

**City of Birmingham, Michigan**  
**Five-year Financial Forecast**

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**Years Ending June 30, 2024 through June 30, 2028**

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## **Introduction**

Every year, the Finance Department prepares a five-year forecast for the City Commission Long-Range Planning meeting. The forecast consists of financial data for the General Fund, Major and Local Street Funds, and the Water and Sewer Funds. These funds have been selected for the forecast because they drive many of the financial decisions for the City and have a significant impact on the residents. The forecast consists of actual financial data from the previous four fiscal years, projections for the current fiscal year, and projected financial data for the next four future fiscal years.

The forecast is prepared in order to assist the City Commission visualize the City's projected financial condition given certain assumptions and aid in the discussion of initiatives or projects that the City Commission may want to consider in the future. The results of the analysis should be considered within the appropriate context. Essentially, the financial results for future fiscal years should be viewed only as financial estimates derived from the best available information at this particular point in time. Considered in this light, the financial plan provides a benchmark from which to monitor and evaluate ongoing financial trends and results. The amounts and timing of future capital projects, as disclosed in this forecast, are sensitive estimates, and changes in these estimates could have a significant impact on the forecasted fund balances in the General Fund, Major Streets Fund, Local Streets Fund, and Water and Sewer Funds.

For the purpose of the General Fund and Major and Local Street Funds, the level of projected fund balance is typically used as the barometer to measure likely future financial strength. In general, a level fund balance indicates a stable financial condition. A decreasing or negative fund balance indicates a financial situation that the City will have to monitor closely in the coming years; it does not indicate that an actual fund deficit will occur.

## **Summary**

The financial forecast that has been presented this year shows continued improvement in the City's financial outlook. After a low point in revenue was reached in 2011-2012, the City has seen revenue growth in nine of the ten years (fiscal year 2019-2020 being the exception due to COVID). This is expected to continue in the future, with the increases led by property tax revenue.

On the expenditure side, total costs are impacted significantly by the amount of planned capital projects, as well as the cost of personnel services. The forecast shows that the resources available to the City will be sufficient to fund the projects that are currently planned to be undertaken.

The City's General Fund balance policy is that unassigned fund balance is to be maintained at an amount no less than 2 months, or 17 percent, of General Fund operating expenditures and no more than the equivalent of 40 percent of General Fund operating expenditures. The General Fund's unassigned fund balance is currently within the City Commission's range and is forecasted to remain in the range for the entire forecast.

## **General Assumptions and Information**

- Historical data for fiscal years 2019-2020 through 2022-2023 has been compiled from the City's audit financial reports.
- Assumptions are based on the most recent and best information known at the time of completion of this forecast, which was December 31, 2023. Because these projected results are based on estimates and assumptions, actual results will likely differ from what is projected.
- The assumptions presented are significant assumptions and are not all inclusive.
- Estimates for fiscal years 2023-2024 through 2027-2028 were developed based on the City's current budget or an up-to-date estimate for the current year and adjusted for inflation to determine future results. Nonrecurring capital outlay purchases and significant encumbrance rollovers from 2022-2023 have been excluded from future projections. Significant exceptions to this method are noted in the specific assumptions on the following pages.
- Annual inflation factors of 1.5 percent for revenue throughout the financial forecast and 3 percent for expenditures for fiscal years 2024-2025 and beyond.
- Data has been collected and financial estimates have been developed utilizing a number of expert sources, including the City finance director and department heads, State of Michigan departments, and other professional sources.

## **Basis of Accounting**

Data has been presented using the modified accrual basis of accounting, which is the basis of accounting used in preparing the annual budget. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within 60 days. Disbursements for nonfinancial assets (capital outlay) are recorded as expenditures. Expenditures are recognized when a liability is incurred; however, expenditures for debt service principal and interest, compensated absences, and claims and judgements are recorded only when the payment is due. The Water and Sewer Funds have been presented using a basis of accounting that is different than the basis of accounting used in the City's historical financial statements. The Water and Sewer Funds have been presented in a manner to assist the City in forecasting the net cost of services throughout the forecasted period to coincide with the City's rate-making methodology. The Water and Sewer Funds also include depreciation expense, consistent with the City's rate-making methodology.

**Description of Infrastructure Needs**

**Overview of Projected Infrastructure Costs**

The Department of Engineering has provided estimated costs for street improvements along with associated water and sewer improvement costs for fiscal years 2023-2027. The following is a summary of estimated infrastructure improvement costs by fiscal year.

<b>FISCAL YEAR</b>	<b>MAJOR STREETS</b>	<b>LOCAL STREETS</b>	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>TOTAL</b>
2023-2024	\$5,365,300	\$2,480,000	\$3,007,000	\$2,517,000	\$13,369,300
2024-2025	\$3,197,500	\$3,230,000	\$2,744,000	\$2,426,000	\$11,597,500
2025-2026	\$4,767,650	\$3,130,000	\$3,347,000	\$3,325,000	\$14,569,650
2026-2027	\$2,380,000	\$5,350,000	\$5,064,000	\$3,749,000	\$16,543,000
2027-2028	\$2,350,000	\$5,460,000	\$5,429,000	\$3,847,000	\$17,086,000

**Streets**

The Department of Engineering believes that the level of spending shown above is needed to allow the City to maintain its investment in streets. Failure to maintain streets at this level could result in streets deteriorating faster than the City can replace them in the future. Individual planned street projects are listed in the Major and Local Street Funds section.

**Sewage Disposal System**

In 2011, the City Commission endorsed a backyard sewer and water master plan. The goal of the plan was to abandon or rehabilitate most public sewers and water mains located in backyards by 2019. While progress has been made on this plan, there remains additional work to be done. The key components of this plan included:

- Address all back-yard facilities to greatly reduce the chance of unexpected failures and emergency work as well as the private property damages that go along with such events
- Provide additional sewer capacity to the system in general in these neighborhoods where deficiencies currently exist
- Replace or rehabilitate permanent pavements and water mains in the study area that are also in need of work
- Divert storm water flows away from the combined sewer system for significant acreage in the Evergreen-Farmington District in order to reduce sewage treatment and retention basin maintenance costs

In 2021, there were six blocks of backyard sewers lined. This leaves approximately three blocks to be completed. The remaining blocks will be completed upon the acquisition of easements.

## **Water Distribution System**

On-going improvements to the water system are planned in conjunction with street renovation projects subject to City Commission approval. Additionally, approximately 787 lead service lines are required to be replaced by Michigan law. The City is required to replace at least 7% of the service lines annually. The City participated with SOCWA (Southeastern Oakland County Water Authority) to solicit bids from contractors to complete replacements. To date, 640 service lines have either been replaced by the City or a builder, verified as not containing lead, or the homeowner has opted out of the program. The City is anticipating that the remaining lead service lines of 147 will be replaced during the 2023-2024 and 2024-2025 fiscal years. Most of the lead service line replacements are funded through the American Rescue Plan Act funding. The remaining lead service lines have been funded primarily through property taxes.

## **Other Current and Future Projects**

### **Birmingham Triangle District Corridor Improvement Authority**

The City Commission created a Corridor Improvement Authority in November 2008 to address infrastructure needs within the district using tax incremental financing (TIF). The Authority approved a development plan whereby tax incremental financing would be used to develop public parking within the district. The initial focus will likely include a surface parking lot. It is anticipated that funding for the surface parking lot will be provided by a bond issue which will be repaid through tax increment financing, special assessment and user fees. At present, the City is seeking an agreement with Oakland County on a development plan in order to maximize the potential tax increment financing dollars which would be used to support the bond debt. Once an agreement is in place, tax incremental financing will commence and revenue from captured taxes will begin. It is unknown at this time when this will occur, therefore, the forecast does not reflect any tax capture for the Authority.

### **Alleys and Sidewalks**

Sidewalks will be replaced as needed as part of the annual sidewalk replacement program.

In addition, the following alleys are projected to be completed: Pierce Street and West Maple Road alleys in 2023-2024 for \$650,000 and \$365,000, respectively.

### **Park and Recreation Bond**

In November 2020, the residents approved a park bond of \$11,250,000 to be split into two (2) phases. Phase I, in the amount of \$4,750,000, was issued in 2021 and included improvements at Adams Park; the Ice Arena; a new pickleball court; and preliminary design work for Booth Park and trail improvements. Phase II, beginning in fiscal year 2023-2024, in the amount of \$6,500,000 is anticipated to assist with costs associated with new playgrounds at Pembroke, Poppleton, Pumphouse, Lincoln Well, Linden, Springdale, Crestview, Kenning, St. James and Howarth sites; trail improvements, and other various improvements to our park system.

## **Senior Center**

The City purchased the Birmingham YMCA building in July 2023. The YMCA will continue to use the facility for another 3 years as it plans on building a new facility to move its members to in Royal Oak. To assist with future renovations to the site, Birmingham voters approved a senior millage in November 2023 for 3 years to provide initial funding for the transition of senior services from Midvale Elementary School to this new location. The millage has been included in Appendix A – Property Taxes. The City is in the process of evaluating potential architectural and structural engineering firms to assist with analysis of the current building, needs assessment, and potential renovations.

## **General Fund Assumptions**

### **Revenue**

#### Property Taxes

Appendix A illustrates the process used to estimate property tax revenues. Inflation has been a major factor in the projection of taxable values for fiscal years 2023-2024 and 2024-2025. In both of these years, inflation was capped at 5 percent as a result of Proposal A. The 2024-2025 taxable value for the City is forecasted to increase by 8 percent. As the inflation rate normalizes in the future, the remaining years of the forecast assume an annual increase of approximately 5 percent annually.

Key assumptions on a line-by-line basis, beginning at the top of Appendix A, are provided in Appendix B.

The property taxes from the general operating levy in the General Fund exclude levies for the George W. Kuhn Drain sewer debt and water and sewer capital improvements.

#### Building Permits

Building permits for 2022-2023 included some large scale construction projects for the year. The forecast projects that permit levels will return to more historical levels for the remainder of the forecast.

#### Federal Grant Revenue – COVID Related

The City has received several grants from different agencies for fiscal years 2020-2021 through 2022-2023. These grants were a one-time funding source and are not expected in future years.

#### State Grants

State shared revenue is forecasted to remain relatively flat for the forecasted years. Increases from previous years is the result of an increased share of the revenues due to population increases and an increase in state sales tax collected.

#### Local Contributions

In fiscal years 2018-2019 through 2021-2022 the City received surplus cable funds from the Cable Board. No revenue is projected in future years, as these distributions are at the discretion of the Cable Board.

#### Charges for Services - Ice Arena Fees

Ice Arena revenue is projected to increase in the forecasted years as a result of having a facility that is open year-round. Revenues for 2019-2020 through 2021-2022 are lower than normal due to COVID and reconstruction of the ice arena main arena and locker rooms.

#### Fines and Forfeitures - 48<sup>th</sup> District Court Revenue

48<sup>th</sup> District Court revenue during the forecasted periods is anticipated to be higher than previous years as a result of the City having an increase in caseloads which will result in an increase in revenues.



Interest and Rent

The forecast assumes investment return of 3.0 percent for 2024-2025 with a slight improvement to 3.5 percent in 2026-2027 and 2027-2028. For periods 2019-2020 through 2021-2022, the fluctuations in the investment income was the result of low interest rates and unrealized market gains (2019-2020) and losses (2020-2021 and 2021-2022).

**Expenditures**

Personnel Service Cost Assumptions

Full-time staffing, which consists of 179 full-time employees, is assumed to remain at or near the same level for the period covered by the financial estimation.

The current status of labor contracts is as follows:

<u>Union or Group</u>	<u>Contract Expires</u>
AFSCME	June 30, 2026
Teamsters	June 30, 2024
Police Command (BCOA)	June 30, 2025
Firefighters (BFFA)	June 30, 2026
Police (BPOA)	June 30, 2025

For estimating purposes, the model assumes a rate increase for union and nonunion employees. The actual rate may vary depending on numerous factors, including but not limited to, results of union negotiations, changes in state or federal law, and limits on increases in property taxes.

Health insurance costs have been adjusted to reflect a 5 percent increase for 2024-2025 through 2027-2028.

Expenditures for the employer’s portion of retirement contributions and retiree health care contributions are projected to remain stable throughout the years of the forecast.

General Government

For fiscal years 2019-2020 to 2021-2022, streetlight electrical costs were included in General administration. This activity was moved to Public Works in fiscal year 2022-2023.

Judicial

48<sup>th</sup> District Court expenditures are anticipated to increase as a result of an increase in caseload percentage.

### Public Safety

Increases to Public Safety expenditures in 2023-2024 is the result of new settled contracts and an increase in the number of positions.

### Public Works -Sidewalk Construction

Large expenditures for 2018-2019, 2020-2021, 2022-2023, and 2023-2024 relate to improvements made to Old Woodward, Maple Road, and S. Old Woodward respectively. Expenditures for on-going sidewalk maintenance is forecasted for the remaining years.

### Public Works - Alleys

The City is forecasting replacement of the Maple and Pierce Alleys in fiscal year 2023-2024. These improvements will be special assessed to the property owners.

### Recreation and Culture – Allen House

Higher expenditures in fiscal year 2022-2023 and 2023-2024 primarily relate to window replacements and roof repair.

### Recreation and Culture - Ice Sports Arena

The renovations on the arena have been completed. The Ice Sports Arena has since reopened in November 2021, and costs associated were less than normal in fiscal year 2021-2022 due to the season starting late. Going forward the season has been extended to year-round which resulted in additional operating expenses.

### Health and Welfare

This category is comprised of contractual services with Birmingham/Bloomfield Community Coalition, Birmingham Youth Assistance, Common Ground, Mental Health Co-Responder, and NEXT – Senior Activity Center. Expenditures in the category were moved from the general government and public safety categories.

### Operating Transfers Out

Transfers out to the Major Street Fund, Local Street Fund, and Capital Projects Fund are routine and represent funding for capital improvements.

**City of Birmingham, Michigan  
General Fund Historic and Estimated Financial Operations**

	Actual					Estimate Future Operations				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	
<b>Revenue</b>										
<b>Taxes</b>										
Real and personal property taxes	\$ 26,072,678	\$ 26,958,166	\$ 28,203,265	\$ 30,350,006	\$ 33,448,340	\$ 31,138,820	\$ 34,480,870	\$ 35,950,280	\$ 37,958,450	
Tax losses	(31,113)	(61,507)	(48,016)	(95,805)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	
Penalties and interest	130,234	120,756	141,178	119,223	130,000	130,000	130,000	130,000	130,000	
Total taxes	26,171,799	27,017,415	28,296,427	30,373,424	33,478,340	31,168,820	34,510,870	35,980,280	37,988,450	
<b>Special Assessments</b>										
Future Special Assessments	-	-	-	-	-	360,000	113,734	187,874	211,014	
Current Special Assessments	34,466	335,945	510,016	690,753	906,810	611,080	601,080	591,080	581,080	
Total special assessments	34,466	335,945	510,016	690,753	906,810	971,080	714,814	778,954	792,094	
<b>Licenses and Permits</b>										
Business licenses and permits	33,131	47,415	51,112	70,580	62,550	62,170	62,200	62,200	62,200	
Rental housing fees	174,978	184,506	178,881	176,243	171,780	174,357	176,972	179,627	182,321	
Building permits	1,741,665	2,038,307	2,095,435	4,087,061	2,095,180	2,126,608	2,158,507	2,190,885	2,223,748	
Cable television franchise fees	332,441	318,358	418,816	201,247	325,000	325,000	325,000	325,000	325,000	
Engineering permits	58,740	101,304	166,404	160,872	120,000	80,000	80,000	80,000	80,000	
Other	3,895	3,716	5,783	7,387	6,000	6,000	6,000	6,000	6,000	
Total license and permits	2,344,850	2,693,606	2,916,431	4,703,390	2,780,510	2,774,135	2,808,679	2,843,712	2,879,269	
<b>Federal Grants</b>										
Federal grants	40,316	964,573	1,044,434	64,920	53,000	43,000	43,000	43,000	43,000	
Federal ARPA/COVID related grants	-	-	-	128,701	-	-	-	-	-	
Total federal grants	40,316	964,573	1,044,434	193,621	53,000	43,000	43,000	43,000	43,000	
<b>State Grants</b>										
State										
Shared revenue	1,941,388	2,209,126	2,688,979	2,650,260	2,663,000	2,702,345	2,742,281	2,782,815	2,823,957	
Telecommunication permit	72,790	75,214	81,723	87,137	80,000	80,000	80,000	80,000	80,000	
Other	114,591	73,291	75,753	81,756	68,900	70,470	70,470	70,470	70,470	
Total state grants	2,128,769	2,357,631	2,846,455	2,819,153	2,811,900	2,852,815	2,892,751	2,933,285	2,974,427	
<b>Local Contributions</b>										
Local										
Total local contributions	332,722	101,425	303,765	200,722	151,650	152,100	152,100	152,100	152,100	
<b>Charges for Services</b>										
Labor charges to other funds	1,416,925	1,395,007	1,214,624	1,258,806	1,532,600	1,554,017	1,575,756	1,597,819	1,620,215	
Appeal and review fees	84,468	149,787	123,307	72,509	113,720	81,850	81,690	81,690	81,690	
Ice arena fees	509,756	314,996	482,769	775,062	745,500	753,300	761,730	770,586	779,567	
Other recreation program fees	90,990	95,699	121,360	107,869	110,800	100,990	101,998	103,021	104,059	
Museum fees	3,170	2,556	4,139	6,244	5,900	6,600	6,600	6,600	6,600	

See accompanying summaries of significant assumptions.

**City of Birmingham, Michigan  
General Fund Historic and Estimated Financial Operations**

	Actual					Estimate Future Operations				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	
Special event fees	69,507	28,393	80,538	104,546	95,610	86,610	86,610	86,610	86,610	
Sidewalk construction	1,730	19,393	664	-	1,000	25,000	25,000	25,000	25,000	
Dispatch	345,327	361,526	377,284	352,416	384,100	389,862	395,710	401,646	407,671	
EMS transports	417,912	375,011	464,345	500,269	510,000	517,650	525,415	533,296	541,295	
Other program fees	61,199	53,101	104,666	115,755	91,160	79,120	78,870	78,870	78,870	
<b>Total charges for services</b>	<b>3,000,984</b>	<b>2,795,469</b>	<b>2,973,696</b>	<b>3,293,476</b>	<b>3,590,390</b>	<b>3,594,999</b>	<b>3,639,379</b>	<b>3,685,138</b>	<b>3,731,577</b>	
<b>Fines and Forfeitures</b>	<b>1,086,365</b>	<b>510,233</b>	<b>823,242</b>	<b>1,316,642</b>	<b>1,432,340</b>	<b>1,417,340</b>	<b>1,431,270</b>	<b>1,450,950</b>	<b>1,470,920</b>	
48th District Court	377,617	452,202	514,280	511,197	500,000	525,000	525,000	525,000	525,000	
Parking fines										
<b>Total fines and forfeitures</b>	<b>1,463,982</b>	<b>962,435</b>	<b>1,337,522</b>	<b>1,827,839</b>	<b>1,932,340</b>	<b>1,942,340</b>	<b>1,956,270</b>	<b>1,975,950</b>	<b>1,995,920</b>	
<b>Interest and Rent</b>	<b>1,089,837</b>	<b>12,466</b>	<b>(877,524)</b>	<b>498,623</b>	<b>684,190</b>	<b>793,160</b>	<b>937,250</b>	<b>1,143,050</b>	<b>1,283,750</b>	
Interest earned on investments	53,507	57,562	104,401	263,619	118,500	120,255	122,036	123,844	125,679	
Rent	36,686	37,220	38,425	39,834	38,000	38,000	38,000	38,000	38,000	
Other interest earnings										
<b>Total interest and rent</b>	<b>1,180,030</b>	<b>107,248</b>	<b>(734,698)</b>	<b>802,076</b>	<b>840,690</b>	<b>951,415</b>	<b>1,097,286</b>	<b>1,304,894</b>	<b>1,447,429</b>	
<b>Other Revenue</b>	<b>70,550</b>	<b>65,017</b>	<b>134,600</b>	<b>148,242</b>	<b>250,130</b>	<b>62,150</b>	<b>62,150</b>	<b>62,150</b>	<b>62,150</b>	
<b>Contributions from Other Funds</b>	<b>200,000</b>	<b>115,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	
<b>Total revenue</b>	<b>36,968,468</b>	<b>37,515,764</b>	<b>39,728,648</b>	<b>45,152,696</b>	<b>46,895,760</b>	<b>44,612,854</b>	<b>47,977,299</b>	<b>49,859,463</b>	<b>52,166,416</b>	
<b>Expenditures</b>										
<b>General Government</b>	<b>65,600</b>	<b>58,879</b>	<b>75,510</b>	<b>101,307</b>	<b>121,390</b>	<b>132,089</b>	<b>144,175</b>	<b>157,849</b>	<b>173,341</b>	
Commission	548,890	588,848	713,600	951,699	989,308	1,033,560	1,080,857	1,131,410	1,184,877	
Manager's office	65,792	67,364	37,335	69,124	91,830	51,950	26,850	64,450	26,850	
Elections	209,634	211,762	213,824	236,231	245,300	252,648	260,216	268,012	276,040	
Assessor	494,765	503,487	463,945	495,932	523,500	532,725	542,227	558,494	575,248	
Legal	379,226	480,110	362,885	383,811	474,553	494,206	517,126	542,004	569,527	
Clerk	852,721	956,681	872,439	913,198	1,016,343	1,064,357	1,116,699	1,171,674	1,231,400	
Finance	357,256	362,926	368,293	354,904	416,322	436,028	457,883	480,435	504,603	
Human resources	688,322	693,204	687,509	671,741	814,334	850,999	889,991	932,568	979,345	
Treasurer	518,530	529,622	501,849	538,341	652,751	676,321	737,073	728,566	756,408	
City hall and grounds	45,136	31,280	31,670	27,032	64,900	41,097	42,329	43,599	44,907	
Library maintenance	1,083,779	1,057,228	1,105,237	515,117	517,690	536,336	554,342	577,322	601,674	
General administration										
<b>Total general government</b>	<b>5,309,651</b>	<b>5,541,391</b>	<b>5,434,096</b>	<b>5,258,437</b>	<b>5,928,221</b>	<b>6,102,316</b>	<b>6,369,768</b>	<b>6,656,383</b>	<b>6,924,220</b>	
<b>Judicial</b>	<b>1,642,813</b>	<b>946,009</b>	<b>806,021</b>	<b>1,541,527</b>	<b>2,252,220</b>	<b>1,981,940</b>	<b>2,031,500</b>	<b>2,082,275</b>	<b>2,134,330</b>	
48th District Court										
<b>Total Judicial</b>	<b>1,642,813</b>	<b>946,009</b>	<b>806,021</b>	<b>1,541,527</b>	<b>2,252,220</b>	<b>1,981,940</b>	<b>2,031,500</b>	<b>2,082,275</b>	<b>2,134,330</b>	

See accompanying summaries of significant assumptions.

**City of Birmingham, Michigan  
General Fund Historic and Estimated Financial Operations**

	Actual					Estimate Future Operations				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	
<b>Public Safety</b>										
Police	6,871,652	7,363,188	7,268,240	7,638,810	8,144,124	8,533,440	8,910,985	9,335,486	9,787,700	
Fire	6,403,824	6,972,295	7,166,728	7,510,745	7,884,186	8,007,092	8,424,350	8,806,104	9,028,891	
Dispatch	1,032,934	1,077,952	1,003,505	1,017,354	1,256,846	1,263,245	1,346,831	1,389,226	1,458,308	
Building inspection	2,395,516	2,086,639	2,097,273	2,230,271	2,438,927	2,617,042	2,688,140	2,822,328	2,971,453	
Emergency preparation	98,130	54,454	39,038	32,474	32,300	11,489	11,684	11,884	12,090	
Total public safety	16,802,056	17,554,528	17,574,784	18,429,654	19,756,383	20,432,308	21,381,990	22,365,028	23,258,442	
<b>Community Development</b>										
Planning	549,202	538,693	561,822	564,440	721,973	689,163	722,349	758,465	795,867	
Total community development	549,202	538,693	561,822	564,440	721,973	689,163	722,349	758,465	795,867	
<b>Public Works</b>										
Engineering	787,291	908,136	1,110,262	1,274,651	1,568,850	1,480,416	1,517,156	1,588,198	1,663,609	
Sidewalk construction and replacement	847,501	3,018,587	1,246,185	3,799,873	2,956,980	1,161,891	1,191,248	1,140,886	1,192,913	
Alley construction and maintenance	15,931	17,244	18,684	3,688	1,070,000	40,000	40,000	40,000	40,000	
Street Lighting	-	-	653,312	708,621	728,620	646,579	665,076	684,128	703,752	
Fiber optic system	36,470	136,632	9,477	320,124	279,616	5,150	5,305	5,464	5,628	
Property maintenance	1,046,241	1,020,120	1,066,920	1,008,828	1,081,458	1,122,039	1,163,124	1,206,091	1,250,969	
Department of Public Services - General	319,395	346,059	390,640	442,175	517,409	547,275	586,404	637,380	694,893	
Weed/Snow enforcement	42,449	37,894	88,385	68,518	92,250	95,785	99,403	103,210	107,174	
Cemetery Maintenance/Management	-	-	-	122,091	131,830	136,385	140,477	144,691	149,032	
Total engineering and public services	3,095,278	5,484,672	4,583,865	7,748,569	8,427,013	5,235,520	5,408,193	5,550,048	5,807,970	
<b>Recreation and Culture</b>										
Community activities	273,834	282,904	310,542	356,009	377,726	391,327	405,048	419,589	434,788	
Historical museum										
Hunter House	22,995	81,093	19,724	12,762	16,380	15,918	16,247	16,733	17,235	
Allen House	173,592	186,754	305,641	493,054	489,098	300,909	364,236	385,805	409,178	
Ice sports arena	608,088	476,677	568,402	726,759	767,364	801,412	828,659	860,473	893,611	
Parks	1,148,280	1,092,798	1,052,672	1,173,397	1,506,166	1,483,952	1,341,916	1,389,089	1,438,121	
Total recreation and culture	2,226,789	2,120,226	2,256,981	2,761,981	3,156,734	2,993,518	2,956,106	3,071,689	3,192,933	
<b>Health and Welfare</b>										
Health and Welfare	-	-	-	163,516	181,540	186,911	192,443	198,141	204,010	
Total health and welfare	-	-	-	163,516	181,540	186,911	192,443	198,141	204,010	

**City of Birmingham, Michigan  
General Fund Historic and Estimated Financial Operations**

	Actual				Estimate Future Operations				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
<b>Transfers Out</b>									
Operating transfers to other funds									
Major Street Fund	2,746,000	2,000,000	4,100,000	1,500,000	3,500,000	4,000,000	4,000,000	3,000,000	2,500,000
Local Streets Fund	2,000,000	3,000,000	1,950,000	2,250,000	3,500,000	3,500,000	4,000,000	5,500,000	6,500,000
Capital Projects Fund	910,892	1,995,290	140,000	85,968	600,000	600,000	-	-	-
Water Fund	500,000	-	-	-	-	-	-	-	-
Total contributions	6,156,892	6,995,290	6,190,000	3,835,968	7,600,000	8,100,000	8,000,000	8,500,000	9,000,000
Total expenditures	35,782,681	39,180,809	37,407,569	40,304,092	48,024,084	45,721,676	47,062,349	49,182,029	51,317,772
<b>Excess of Revenue Over (Under) Expenditures</b>	1,185,787	(1,665,045)	2,321,079	4,848,604	(1,128,324)	(1,108,822)	914,950	677,434	848,644
<b>Fund Balance - Beginning of year</b>	17,196,661	18,382,448	16,717,403	19,030,293	23,878,897	22,750,573	21,641,751	22,556,701	23,234,135
Adjustments to Fund Balance	-	-	(8,189)	-	-	-	-	-	-
<b>Fund Balance - End of year</b>	<b>\$ 18,382,448</b>	<b>\$ 16,717,403</b>	<b>\$ 19,030,293</b>	<b>\$ 23,878,897</b>	<b>\$ 22,750,573</b>	<b>\$ 21,641,751</b>	<b>\$ 22,556,701</b>	<b>\$ 23,234,135</b>	<b>\$ 24,082,779</b>

## Major and Local Street Funds Assumptions

### Major Street Fund

This forecast analyzes the actual results from 2019-2020 through 2022-2023 and the City's adopted budget for 2023-2024 with inflationary increases for the years 2024-2025 through 2027-2028. Exceptions to this method are noted below:

#### Revenue

##### State Grants and Distributions

The estimates for the road funding have been provided by the Michigan Department of Transportation (MDOT) for fiscal year 2023-2024 and 2024-2025. The remaining years have projected an annual 2% increase.

In fiscal year 2018-2019, the City received approximately \$230,000 in additional road funding beyond the Act 51 funding for road maintenance, however, no additional amount has been budgeted for future years as there is no certainty this program will continue.

##### Special Assessments

Special assessment revenue for fiscal years 2025-2026 through 2027-2028 are for improvements made on Wimbledon.

##### Interfund Transfers

Interfund transfers are forecasted in an amount needed to provide adequate funding for projected road improvements and maintenance.

##### Interest Income

The forecast assumes investment return of 3.0 percent for 2024-2025 with a slight improvement to 3.5 percent in 2026-2027 and 2027-2028. Interest income can fluctuate between years due to unrealized market gains and losses on investments. In addition, special assessment interest has also been projected as unimproved streets are completed.

#### Expenditures

##### Street Cleaning

The forecast projects that catch basin cleaning will be scheduled every other year.

##### Street Trees

Increase in costs for street trees is due to projected increase in contractual costs and cost of trees.

##### Traffic Controls

Fiscal year 2023-2024 increase includes \$660,700 in traffic signal improvements at Maple/Elm/Poppleton, Maple/Adams, and Brown/Southfield. 2024-2025 improvements include \$57,250 for Woodward/Forest.

##### Capital Outlay

Below is a list of planned projects with an estimated cost equal to or greater than \$200,000.

2023-2024	Redding – Lakepark to Woodward	\$1,100,000
	S. Eton Rd. – Yosemite to 14 Mile	\$2,640,000
	Oakland Blvd – N Old Woodward to Woodward Ave	\$330,000
2024-2025	Wimbleton – Woodward to Oxford	\$630,000
	N. Adams Resurfacing- Madison to N City Limits	\$1,530,000
	Willits/Bates – Warren Ct to Old Woodward	\$410,000
	E. Maple (Patching)	\$250,000
2025-2026	N. Old Woodward – Oak to Woodward	\$670,000
	Adams Resurfacing – Woodward to Maple	\$1,050,000
	Wimbleton – Oxford to Adams	\$790,000
	Derby Bridge Reconstruction	\$1,200,000
2026-2027	Adams Resurfacing – Madison to Maple	\$470,000
	14 Mile (RCOC) – Southfield to Greenfield	\$250,000
	E. Lincoln – Woodward to Dead End	\$1,380,000
2027-2028	W. Lincoln – Southfield to Woodward	\$1,420,000

## Local Street Fund

This forecast analyzes the actual results from 2019-2020 through 2022-2023 and the City's adopted budget for 2023-2024 with inflationary increases for the years 2024-2025 through 2027-2028. Exceptions to this method are noted below:

### Revenue

#### State Grants and Distributions

The estimates for the road funding have been provided by the Michigan Department of Transportation (MDOT) for fiscal years 2023-2024 and 2024-2025. The remaining years have been projected an annual 2% increase.

#### Special Assessments

Special assessment revenue for fiscal years 2023-2024 through 2027-2028 include assessments for cape seal and unimproved streets.

#### Interfund Transfers

Interfund transfers are forecasted in an amount needed to provide adequate funding for projected road improvements and maintenance.

#### Interest Income

The forecast assumes investment return of 3.0 percent for 2024-2025 with a slight improvement to 3.5 percent in 2026-2027 and 2027-2028. Interest income can fluctuate between years due to unrealized market gains and losses on investments. In addition, special assessment interest has also been projected as unimproved streets are completed.



## Expenditures

### Street Cleaning

The forecast projects that catch basin cleaning will continue to be scheduled every other year.

### Capital Outlay

Below is a list of planned projects with an estimated cost equal to or greater than \$200,000.

2023-2024	Edgewood – Lincoln to Southfield	\$680,000
	Fairview – Chesterfield to Dead End	\$330,000
	2023 Cape Seal Program	\$370,000
2024-2025	Bird – Pierce to Cummings	\$1,050,000
	2024 Cape Seal Program	\$360,000
2025-2026	Merrill – S. Bates to Southfield	\$630,000
	Bird – Cummings to Woodward	\$600,000
	Abbey – Wimbleton to Oxford	\$500,000
	2025 Cape Seal Program	\$380,000
2026-2027	Westwood/Glenhurst	\$760,000
	Windemere – N. Eton to St. Andrews	\$1,300,000
	Pembroke – N. Eton to Edinborough	\$660,000
	Abbey/Henley/Oxford – Oxford to Warwick	\$920,000
	Fairway – W. of Pleasant to Northlawn	\$460,000
2027-2028	Brookwood/Lyonhurst	\$950,000
	Ruffner – Adams to Torry	\$680,000
	Humphrey – Adams to Torry	\$720,000
	Warwick/Shepardbush/Totenham	\$2,100,000

**City of Birmingham  
Major Street Fund Historic and Estimated Financial Operations**

	Estimated Future Operations									
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	
<b>Revenue</b>										
State grants and distributions	\$ 1,453,561	\$ 1,599,135	\$ 1,767,459	\$ 1,859,324	\$ 1,901,652	\$ 1,930,181	\$ 1,963,346	\$ 2,000,343	\$ 2,040,350	
Special assessment collections	6,858	2,817	450	-	-	-	160,650	243,100	93,880	
Local sources	125,291	-	-	-	-	-	-	-	-	
Interest and rent	159,112	2,150	(156,180)	83,933	35,180	72,573	77,741	109,233	153,617	
Other	-	3,500	13,091	27,129	-	-	-	-	-	
Transfers from General Fund	2,746,000	2,000,000	4,100,000	1,500,000	3,500,000	4,000,000	4,000,000	3,000,000	2,500,000	
Total revenue	4,490,822	3,607,602	5,724,820	3,470,386	5,436,832	6,002,754	6,201,737	5,352,676	4,787,847	
<b>Expenditures</b>										
Maintenance of streets and bridges	282,708	253,737	275,330	252,405	429,607	404,537	419,714	434,735	450,385	
Street cleaning	156,856	163,817	195,854	187,279	236,050	196,876	276,114	207,382	295,550	
Street trees	217,303	248,370	340,129	407,499	471,580	487,726	502,308	517,436	533,028	
Traffic controls	403,865	704,834	281,171	413,588	1,162,507	575,184	554,596	544,014	561,656	
Snow and ice removal	243,194	198,180	185,520	157,982	278,670	281,568	287,503	295,884	304,534	
Administrative	20,487	20,901	20,062	19,629	19,670	20,595	21,565	22,582	23,647	
Capital outlay - Engineering and construction of roads and bridges	1,679,902	2,831,158	2,054,391	3,021,755	6,612,264	3,339,175	4,892,280	2,537,772	2,513,476	
Total expenditures	3,004,315	4,420,997	3,352,457	4,460,137	9,210,348	5,305,661	6,954,080	4,559,805	4,682,276	
<b>Excess of Revenue Over (Under) Expenditures</b>	1,486,507	(813,395)	2,372,363	(989,751)	(3,773,516)	697,093	(752,343)	792,871	105,571	
<b>Fund Balance - Beginning of year</b>	3,536,563	5,023,070	4,209,675	6,582,038	5,592,287	1,818,771	2,515,864	1,763,521	2,556,392	
<b>Fund Balance - End of year</b>	\$ 5,023,070	\$ 4,209,675	\$ 6,582,038	\$ 5,592,287	\$ 1,818,771	\$ 2,515,864	\$ 1,763,521	\$ 2,556,392	\$ 2,661,963	

See accompanying summaries of significant assumptions and accounting policies.

**City of Birmingham  
Local Street Fund Historic and Estimated Financial Operations**

	2019-2020	2020-2021	2021-2022	2022-2023	Estimated Future Operations							
					2023-2024	2024-2025	2025-2026	2026-2027	2027-2028			
<b>Revenue</b>												
State grants and distributions	\$ 590,699	\$ 649,822	\$ 712,469	\$ 747,503	\$ 764,652	\$ 775,919	\$ 798,796	\$ 817,042	\$ 833,383			
Special assessment collections	213,877	172,823	217,405	103,387	330,280	378,860	440,537	512,637	718,587			
Interest and rent	50,546	10,315	(84,825)	61,733	117,399	114,098	121,854	102,852	89,472			
Other	21,450	10,716	15,922	21,198	5,000	5,000	5,000	5,000	5,000			
Transfers from General Fund	<u>2,000,000</u>	<u>3,000,000</u>	<u>1,950,000</u>	<u>2,250,000</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>4,000,000</u>	<u>5,500,000</u>	<u>6,500,000</u>			
Total revenue	2,876,572	3,843,676	2,810,971	3,183,821	4,717,331	4,773,877	5,366,187	6,937,531	8,146,442			
<b>Expenditures</b>												
Maintenance of streets and bridges	801,900	404,041	432,216	597,832	752,803	792,489	822,447	853,768	886,512			
Street cleaning	166,552	190,298	218,931	167,062	265,690	191,909	281,264	206,234	304,585			
Street trees	520,800	548,422	724,032	964,355	982,950	1,013,575	1,045,178	1,077,797	1,111,463			
Traffic controls	65,249	55,430	67,807	54,550	74,110	68,700	71,822	75,089	78,510			
Snow and ice removal	142,594	150,260	121,856	121,529	179,570	186,021	192,736	199,730	207,013			
Administrative	28,958	29,521	28,482	27,670	27,690	28,980	30,354	31,794	33,304			
Capital outlay - Engineering and construction of roads and bridges	<u>1,375,081</u>	<u>597,621</u>	<u>1,547,598</u>	<u>672,469</u>	<u>2,648,846</u>	<u>3,330,783</u>	<u>3,244,524</u>	<u>5,458,412</u>	<u>5,562,455</u>			
Total expenditures	3,101,134	1,975,593	3,140,922	2,605,467	4,931,659	5,612,457	5,688,325	7,902,824	8,183,842			
<b>Excess of Revenue Over (Under) Expenditures</b>	(224,562)	1,868,083	(329,951)	578,354	(214,328)	(838,580)	(322,138)	(965,293)	(37,400)			
	<u>1,594,332</u>	<u>1,369,770</u>	<u>3,237,853</u>	<u>2,907,902</u>	<u>3,486,256</u>	<u>3,271,928</u>	<u>2,433,348</u>	<u>2,111,210</u>	<u>1,145,917</u>			
	<u>\$ 1,369,770</u>	<u>\$ 3,237,853</u>	<u>\$ 2,907,902</u>	<u>\$3,486,256</u>	<u>\$ 3,271,928</u>	<u>\$ 2,433,348</u>	<u>\$ 2,111,210</u>	<u>\$ 1,145,917</u>	<u>\$ 1,108,517</u>			

## **Water and Sewer Funds Assumptions**

This forecast analyzes the actual results from 2019-2020 through 2022-2023 and the City's adopted budget for 2023-2024 with inflationary increases for the years 2024-2025 through 2027-2028. Water volumes are based on a 5 year running average. Exceptions to this method are noted below:

### **Water Fund**

#### Water Purchase Cost

The forecast assumes a 4 percent increase in the cost of water for 2024-2025 through 2027-2028. Water volumes are projected to remain relatively constant.

#### Operations and Maintenance

Included in this amount is lead service line abatement in the amount of \$560,000 for fiscal year 2023-2024 and \$760,000 for fiscal year 2024-2025. The abatements will be funded by \$1,289,160 in American Rescue Plan Act funds.

#### Capital Outlay

The forecast is based on estimates prepared by the City Engineer for years 2023-2024 through 2027-2028. These improvements will be made in conjunction with road improvements and will be partially funded by property taxes from 2023-2024 through 2027-2028.

#### Interest Income

The forecast assumes investment return of 3.0 percent for 2024-2025 and gradually increasing to 3.5 percent through 2027-2028. Interest income can fluctuate between years due to unrealized market gains and losses on investments.

#### Property Taxes

Property tax revenue is distributed to the Water Fund for capital improvements associated with road projects and to partially fund lead service line abatement.

#### Federal Grants

The forecast includes \$2,240,000 in American Rescue Plan Act grants which are anticipated to be spent between fiscal years 2021-2022 through 2024-2025.

#### Transfers from Other Funds

The \$500,000 in 2019-2020 from the General Fund was for capital improvements associated with the Maple Road project.

#### Capital Outlay Not Included in Net Cost of Services

This line represents the cost of capital outlay and lead service line replacement included in the total costs above less property tax and grant revenue. This net cost is not factored into calculating the user rate.

#### Average User Rate

The higher than normal rate increases are the result of a systematic increase in funding for capital improvements from \$200,000 in 2021-2022 to \$1,400,000 in 2027-2028.

## **Sewer Fund**

### Sewage Disposal Cost

The forecast assumes a 4 percent increase in the sanitary sewage disposal costs for the Evergreen-Farmington and George W. Kuhn Sewage Disposal Districts.

### Stormwater Disposal Costs

The forecast assumes a 4 percent increase in stormwater disposal costs for the George W. Kuhn Sewage Disposal District and a 11 percent increase in stormwater disposal costs for the Evergreen-Farmington Sewage Disposal District for fiscal years 2024-2025 through 2026-2027 and a 6% increase for fiscal year 2027-2028.

### Operations and Maintenance

In fiscal year 2019-2020, the City received a stormwater, asset management, and wastewater grant. That grant involved studying the City's systems and preparing a report which was done by an outside engineering firm. In fiscal year 2023-2024, the City started contracting a portion of the sewer line televising program to an outside firm so that more of the City's sewer lines could be reviewed on an annual basis.

### Capital Outlay

The forecast uses estimates prepared by the City Engineer for years 2023-2024 through 2027-2028. These improvements will be made in conjunction with road improvements and will be funded by the reserves of the system.

### Interest Income

The forecast assumes investment return of 3.0 percent for 2024-2025 and gradually increasing to 3.5 percent through 2027-2028. Interest income can fluctuate between years due to unrealized market gains and losses on investments.

### Debt Service Payments

Debt service payments are based on current debt schedules for 2023-2024 through 2027-2028.

### Property Taxes

Property tax revenue is distributed to the Sewer Fund for sewer-related debt payments and to support capital improvements.

### Capital Outlay Not Included in Net Cost of Services

This line represents the cost of capital outlay which is not included in the user rate or is funded by property taxes. This net cost is not factored into calculating the user rate.

### Average User Rate

The sewer rate includes \$800,000 for capital improvements in 2023-2024, \$1,000,000 in 2024-2025, \$1,200,000 in 2025-2026, \$1,400,000 in 2026-2027, and \$1,600,000 in 2027-2028.

**City of Birmingham, Michigan  
Water Fund Historic and Estimated Financial Operations**

	Estimated Future Operations									
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	
<b>Key Operating Data:</b>										
Water sold	770,748	821,128	743,493	789,759	817,900	816,500	816,500	816,500	816,500	816,500
Water purchased	856,475	894,885	818,454	913,876	881,892	880,396	880,396	880,396	880,396	880,396
Average unit cost of water purchased	\$ 2.31	\$ 2.30	\$ 2.41	\$ 2.45	\$ 2.56	\$ 2.66	\$ 2.76	\$ 2.87	\$ 2.98	\$ 2.98
<b>Cost of Services</b>										
Cost of water	\$ 1,975,461	\$ 2,054,651	\$ 1,970,910	\$ 2,235,251	\$ 2,260,890	\$ 2,343,160	\$ 2,432,530	\$ 2,525,500	\$ 2,622,110	\$ 2,622,110
Depreciation	859,855	908,587	923,955	949,686	1,070,070	1,138,669	1,222,544	1,349,144	1,484,869	1,484,869
Operation and maintenance	1,235,465	1,850,791	2,532,501	3,057,135	3,036,820	2,510,292	1,840,461	1,901,765	1,967,331	1,967,331
General and administrative	213,344	216,531	205,091	218,686	225,470	235,041	245,587	253,521	264,977	264,977
Capital outlay	987,998	1,781,454	678,850	884,565	3,007,000	2,744,000	3,347,000	5,064,000	5,429,000	5,429,000
Total Cost of Services	5,272,123	6,812,014	6,311,307	7,345,323	9,600,250	8,971,162	9,088,122	11,093,930	11,768,287	11,768,287
<b>Other Income</b>										
Interest	163,284	3,141	(183,297)	122,024	150,000	213,772	273,353	300,692	285,660	285,660
Property taxes	998,538	1,498,003	1,297,527	1,097,230	400,000	2,950,000	2,050,000	2,200,000	2,000,000	2,000,000
Federal Grants	-	-	277,852	1,083,727	1,305,680	729,160	-	-	-	-
Flat rate meter charge and other	647,103	704,255	664,479	735,850	727,000	727,000	728,800	730,654	732,564	732,564
Transfer from other funds	500,000	-	-	-	-	-	-	-	-	-
Total Other Income	2,308,925	2,205,399	2,056,561	3,038,831	2,582,680	4,619,932	3,052,153	3,231,346	3,018,224	3,018,224
<b>Less: Capital Outlay and Lead Replacement Costs Not Included in Net Cost of Services</b>										
					(2,007,000)	1,006,000	(297,000)	(1,664,000)	(2,029,000)	(2,029,000)
<b>Net Cost of Services</b>	\$ 2,963,198	\$ 4,606,615	\$ 4,254,746	\$ 4,306,492	\$ 5,010,570	\$ 5,357,230	\$ 5,738,969	\$ 6,198,584	\$ 6,721,063	\$ 6,721,063
<b>Average User Charge</b>					\$ 6.13	\$ 6.56	\$ 7.03	\$ 7.59	\$ 8.23	\$ 8.23
<b>Average Rate Increase</b>						7.01%	7.16%	7.97%	8.43%	8.43%

See accompanying summaries of significant assumptions.

**City of Birmingham, Michigan  
Sewer Fund Historic and Estimated Financial Operations**

	Actual					Estimated Future Operations				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	
<b>Key Operating data:</b>										
Water sold	770,748	821,128	743,493	789,759	817,900	816,500	816,500	816,500	816,500	
Water purchased	856,475	894,885	818,454	913,874	881,892	880,396	880,396	880,396	880,396	
Average unit cost of sewage disposal	\$ 4.52	\$ 4.59	\$ 5.23	\$ 4.95	\$ 5.42	\$ 5.63	\$ 5.86	\$ 6.09	\$ 6.34	
<b>Cost of Services</b>										
Sanitary sewage disposal costs	\$ 3,869,263	\$ 4,109,306	\$ 4,277,198	\$ 4,521,176	\$ 4,777,660	\$ 4,957,722	\$ 5,157,803	\$ 5,365,887	\$ 5,582,295	
Storm water costs	2,599,432	2,752,743	2,887,023	3,399,643	3,166,250	3,607,404	3,908,195	4,206,512	4,416,136	
Depreciation and amortization	1,012,947	1,063,765	1,101,523	1,182,551	1,223,040	1,283,690	1,366,815	1,461,040	1,557,215	
Debt service - including principal	1,681,694	1,689,379	396,059	316,922	315,230	33,055	33,068	28,814	28,664	
Operation and maintenance	944,343	458,505	715,119	720,947	1,130,360	1,164,647	1,216,127	1,259,028	1,302,900	
General and administrative	247,382	251,643	238,274	243,520	251,000	262,934	275,834	289,360	303,384	
Capital outlay	852,432	1,952,702	2,402,023	2,366,004	2,517,000	2,426,000	3,325,000	3,769,000	3,847,000	
<b>Total Cost of Services</b>	11,207,493	12,278,043	12,017,219	12,750,763	13,380,540	13,735,452	15,282,842	16,379,641	17,037,594	
<b>Other Income</b>										
Interest	179,076	5,705	(149,795)	68,386	65,190	66,879	120,316	149,656	164,489	
Property taxes	1,687,430	1,688,738	396,579	317,179	315,230	2,533,055	1,533,068	1,528,814	1,278,664	
Storm water charge	2,624,333	2,769,011	2,910,903	3,031,478	3,166,250	3,607,404	3,908,195	4,206,512	4,416,136	
State grant	592,990	-	-	-	-	-	-	-	-	
Other	71,729	38,514	164,125	148,845	110,000	110,000	110,000	110,000	112,200	
<b>Total Other Income</b>	5,155,558	4,501,968	3,321,812	3,565,888	3,656,670	6,317,338	5,671,579	5,994,982	5,971,489	
<b>Less: Capital Outlay Not Included in Net Cost of Services</b>										
					(1,717,000)	1,074,000	(625,000)	(869,000)	(997,000)	
<b>Net Cost of Services</b>	\$ 6,051,935	\$ 7,776,075	\$ 8,695,407	\$ 9,184,875	\$ 8,006,870	\$ 8,492,114	\$ 8,986,263	\$ 9,515,659	\$ 10,069,105	
<b>Average User Charge</b>					\$ 9.79	\$ 10.40	\$ 11.01	\$ 11.65	\$ 12.33	
<b>Average Rate Increase/Decrease</b>						6.23%	5.87%	5.81%	5.84%	

See accompanying summaries of significant assumptions.

## Appendix A

### Part 1 - History of actual property tax levies:

	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
History of Form L-4025, Assessor's Report of Taxable Value	2,359,367,180	2,497,255,420	2,638,284,320	2,763,363,580	2,961,382,730
New property additions	63,886,305	75,634,670	69,047,712	66,043,930	63,213,900
Property losses	(13,118,053)	(11,573,438)	(13,050,235)	(10,222,270)	(19,003,734)
Increases in existing property TV (imputed; includes both uncapping and Headlee inflation increases)	<u>87,119,988</u>	<u>76,967,668</u>	<u>69,081,783</u>	<u>142,197,490</u>	<u>187,584,704</u>
Current year taxable value	2,497,255,420	2,638,284,320	2,763,363,580	2,961,382,730	3,193,177,600
Headlee Inflation rate	2.40%	1.90%	1.40%	3.30%	5.00%
Actual increase on existing properties	1.31%	1.19%	1.23%	1.86%	1.37%
Total change in Taxable Value	5.84%	5.65%	4.74%	7.17%	7.83%
Headlee reduction fraction	0.9873	0.9884	0.9880	0.9823	1.0000

### Part 2 - Projection of Future property taxes:

Fiscal year ended June 30, Assumed rate of:	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2026-2027</u>	<u>2027-2028</u>
New property additions	2.13%	2.25%	2.00%	2.00%	2.00%
Property losses	0.64%	0.50%	0.50%	0.50%	0.50%
Headlee Inflation rate multiplier	5.00%	5.00%	2.50%	2.50%	2.50%
Projected actual change in TV of existing property	1.37%	1.30%	1.30%	1.30%	1.30%
Total change in Taxable Value	7.83%	8.02%	5.29%	5.29%	5.29%
Projected taxable value:					
Beginning value	2,961,382,730	3,193,177,600	3,449,430,102	3,631,818,718	3,823,851,132
New property additions	63,213,900	71,846,496	68,988,602	72,636,374	76,477,023
Property losses	(19,003,734)	(15,965,888)	(17,247,151)	(18,159,094)	(19,119,256)
Market value adjustments (including inflation)	<u>187,584,704</u>	<u>200,371,894</u>	<u>130,647,165</u>	<u>137,555,134</u>	<u>144,828,362</u>
Taxable value	<u>3,193,177,600</u>	<u>3,449,430,102</u>	<u>3,631,818,718</u>	<u>3,823,851,132</u>	<u>4,026,037,261</u>
Headlee rollback factor	1.0000	0.9887	0.9874	0.9874	0.9874
Less: Tax Incremental Taxable Value	16,665,910	16,732,830	17,151,160	6,291,090	6,448,370

### Part 3 - Millage rates

Operating - General Fund	8.3215	6.8820	7.3218	7.1866	7.2006
Road - General Fund	<u>2.2037</u>	<u>2.1849</u>	<u>2.2132</u>	<u>2.2266</u>	<u>2.2390</u>
subtotal General Fund	10.5252	9.0669	9.5350	9.4132	9.4396
George W. Kuhn Drain	0.0991	0.0096	0.0091	0.0075	0.0071
Sewer Fund - Capital Improvements	0.0000	0.7283	0.4150	0.3929	0.3110
Water Fund - Capital Improvements	<u>0.1258</u>	<u>0.8594</u>	<u>0.5671</u>	<u>0.5763</u>	<u>0.4976</u>
subtotal City Operating Levy	10.7501	10.6642	10.5262	10.3899	10.2553
Library	1.3142	1.2993	1.2829	1.1786	1.1000
Refuse	0.7384	0.7144	0.7079	0.7020	0.6983
Senior	0.0000	0.3300	0.3258	0.3217	0.0000
Debt	<u>0.5137</u>	<u>0.2294</u>	<u>0.2135</u>	<u>0.2167</u>	<u>0.2099</u>
Total Millage Rate	<u><u>13.3164</u></u>	<u><u>13.2373</u></u>	<u><u>13.0563</u></u>	<u><u>12.8089</u></u>	<u><u>12.2635</u></u>

### Part 4 - Amount of property tax levy:

Operating - General Fund	\$26,433,340	\$23,623,820	\$26,465,870	\$27,435,280	\$28,943,450
Road - General Fund	<u>7,000,000</u>	<u>7,500,000</u>	<u>8,000,000</u>	<u>8,500,000</u>	<u>9,000,000</u>
subtotal General Fund	33,433,340	31,123,820	34,465,870	35,935,280	37,943,450
George W. Kuhn Drain	315,230	33,055	33,068	28,814	28,664
Sewer Fund - Capital Improvements	-	2,500,000	1,500,000	1,500,000	1,250,000
Water Fund - Capital Improvements	<u>400,000</u>	<u>2,950,000</u>	<u>2,050,000</u>	<u>2,200,000</u>	<u>2,000,000</u>
subtotal City Operating Levy	34,148,570	36,606,875	38,048,938	39,664,094	41,222,114
Library	4,174,570	4,460,100	4,637,260	4,499,380	4,421,550
Refuse	2,345,540	2,452,360	2,558,820	2,679,870	2,806,780
Senior	-	1,132,790	1,177,660	1,228,110	-
Debt	<u>1,640,340</u>	<u>792,320</u>	<u>776,620</u>	<u>829,780</u>	<u>846,280</u>
Total property taxes levied	<u><u>\$ 42,309,020</u></u>	<u><u>\$ 45,444,445</u></u>	<u><u>\$ 47,199,298</u></u>	<u><u>\$ 48,901,234</u></u>	<u><u>\$ 49,296,724</u></u>

See accompanying summary of significant assumptions.



### PROPERTY TAX ASSUMPTIONS

Appendix A illustrates the process used to estimate the property tax revenue.

Part 1 includes the last five years of actual data, from the Assessor's Report of Taxable Values (Form L-4025). Parts 2 through 4 represent the projection of future property tax values, millage rates, and dollars levied. The 2023 tax billing is already final (billed July 1, 2023); key assumptions for 2024-2025 through 2027-2028 on a line-by-line basis are as follows:

- a. New property additions are assumed to increase by 2.25 percent for 2024-2025 and 2 percent for the remaining years.
- b. Property losses, which usually represents removal of buildings, is forecasted to remain within historic values of .5 percent of taxable value.
- c. Headlee inflation rate multiplier is based on national inflation indexes. Based on these indexes, the inflation rate for 2024-2025 will be 5.1 percent, however, due to Proposal A, the rate will be capped to 5 percent. While inflation historically has been bound to the 1.5 to 2.5 percent range, with 2022-2023 increasing to 3.3 percent and 2023-2024 capped at 5 percent, the forecast projects an annual inflation rate of 5 percent for 2024-2025 and a normalized rate of 2.5 percent for fiscal years 2025-2026 through 2027-2028.
- d. The projected actual change in taxable values of existing properties for the forecast is projected to be 1.3 percent which has been the historic average for the past 5 years. Note that this index represents the net change in valuation for all properties that existed in the previous year; therefore, it includes two components: (1) uncapping of properties that are transferred or sold; and (2) any reductions in market value that cause SEV (50 percent of market value) to go lower than the TV. While market value decreases may occur, the impact on taxable value is limited because of Proposal A (please see SEV vs Taxable Value Chart). Taxable values are then calculated based on the above three factors.
- e. Total change in taxable value is the product of a-d above and results in projected taxable value changes of 8 percent in 2024-2025 and 5.29% for the remaining years of the forecast.
- f. Millage rates are set as required to achieve the amount of property tax levy required in Part 4. Specifically:
  1. The millage rate for the City operating levy is assumed to decrease annually in order to maintain at least a .3 mill difference between the Headlee maximum and the operating levy. Also included in the overall City operating levy is funding for road improvements, debt service payments for the George W. Kuhn retention treatment facility bonds, and water main and sewer infrastructure.
  2. The library tax levy for 2023-2024 is at the 1.3142 maximum rate and decreases slightly for 3 years to fund phase 3 of library renovations and glass replacement before returning to their normal millage in the final year of the forecast.
  3. The millage rate for the refuse levy is expected to decrease in each year of the forecast.
  4. A senior millage was approved for 3 years by the voters in November 2023. These funds will be used to provide a sinking fund for the new senior center at the current YMCA location.
  5. The debt millage rate is expected to decrease in fiscal year 2024-2025 due to the

retirement of a portion of the 2016 Refunding Bonds (previously, the 2002 park bonds). An estimate for the next park bond series has been included in the debt levy starting in fiscal year 2024-2025.

- g. Property tax millage rates are limited by City Charter and Headlee Amendment as follows:

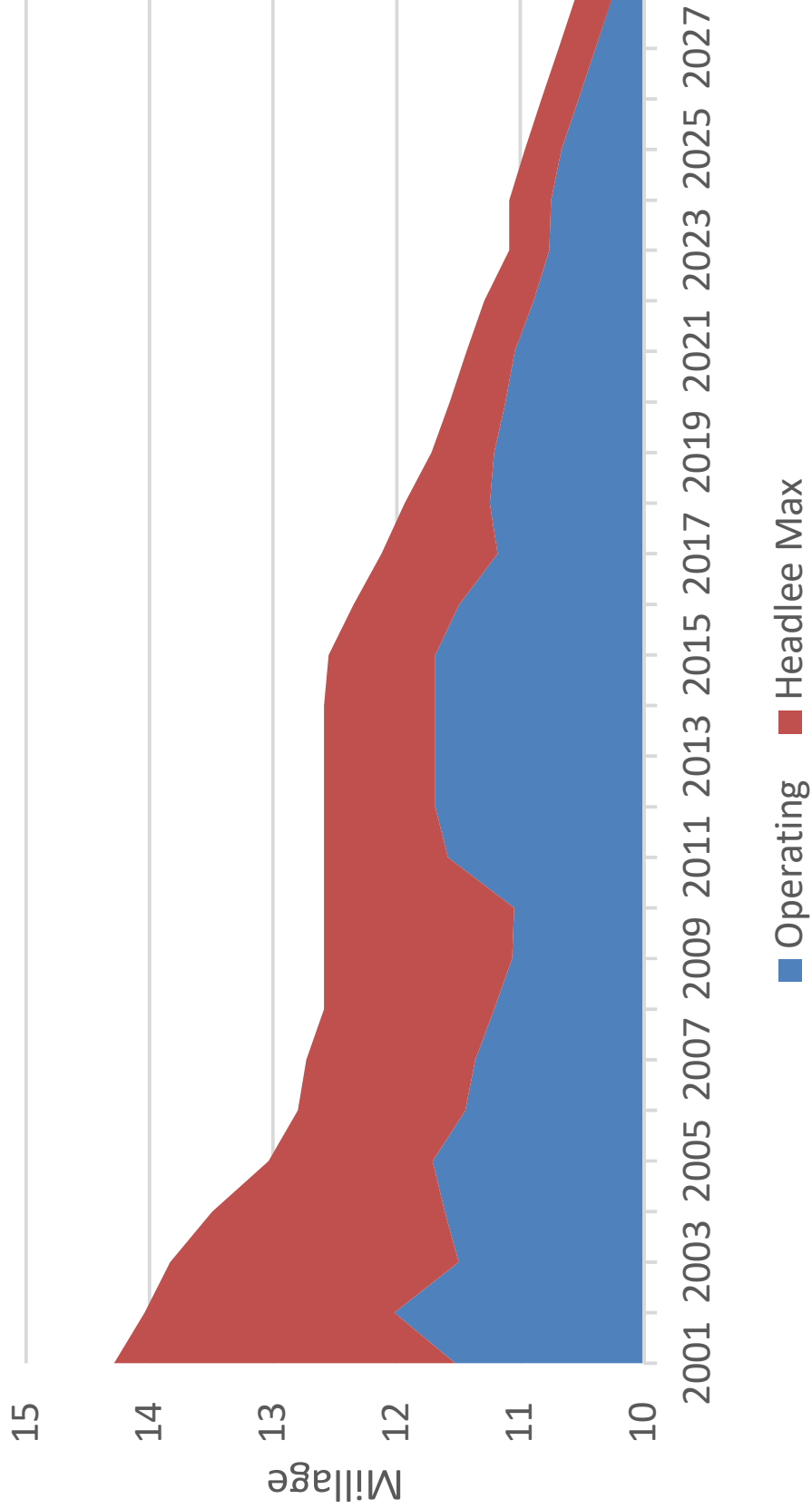
*As of Fiscal Year 2023-2024*

Tax Levy	City Charter Limit	Headlee Amendment Limit
City Operating Levy	20.0000	11.0901
Library	1.7500	1.3143
Refuse	3.0000	1.6630

All tax levies under this forecast are projected to be at or under the Headlee limit in the future.

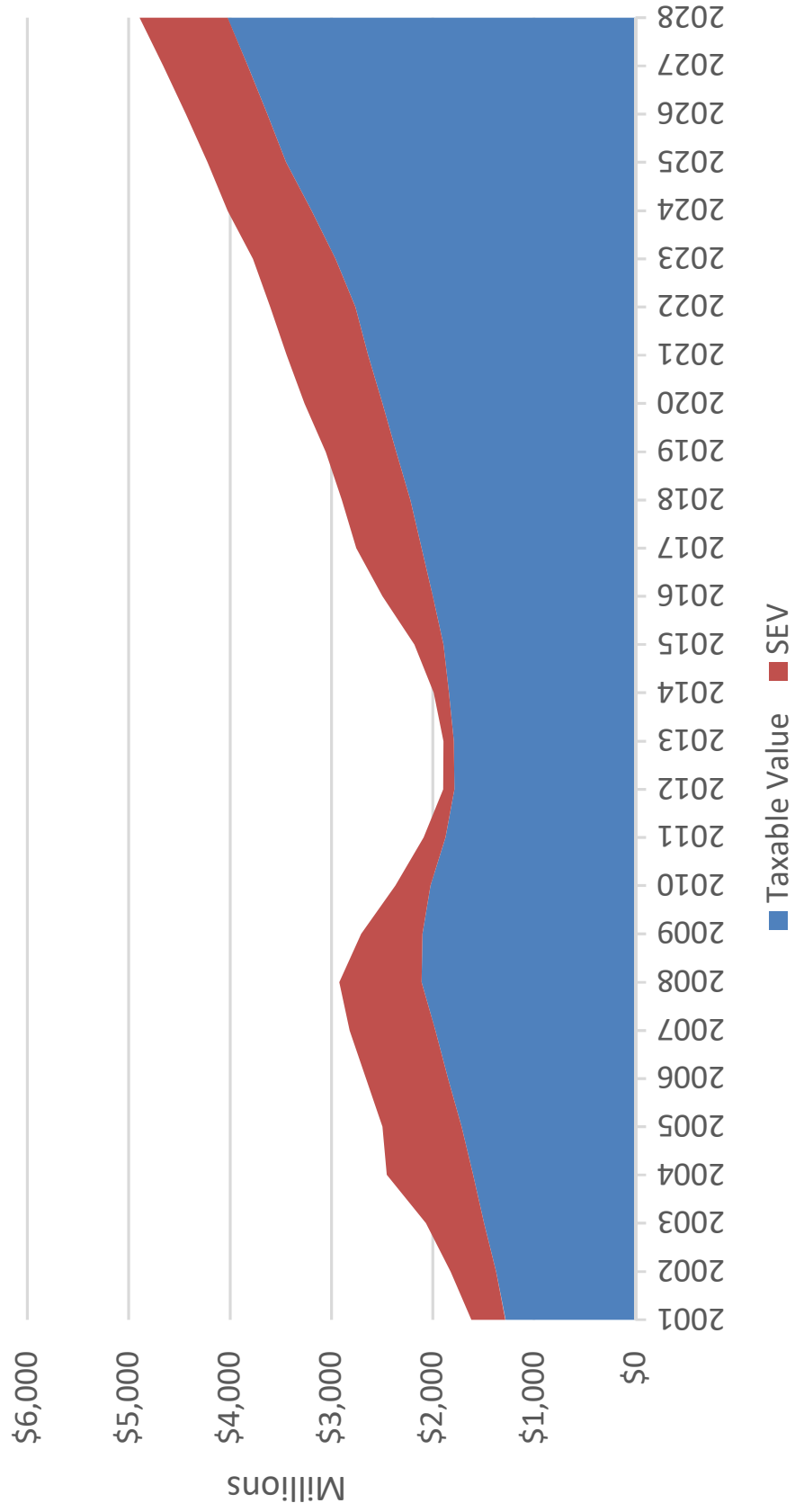
- h. The City considered the effects of tax incremental financing on property tax revenue in the forecast. The City uses tax incremental financing as a tool to encourage redevelopment of properties that would otherwise likely not be redeveloped. Tax incremental financing is primarily used to reimburse developers who have removed environmental contamination from their property in the course of redevelopment.

# Headlee Limit vs Operating Millage



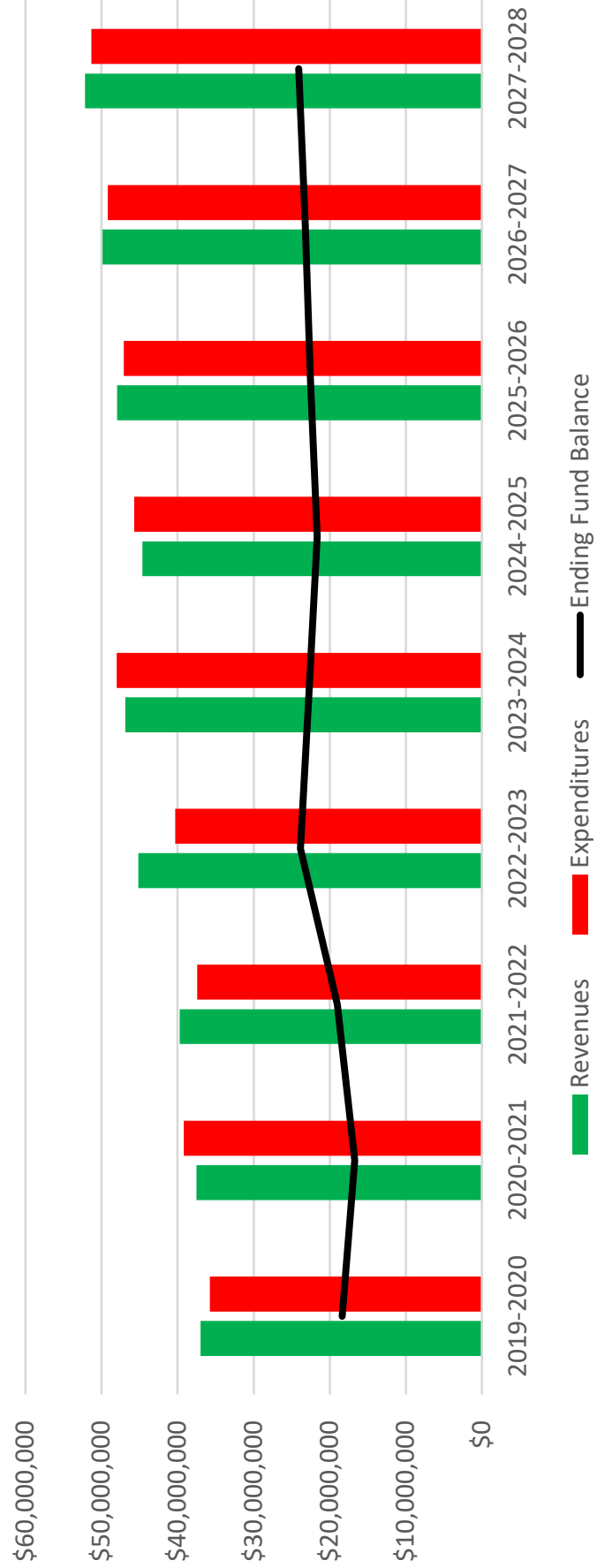
See accompanying summaries of significant assumptions and accounting policies.

## SEV vs Taxable Value



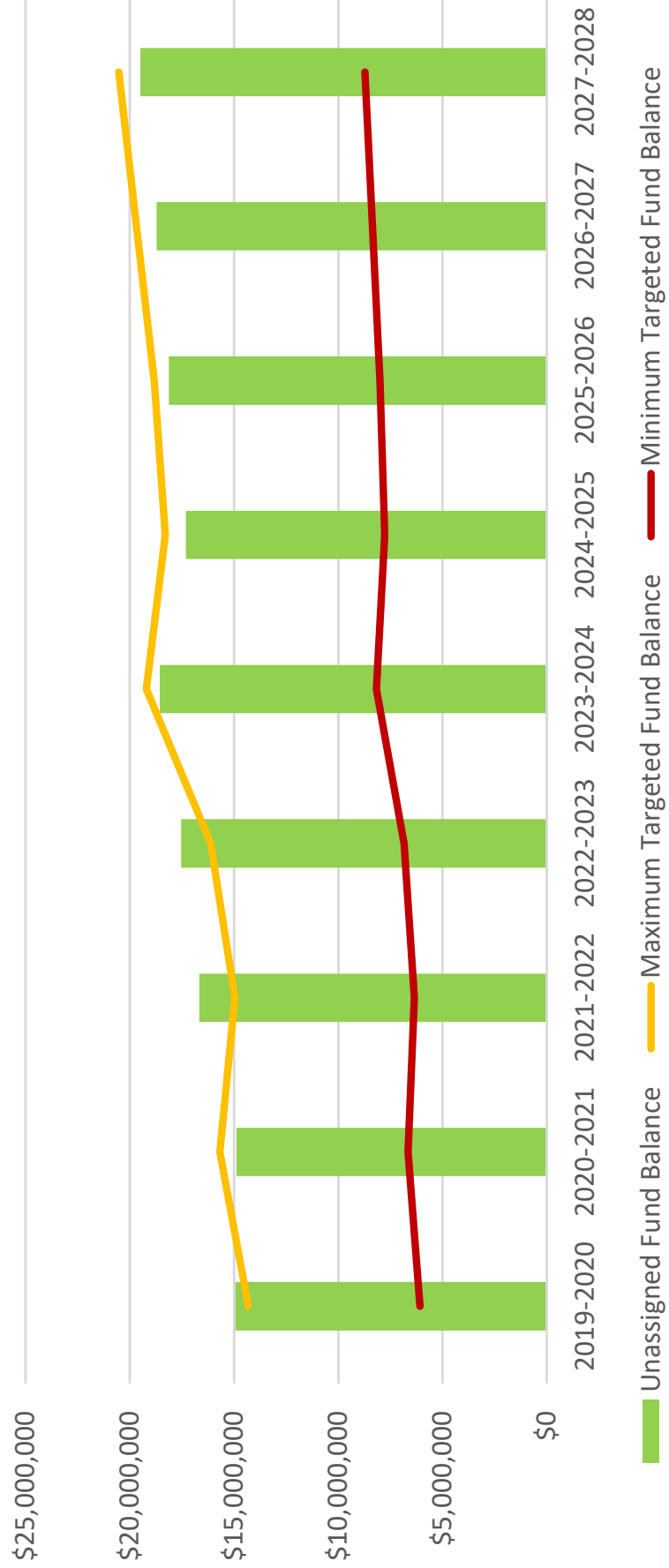
See accompanying summaries of significant assumptions and accounting policies.

## General Fund - Fund Balance

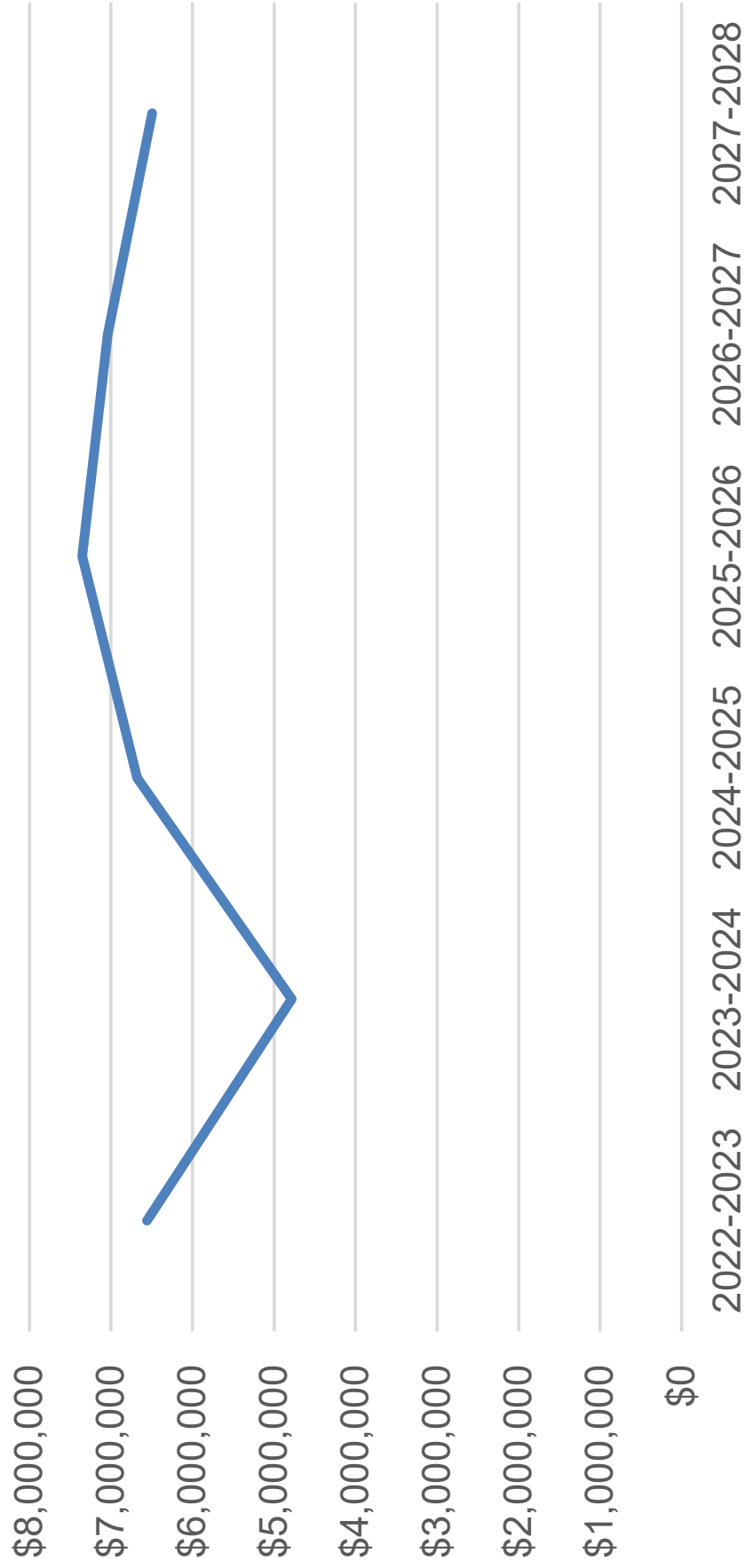


See accompanying summaries of significant assumptions and accounting policies.

## General Fund Projected Unassigned Fund Balance Compared to Targeted Levels



## Projected Water Fund Unrestricted Net Position



See accompanying summaries of significant assumptions and accounting policies.

## Projected Sewer Fund Unrestricted Net Position

