

City of Birmingham, Michigan
Five-year Financial Forecast

Years Ending June 30, 2022 through June 30, 2026

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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 eight of the nine 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 within the range for the years ended June 30, 2022, 2023, 2024, 2025. The General Fund's unassigned fund balance is forecasted to be above the range for the year ending June 30, 2026.

General Assumptions and Information

- Historical data for fiscal years 2017-2018 through 2020-2021 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, 2021. 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 2021-2022 through 2025-2026 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 2020-2021 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 4 percent for expenditures for fiscal year 2022-2023, 3 percent for fiscal year 2023-2024, and 2 percent for fiscal years 2024-2025 through 2025-2026 were utilized.
- 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.

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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 the period of 2022-2026. The following is a summary of estimated infrastructure improvement costs by fiscal year, not including 2021-2022 projects either in-progress or completed as of December 31, 2021:

FISCAL YEAR	MAJOR STREETS	LOCAL STREETS	WATER FUND	SEWER FUND	TOTAL
2021-2022	\$2,616,000	\$2,525,000	\$1,825,000	\$2,249,000	\$9,215,000
2022-2023	\$3,850,000	\$2,100,000	\$1,624,000	\$1,495,000	\$9,069,000
2023-2024	\$2,850,000	\$2,875,000	\$2,550,000	\$2,145,000	\$10,420,000
2024-2025	\$1,425,000	\$3,125,000	\$2,550,000	\$2,500,000	\$9,600,000
2025-2026	\$3,985,000	\$3,275,000	\$2,650,000	\$2,100,000	\$12,010,000

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.

See accompanying summaries of significant assumptions and accounting policies.

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Five-year Financial Forecast

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 740 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 contracts to complete replacements. There are approximately 439 lead service lines that still need to be replaced. The City is anticipating that the remaining lead service lines will be replaced during 2021-2022, 2022-2023 and 2023-2024, with 375-400 of those lines being replaced using the American Rescue Plan Act funding.

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.

Streetlights

New streetlights are proposed in conjunction with planned downtown renewal projects. The estimated costs are as follows:

S. Old Woodward Ave. – Brown St. to Landon St. \$525,000 in fiscal year 2022-2023

Alleys and Sidewalks

In 2022-2023, sidewalk and streetscape improvements are planned on S. Old Woodward Ave. – Brown St. to Landon St. at an estimated cost of \$2,470,000. A majority of this cost will be special assessed back to the property owners. Other 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 alley in 2022-2023 for \$400,000 and West Maple Road alley in 2023-2024 for \$365,000.

Ice Arena

The ice arena underwent renovations starting in the spring of 2021 and was completed in the fall of 2021. The renovations included replacing the ice arena's refrigerant equipment, replacing the refrigerant lines under the main rink, and expansion and renovations of the locker rooms. This was funded by a transfer from the General Fund of \$2 million and approximately \$3.8 million in park and recreation bond funds.

See accompanying summaries of significant assumptions and accounting policies.

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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 includes improvements at Adams Park; Booth Park; the Ice Arena; playgrounds at Springdale, Crestview and Howarth Parks; a new pickleball court; and trail improvements. Phase II, beginning in fiscal year 2023-2024, in the amount of \$6,500,000 will cover playgrounds at the Lincoln Well & Pumphouse site, Linden, Pembroke and St. James Parks; a new splash pad, Poppleton Park playground with drainage improvements; and improvements at Kenning Park including playground, Fields 1 & 4, and a new walking path.

General Fund Assumptions

COVID-19

The City has and still is experiencing an extraordinary event with the COVID-19 worldwide pandemic. This event has thrown all “normal” models and projections into even more uncertainty. This forecast generally assumes that the effects of the pandemic will continue until the end of the 2021-2022 fiscal year and start to evolve to our new norms in the following years.

The impact of the pandemic on the General Fund in fiscal years 2019-2020 and 2020-2021 has been to the following areas: parks and recreation (including ice arena operations), 48th District Court operations, and parking enforcement. The pandemic has also caused delays in some projects as the availability of contractors during the pandemic has been limited.

The long-term effect of the pandemic is uncertain at this time. Factors such as high unemployment, the housing market, interest rates, inflationary rates, and office and retail occupancy rates are all risks that will affect the City in future years. Fortunately, the City is in very good financial condition with healthy reserves to mitigate these risks.

Revenue

Property Taxes

Appendix A illustrates the process used to estimate property tax revenues. Economic indicators show continued growth in the housing market which will affect SEV and TV growth. The 2021-2022 taxable value for the City increased by 4.7 percent. The forecast assumes an annual increase in taxable value starting at 5.8 percent for 2022-2023 and 5.0 percent annually afterwards.

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 and water capital improvements.

Building Permits

New house permits, renovations and additions show a slight improvement from 2021-2022 and increase slightly each year under the forecast.

Federal Grant Revenue – COVID Related

The City has received several grants from different agencies. It is anticipated that the City will receive additional grant funding in fiscal year 2021-2022.

Other Intergovernmental Revenue

In fiscal years 2017-2018 through 2020-2021 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.

Ice Arena Fees

For fiscal year 2021-2022, ice arena fees decreased as the season was started in November, missing the normal opening month of September. It is projected that revenues will surpass past revenues due to the fact the season should be extended with the new ice arena.

48th District Court Revenue

48th District Court revenue is anticipated to decrease in 2022-2023 as a result of the City opting out of being a funding unit effective December 31, 2022.

Parking Ticket Revenue

Parking ticket revenue is expected to be near historic levels for the entire forecast.

Interest and Rent

The forecast assumes investment return of 1 percent for 2022-2023 with a slight improvement to 1.75 percent in 2025-2026. For periods 2017-2018 through 2020-2021, the fluctuations in the investment income was the result of low interest rates and unrealized market gains (2018-2019 through 2019-2020) and losses (2017-2018 and 2020-2021). The increase in other interest earnings relates to special assessments on the Old Woodward and Maple road projects.

Other Revenue

The increase in revenue is due to special assessment collections from the Old Woodward, Maple Road, and S. Old Woodward projects.

Expenditures

Personnel Service Cost Assumptions

Full-time staffing, which consists of 163 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, 2023
Teamsters	June 30, 2024
Police Command (BCOA)	June 30, 2022
Firefighters (BFFA)	June 30, 2023
Police (BPOA)	June 30, 2022

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 2022-2023 through 2025-2026.

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.

Public Safety

Increases to Public Safety expenditures from 2016-2017 to 2019-2021 are mainly the result of adding 8 employees during that time period.

Sidewalk and Alley Construction

Construction costs include South Old Woodward Avenue sidewalks from Brown to Landon for \$2.4 million and Oak sidewalk gap closure for \$265,000 in 2022-2023. Sidewalk routine replacement costs are estimated at \$650,000 per year. Alley construction costs include Pierce Alley estimated at \$400,000 in 2021-2022 and W. Maple Alley estimated at \$365,000. Both the sidewalk and alley construction will be assessed to the owners.

Ice Sports Arena

The renovations on the arena have been completed. The Ice Sports Arena has since reopened in November, and it is projected that costs associated will be less than normal in fiscal year 2021-2022 due to the season starting late. Going forward the season may be extended, which is anticipated to increase operational expenses.

48th District Court

Expenditures are expected to decrease starting in fiscal year 2022-2023 as a result of the City opting out as a funding unit effective December 31, 2022.

Operating Transfers Out

In 2018-2019, a transfer of \$775,000 to the Sewer Fund as reimbursement of costs paid to settle the Wolf v. Birmingham lawsuit relating to storm water fees. Additionally, a \$443,000 transfer was made for 2018-2019 to the Retiree Health Care Fund. Transfers out to the Major Street Fund, Local Street Fund, and Capital Projects Fund are routine and represent funding for capital improvements.

Other Expenditures

Other expenditures assume 4 percent increases for the years 2021-2022 through 2022-2023, 3 percent increases in 2023-2024, and 2 percent increases in 2024-2025 through 2025-2026.

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

	Actual					Estimate Future Operations				
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	
Revenue										
Taxes										
Real and personal property taxes	\$ 23,513,459	\$ 24,985,216	\$ 26,072,678	\$ 26,958,170	\$ 28,263,010	\$ 30,380,300	\$ 31,951,310	\$ 33,918,650	\$ 36,169,760	
Tax losses	(23,773)	(23,668)	(31,113)	(61,510)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	
Penalties and interest	101,811	112,660	130,234	120,760	130,000	130,000	130,000	130,000	130,000	
Total taxes	23,591,497	25,074,208	26,171,799	27,017,420	28,293,010	30,410,300	31,981,310	33,948,650	36,199,760	
Licenses and Permits										
Business licenses and permits	60,272	62,937	33,131	47,420	48,870	62,170	62,200	62,200	62,200	
Rental housing fees	157,752	173,750	174,978	184,510	182,030	184,760	187,531	190,344	193,199	
Building permits	2,111,579	2,361,287	1,741,665	2,038,310	1,976,360	2,006,005	2,036,095	2,066,636	2,097,636	
Appeal and review fees	181,015	129,164	143,208	251,090	150,510	151,850	151,690	151,690	151,690	
Telecommunication permit	65,277	65,410	72,790	75,210	53,870	73,000	73,000	73,000	73,000	
Cable television franchise fees	351,256	348,869	332,441	318,360	325,000	350,000	350,000	350,000	350,000	
Other	6,442	6,285	3,895	3,720	6,000	6,000	6,000	6,000	6,000	
Total license and permits	2,933,593	3,147,702	2,502,108	2,918,620	2,742,640	2,833,785	2,866,516	2,899,870	2,933,725	
Intergovernmental										
Federal grants	78,271	42,044	40,316	48,880	66,900	43,000	43,000	43,000	43,000	
Federal COVID related grants	-	-	-	915,690	400,000	-	-	-	-	
State										
Shared revenue	1,920,336	1,997,557	1,964,936	2,231,950	2,115,540	2,146,042	2,177,428	2,209,285	2,241,619	
Other	60,614	58,314	91,043	50,450	55,500	56,800	56,800	56,800	56,800	
Local	454,776	243,297	332,722	101,420	86,300	86,420	86,350	86,350	86,350	
Total intergovernmental	2,513,997	2,341,212	2,429,017	3,348,390	2,724,240	2,332,262	2,363,578	2,395,435	2,427,769	
Charges for Services										
Labor charges to other funds	1,171,122	1,442,528	1,416,925	1,395,010	1,359,500	1,378,319	1,397,420	1,416,808	1,436,486	
Ice arena fees	620,024	633,865	509,756	314,890	598,100	664,600	676,600	683,665	690,836	
Other recreation program fees	123,063	115,150	95,680	95,740	108,990	108,990	109,998	111,021	112,059	
Museum fees	39,561	41,989	39,856	39,780	44,200	44,200	44,200	44,200	44,200	
Special event fees	85,801	84,363	69,507	28,390	81,910	86,610	86,610	86,610	86,610	
Sidewalk construction	48,912	24,685	19,390	19,390	25,000	25,000	25,000	25,000	25,000	
Dispatch	314,798	334,310	345,327	361,530	382,400	388,136	393,958	399,867	405,865	
EMS transports	351,263	373,437	417,912	375,010	420,000	426,300	432,695	439,185	445,773	
Other recreation program fees	45,264	66,517	51,181	46,870	72,420	73,920	73,920	73,920	73,920	
Total charges for services	2,799,808	3,116,844	2,947,874	2,676,610	3,092,520	3,196,075	3,240,401	3,280,276	3,320,749	
Fines and Forfeitures										
48th District Court	1,282,413	1,170,013	1,086,365	510,240	785,540	479,500	99,500	99,500	99,500	
Parking fines	533,148	542,354	377,617	452,200	500,000	525,000	525,000	525,000	525,000	
Impound fees	8,050	7,800	5,000	1,820	2,500	7,000	7,000	7,000	7,000	
False alarm charges	5,855	5,700	5,018	4,400	3,000	5,000	4,750	4,750	4,750	
Total fines and forfeitures	1,809,466	1,725,867	1,474,000	968,660	1,291,040	1,016,500	636,250	636,250	636,250	

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

	Actual				Estimate Future Operations				
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Interest and Rent									
Interest earned on investments	125,037	802,348	1,089,837	12,470	400,000	350,000	350,000	350,000	350,000
Rent	59,091	64,507	53,507	57,560	60,060	60,938	61,830	62,735	63,654
Other interest earnings	3,954	2,372	1,875	63,910	177,000	137,250	117,850	117,850	117,850
Total interest and rent	188,082	869,227	1,145,219	133,940	637,060	548,188	529,680	530,585	531,504
Other Revenue	90,783	359,197	98,451	337,020	641,570	414,850	956,730	608,480	608,480
Contributions from Other Funds	100,000	179,400	200,000	115,000	100,000	100,000	100,000	100,000	100,000
Total revenue	34,027,226	36,813,657	36,968,468	37,515,660	39,522,080	40,851,960	42,674,465	44,399,546	46,758,237
Expenditures									
General Government									
Commission	52,365	52,241	65,600	58,870	118,130	127,702	137,646	148,042	159,798
Manager's office	446,367	555,838	548,890	588,850	761,106	783,041	811,726	840,822	871,432
Elections	39,979	34,496	65,793	67,350	42,454	51,950	26,850	64,450	26,850
Assessor	208,030	207,738	209,635	211,750	242,981	252,686	260,255	265,453	270,755
Legal	458,445	477,740	494,765	503,490	544,440	548,592	558,570	569,741	581,135
Clerk	311,445	344,442	379,226	480,120	468,123	485,248	504,187	523,486	544,904
Finance	809,820	835,421	852,721	956,670	983,744	989,293	1,028,336	1,068,912	1,112,978
Human resources	306,007	335,542	357,255	362,930	459,413	479,236	500,070	520,279	541,721
Treasurer	646,204	659,354	688,323	693,200	749,000	776,446	805,146	835,868	869,767
City hall and grounds	480,613	513,058	518,531	529,620	599,545	620,871	676,866	659,638	678,215
Library maintenance	30,484	36,577	45,136	31,280	39,534	41,115	42,349	43,197	44,060
Historical museum									
Hunter House	10,959	13,686	22,995	81,090	80,630	31,393	16,734	17,069	17,410
Allen House	174,665	197,060	173,594	186,750	440,310	251,158	314,684	332,071	351,089
General administration	1,107,291	1,040,012	1,083,779	1,057,200	1,196,588	1,300,865	1,341,449	1,378,339	1,416,453
Total general government	5,082,674	5,303,205	5,506,243	5,809,170	6,725,998	6,739,596	7,024,868	7,267,367	7,486,547
Public Safety									
Police	5,991,538	6,490,294	6,871,655	7,363,140	7,680,351	7,861,953	8,194,590	8,552,130	8,927,950
Fire	5,482,557	5,922,405	6,403,824	6,972,330	7,251,160	7,438,167	7,601,495	7,914,017	8,240,853
Dispatch	1,024,994	986,648	1,032,934	1,077,950	1,165,991	1,211,808	1,282,062	1,308,661	1,360,270
Emergency preparation	9,202	9,180	98,130	54,450	58,320	11,573	11,770	11,905	12,043
Total public safety	12,508,291	13,408,527	14,406,543	15,467,870	16,155,822	16,523,501	17,089,917	17,786,713	18,541,116
Community Development									
Planning	542,144	735,005	549,202	538,710	699,616	729,241	757,893	787,329	817,476
Building inspection	2,076,541	2,259,260	2,395,516	2,086,620	2,409,798	2,512,051	2,620,359	2,730,474	2,847,173
Total community development	2,618,685	2,994,265	2,944,718	2,625,330	3,109,414	3,241,292	3,378,252	3,517,803	3,664,649

See accompanying summaries of significant assumptions and accounting policies.

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

	Actual					Estimate Future Operations				
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	
Engineering and Public Services										
Engineering	813,693	867,584	787,291	908,140	1,345,883	1,420,628	1,444,382	1,495,511	1,549,616	
Sidewalk construction and replacement	1,113,173	2,059,063	847,501	3,018,590	1,523,824	3,188,335	720,385	721,793	723,229	
Alley construction and maintenance	17,075	83,986	15,931	17,240	425,000	390,000	25,000	25,000	25,000	
Fiber optic system	-	2,759	36,470	136,630	144,825	275,000	5,000	5,000	5,000	
Property maintenance	787,774	911,791	1,046,241	1,020,120	1,154,093	1,195,595	1,232,893	1,266,632	1,301,581	
Department of Public Services - General	268,804	294,114	319,395	346,050	434,486	450,953	479,145	514,310	554,017	
Weed/Snow enforcement	32,330	29,011	42,449	37,890	53,825	55,961	57,967	59,911	61,934	
Community activities	244,007	317,270	273,834	282,910	336,856	349,338	360,694	371,286	382,270	
Ice sports arena	631,037	636,840	608,088	476,660	690,837	720,930	741,429	762,185	783,626	
Parks	1,064,557	1,045,279	1,148,280	1,092,820	1,227,365	1,264,875	1,297,589	1,330,907	1,365,273	
Total engineering and public services	4,972,450	6,247,697	5,125,480	7,337,050	7,336,994	9,311,615	6,364,484	6,552,535	6,751,546	
Contributions										
48th District Court	1,261,046	1,219,055	1,642,813	946,010	935,400	626,920	30,000	30,000	30,000	
Operating transfers to other funds										
Major Street Fund	2,100,000	2,579,900	2,746,000	2,000,000	4,100,000	3,000,000	3,000,000	3,000,000	3,000,000	
Local Streets Fund	2,200,000	2,500,000	2,000,000	3,000,000	1,950,000	3,500,000	3,500,000	4,500,000	4,500,000	
Capital Projects Fund	736,570	1,453,000	910,892	1,995,290	140,000	665,000	140,370	-	-	
Sewer Fund	-	775,000	-	-	-	-	-	-	-	
Water Fund	500,000	-	500,000	-	-	-	-	-	-	
Retiree Health Care System	-	443,000	-	-	-	-	-	-	-	
Other	45,000	-	-	-	-	-	-	-	-	
Total contributions	6,842,616	8,969,955	7,799,705	7,941,300	7,125,400	7,791,920	6,670,370	7,530,000	7,530,000	
Total expenditures	32,024,716	36,923,649	35,782,689	39,180,720	40,453,628	43,607,924	40,527,891	42,654,418	43,973,858	
Excess of Revenue Over (Under) Expenditures	2,002,510	(109,992)	1,185,779	(1,665,060)	(931,548)	(2,755,964)	2,146,574	1,745,128	2,784,379	
Fund Balance - Beginning of year	15,304,140	17,306,650	17,196,658	18,382,437	16,717,377	15,785,829	13,029,865	15,176,439	16,921,567	
Fund Balance - End of year	\$ 17,306,650	\$ 17,196,658	\$ 18,382,437	\$ 16,717,377	\$ 15,785,829	\$ 13,029,865	\$ 15,176,439	\$ 16,921,567	\$ 19,705,946	

Major and Local Street Funds Assumptions

Major Street Fund

This forecast analyzes the actual results from 2017-2018 through 2020-2021 and the City's adopted budget for 2021-2022 with inflationary increases for the years 2022-2023 through 2025-2026. 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).

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 2022-2023 and 2024-2025 include 1 year assessments for cape seal maintenance.

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 1 percent for 2022-2023 with a slight improvement to 1.75 percent in 2025-2026. 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

Maintenance of Streets and Bridges

Fiscal years 2022-2023 and 2024-2025 include cape seal projects. In addition, approximately \$30,000 has been forecasted for street light maintenance in 2021-2022.

Street Cleaning

The forecast projects that catch basin cleaning will continue to be scheduled once every three years.

Street Trees

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

Traffic Controls

Fiscal year 2022-2023 upgrades include: \$180,000 for Brown & Southfield, \$155,000 for Adams & Derby, and \$210,000 for Maple and Elm Street/Poppleton. Fiscal year 2023-2024 upgrades include \$180,000 for Maple and Adams.

Capital Outlay

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

2021-2022	Peabody – E. Maple to E. Brown	\$200,000
	Redding Rd – Lakepark Ave to Woodward	\$450,000
	Redding Rd – Retaining Wall Removal	\$125,000
	Pierce – Lincoln to Bird	\$400,000
	Cranbrook Tap Grant	\$325,000
	S. Old Woodward Design/Prelim Construction	\$1,000,000
2022-2023	S. Old Woodward Ave. - Brown St. to Landon St.	\$3,000,000
	Oakland Blvd – N Old Woodward to Woodward Ave	\$300,000
2023-2024	N Adams – N. End (Resurfacing)	\$650,000
	E. Maple (Patching)	\$250,000
	S. Eton Rd. – Yosemite to 14 Mile	\$1,700,000
2024-2025	Unassigned Improved Street	\$1,000,000
2025-2026	Unassigned Improved Street	\$500,000
	Derby Bridge Reconstruction	\$3,000,000

Local Street Fund

This forecast analyzes the actual results from 2017-2018 through 2020-2021 and the City's adopted budget for 2021-2022 with inflationary increases for the years 2022-2023 through 2025-2026. 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). The estimates for the road funding have been provided by the Michigan Department of Transportation.

Special Assessments

Special assessment revenue for fiscal years 2022-2023 and 2024-2025 include 1 year assessments for cape seal maintenance. In addition, special assessments for unimproved street reconstruction have been included.

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 1 percent for 2022-2023 with a slight improvement to 1.75 percent in 2025-2026. 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

Maintenance of Streets and Bridges

Cape seal maintenance is expected in fiscal years 2022-2023 and 2024-2025. Also, asphalt maintenance is scheduled to occur in each fiscal year from 2021-2022 through 2025-2026.

Street Cleaning

The forecast projects that catch basin cleaning will continue to be scheduled once every three years.

Capital Outlay

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

2021-2022	Townsend St. – Southfield to Chester	\$425,000
	Edgewood – E. Lincoln Ave to Southlawn Blvd	\$650,000
	Unimproved Streets	\$1,000,000
2022-2023	Pembroke Rd. – N. Eton to Edenborough	\$350,000
	Unimproved Streets	\$1,000,000
2023-2024	Windemere – N. Eton to St. Andrews	\$650,000
	Quarton Lake PH II	\$200,000
	Unimproved Streets	\$1,000,000
2024-2025	Unassigned Improved Streets	\$450,000
	Unimproved Streets	\$2,000,000
2025-2026	Unassigned Improved Streets	\$450,000
	Unimproved Streets	\$2,000,000

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

	Estimated Future Operations									
	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>	
Revenue										
State grants and distributions	1,438,343	1,621,238	1,453,560	1,599,135	1,674,280	1,707,763	1,741,918	1,776,757	1,812,292	
Special assessment collections	66,225	82,844	6,857	2,815	-	50,000	-	50,000	-	
Federal grants	-	-	-	-	-	-	-	-	-	
Local sources	215,000	-	125,291	-	-	-	-	-	-	
Interest and rent	14,193	79,877	159,112	2,150	59,580	38,868	51,056	50,865	80,216	
Other	200	500	-	3,500	-	-	-	-	-	
Transfers from General Fund	<u>2,100,000</u>	<u>2,579,900</u>	<u>2,746,000</u>	<u>2,000,000</u>	<u>4,100,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	
Total revenue	3,833,961	4,364,359	4,490,820	3,607,600	5,833,860	4,796,631	4,792,974	4,877,622	4,892,508	
Expenditures										
Maintenance of streets and bridges	343,390	447,930	282,711	253,736	362,900	384,596	348,714	405,272	362,031	
Street cleaning	197,597	140,810	156,857	163,818	221,770	164,653	167,043	236,386	173,814	
Street trees	227,921	242,126	217,299	248,368	292,680	284,926	298,277	304,378	310,613	
Traffic controls	448,674	690,747	403,865	704,833	278,650	834,267	477,946	304,466	311,134	
Snow and ice removal	292,038	209,097	243,195	198,183	261,770	268,427	273,796	279,235	284,804	
Administrative	18,217	18,998	20,488	20,900	20,570	21,224	21,860	22,476	23,110	
Capital outlay - Engineering and construction of roads and bridges	<u>2,845,005</u>	<u>810,999</u>	<u>1,679,902</u>	<u>2,831,158</u>	<u>4,254,980</u>	<u>3,967,105</u>	<u>2,968,368</u>	<u>1,546,115</u>	<u>4,108,929</u>	
Total expenditures	4,372,842	2,560,707	3,004,317	4,420,996	5,693,320	5,925,198	4,556,004	3,098,328	5,574,435	
Excess of Revenue Over (Under) Expenditures	(538,881)	1,803,652	1,486,503	(813,396)	140,540	(1,128,567)	236,970	1,779,294	(681,927)	
Fund Balance - Beginning of year	<u>2,271,792</u>	<u>1,732,911</u>	<u>3,536,563</u>	<u>5,023,066</u>	<u>4,209,670</u>	<u>4,350,210</u>	<u>3,221,643</u>	<u>3,458,613</u>	<u>5,237,907</u>	
Fund Balance - End of year	<u>1,732,911</u>	<u>3,536,563</u>	<u>5,023,066</u>	<u>4,209,670</u>	<u>4,350,210</u>	<u>3,221,643</u>	<u>3,458,613</u>	<u>5,237,907</u>	<u>4,555,980</u>	

See accompanying summaries of significant assumptions and accounting policies.

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

	Estimated Future Operations									
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	
Revenue										
State grants and distributions	530,118	565,229	590,699	649,822	663,560	697,537	711,488	725,717	740,232	
Special assessment collections	377,059	401,794	213,876	172,825	192,460	624,730	382,489	746,100	1,067,211	
Local Sources	30,598	-	-	-	-	-	-	-	-	
Interest and rent	24,254	59,658	50,546	10,316	26,708	14,416	65,961	105,736	153,669	
Other	4,878	2,942	21,450	10,716	5,000	5,000	5,000	5,000	5,000	
Transfers from General Fund	2,200,000	2,500,000	2,000,000	3,000,000	1,950,000	3,500,000	3,500,000	4,500,000	4,500,000	
Total revenue	3,166,907	3,529,623	2,876,571	3,843,679	2,837,728	4,841,683	4,664,938	6,082,553	6,466,112	
Expenditures										
Maintenance of streets and bridges	815,167	1,119,883	801,900	404,041	663,500	1,048,277	712,850	1,095,164	785,319	
Street cleaning	224,461	169,146	166,552	190,298	255,550	183,179	188,306	275,456	197,564	
Street trees	499,951	514,400	520,800	548,422	614,630	638,578	657,732	671,556	685,684	
Traffic controls	62,265	67,729	65,249	55,430	68,700	68,700	70,762	72,724	74,740	
Snow and ice removal	149,507	141,840	142,594	138,914	173,780	179,611	184,729	189,045	193,483	
Administrative	25,618	26,748	28,958	29,521	28,960	28,980	29,849	30,706	31,587	
Capital outlay - Engineering and construction of roads and bridges	873,577	1,819,576	1,375,081	608,967	3,136,030	2,161,830	2,988,685	3,140,328	3,342,014	
Total expenditures	2,650,546	3,859,322	3,101,134	1,975,593	4,941,150	4,309,155	4,832,913	5,474,979	5,310,391	
Excess of Revenue Over (Under) Expenditures	516,361	(329,699)	(224,563)	1,868,086	(2,103,422)	532,528	(167,975)	607,574	1,155,721	
Fund Balance - Beginning of year	1,407,671	1,924,032	1,594,333	1,369,770	3,237,856	1,134,434	1,666,962	1,498,987	2,106,561	
Fund Balance - End of year	1,924,032	1,594,333	1,369,770	3,237,856	1,134,434	1,666,962	1,498,987	2,106,561	3,262,282	

Water and Sewer Funds Assumptions

This forecast analyzes the actual results from 2017-2018 through 2020-2021 and the City's adopted budget for 2021-2022 with inflationary increases for the years 2022-2023 through 2025-2026. 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 2021-2022 through 2025-2026. Water volumes are projected to remain relatively constant.

Operations and Maintenance

Included in this amount is lead service line abatement in the amount of \$1,460,000 for fiscal year 2021-2022, \$1,620,000 for fiscal year 2022-2023, \$1,060,000 for fiscal year 2023-2024 and \$500,000 for fiscal year 2024-2025. The abatements will be funded by \$2,240,000 in American Rescue Plan Act funds, \$2,000,000 in property taxes, and \$400,000 in fund reserves.

Capital Outlay

The forecast is based on estimates prepared by the City Engineer for years 2021-2022 through 2025-2026. These improvements will be made in conjunction with road improvements and will be partially funded by property taxes from 2021-2022 through 2024-2025.

Interest Income

The forecast assumes investment return of 1 percent for 2022-2023 and gradually increasing through 2025-2026. 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 and 2023-2024.

Transfers from Other Funds

The \$500,000 in 2017-2018 represents extra funding associated with the OPEB liability from the General Fund as a result of implementing GASB 75. 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 reduction in the use of property taxes to fund water main improvements.

Sewer Fund

Sewage Disposal Cost

The forecast assumes a 3 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 3 percent increase in stormwater disposal costs for the Evergreen-Farmington and George W. Kuhn Sewage Disposal Districts.

Operations and Maintenance

In fiscal year 2018-2019 and 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.

Capital Outlay

The forecast uses estimates prepared by the City Engineer for years 2021-2022 through 2025-2026. 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 1 percent for 2022-2023 and gradually increasing through 2025-2026. 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 2021-2022 through 2025-2026.

Property Taxes

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

Transfers from Other Funds

The transfer from the General Fund made in 2018-2019 represents a reimbursement of settlement costs associated with the Wolf vs City of Birmingham lawsuit.

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. The sewer rate includes \$700,000 for capital improvements each year.

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

	Estimated Future Operations									
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	
Key Operating Data:										
Water sold	854,625	797,789	770,748	821,128	821,400	826,200	826,200	826,200	826,200	826,200
Water purchased	922,317	853,607	856,471	894,886	888,000	893,175	893,175	893,175	893,175	893,175
Average unit cost of water purchased	\$ 2.26	\$ 2.33	\$ 2.31	\$ 2.30	\$ 2.39	\$ 2.48	\$ 2.58	\$ 2.68	\$ 2.78	\$ 2.78
Cost of Services										
Cost of water	2,085,955	1,986,553	1,975,461	2,054,651	2,126,100	2,218,884	2,302,952	2,390,605	2,482,045	2,482,045
Depreciation	811,724	835,681	859,855	908,587	949,800	1,027,400	1,091,350	1,155,100	1,221,350	1,221,350
Operation and maintenance	1,397,228	1,137,442	1,235,465	1,850,791	3,130,420	3,244,987	2,776,430	2,207,349	1,760,818	1,760,818
General and administrative	198,279	206,343	213,344	216,531	209,290	222,861	235,243	243,516	247,281	247,281
Capital outlay	1,146,412	1,487,626	987,998	1,781,454	1,855,000	1,449,000	2,550,000	2,550,000	2,550,000	2,650,000
Total Cost of Services	5,639,598	5,653,645	5,272,123	6,812,014	8,270,610	8,163,132	8,955,975	8,546,570	8,361,494	8,361,494
Other Income										
Interest	15,103	110,584	163,284	3,141	77,000	51,700	57,547	62,655	65,892	65,892
Property taxes	747,634	752,306	998,538	1,498,003	1,300,000	1,100,000	900,000	700,000	-	-
Federal Grants	-	-	-	-	560,000	1,120,000	560,000	-	-	-
Flat rate meter charge and other	830,153	756,488	649,523	706,581	729,000	719,500	726,300	728,154	730,064	730,064
Transfer from other funds	500,000	-	500,000	-	-	-	-	-	-	-
Total Other Income	2,092,890	1,619,378	2,311,345	2,207,725	2,666,000	2,991,200	2,243,847	1,490,809	795,956	795,956
Less: Capital Outlay and Lead Replacement Costs Not Included in Net Cost of Services										
				(1,255,000)	(1,255,000)	(449,000)	(1,550,000)	(1,550,000)	(1,650,000)	(1,650,000)
Net Cost of Services	3,546,708	4,034,267	2,960,778	4,604,289	4,349,610	4,722,932	5,162,128	5,505,761	5,915,538	5,915,538
Average User Charge	\$ 2.26	\$ 2.33	\$ 2.31	\$ 2.30	\$ 2.39	\$ 2.48	\$ 2.58	\$ 2.66	\$ 2.76	\$ 2.76
Average Rate Increase										
				7.92%	9.27%	9.27%	9.27%	6.56%	7.51%	7.51%

See accompanying summaries of significant assumptions and accounting policies.

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

	Actual					Estimated Future Operations				
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	
Key Operating data:										
Water sold	854,625	797,789	770,748	821,128	821,400	826,200	826,200	826,200	826,200	
Water purchased	922,317	853,607	856,471	894,886	888,000	893,175	893,175	893,175	893,175	
Average unit cost of sewage disposal	\$ 3.97	\$ 4.33	\$ 4.52	\$ 4.59	\$ 4.82	\$ 4.93	\$ 5.08	\$ 5.24	\$ 5.40	
Cost of Services										
Sanitary sewage disposal costs	3,661,070	3,692,752	3,869,263	4,109,306	4,277,200	4,407,079	4,540,986	4,678,909	4,820,971	
Storm water costs	2,432,785	2,522,409	2,599,432	2,752,743	2,887,030	2,974,452	3,025,310	3,109,962	3,197,157	
Depreciation and amortization	931,702	988,253	1,012,947	1,063,765	1,121,610	1,170,235	1,223,860	1,286,360	1,338,860	
Debt service - including principal	1,575,184	1,623,283	1,689,189	1,689,379	397,670	318,120	315,230	33,055	33,068	
Operation and maintenance	642,294	931,169	944,343	458,505	841,460	961,507	979,637	995,605	1,012,115	
General and administrative	222,344	232,159	247,382	251,643	239,420	247,979	257,737	267,868	278,227	
Capital outlay	2,859,192	2,139,757	852,432	1,952,702	1,760,000	1,945,000	2,145,000	2,500,000	2,100,000	
Total Cost of Services	12,324,571	12,129,782	11,214,988	12,278,043	11,524,390	12,024,372	12,487,760	12,871,759	12,780,398	
Other Income										
Interest	30,928	127,705	179,076	5,705	70,000	35,557	41,346	43,105	44,426	
Property taxes	1,579,504	1,630,670	1,687,430	1,688,738	394,200	318,120	315,230	33,055	33,068	
Storm water charge	2,444,810	2,540,512	2,624,333	2,769,011	2,887,030	2,974,452	3,025,310	3,109,962	3,197,157	
State grant	243,669	777,507	592,990	-	-	-	-	-	-	
Other	201,252	215,239	71,729	38,514	73,470	70,000	70,000	70,000	70,000	
Transfers from other funds	-	775,000	-	-	-	-	-	-	-	
Total Other Income	4,500,163	6,066,633	5,155,558	4,501,968	3,424,700	3,398,129	3,451,886	3,256,122	3,344,651	
Less: Capital Outlay Not Included in Net Cost of Services										
					(1,060,000)	(1,245,000)	(1,445,000)	(1,800,000)	(1,400,000)	
Net Cost of Services	7,824,408	6,063,149	6,059,430	7,776,075	7,039,690	7,381,243	7,590,874	7,815,637	8,035,747	
Average User Charge				\$ 8.57	\$ 8.93	\$ 9.19	\$ 9.46	\$ 9.73		
Average Rate Increase/Decrease					4.20%	2.91%	2.94%	2.85%		

See accompanying summaries of significant assumptions and account policies.

Part 1 - History of actual property tax levies:

	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
History of Form L-4025, Assessor's Report of Taxable Value	2,110,188,780	2,220,344,410	2,359,367,180	2,497,255,420	2,638,284,320
New property additions	71,343,980	65,325,894	63,886,305	75,634,670	69,047,712
Property losses	(13,236,860)	(14,272,588)	(13,118,053)	(11,573,438)	(13,050,235)
Increases in existing property TV (imputed; includes both uncapping and Headlee inflation increases)	<u>52,048,510</u>	<u>87,969,464</u>	<u>87,119,988</u>	<u>76,967,668</u>	<u>69,081,783</u>
Current year taxable value	2,220,344,410	2,359,367,180	2,497,255,420	2,638,284,320	2,763,363,580
Headlee Inflation rate	0.30%	0.90%	2.40%	1.90%	1.40%
Actual increase on existing properties	2.17%	3.07%	1.31%	1.19%	1.23%
Total change in Taxable Value	5.22%	6.26%	5.84%	5.65%	4.74%
Headlee reduction fraction	0.9787	0.9703	0.9873	0.9884	0.9880

Part 2 - Projection of Future property taxes:

Fiscal year ended June 30,	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
Assumed rate of:					
New property additions	2.62%	2.50%	2.50%	2.50%	2.50%
Property losses	0.49%	0.50%	0.50%	0.50%	0.50%
Headlee Inflation rate multiplier	1.40%	3.30%	2.50%	2.50%	2.50%
Projected actual change in TV of existing property	1.23%	0.50%	0.50%	0.50%	0.50%
Total change in Taxable Value	4.74%	5.78%	4.99%	4.99%	4.99%
Projected taxable value:					
Beginning value	2,638,284,320	2,763,363,580	2,923,182,713	3,068,976,451	3,222,041,651
New property additions	69,047,712	69,084,090	73,079,568	76,724,411	80,551,041
Property losses	(13,050,235)	(13,816,818)	(14,615,914)	(15,344,882)	(16,110,208)
Market value adjustments (including inflation)	<u>69,081,783</u>	<u>104,551,861</u>	<u>87,330,084</u>	<u>91,685,671</u>	<u>96,258,494</u>
Taxable value	<u>2,763,363,580</u>	<u>2,923,182,713</u>	<u>3,068,976,451</u>	<u>3,222,041,651</u>	<u>3,382,740,978</u>
Headlee rollback factor	0.9880	0.9952	0.9951	0.9951	0.9951
Less: Tax Incremental Taxable Value	14,272,030	16,773,250	22,169,470	22,723,700	23,291,790

Part 3 - Millage rates

Operating - General Fund	8.0747	8.2113	8.3485	8.2529	8.5296
Road - General Fund	2.2007	2.2364	2.1334	2.3442	2.2325
subtotal General Fund	10.2754	10.4477	10.4819	10.5971	10.7621
George W. Kuhn Drain	0.1446	0.1095	0.1035	0.0103	0.0098
Water Fund	0.4729	0.3785	0.2954	0.2188	0.0000
subtotal City Operating Levy	10.8929	10.9357	10.8808	10.8262	10.7719
Library Tax	1.3380	1.3315	1.3250	1.3185	1.3120
Refuse	0.7930	0.7589	0.7412	0.7227	0.7047
Debt	0.5657	0.5171	0.5352	0.2455	0.2292
Total Millage Rate	<u>13.5896</u>	<u>13.5432</u>	<u>13.4822</u>	<u>13.1129</u>	<u>13.0178</u>

Part 4 - Amount of property tax levy:

Operating - General Fund	\$22,198,090	\$23,865,400	\$25,436,270	\$26,403,650	\$28,654,760
Road - General Fund	6,049,930	6,500,000	6,500,000	7,500,000	7,500,000
subtotal General Fund	28,248,020	30,365,400	31,936,270	33,903,650	36,154,760
George W. Kuhn Drain	397,520	318,121	315,230	33,055	33,068
Water Fund	1,300,050	1,100,000	900,000	700,000	-
subtotal City Operating Levy	29,945,590	31,783,521	33,151,500	34,636,705	36,187,828
Library Tax	3,678,280	3,869,880	4,037,020	4,218,300	4,407,600
Refuse	2,180,030	2,205,770	2,258,440	2,312,000	2,367,500
Debt	1,563,230	1,514,122	1,645,172	792,322	776,622
Total property taxes levied	<u>\$ 37,367,130</u>	<u>\$ 39,373,293</u>	<u>\$ 41,092,132</u>	<u>\$ 41,959,327</u>	<u>\$ 43,739,550</u>

PROPERTY TAX ASSUMPTIONS

Appendix B 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 2021 tax billing is already final (billed July 1, 2021); key assumptions for 2022-2023 through 2025-2026 on a line-by-line basis are as follows:

- a. New property additions are assumed to increase by 2.5 percent per year and losses are assumed to be .5 percent per year based on a 5-year average.
- b. Headlee inflation rate multiplier is based on national inflation indexes. Based on these indexes, the rate for 2022-2023 will be 3.3%. While inflation historically has been bound to the 1.5 to 2.5 percent range, the forecast projects an annual inflation rate of 3.3 percent for 2022-2023 and 2.5 percent for fiscal years 2023-2024 to 2025-2026. This is due to pandemic-related supply chain challenges that will take some time to balance back out.
- c. The projected actual change in taxable values of existing properties is projected to be .5 percent per year. This is lower than the 5-year average of approximately 1.75 percent. The reason for the lower amount is due to an estimated increase in the number of tax appeals which will likely occur as housing values start to normalize. 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 increases are expected to continue, the impact on taxable value is limited because of Proposal A. Taxable values are then calculated based on the above three factors.
- d. Total change in taxable value is the product of a-c above and results in projected taxable value changes of 5.78 percent in 2022-2023 and approximately 5 percent in fiscal years 2023-2024 through 2025-2026.
- e. 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 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 infrastructure and lead service line replacement funding.
 2. The library tax levy for 2021-2022 is at the 1.3380 maximum rate and decreases slightly for the remaining forecasted years to fund phase 3 of library renovations.
 3. The millage rate for the refuse levy is expected to decrease in each year of the forecast.
 4. The debt millage rate is expected to decrease in fiscal year 2022-2023 and increase slightly in 2023-2024 due to scheduled debt payments. In fiscal year 2024-2025, the debt levy decreases significantly due to the retirement of 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.

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

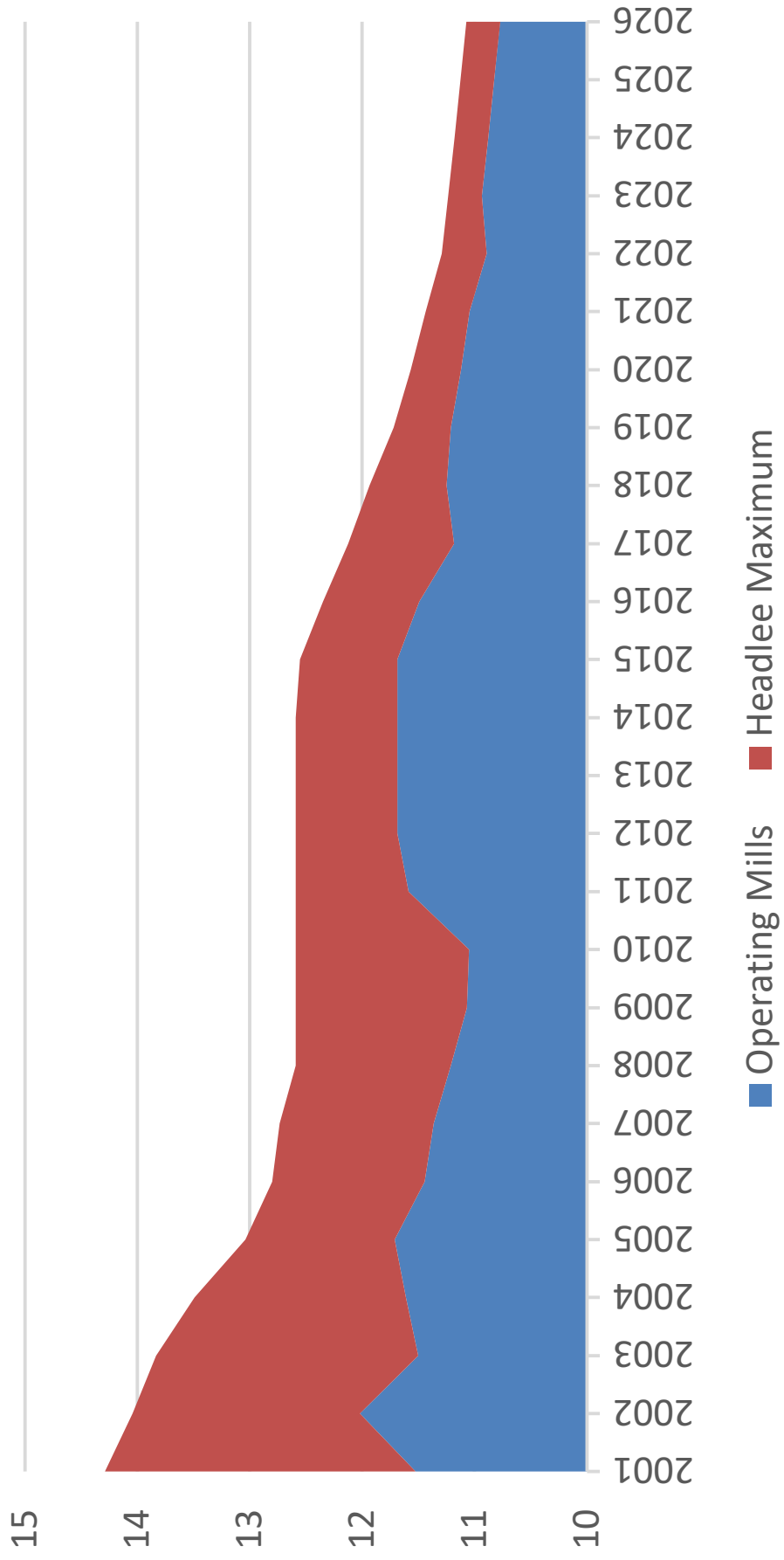
As of Fiscal Year 2021-2022

Tax Levy	City Charter Limit	Headlee Amendment Limit
City Operating Levy	20.0000	11.2904
Library	1.7500	1.3380
Refuse	3.0000	1.6931

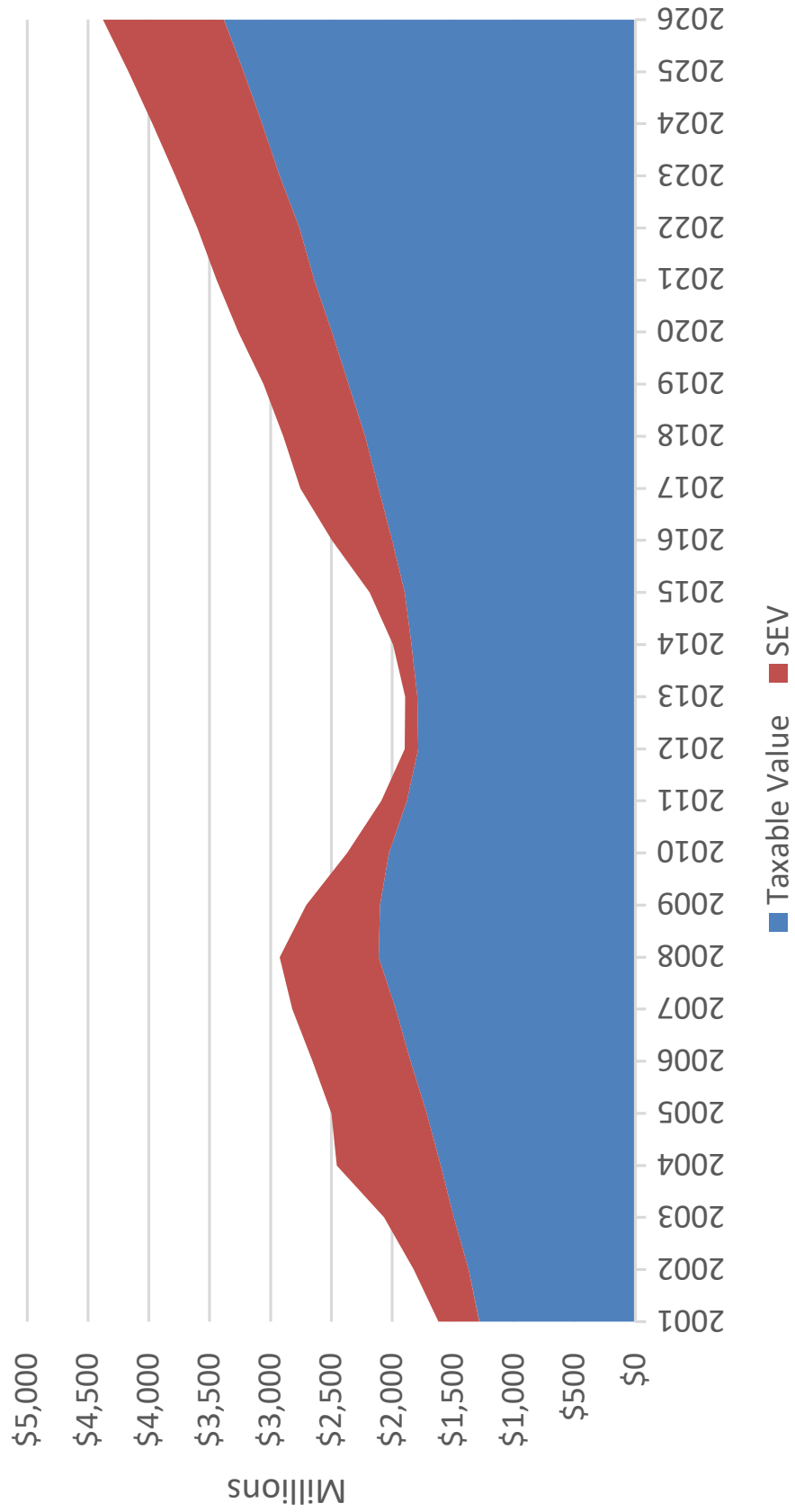
All tax levies under this forecast are projected to be at or under the Headlee limit in the future.

- g. 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

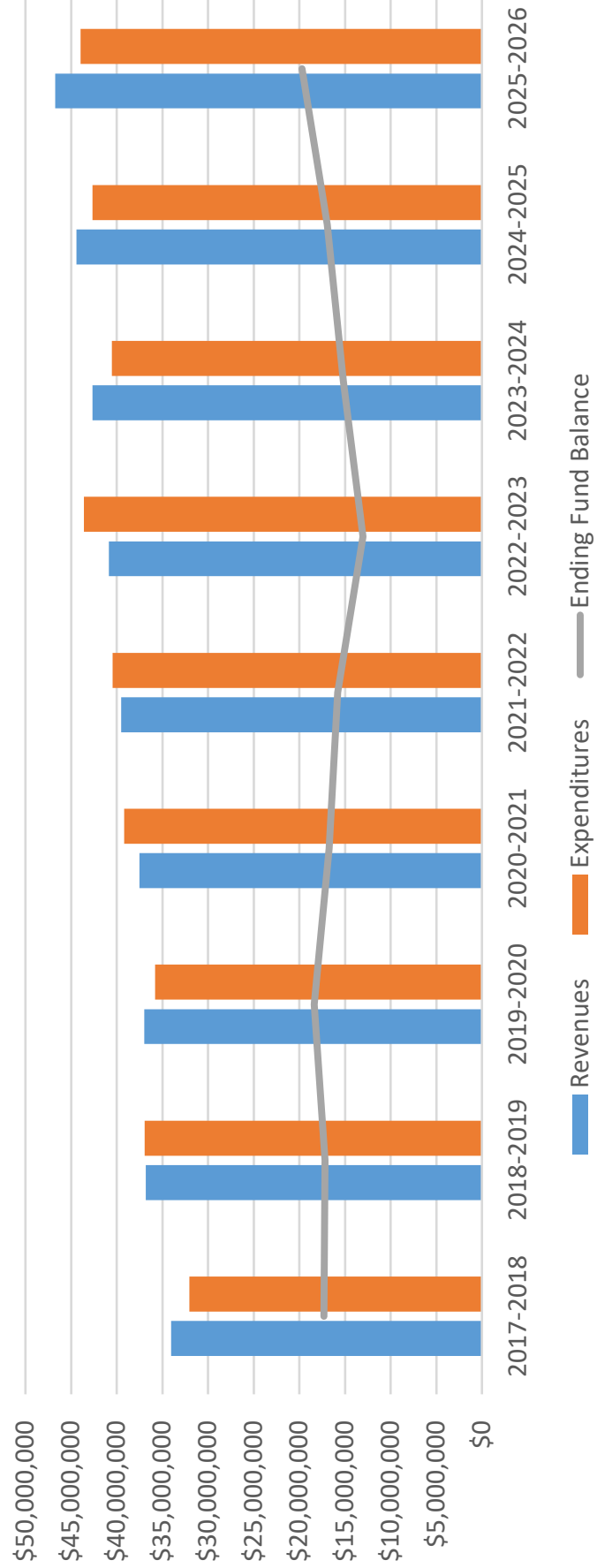


SEV vs Taxable Value



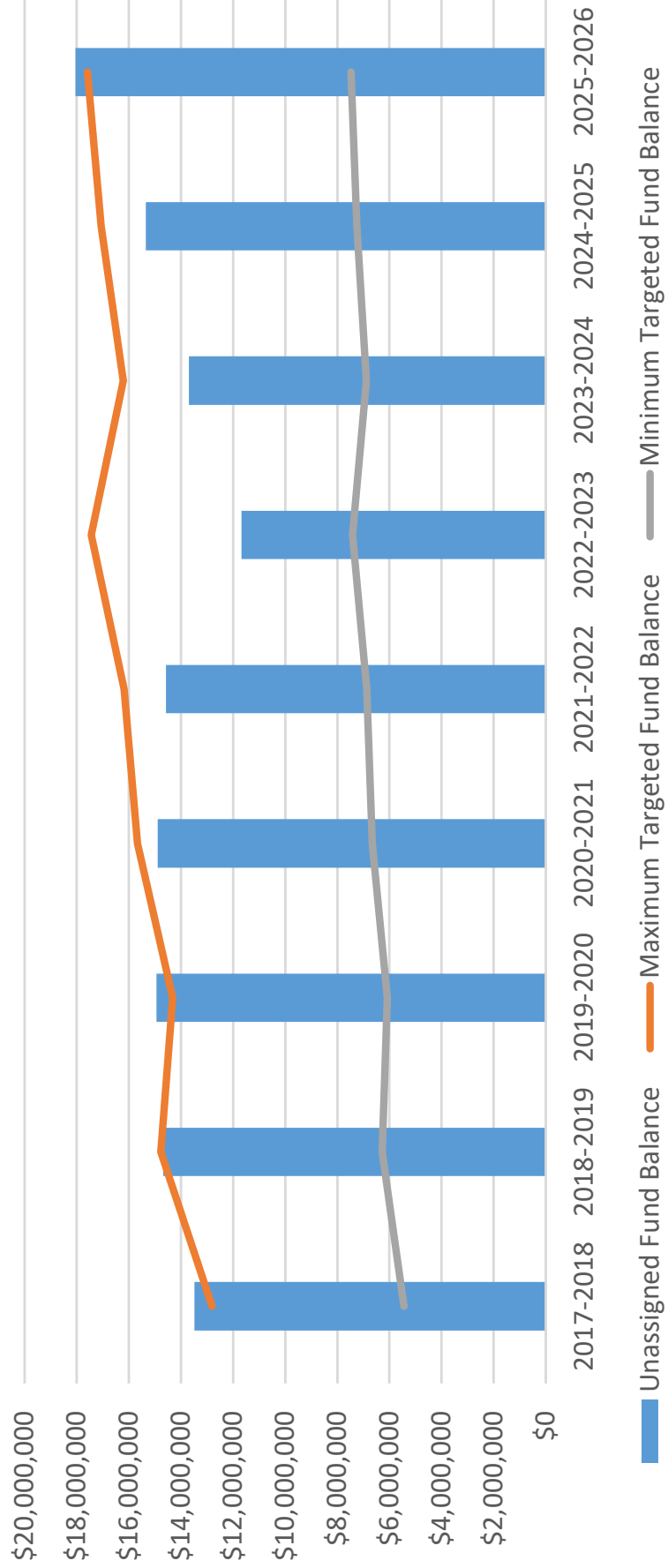
See accompanying summaries of significant assumptions and accounting policies.

General Fund - Fund Balance



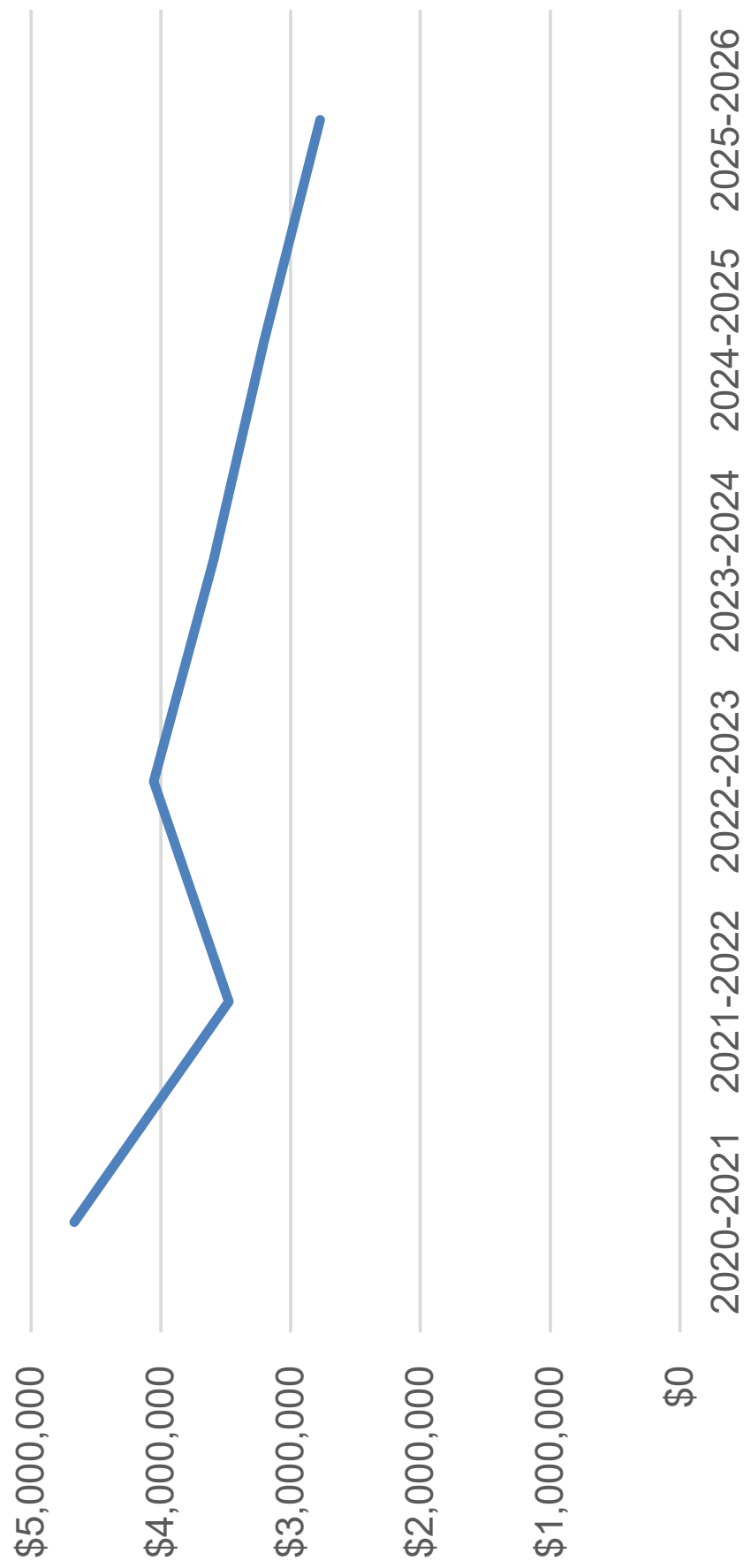
See accompanying summaries of significant assumptions and accounting policies.

General Fund Projected Unassigned Fund Balance Compared to Targeted Levels



See accompanying summaries of significant assumptions and accounting policies.

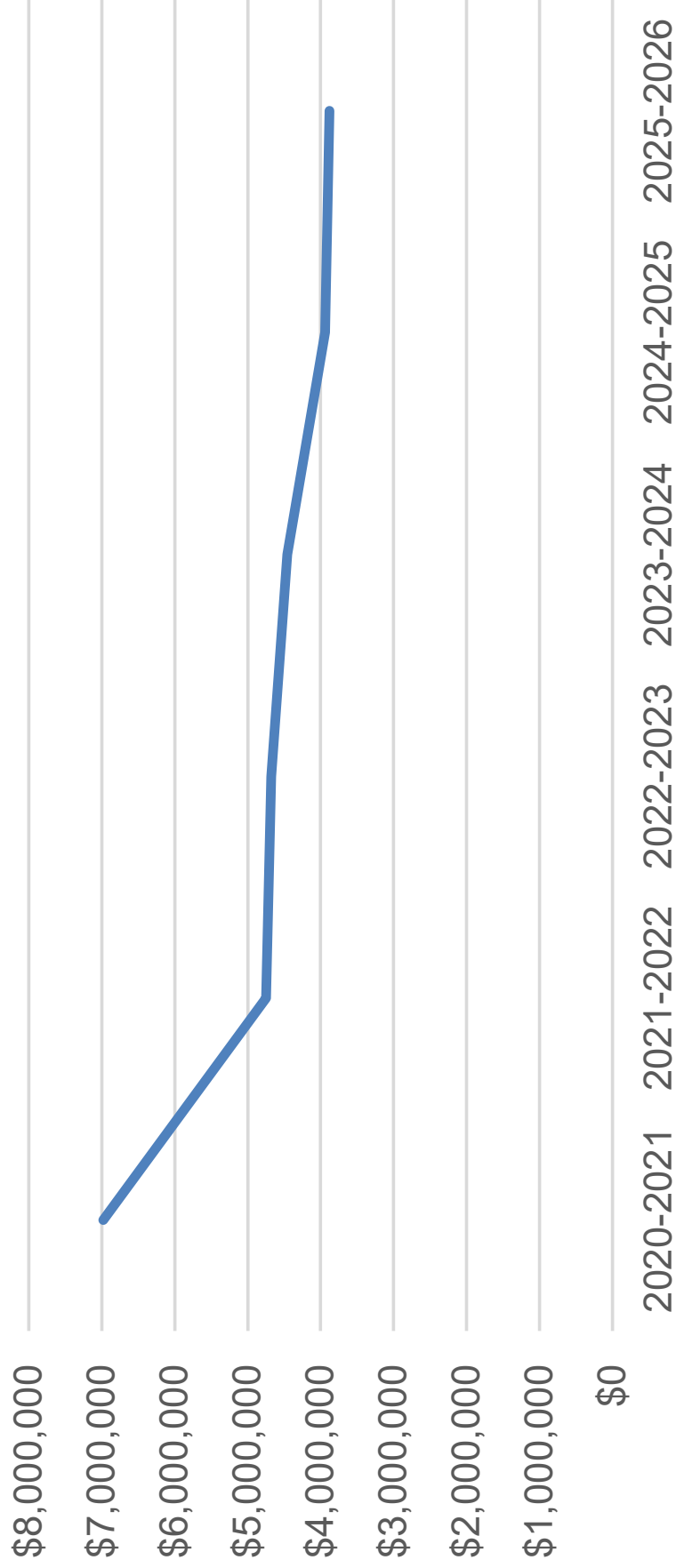
Projected Water Fund Unrestricted Net Position



Steady decrease in net position is the result of an increase in water main replacement associated with unimproved street reconstruction.

See accompanying summaries of significant assumptions and accounting policies.

Projected Sewer Fund Unrestricted Net Position



Large decrease in 2021-2022 is the result of remaining projects from 2020-2021 and a projected shortage in water sales.

See accompanying summaries of significant assumptions and accounting policies.