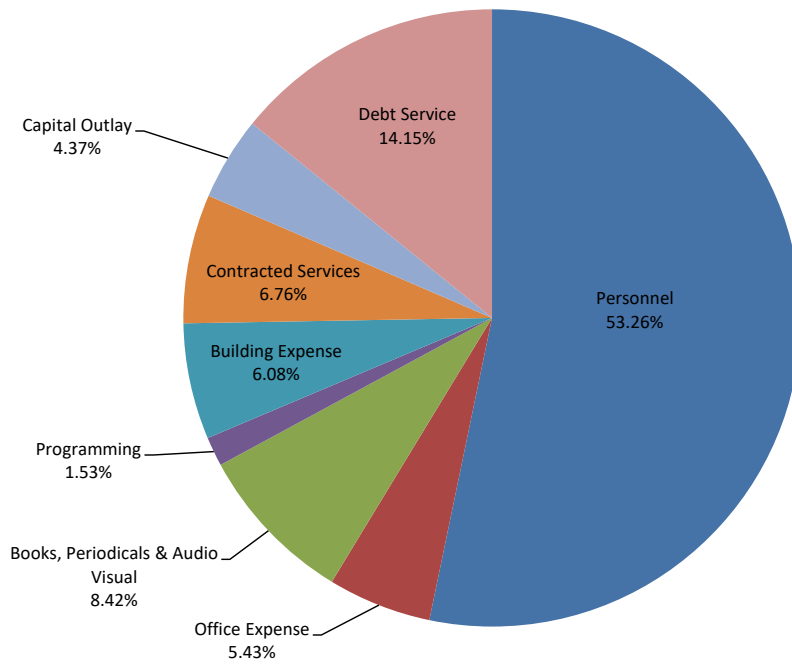
Library Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
FUND BALANCE - January 1	\$ 1,213,962	\$ 443,160	\$ 438,549	\$ 476,749
REVENUES				
Operating :				
Property Tax	966,611	996,200	1,018,000	1,059,100
Grants	51,812	25,900	25,800	22,800
State Aid	17,645	17,500	17,800	18,500
Library Book Fines	-	-	-	-
County Penal Fines	53,343	50,000	72,300	60,000
Intergovernmental Services	559,651	594,500	607,200	685,500
Charges for Services	54,681	41,300	44,400	43,500
	1,703,744	1,725,400	1,785,500	1,889,400
Nonoperating:				
Interest Income	26,262	10,000	18,000	12,000
Donations	14,936	40,000	40,000	40,000
Reimbursements	4,487	3,500	2,500	6,500
	45,685	53,500	60,500	58,500
TOTAL REVENUES	1,749,429	1,778,900	1,846,000	1,947,900
EXPENDITURES				
Library services:				
Personnel	899,523	953,400	916,000	1,006,200
Office Expense	77,517	100,700	100,600	102,500
Contracted Services	124,863	115,800	123,500	127,700
Book, Periodicals and audio-Visual	123,508	136,300	134,600	159,100
Programming	25,261	26,000	20,000	29,000
Building Expense	78,433	92,900	101,100	114,900
Debt Service	282,549	275,300	275,300	267,400
Capital Outlay	913,187	125,100	136,700	82,500
	2,524,842	1,825,500	1,807,800	1,889,300
TOTAL EXPENDITURES	2,524,842	1,825,500	1,807,800	1,889,300
Excess of Revenues Over Expenditures	(775,413)	(46,600)	38,200	58,600
FUND BALANCE - DECEMBER 31	\$ 438,549	\$ 396,560	\$ 476,749	\$ 535,349

Revenues



Expenditures



Downtown Management Fund

The Downtown Management Fund was established in 1993 by the City Council as a way to fund downtown services through a special assessment process. 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 a contract with the Chamber of Commerce Building in 2010 to staff now considered employees of the City of Petoskey with financial oversight by the Finance Department. The Parking Services Office has been located at 216 Park Avenue since that time. In 2023, an office for the activities of the Programs and Services operations (Downtown Management Fund) were moved to 409A E. Lake Street.

Revenues. At the request of the Downtown Management Board, the City Council has annually levied a special assessment fee on downtown commercial properties as a primary 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. 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 3%, are as follows: eligible first-floor area rate \$0.2163, eligible areas on floors other than first floors rate \$0.0541, and eligible undeveloped vacant-lot areas rate \$0.0649. If approved, assessment revenues are estimated to provide \$122,100, with program revenue at \$44,000 and interest income at \$6,000.

Program revenue is projected to be less in 2025 than in 2024 due to a focus on enhancing existing programs and events rather than increasing the number of sponsorship opportunities. Again, this year, the Downtown Trolley sponsorship funds are contributed to program revenue.

Expenditures. Programs and services proposed expenditures of \$76,900 are less than the approved 2024 budget by \$80,800. Marketing and promotions are budgeted at \$49,400 for 2025 or \$15,600 less than budgeted for 2024 due primarily to the elimination of the Holiday Catalog project. Other expenditures include Beautification, Economic Enhancement, and Administration totaling \$150,000. By the end of this year, estimated actual expenditures will total \$265,400 or \$45,600 less than budgeted.

The 2024 budget was the first year that staffing for marketing and promotions was moved out of the Parking Fund and into the Programs and Services budget. The timing corresponded to the creation of a new Downtown Petoskey Office that was separate from Parking Services. These two City-Council approved changes increased expenditures by \$134,100 over the 2023 budget and were funded by a transfer from the Parking Fund. The 2025 budget process proposes to use \$104,200 in the Programs and Services Fund balance to cover these expenditures.

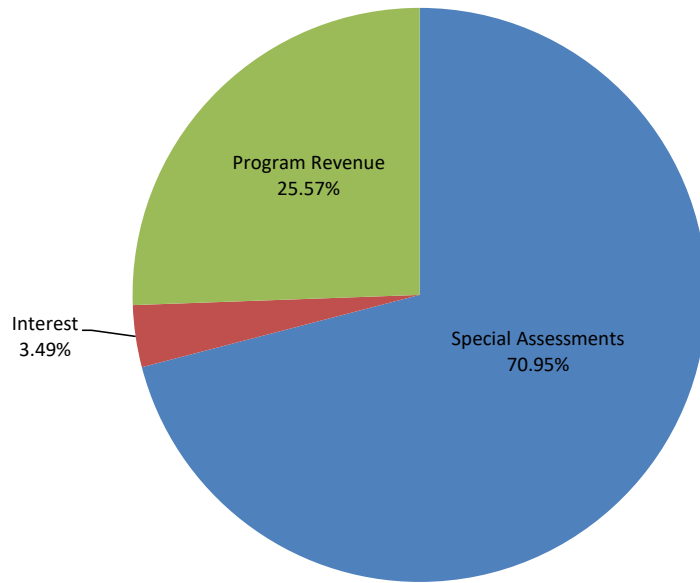
As the heart of the community, Downtown Petoskey is maintained and enhanced through several funding sources in addition to Programs and Services. For 2025, these are proposed to include expenditures of \$1,234,900 from the Parking Fund, \$170,400 from the General Fund, and \$24,400 from the Electric Fund.

Proposed revenues for 2025 of \$172,100 are \$104,200 less than proposed expenditures of \$276,300, resulting in an ending fund balance of \$147,954. 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: Jennifer Shorter, Robin Bennett, Gary Albert, Marnie Duse, Becky Phillip-Kranig, Joe Keedy, Stephen Mullen, Stafford Drew Smith, and Mayor John Murphy.

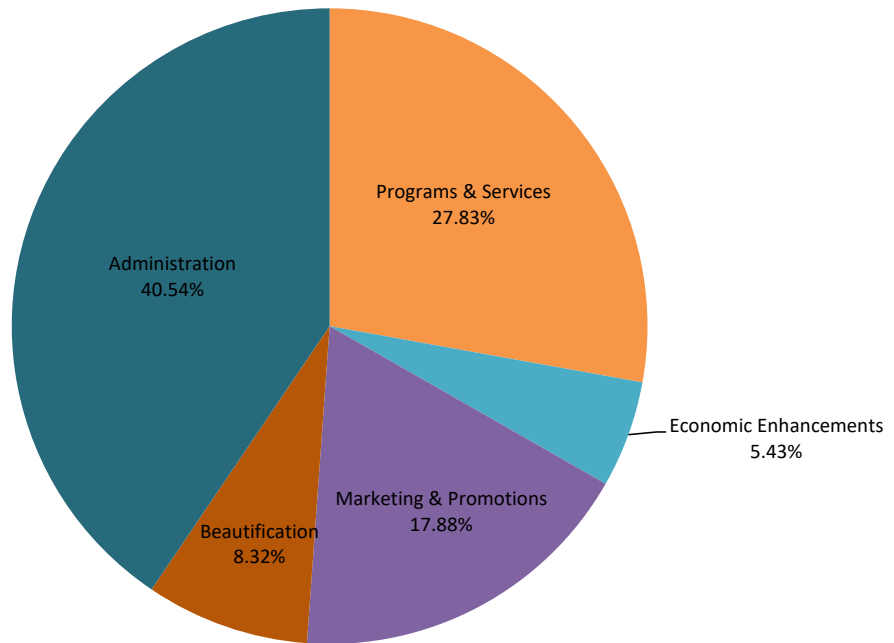
Downtown Management Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
FUND BALANCE - January 1	\$ 244,042	\$ 268,430	\$ 243,554	\$ 252,154
REVENUES				
Operating :				
Special assessment	118,487	118,500	118,500	122,100
Program Revenue	27,455	52,900	42,000	44,000
	145,942	171,400	160,500	166,100
Nonoperating:				
Interest Income	7,061	6,500	6,500	6,000
Transfers:				
Parking Fund	-	107,000	107,000	-
TOTAL REVENUES	153,003	284,900	274,000	172,100
EXPENDITURES				
Downtown Management Operations:				
Programs & Services	63,845	80,800	68,200	76,900
Economic Enhancements	1,114	25,000	10,000	15,000
Marketing Promotions	57,285	65,000	50,500	49,400
Beautification	28,755	33,000	33,000	23,000
Administration	2,491	107,200	103,700	112,000
TOTAL EXPENDITURES	153,491	311,000	265,400	276,300
Excess of Revenues Over Expenditures	(488)	(26,100)	8,600	(104,200)
FUND BALANCE - DECEMBER 31	\$ 243,554	\$ 242,330	\$ 252,154	\$ 147,954

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 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 2024 are expected to reach \$900,100, which is \$147,900 less than in 2023. 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 and pay stations are budgeted at \$445,500 with \$350,000 from on-street parking and \$95,500 from parking lots. Total budgeted revenues for next year are proposed at \$909,700, which is \$9,600 more than expected to be received by the end of this year.

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 2024 are expected to total \$778,600, a decrease of \$442,900 from the budgeted amount of \$1,221,500. This is a result of the Saville Lot reconstruction and Park Avenue project postponed to 2025.

Total budgeted expenses for 2025 are proposed at \$1,234,900 or \$456,300 more than expected by the end of this year. The difference is due to the number of capital projects to occur in 2025.

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). Capital outlay projects included are; Saville Parking Lot paving (\$290,200), Paystation installation for Saville (\$30,000), Petrie and Darling Paystation installations (\$45,000), Trolley repairs (\$30,000), and a contribution toward the Park Avenue project (\$50,000) for a total amount of \$445,200.

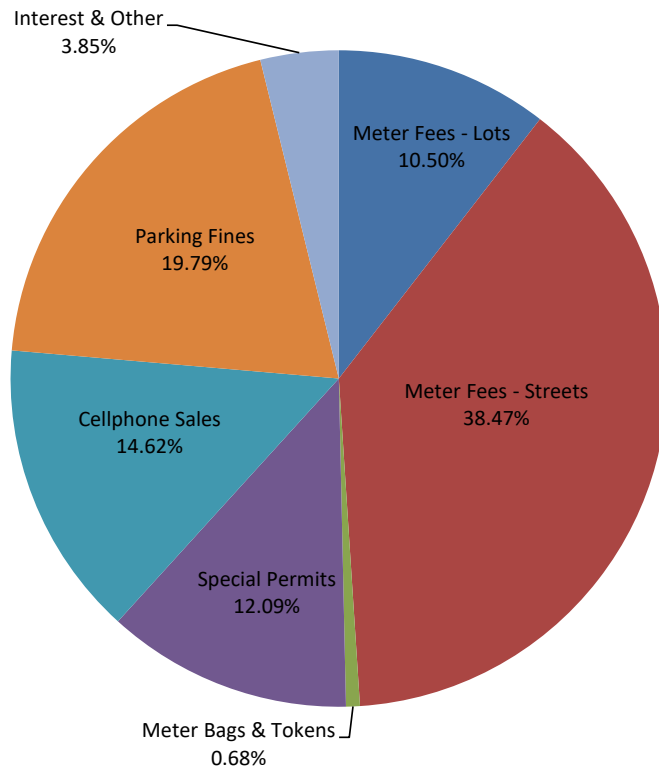
Along with six other City funds, the Downtown Parking Fund routinely pays the City's General Fund an administrative fee as reimbursement for "overhead-type" costs that regularly are covered by the General Fund for personnel and equipment associated with maintenance services that are provided by the City. 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 \$909,700 and expenses of \$1,234,900 for 2025, will result in an excess of expenditures over revenues of \$325,200. The Parking Fund's estimated beginning retained earnings of \$1,686,317 will be decreased by this amount for an estimated ending retained earnings of \$1,361,117.

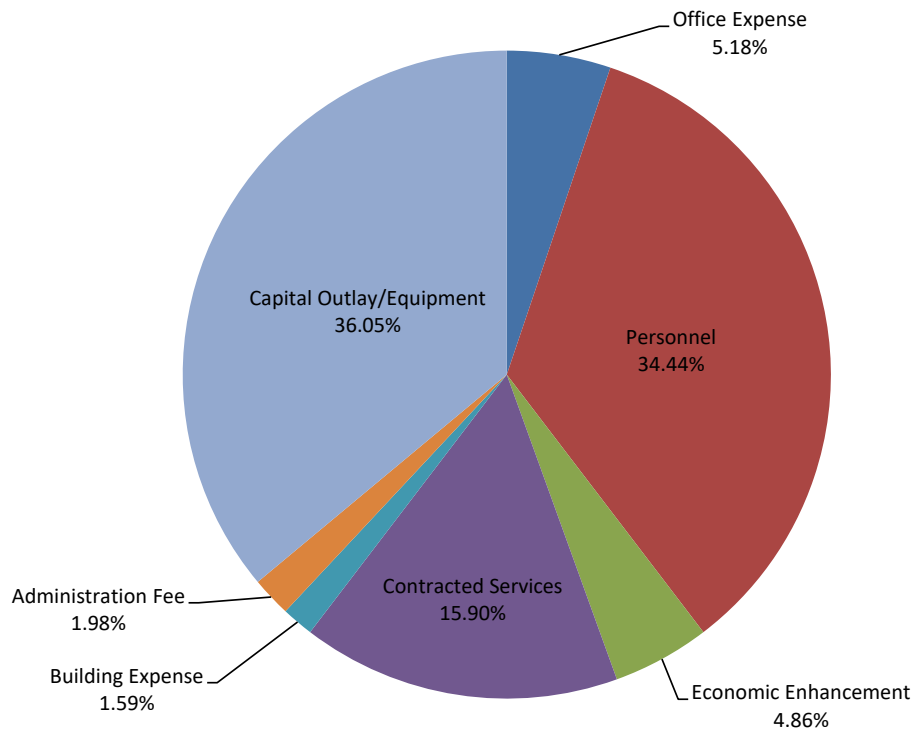
Downtown Parking Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
RETAINED EARNINGS- January 1	\$ 1,408,014	\$ 1,573,268	\$ 1,564,817	\$ 1,686,317
REVENUES				
Operating :				
Meter Fees - Lots	123,529	143,500	103,000	95,500
Meter Fees- Streets	369,886	439,000	331,000	350,000
Meter Bags and Tokens	9,047	6,200	8,100	6,200
Special Permits	109,945	124,000	105,000	110,000
Cellphone Sales	133,728	140,000	126,000	133,000
Parking Fines	268,531	280,000	180,000	180,000
	1,014,666	1,132,700	853,100	874,700
Nonoperating:				
Interest income	25,956	18,000	42,000	30,000
Other	7,403	5,000	5,000	5,000
	33,359	23,000	47,000	35,000
TOTAL REVENUES	1,048,026	1,155,700	900,100	909,700
EXPENSES				
Parking Operations:				
Personnel	407,693	409,400	393,400	425,300
Office Expense	66,994	62,000	50,600	64,000
Economic Enhancement	44,878	100,000	26,000	60,000
Contracted Services	159,695	201,000	166,400	196,300
Building Expense	7,918	10,000	11,100	19,600
Administration Fee	23,700	131,100	131,100	24,500
Capital Outlay/Equipment	180,345	308,000	-	445,200
	891,223	1,221,500	778,600	1,234,900
TOTAL EXPENSES	891,223	1,221,500	778,600	1,234,900
Excess of Revenues Over Expenses	156,803	(65,800)	121,500	(325,200)
RETAINED EARNINGS - DECEMBER 31	\$ 1,564,817	\$ 1,507,468	\$ 1,686,317	\$ 1,361,117

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 \$2,254,400 and total expenditures budgeted at \$2,601,600, expenditures will exceed revenues by \$347,200, which will be subtracted from an estimated beginning fund balance of \$1,684,265 for an estimated ending fund balance of \$1,336,765. A fund balance is being maintained to help fund a number of anticipated future projects, including Howard Street in 2025 estimated to cost \$2,103,600.

Revenues. The initial 1988 five-mill tax levy maintained has been reduced to 3.6223 mills in 2024 and was approved last May. For 2025, a millage rate of 3.6223 is again being recommended. The millage reductions are the result of Michigan Constitutional provisions that restrict increases in tax-levy amounts from one year to the next, to the rate of inflation, subject to a 5% cap, and that also requires that, if a local unit's taxable value for the new year exceeds the rate of inflation, tax levies must be rolled back to the rate of inflation, or 5%, whichever is less.

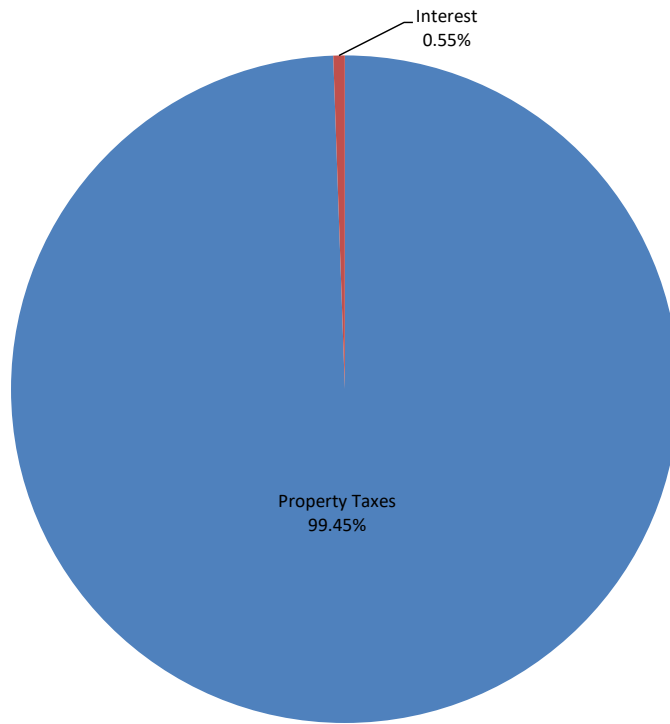
With taxable values estimated to increase for next year due to current real estate sales and the State's rate of inflation being less than the actual increase in market value, property tax revenues are budgeted at \$2,241,900, which is \$86,300 more than the \$2,155,600 estimated to be received in 2024, a 4% increase. Total proposed revenues for 2025 are budgeted at \$2,254,400 when interest and penalties are added of \$12,500.

Expenditures. Transfers to other City funds next year from the Right-of-Way Fund have been proposed to total \$2,600,000, of which \$1,200,000 will be transferred to the General Street Fund, and \$1,400,000 being transferred to the Major Street Fund. In addition, \$1,600 has been budgeted for contracted services in 2025, an amount budgeted annually for auditing purposes, for total expenditures of \$2,601,600.

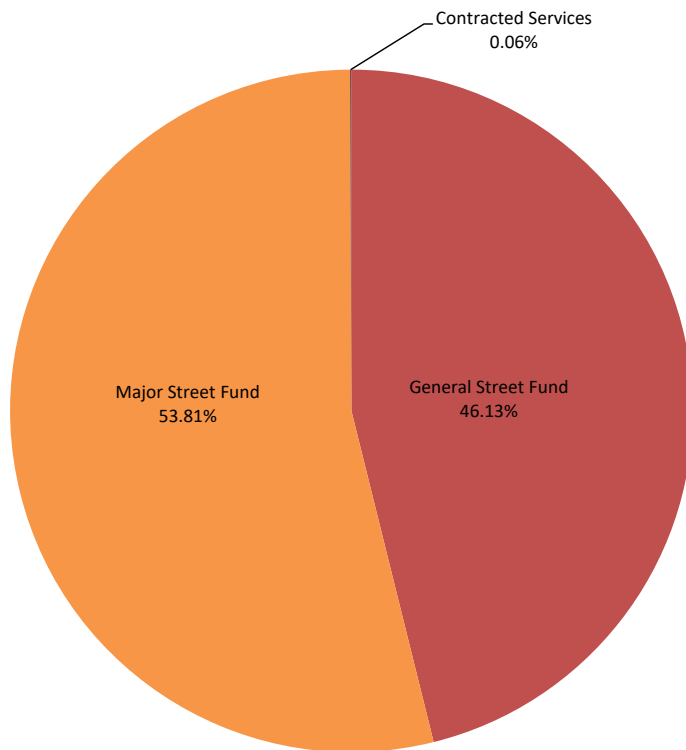
Right-Of-Way Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
FUND BALANCE - January 1	\$ 762,221	\$ 1,590,721	\$ 1,611,565	\$ 1,684,265
REVENUES				
Operating :				
Property Tax	2,037,710	2,108,100	2,155,600	2,241,900
Interest income	14,115	6,000	18,600	12,500
TOTAL REVENUES	2,051,825	2,114,100	2,174,200	2,254,400
EXPENDITURES				
Construction:				
Contracted Services	2,481	2,600	1,500	1,600
Transfers:				
Major Street Fund	-	-	-	1,400,000
Local Street Fund	-	900,000	900,000	-
General Street Fund	1,200,000	1,200,000	1,200,000	1,200,000
Water & Sewer Fund	-	-	-	-
TOTAL EXPENDITURES	1,202,481	2,102,600	2,101,500	2,601,600
Excess of Revenues Over Expenditures	849,344	11,500	72,700	(347,200)
FUND BALANCE - DECEMBER 31	\$ 1,611,565	\$ 1,602,221	\$ 1,684,265	\$ 1,337,065

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 24% of which is overhead and 76% underground, services the power needs of 5,383 customers.

Customer Type	City of Petoskey	Bear Creek Township	Resort Township	Total
Residential	2,968	778	186	3,932
Commercial	557	178	38	773
Industrial	2	2	0	4
Non-Profit	155	33	5	193
Bay View Assoc.	0	481	0	481
TOTAL CUSTOMERS				5,383

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 2025 are budgeted at \$3,133,900, or \$19,500 more than estimated actual revenues in 2024. Revenues from commercial-industrial sales next year are budgeted at \$7,680,100, or \$121,100 more than estimated actual revenues for 2024. Revenues are consumption dependent which is directly related to weather and economic changes from year to year. Non-operating revenue for 2025 includes receipt of the fourteenth 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 2025 are budgeted at \$11,756,600 which is \$61,500 more than budgeted for in 2024. With total expenses budgeted at \$11,750,200, net income of \$6,400 is anticipated for 2025. With depreciation expense of \$1,267,700, cash inflows will exceed expenses by \$1,274,100.

Expenditures. Expenses for the Electric Fund in 2024 are now projected to be \$11,584,000 or \$166,200 less than the \$11,750,200 now proposed to be spent in 2025. For 2025, wholesale purchased power is budgeted to cost \$7,125,000 or \$7,000 less than budgeted for 2024, and \$193,000 more 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 2025 will make up 30% of the City's power supply portfolio, meeting the goal as established by City Council in 2019.

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 39% by 2027. 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 2025 at \$813,300, a \$32,000 increase over budgeted 2024 expenses of \$781,300. 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 \$1,685,300 for 2025. 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 \$610,600 in 2025, an increase of \$4,900 from 2024 budgeted expenses.

The unfunded accrued liability (UAL) of the Municipal Employee Retirement System 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. 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 years 2018 through 2024, the City continued paying down the UAL and has budgeted an additional payment of \$400,000 for 2025 with \$250,000 apportioned from the Electric Fund.

The Sheridan Street and Curtis Avenue garages, which are owned by the Electric Fund, are expected to cost \$214,800 to operate in 2025. These facilities are made available for use to several other City departments which are charged \$163,700 for their share of actual facility operating costs in 2025.

Non-operating expenses within the Electric Fund include \$1,267,700 in depreciation for 2025, which is \$42,700 more than the 2024 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 2025, the budget is proposing to transfer out \$418,900, \$9,700 less than in 2024. \$168,900 is proposed to be transferred to the General Fund, a \$9,700 decrease, and \$250,000, which has become the standard amount, would be transferred to the General Street Fund to help defray the cost of sidewalk repairs and forestry activity.

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

In 2024, conversions from overhead to underground continued focusing on areas that included Michigan Street, Grand Avenue and portions of Jennings Avenue and Howard Street.

2025 construction projects within the Electric Fund will focus on the continuation of system-wide voltage conversions and upgrades that include:

- Residential Underground Installation \$150,000
Conversion of existing overhead distribution circuit to underground. Work will include portions of Howard Street.
- Residential Underground Installation \$224,300
Conversion of existing overhead distribution circuit to underground. Work will include portions of 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.

- West Sheridan Underground Upgrade \$162,000
Replace direct buried cable and rusted equipment with new cable in conduit and place equipment in more protected areas.
- 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.
- 46kV Metering Structure Upgrade \$250,000
Replacement of a 50+ year old 46kV metering structure at the River Road connection to the 46kV transmission system.
- Downtown Greenway Corridor Lighting Upgrades \$75,000
New lighting upgrades in conjunction with the Park Avenue Improvements from East Mitchell Street to Bay Street.

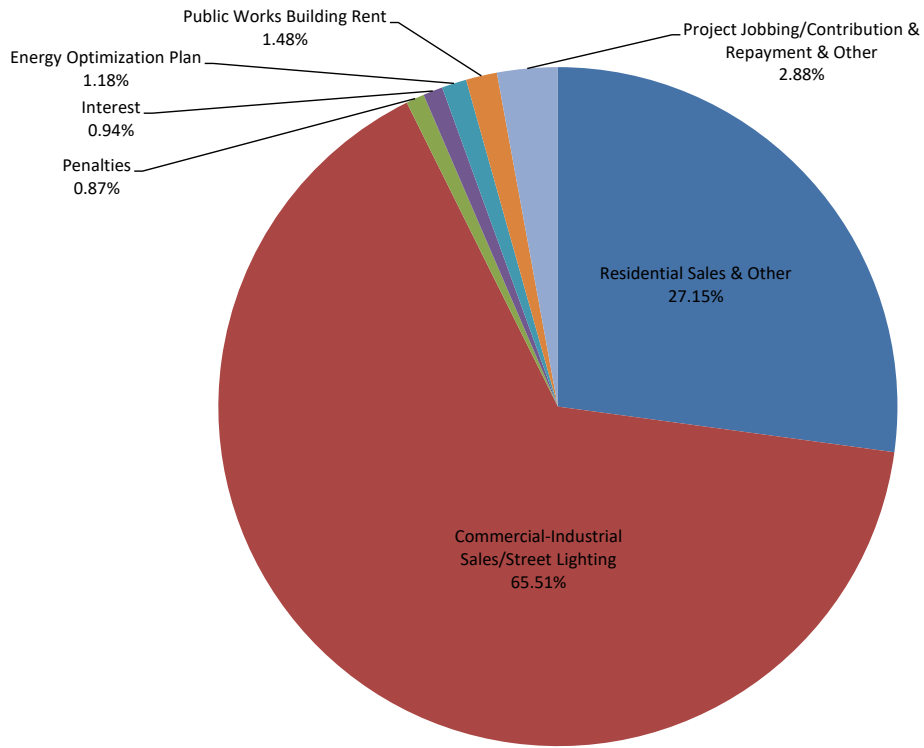
Total Capital Projects

\$1,142,800

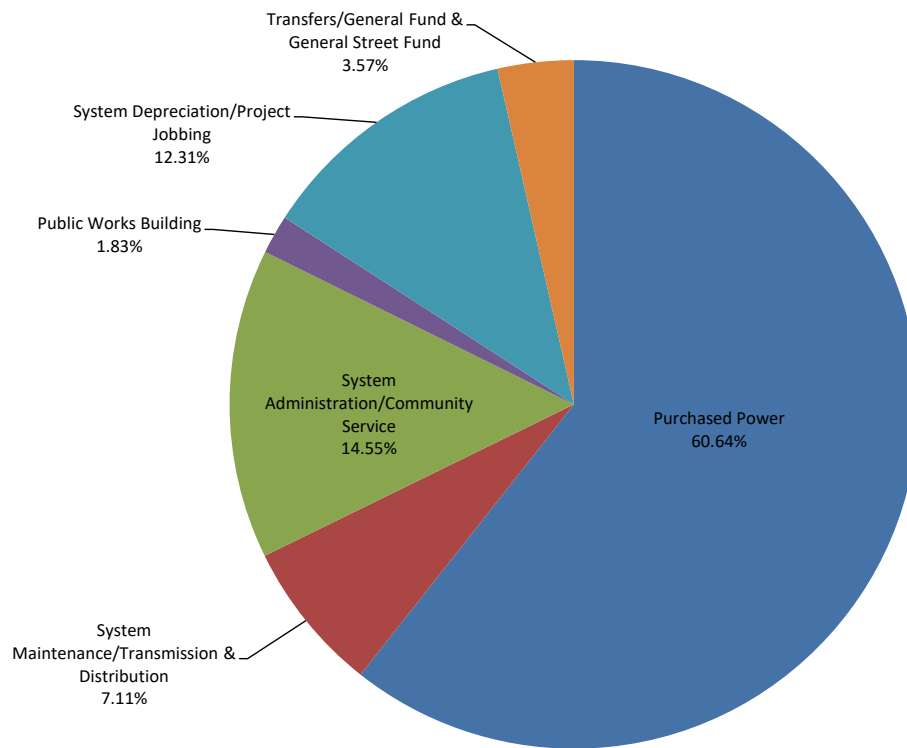
Electric Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
RETAINED EARNINGS - January 1	\$ 24,656,488	\$ 24,827,330	\$ 25,285,102	\$ 25,559,502
REVENUES				
Operating :				
Residential Sales	3,128,999	3,158,500	3,114,400	3,133,900
Commercial and Industrial Sales	7,701,128	7,658,000	7,559,000	7,680,100
Street Lighting	21,771	22,000	21,800	21,800
Energy Optimization Plan	141,188	135,000	134,600	138,500
Penalties	102,085	106,200	101,300	102,300
Other	56,596	55,500	97,000	57,500
	11,151,767	11,135,200	11,028,100	11,134,100
Nonoperating:				
Project Jobbing	403,071	195,000	378,500	219,100
Interest Income	180,253	87,000	150,000	110,000
Rents and Royalties	10,328	10,300	10,300	10,300
Public Works Building Rent	104,900	156,600	156,600	163,700
Contribution repayment	100,000	100,000	100,000	100,000
Other	121,189	11,000	34,900	19,400
	919,742	559,900	830,300	622,500
TOTAL REVENUES	12,071,508	11,695,100	11,858,400	11,756,600
EXPENSES:				
Operating:				
Purchased Power	6,888,400	7,132,000	6,932,000	7,125,000
Transmission and Distribution	7,517	23,100	22,100	22,500
System Maintenance	685,423	781,300	753,500	813,300
Community Service	19,868	23,500	23,400	24,400
Administration	1,729,476	1,730,100	1,695,300	1,685,300
	9,330,685	9,690,000	9,426,300	9,670,500
Nonoperating:				
Public Works Building	204,719	218,700	212,700	214,800
Project Jobbing	264,964	108,300	291,400	178,300
System Depreciation	1,213,727	1,225,000	1,225,000	1,267,700
	1,683,410	1,552,000	1,729,100	1,660,800
Transfers:				
General Fund	178,800	178,600	178,600	168,900
Motorpool Fund	-	-	-	-
General Street Fund	250,000	250,000	250,000	250,000
	428,800	428,600	428,600	418,900
TOTAL EXPENSES	11,442,895	11,670,600	11,584,000	11,750,200
Excess of Revenues Over Expenses	628,614	24,500	274,400	6,400
RETAINED EARNINGS - DECEMBER 31	\$ 25,285,102	\$ 24,851,830	\$ 25,559,502	\$ 25,565,902

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 (2023)	581,701,000
Daily Average	1,593,700
Number of Wells	7
Customers - Inside City	3,012
Customers - Outside City	463

Petoskey Wastewater System Overview	(in gallons)
WWTP Plant Capacity	2,500,000
WWTP Peak Plant Capacity	5,000,000
Average Daily Flow	1,061,000
Total Gallons Treated (2023)	387,109,000
Customers - Inside City	2,946
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 2025 user-fee revenues for the Water and Sewer Fund to be \$6,087,100 based on historical usage.

Non-operating revenues are estimated to be \$628,400 in 2025, and includes a Lead and Copper Materials grant of \$300,000, 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 Bear Creek Township, which in 1977 purchased an entitlement to a portion of the capacity of the City's Wastewater Treatment Plant. The agreement requires the Township to make payments towards their proportionate share of debt-service obligations.

Water and Sewer Rates. The City performed a 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 completed in late 2024 or early 2025.

With gross revenues budgeted at \$6,715,500 and expenses at \$6,576,900, net income for the Water and Sewer Fund is estimated to total \$138,600 for 2025. This income combined with noncash expenses such as depreciation, goes towards funding capital outlay items and principle debt payments not included within expense items.

Expenditures. For 2025, total expenses (operating & non-operating) for the Water and Sewer Fund has been proposed at \$6,576,900, an increase of \$563,600 compared to 2024 budget figures. The increase is mostly due to the Lead and Copper Material Inventory which will be offset by a grant. Operating costs for the water division in 2025 include \$435,800 for water source and pump expenses, and \$60,800 for water purification expenses. \$1,034,900 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 is performed on an as needed basis. This service is performed by an outside contractor and provides 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. In this case, these meters are old enough to warrant replacement.

System administration costs are proposed at \$983,400, an increase of 4.5% compared to 2024 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.

Non-operating expenses within the water division are budgeted at \$717,300, up 4% from the 2024 budget a result of an increase in depreciation expense. Non-operating expenses include system depreciation and miscellaneous jobbing.

Operating expenses in the sewer division are proposed at \$2,082,300, 5.5% more than the 2024 budget amount. This total cost 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.

Non-operating expenses within the sewer division are proposed to total \$946,800 down 1.6% from the 2024 budget. Non-operating expenses consist of debt-service interest payments, system depreciation, and miscellaneous jobbing. Interest and related debt expense from the 2021 refunding revenue-bond issues will be \$119,800 and system depreciation has been proposed at \$827,000 in 2025.

It is projected that the Water and Sewer Fund will have net income in 2025 of \$138,600, which would increase Water and Sewer Fund estimated retained earnings to \$30,248,491. The retained earnings amount does include net asset costs of the water and wastewater utility system.

Capital Projects.

Water and sewer capital projects for 2025 include upgrades in conjunction with street improvement projects that include:

Water System

- Howard Street Reconstruction \$839,000
Replace water main and components between Sheridan Street and State Street along with a portion of Washington Street between Petoskey and Howard Streets.
- Dead-End Water Mains/Water Quality Investigations \$50,000
Engineering solutions for segments of dead-end mains that are prone to water quality issues.
- Lead & Copper Materials Inventory \$350,000 (Grant funded of \$300,000)

Sewer System

- Howard Street Reconstruction \$682,800
Replace sewer main and components between Sheridan Street and State Street along with a portion of Washington Street between Petoskey and Howard Streets.

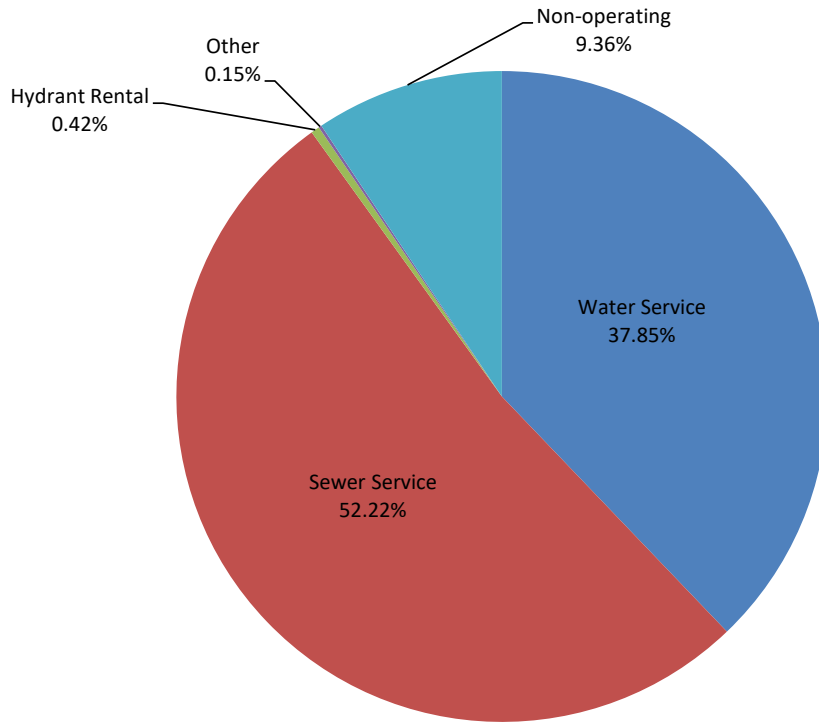
Total Capital Projects

\$1,921,800

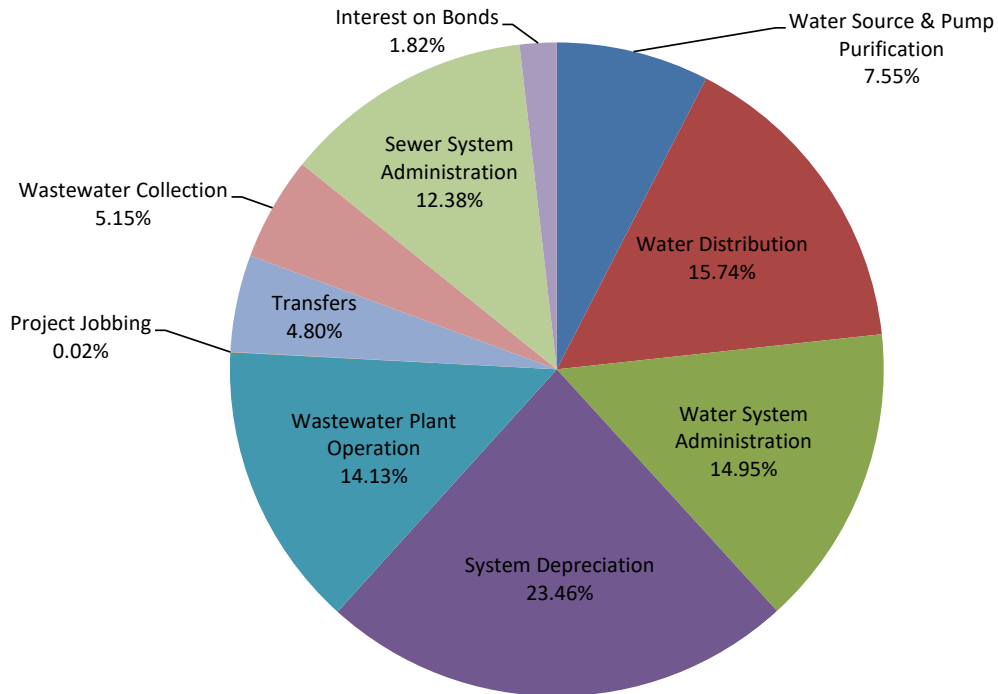
Water and Sewer Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
RETAINED EARNINGS - January 1	\$ 28,082,762	\$ 28,717,912	\$ 29,526,901	\$ 30,109,891
REVENUES				
Operating :				
Water-Residential Sales	1,314,145	1,285,800	1,275,800	1,284,800
Water-Commercial & Industrial Sales	1,301,836	1,230,400	1,254,400	1,257,000
Sewer-Residential Sales	2,225,042	2,206,000	2,189,000	2,188,700
Sewer-Commercial & Industrial Sales	1,334,382	1,286,700	1,298,000	1,318,100
Hydrant Rental	28,500	28,500	28,500	28,500
Other	7,674	10,000	12,100	10,000
	6,211,580	6,047,400	6,057,800	6,087,100
Nonoperating:				
Grants	-	-	50,000	300,000
Tower Rental	80,873	55,300	80,600	55,400
Project Jobbing	9,730	15,000	-	10,000
Interest Income	183,490	85,000	145,000	85,000
Other	-	-	-	-
Sewage Service Covenants	186,324	184,000	183,100	178,000
	460,417	339,300	458,700	628,400
Transfers: Right of Way	-	-	-	-
TOTAL REVENUES	6,671,997	6,386,700	6,516,500	6,715,500
EXPENSES				
Water Operating:				
Source and Pumping	325,357	377,900	393,400	435,800
Purification	46,545	60,500	60,300	60,800
Distribution	486,743	680,000	561,700	1,034,900
Administration	831,733	939,400	936,900	983,400
	1,690,378	2,057,800	1,952,300	2,514,900
Sewer Operating:				
Wastewater Plant Operation	801,584	917,100	904,300	929,500
Wastewater Collection	234,342	328,600	351,800	338,400
Administration	572,716	720,900	731,210	814,400
	1,608,641	1,966,600	1,987,310	2,082,300
Nonoperating:				
Project Jobbing	-	3,000	3,000	1,300
System Depreciation	1,489,437	1,510,000	1,515,000	1,543,000
Interest on Bonds	105,102	141,100	141,100	119,800
	1,594,539	1,654,100	1,659,100	1,664,100
Transfers:				
General Fund	334,300	334,800	334,800	315,600
TOTAL EXPENSES	5,227,858	6,013,300	5,933,510	6,576,900
Excess of Revenues Over Expenses	1,444,139	373,400	582,990	138,600
RETAINED EARNINGS - DECEMBER 31	\$ 29,526,901	\$ 29,091,312	\$ 30,109,891	\$ 30,248,491

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. Revenues are budgeted at \$1,252,100 and expenses are budgeted at \$1,205,700 for the Motor Pool Fund resulting in an excess of \$46,400. Retained earnings in the Motor Pool Fund, which consists of cash, inventory, vehicles and equipment, are estimated at \$5,606,051 in 2025. Cash is used for capital items, and in 2025 it is proposed that the Motor Pool Fund replace the following ten vehicles and equipment with a total cost of \$695,000:

Public Works: (2) Light Towers, (1) Bucket Truck, (2) Staff Vehicles, (1) Pick-up Truck, (1) 1-Ton Dump Truck

Parks & Recreation: Pick-up Truck

Public Safety: Patrol Vehicle

Motor Pool: Staff Vehicle

Revenues. Revenues for the Motor Pool Fund are budgeted at \$1,252,100 for 2025, \$13,400 more than budgeted for 2024. 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 \$1,179,100 for next year. Income from other sources include interest from investments and the sale of surplus assets and should provide \$73,000.

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 \$607,100 from the General Fund, which as a result of public-safety equipment and Parks Department, is charged many flat rates for vehicles and equipment, \$132,700 from the Major Street Fund, \$95,900 from the Local Street Fund, \$69,500 from the General Street Fund, \$159,500 from the Electric Fund, \$113,400 from the Water and Sewer Fund and \$1,000 from other sources.

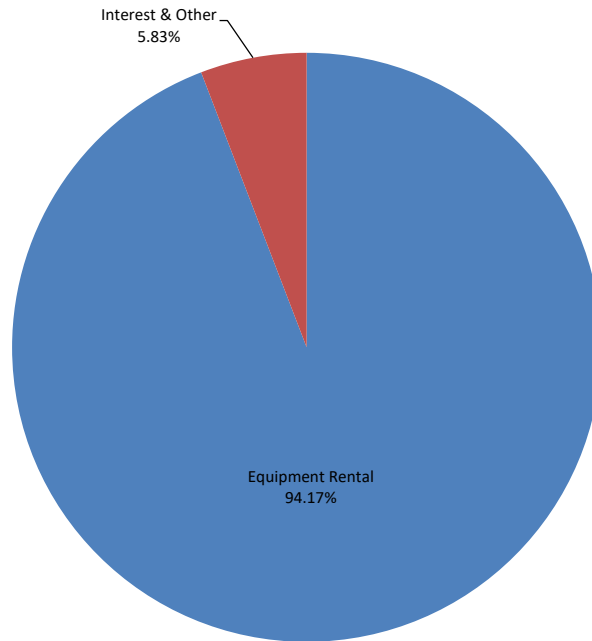
To help provide funding for future purchases of fire equipment, beginning in 2019, a portion of the Motor Pool's Fund Balance is being set aside in a reserve account. An amount of not less than \$25,000 will be added to the reserve account on an annual basis. For the six years 2019 through 2024, \$50,000 was transferred to the Firetruck Reserve Fund Balance for a total current balance of \$300,000.

Expenses. The Motor Pool Fund, which is fairly consistent in operations, is projected to spend \$1,205,700 in 2025, a \$4,600 increase over budgeted expenditures in 2024. These 2025 budgeted expenses include; \$195,000 for maintenance of vehicles and equipment, \$68,800 insurance and \$1,600 professional services, \$17,000 for tools, \$150,000 for fuel, \$89,200 for building and vehicle rent, \$140,600 for administration fees, \$516,600 for depreciation and \$26,900 in other various expense items.

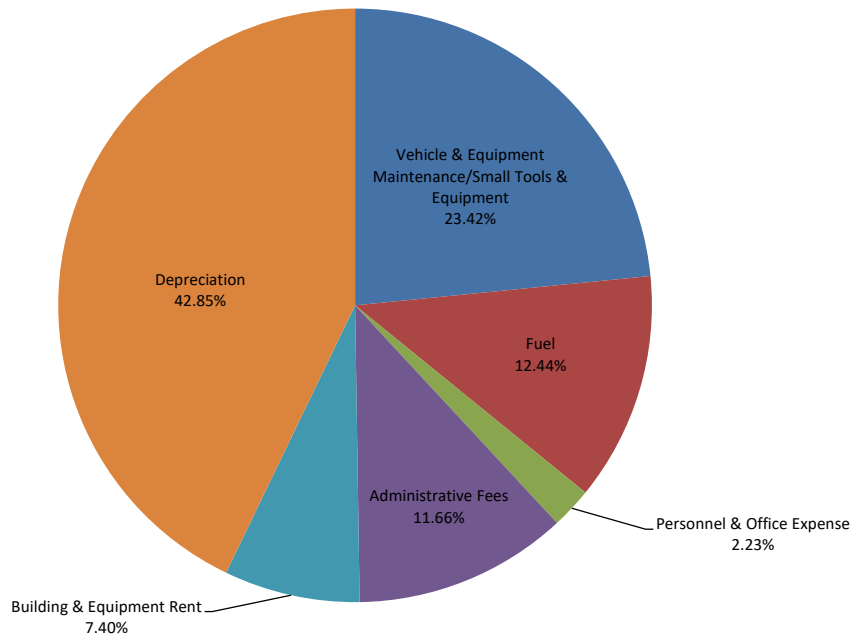
Motor Pool Fund

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
RETAINED EARNINGS - January 1	\$ 5,452,637	\$ 5,497,837	\$ 5,490,051	\$ 5,559,651
REVENUES				
Operating :				
Equipment Rental	1,073,744	1,169,700	1,156,500	1,179,100
Nonoperating:				
Interest Income	37,324	13,000	36,000	17,000
Transfer	-	-	-	-
Other	52,310	56,000	34,900	56,000
	89,634	69,000	70,900	73,000
Contributions:				
Electric Fund	-	-	-	-
Contributions	-	-	-	-
	-	-	-	-
TOTAL REVENUES	1,163,378	1,238,700	1,227,400	1,252,100
EXPENSES				
Operating:				
Personnel	19,677	22,000	21,500	23,200
Office Expense	1,960	4,100	3,500	3,700
Small Tools & Equipment	13,875	17,000	12,000	17,000
Vehicle & Equipment Maintenance	246,586	254,500	243,900	265,400
Fuel	132,297	150,000	150,000	150,000
Building & Equipment Rent	56,560	85,400	85,200	89,200
Depreciation	520,208	528,900	502,500	516,600
Administrative fees	134,800	139,200	139,200	140,600
TOTAL EXPENSES	1,125,964	1,201,100	1,157,800	1,205,700
Excess of Revenues Over Expenses	37,414	37,600	69,600	46,400
RETAINED EARNINGS - DECEMBER 31	\$ 5,490,051	\$ 5,535,437	\$ 5,559,651	\$ 5,606,051

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.

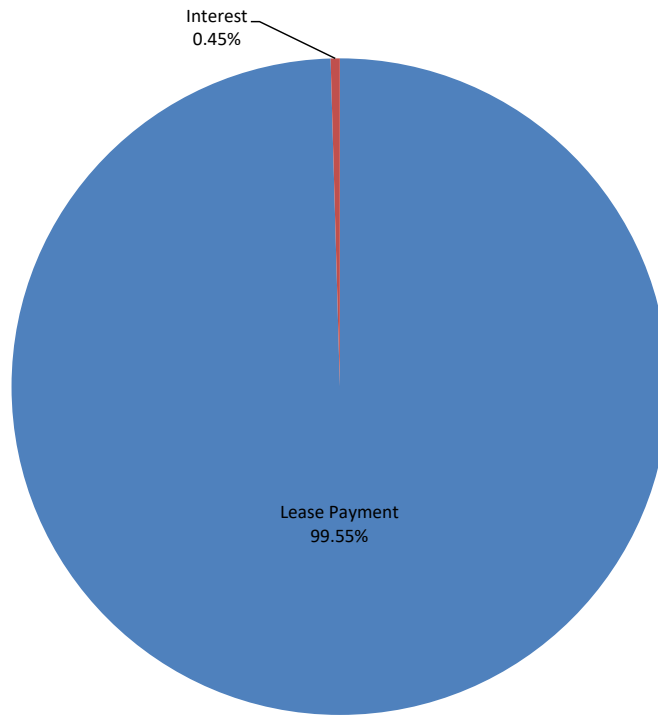
Revenues. Revenues include an annual lease payment received from the Tax Increment Finance Authority Fund. The City refinanced this bond issue during 2017, which established a new bond debt schedule. The annual lease payment is set at \$221,700 for 2025, with bond principle payments that began declining 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 four years of the bond debt payments.

Expenditures. Total 2024 expenditures included: \$201,900 principle, \$44,400 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 \$185,000, with interest requirements of \$36,700, and paying-agent fees at the standard annual amount of \$200 for total debt requirements of \$221,900. 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

	2023 Actual	2024 Budget	2024 Estimate	2025 Budget
FUND BALANCE - January 1	\$ 122,803	\$ 123,988	\$ 126,030	\$ 127,430
REVENUES				
Operating :				
Interest Income	2,772	1,000	1,500	1,000
Lease Payment	254,000	246,400	246,400	221,700
TOTAL REVENUES	256,772	247,400	247,900	222,700
EXPENDITURES				
Bond Principal and Interest	253,545	246,600	246,500	221,900
Excess of Revenues Over Expenditures	3,227	800	1,400	800
FUND BALANCE - DECEMBER 31	\$ 126,030	\$ 124,788	\$ 127,430	\$ 128,230

Revenues



Expenditures

