

City of Birmingham, Michigan
Five-year Financial Forecast

Years Ending June 30, 2023 through June 30, 2027

**Birmingham, Michigan
Five-year Financial Forecast
Table of Contents**

Introduction..... 1

Five-year Financial Model:

 General Assumptions and Information.....2

 Description of Infrastructure Needs.....3-5

 General Fund:

 Assumptions..... 6-8

 Historic and Estimated Financial Operations..... 9-12

 Major and Local Street Funds

 Assumptions.....13-15

 Historic and Estimated Financial Operations – Major Street Fund..... 16

 Historic and Estimated Financial Operations – Local Street Fund.....17

 Water and Sewer Funds:

 Assumptions..... 18-19

 Historic and Estimated Financial Operations – Water Fund..... 20

 Historic and Estimated Financial Operations – Sewer Fund.....21

Appendices:

 A. Estimation of Property Tax Revenue.....22

 B. Property Tax Assumptions..... 23-24

Graphs..... 25-30

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 be above the range for the year ending June 30, 2026 and 2027.

General Assumptions and Information

- Historical data for fiscal years 2018-2019 through 2021-2022 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, 2022. 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 2022-2023 through 2026-2027 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 2021-2022 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 8.3 percent for expenditures for fiscal year 2022-2023, 3.8 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.

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.

FISCAL YEAR	MAJOR STREETS	LOCAL STREETS	WATER FUND	SEWER FUND	TOTAL
2022-2023	\$6,125,040	\$909,000	\$3,502,650	\$4,210,370	\$14,747,060
2023-2024	\$4,826,710	\$2,110,000	\$3,007,000	\$2,517,000	\$12,460,710
2024-2025	\$3,196,980	\$2,870,000	\$1,968,000	\$1,878,000	\$9,912,980
2025-2026	\$4,747,160	\$2,750,000	\$2,399,000	\$2,549,000	\$12,445,160
2026-2027	\$2,387,350	\$5,350,000	\$3,626,000	\$3,071,000	\$14,434,350

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 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 contractors to complete replacements. To date, there have been 468 lead service lines replaced. The City is anticipating that the remaining lead service lines will be replaced during 2022-2023, 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.

Streetlights

New streetlights are being installed in conjunction with the S. Old Woodward Ave from Brown St. to Landon St. at an estimated cost of \$650,000.

Alleys and Sidewalks

In 2022-2023, sidewalk and streetscape improvements were completed on S. Old Woodward Ave. – Brown St. to Landon St. at an estimated cost of \$4.6M. 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 and West Maple Road alleys in 2023-2024 for \$650,000 and \$365,000, respectively.

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 \$3.6 million in park and recreation bond funds.

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; 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 Springdale, Crestview, Kenning, Linden, Lincoln Well & Pumphouse, Poppleton, Pembroke, St. James and Howarth sites; a splash pad; updated ball fields and walking path at Kenning; and trail improvements.

General Fund Assumptions

Revenue

Property Taxes

Appendix A illustrates the process used to estimate property tax revenues. Economic indicators show slowing growth in the housing market which will affect SEV and TV growth. The 2023-2024 taxable value for the City is forecasted to increase by 8 percent. The forecast assumes an annual increase in taxable value starting at 6 percent for 2024-2025 and 4.5 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 and lead service line replacement.

Building Permits

Building permits are projected to remain relatively level throughout the forecasted years.

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 2022-2023.

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 and 2020-2021 are lower than normal due to COVID and reconstruction of the ice arena main arena and locker rooms.

Fines and Forfeitures - 48th District Court Revenue

48th 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 1.75 percent for 2023-2024 with a slight improvement to 3.00 percent in 2026-2027. For periods 2018-2019 through 2021-2022, the fluctuations in the investment income was the result of low interest rates and

unrealized market gains (2018-2019 through 2019-2020) and losses (2020-2021 and 2021-2022). The increase in other interest earnings relates to special assessments on the Old Woodward and Maple road 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, 2025
Firefighters (BFFA)	June 30, 2023
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 2023-2024 through 2026-2027.

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

General administration decreased as a result of moving streetlight electrical costs to Public Works and public service agencies to other areas of the budget.

Judicial

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

Public Safety

Increases to Public Safety expenditures from 2018-2019 to 2019-2020 are mainly the result of overtime due to the COVID-19 pandemic during that time period. This overtime was reimbursed by federal grants.

Public Works -Sidewalk Construction

Large expenditures for 2018-2019, 2020-2021, and 2022-2023 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 2021-2022 and 2022-2023 primarily relate to window replacements.

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 may be extended, which is anticipated to increase operational expenses.

Health and Welfare

This is a newly created category based on the 2020 updated State of Michigan Chart of Accounts. 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

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.

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

	Actual					Estimate Future Operations			
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
Revenue									
Taxes									
Real and personal property taxes	\$ 24,985,216	\$ 26,072,678	\$ 26,958,170	\$ 28,203,270	\$ 30,297,110	\$ 32,994,610	\$ 35,470,380	\$ 37,555,300	\$ 39,154,640
Tax losses	(23,668)	(31,113)	(61,510)	(48,020)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Penalties and interest	112,660	130,234	120,760	141,180	130,000	130,000	130,000	130,000	130,000
Total taxes	25,074,208	26,171,799	27,017,420	28,296,430	30,327,110	33,024,610	35,500,380	37,585,300	39,184,640
Special Assessments									
Future Special Assessments	-	34,466	335,950	510,000	888,960	656,080	992,980	830,280	825,230
Current Special Assessments	325,562	-	-	-	-	-	-	-	-
Total special assessments	325,562	34,466	335,950	510,000	888,960	656,080	992,980	830,280	825,230
Licenses and Permits									
Business licenses and permits	62,937	33,131	47,420	51,110	55,000	62,170	62,200	62,200	62,200
Rental housing fees	173,750	174,978	184,510	178,880	187,280	190,089	192,940	195,834	198,772
Building permits	2,361,287	1,741,665	2,038,310	2,095,430	2,035,650	2,066,185	2,097,178	2,128,636	2,160,566
Cable television franchise fees	348,869	332,441	318,360	418,820	325,000	350,000	350,000	350,000	350,000
Engineering permits	62,608	58,740	101,300	166,400	120,000	80,000	80,000	80,000	80,000
Other	6,285	3,895	3,720	5,780	6,000	6,000	6,000	6,000	6,000
Total license and permits	3,015,736	2,344,850	2,693,620	2,916,420	2,728,930	2,754,444	2,788,318	2,822,670	2,857,538
Federal Grants									
Federal grants	42,044	40,316	48,880	50,940	51,500	43,000	43,000	43,000	43,000
Federal COVID related grants	-	-	-	993,490	400,000	-	-	-	-
Total federal grants	42,044	40,316	48,880	1,044,430	451,500	43,000	43,000	43,000	43,000
State Grants									
State									
Shared revenue	1,984,341	1,941,388	2,209,120	2,688,980	2,578,800	2,616,882	2,655,535	2,694,768	2,734,589
Telecommunication permit	65,410	72,790	75,210	81,720	55,580	53,670	53,670	53,670	53,670
Other	71,530	114,591	73,280	75,760	70,890	70,470	70,470	70,470	70,470
Total state grants	2,121,281	2,128,769	2,357,610	2,846,460	2,705,270	2,741,022	2,779,675	2,818,908	2,858,729
Local Contributions									
Local									
Total local contributions	243,297	332,722	101,420	303,770	90,240	86,420	86,350	86,350	86,350
Charges for Services									
Labor charges to other funds	1,442,528	1,416,925	1,395,010	1,214,630	1,227,680	1,244,523	1,261,618	1,278,969	1,296,579
Appeal and review fees	66,556	84,468	149,790	123,310	119,000	81,850	81,690	81,690	81,690
Ice arena fees	633,865	509,756	314,990	482,770	583,900	664,600	676,600	683,665	690,836
Other recreation program fees	105,420	90,990	95,690	121,360	99,690	100,990	101,998	103,021	104,059
Museum fees	6,065	3,170	2,560	4,140	4,700	6,200	6,200	6,200	6,200

See accompanying summaries of significant assumptions.

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

	Actual					Estimate Future Operations				
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	
Special event fees	84,363	69,507	28,390	80,540	88,630	86,610	86,610	86,610	86,610	
Sidewalk construction	24,685	1,730	19,390	660	25,000	25,000	25,000	25,000	25,000	
Dispatch	334,310	345,327	361,530	377,280	387,700	393,516	399,419	405,410	411,491	
EMS transports	373,437	417,912	375,010	464,340	445,000	451,675	458,450	465,327	472,307	
Other program fees	79,659	61,199	53,090	104,670	69,660	85,920	85,670	85,670	85,670	
Total charges for services	3,150,888	3,000,984	2,795,450	2,973,700	3,050,960	3,140,884	3,183,255	3,221,562	3,260,442	
Fines and Forfeitures	1,170,013	1,086,365	510,240	823,240	1,571,270	1,417,340	1,431,270	1,450,950	1,470,920	
48th District Court	542,354	377,617	452,200	514,280	500,000	525,000	525,000	525,000	525,000	
Parking fines										
Total fines and forfeitures	1,712,367	1,463,982	962,440	1,337,520	2,071,270	1,942,340	1,956,270	1,975,950	1,995,920	
Interest and Rent	802,348	1,089,837	12,470	(877,520)	325,000	381,600	564,700	829,000	1,072,700	
Interest earned on investments	64,507	53,507	57,560	104,400	60,940	99,832	100,737	101,656	102,588	
Rent	35,924	36,686	37,220	38,420	38,000	38,000	38,000	38,000	38,000	
Other interest earnings										
Total interest and rent	902,779	1,180,030	107,250	(734,700)	423,940	519,432	703,437	968,656	1,213,288	
Other Revenue	45,562	70,550	65,030	134,590	51,650	58,150	58,150	58,150	58,150	
Contributions from Other Funds	179,400	200,000	115,000	100,000	100,000	100,000	100,000	100,000	100,000	
Total revenue	36,813,124	36,968,468	36,600,070	39,728,620	42,889,830	45,066,382	48,191,815	50,510,826	52,483,287	
Expenditures										
General Government	52,241	65,600	58,870	75,510	121,390	132,573	144,045	157,073	171,889	
Commission	555,838	548,890	588,850	713,610	871,752	922,250	956,204	992,367	1,030,435	
Manager's office	34,496	65,793	67,350	37,340	91,830	51,950	26,850	64,450	26,850	
Elections	207,738	209,635	211,750	213,810	240,500	249,625	254,610	259,695	264,882	
Assessor	477,740	494,765	503,490	463,950	523,500	535,185	541,569	552,400	563,448	
Legal	344,442	379,226	480,120	362,890	454,156	477,968	496,562	516,799	539,344	
Clerk	835,421	852,721	956,670	872,410	925,268	994,676	1,036,462	1,080,134	1,127,700	
Finance	335,542	357,255	362,930	368,280	429,909	454,877	474,257	494,089	515,294	
Human resources	659,354	688,323	693,200	687,490	758,833	819,505	851,387	886,184	924,614	
Treasurer	513,153	518,626	529,710	501,830	637,499	670,871	725,414	710,232	730,999	
City hall and grounds	36,577	45,136	31,280	31,660	64,900	41,416	42,246	43,091	43,953	
Library maintenance	1,040,012	1,083,779	1,057,200	1,105,230	517,690	537,259	553,521	574,652	596,695	
General administration										
Total general government	5,092,554	5,309,749	5,541,420	5,434,010	5,637,227	5,888,155	6,103,147	6,331,166	6,536,103	
Judicial	1,219,055	1,642,813	946,010	806,020	1,611,455	1,999,281	1,747,566	1,790,747	1,843,930	
48th District Court										
Total Judicial	1,219,055	1,642,813	946,010	806,020	1,611,455	1,999,281	1,747,566	1,790,747	1,843,930	

See accompanying summaries of significant assumptions.

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

	Actual					Estimate Future Operations				
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	
Public Safety										
Police	6,490,294	6,871,655	7,363,140	7,268,230	7,501,195	7,814,743	8,059,343	8,330,965	8,617,414	
Fire	5,922,405	6,403,824	6,972,330	7,166,720	7,642,619	7,742,289	8,051,433	8,315,300	8,409,708	
Dispatch	1,003,608	1,037,374	1,082,700	1,003,500	1,165,310	1,211,188	1,275,023	1,295,886	1,341,601	
Building inspection	2,259,260	2,395,516	2,086,620	2,097,260	2,414,025	2,571,910	2,606,638	2,701,294	2,807,502	
Emergency preparation	9,180	98,130	54,450	39,050	32,300	11,539	11,669	11,803	11,940	
Total public safety	15,684,747	16,806,499	17,559,240	17,574,760	18,755,449	19,351,669	20,004,106	20,655,248	21,188,165	
Community Development										
Planning	735,005	549,202	538,710	561,820	678,608	713,415	740,592	770,181	800,514	
Total community development	735,005	549,202	538,710	561,820	678,608	713,415	740,592	770,181	800,514	
Public Works										
Engineering	867,584	787,291	908,140	1,110,260	1,447,560	1,362,005	1,384,206	1,435,457	1,489,615	
Sidewalk construction and replacement	2,059,063	847,501	3,018,590	1,246,180	5,836,220	1,162,294	1,191,663	1,138,096	1,186,058	
Alley construction and maintenance	83,986	15,931	17,240	18,680	29,930	1,070,000	40,000	40,000	40,000	
Street Lighting	20,723	4,629	730	653,310	728,620	651,368	670,009	682,809	695,865	
Fiber optic system	2,759	36,470	136,630	9,480	632,660	5,190	5,346	5,453	5,562	
Property maintenance	911,791	1,046,241	1,020,120	1,066,910	1,047,906	1,095,225	1,130,372	1,162,665	1,196,141	
Department of Public Services - General	294,114	319,395	346,050	390,630	469,751	500,026	534,097	575,850	623,101	
Weed/Snow enforcement	29,011	42,449	37,890	88,380	85,927	91,049	94,088	96,763	99,530	
Cemetery Maintenance/Management	-	-	-	-	101,315	101,315	104,355	106,442	108,571	
Total engineering and public services	4,269,031	3,099,907	5,485,390	4,583,830	10,379,889	6,038,472	5,154,136	5,243,535	5,444,443	
Recreation and Culture										
Community activities	317,270	273,834	282,910	310,530	328,359	342,363	353,765	364,416	375,463	
Historical museum	13,686	22,995	81,090	19,730	16,380	16,002	16,331	16,656	16,988	
Hunter House	197,060	173,594	186,750	305,630	468,079	278,123	338,470	356,019	375,091	
Allen House	636,840	608,088	476,660	568,390	823,128	867,222	893,651	919,907	947,069	
Ice sports arena	1,045,279	1,148,280	1,092,820	1,052,690	1,484,780	1,582,938	1,440,062	1,476,386	1,513,815	
Parks	2,210,135	2,226,791	2,120,230	2,256,970	3,120,726	3,086,648	3,042,279	3,133,384	3,228,426	
Total recreation and culture	4,269,031	3,099,907	5,485,390	4,583,830	10,379,889	6,038,472	5,154,136	5,243,535	5,444,443	
Health and Welfare										
Health and Welfare	-	-	-	-	179,040	185,844	189,561	193,352	197,219	
Total health and welfare	-	-	-	-	179,040	185,844	189,561	193,352	197,219	
Transfers Out										
Operating transfers to other funds	2,579,900	2,746,000	2,000,000	4,100,000	1,500,000	3,500,000	3,500,000	4,000,000	2,500,000	
Major Street Fund	2,500,000	2,000,000	3,000,000	1,950,000	2,250,000	3,500,000	3,500,000	4,500,000	6,000,000	
Local Streets Fund	1,453,000	910,892	1,995,290	140,000	85,970	-	-	-	-	
Capital Projects Fund	775,000	-	-	-	-	-	-	-	-	
Sewer Fund	-	-	-	-	-	-	-	-	-	

See accompanying summaries of significant assumptions.

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

	Actual					Estimate Future Operations				
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	
Water Fund	-	500,000	-	-	-	-	-	-	-	
Retiree Health Care System	443,000	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
Total contributions	7,750,900	6,156,892	6,995,290	6,190,000	3,835,970	7,000,000	7,000,000	8,500,000	8,500,000	
Total expenditures	36,961,427	35,791,853	39,186,290	37,407,410	44,198,364	44,263,484	43,981,387	46,617,613	47,738,800	
Excess of Revenue Over (Under) Expenditures	(148,303)	1,176,615	(2,586,220)	2,321,210	(1,308,534)	802,898	4,210,428	3,893,213	4,744,487	
Fund Balance - Beginning of year	15,248,531	15,100,228	16,276,843	13,690,623	16,011,833	14,703,299	15,506,197	19,716,625	23,609,838	
Fund Balance - End of year	\$ 15,100,228	\$ 16,276,843	\$ 13,690,623	\$ 16,011,833	\$ 14,703,299	\$ 15,506,197	\$ 19,716,625	\$ 23,609,838	\$ 28,354,325	

See accompanying summaries of significant assumptions.

Major and Local Street Funds Assumptions

Major Street Fund

This forecast analyzes the actual results from 2018-2019 through 2021-2022 and the City's adopted budget for 2022-2023 with inflationary increases for the years 2023-2024 through 2026-2027. 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 2025-2026 and 2026-2027 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 1.75 percent for 2023-2024 with a slight improvement to 3.00 percent in 2026-2027. 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 2022-2023 increase includes \$551,540 in traffic signal improvements at Maple/Elm/Poppleton, Adams/Derby, and Brown/Southfield. 2023-2024 improvements include \$180,000 for Maple/Adams.

Capital Outlay

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

2022-2023	S. Old Woodward Ave. - Brown St. to Landon St.	\$3,343,000
	Pierce – 14 Mile to E. Brown	\$810,000
	E. Brown – Old Woodward to Woodward	\$450,000
	Cranbrook – 14 Mile to Midvale	\$623,500
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

Local Street Fund

This forecast analyzes the actual results from 2018-2019 through 2021-2022 and the City’s adopted budget for 2022-2023 with inflationary increases for the years 2023-2024 through 2026-2027. 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 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 1.75 percent for 2023-2024 with a slight improvement to 3.00 percent in 2026-2027. 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 through 2025-2026 at approximately \$350,000 per year. Also, asphalt maintenance is scheduled to occur in each fiscal year from 2023-2024 through 2026-2027 ranging from \$500,000 - \$1,000,000 each year.

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.

2022-2023	Westwood/Oak/Raynale – Oak to Raynale	\$220,000
2023-2024	Edgewood – Lincoln to Southfield	\$680,000
	Fairview – Chesterfield to Dead End	\$330,000
2024-2025	Bird – Pierce to Cummings	\$1,050,000
2025-2026	Merrill – S. Bates to Southfield	\$630,000
	Bird – Cummings to Woodward	\$600,000
	Abbey – Wimbleton to Oxford	\$500,000
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

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

	2018-2019	2019-2020	2020-2021	2021-2022	Estimated Future Operations								
					2022-2023	2023-2024	2024-2025	2025-2026	2026-2027				
Revenue													
State grants and distributions	\$ 1,621,239	\$ 1,453,560	\$ 1,599,135	\$ 1,767,459	\$ 1,817,791	\$ 1,841,944	\$ 1,882,712	\$ 1,920,367	\$ 1,958,774				
Special assessment collections	82,844	6,858	2,817	450	-	-	-	160,650	243,100				
Federal grants	-	-	-	-	-	-	-	-	-				
Local sources	-	125,291	-	-	-	-	-	-	-				
Interest and rent	79,877	159,112	2,150	(156,180)	38,590	35,177	36,150	44,294	74,610				
Other	500	-	3,500	13,091	-	-	-	-	-				
Transfers from General Fund	2,579,900	2,746,000	2,000,000	4,100,000	1,500,000	3,500,000	3,500,000	4,000,000	2,500,000				
Total revenue	4,364,360	4,490,821	3,607,602	5,724,820	3,356,381	5,377,121	5,418,862	6,125,311	4,776,484				
Expenditures													
Maintenance of streets and bridges	447,929	282,709	253,739	275,327	352,520	352,461	362,244	370,771	379,539				
Street cleaning	140,810	156,856	163,818	195,854	262,990	194,906	281,275	202,822	297,720				
Street trees	242,128	217,301	248,368	340,129	376,420	390,267	398,989	407,130	415,445				
Traffic controls	690,745	403,867	704,832	281,172	901,040	549,089	377,125	385,243	393,546				
Snow and ice removal	209,099	243,192	198,183	185,520	273,550	280,488	284,629	290,373	296,257				
Administrative	18,997	20,488	20,901	20,061	19,640	20,252	20,830	21,424	22,036				
Capital outlay - Engineering and construction of roads and bridges	810,999	1,679,902	2,831,158	2,054,391	5,696,030	4,764,116	3,315,382	4,868,182	2,511,046				
Total expenditures	2,560,707	3,004,315	4,420,999	3,352,454	7,882,190	6,551,579	5,040,474	6,545,945	4,315,589				
Excess of Revenue Over (Under) Expenditures	1,803,653	1,486,506	(813,397)	2,372,366	(4,525,809)	(1,174,458)	378,388	(420,634)	460,895				
Fund Balance - Beginning of year	1,732,911	3,536,564	5,023,070	4,209,673	6,582,039	2,056,230	881,772	1,260,160	839,526				
Fund Balance - End of year	\$ 3,536,564	\$ 5,023,070	\$ 4,209,673	\$ 6,582,039	\$ 2,056,230	\$ 881,772	\$ 1,260,160	\$ 839,526	\$ 1,300,421				

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

	Estimated Future Operations									
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	
Revenue										
State grants and distributions	\$ 565,229	\$ 590,699	\$ 649,822	\$ 712,469	\$ 739,472	\$ 752,343	\$ 768,996	\$ 784,375	\$ 800,063	
Special assessment collections	401,794	213,877	172,822	217,408	187,117	77,012	443,388	404,855	419,305	
Interest and rent	59,657	50,546	10,315	(84,825)	40,604	70,398	59,025	62,847	59,574	
Other	2,942	21,450	10,716	15,922	5,000	5,000	5,000	5,000	5,000	
Transfers from General Fund	<u>2,500,000</u>	<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>4,500,000</u>	<u>6,000,000</u>	
Total revenue	3,529,622	2,876,572	3,843,675	2,810,974	3,222,193	4,404,753	4,776,409	5,757,077	7,283,942	
Expenditures										
Maintenance of streets and bridges	1,119,883	801,900	404,041	432,216	1,027,210	1,064,931	1,089,692	1,115,145	744,567	
Street cleaning	169,146	166,552	190,298	218,931	268,350	197,611	284,649	207,140	302,847	
Street trees	514,400	520,800	548,422	724,032	946,370	982,092	1,002,421	1,023,186	1,044,397	
Traffic controls	67,729	65,249	55,430	67,807	66,100	68,700	70,604	72,563	74,575	
Snow and ice removal	141,840	142,594	138,914	121,856	175,490	181,582	185,902	190,344	194,911	
Administrative	26,748	28,958	29,521	28,482	27,680	28,980	29,811	30,667	31,547	
Capital outlay - Engineering and construction of roads and bridges	<u>1,819,576</u>	<u>1,375,081</u>	<u>608,967</u>	<u>1,547,598</u>	<u>1,384,780</u>	<u>2,185,256</u>	<u>2,967,520</u>	<u>2,859,839</u>	<u>5,442,216</u>	
Total expenditures	3,859,322	3,101,134	1,975,593	3,140,922	3,895,980	4,709,152	5,630,599	5,498,884	7,835,060	
Excess of Revenue Over (Under) Expenditures	(329,700)	(224,562)	1,868,082	(329,948)	(673,787)	(304,399)	(854,190)	258,193	(551,118)	
	<u>1,924,032</u>	<u>1,594,332</u>	<u>1,369,770</u>	<u>3,237,852</u>	<u>2,907,904</u>	<u>2,234,117</u>	<u>1,929,718</u>	<u>1,075,528</u>	<u>1,333,721</u>	
	<u>\$ 1,594,332</u>	<u>\$ 1,369,770</u>	<u>\$ 3,237,852</u>	<u>\$ 2,907,904</u>	<u>\$ 2,234,117</u>	<u>\$ 1,929,718</u>	<u>\$ 1,075,528</u>	<u>\$ 1,333,721</u>	<u>\$ 782,603</u>	

Water and Sewer Funds Assumptions

This forecast analyzes the actual results from 2018-2019 through 2021-2022 and the City's adopted budget for 2022-2023 with inflationary increases for the years 2023-2024 through 2026-2027. 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 2022-2023 through 2026-2027. Water volumes are projected to remain relatively constant.

Operations and Maintenance

Included in this amount is lead service line abatement in the amount of \$1,620,000 for fiscal year 2022-2023, \$1,060,000 for fiscal year 2023-2024, and \$789,891 for fiscal year 2025-2026. The abatements will be funded by \$1,969,891 in American Rescue Plan Act funds and \$1,500,000 in property taxes.

Capital Outlay

The forecast is based on estimates prepared by the City Engineer for years 2022-2023 through 2026-2027. These improvements will be made in conjunction with road improvements and will be partially funded by property taxes from 2022-2023 through 2024-2025.

Interest Income

The forecast assumes investment return of 1.75 percent for 2023-2024 and gradually increasing to 3 percent through 2026-2027. 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, 2022-2023, 2023-2024, and 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 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 2022-2023 through 2026-2027. 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 1.75 percent for 2023-2024 and gradually increasing to 3 percent through 2026-2027. 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 2022-2023 through 2026-2027.

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 in 2022-2023, \$800,000 in 2023-2024, \$900,000 in 2024-2025, \$1,000,000 in 2025-2026, and \$1,100,000 in 2026-2027.

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

	Estimated Future Operations									
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	
Key Operating Data:										
Water sold	797,789	770,748	821,128	743,493	826,200	806,100	806,100	806,100	806,100	806,100
Water purchased	853,610	856,475	894,885	818,454	890,868	869,146	869,146	869,146	869,146	869,146
Average unit cost of water purchased	\$ 2.33	\$ 2.31	\$ 2.30	\$ 2.41	\$ 2.45	\$ 2.56	\$ 2.66	\$ 2.76	\$ 2.86	
Cost of Services										
Cost of water	\$ 1,986,553	\$ 1,975,461	\$ 2,054,651	\$ 1,970,910	\$ 2,179,900	\$ 2,224,250	\$ 2,308,850	\$ 2,396,970	\$ 2,488,670	
Depreciation	835,681	859,855	908,587	923,955	994,890	1,070,064	1,119,464	1,179,439	1,270,089	
Operation and maintenance	1,137,442	1,235,465	1,850,791	2,532,501	3,285,660	2,690,607	2,474,158	1,698,904	1,737,488	
General and administrative	206,343	213,344	216,531	205,091	218,770	223,337	233,586	240,036	241,852	
Capital outlay	1,487,626	987,998	1,781,454	678,850	2,915,000	3,007,000	1,968,000	2,399,000	3,626,000	
Total Cost of Services	5,653,645	5,272,123	6,812,014	6,311,307	9,594,220	9,215,258	8,104,058	7,914,349	9,364,099	
Other Income										
Interest	110,584	163,284	3,141	(183,297)	48,240	107,403	129,254	157,040	150,684	
Property taxes	752,306	998,538	1,498,003	1,297,527	1,100,000	900,000	700,000	-	-	
Federal Grants	-	-	-	277,852	1,120,000	560,000	289,891	-	-	
Flat rate meter charge and other	754,841	647,103	704,255	664,479	729,000	719,500	726,300	728,154	730,064	
Transfer from other funds	-	500,000	-	-	-	-	-	-	-	
Total Other Income	1,617,731	2,308,925	2,205,399	2,056,561	2,997,240	2,286,903	1,845,445	885,194	880,748	
Less: Capital Outlay and Lead Replacement Costs Not Included in Net Cost of Services										
					(1,915,000)	(2,007,000)	(968,000)	(1,399,000)	(2,426,000)	
Net Cost of Services	\$ 4,035,914	\$ 2,963,198	\$ 4,606,615	\$ 4,254,746	\$ 4,681,980	\$ 4,921,355	\$ 5,290,613	\$ 5,630,155	\$ 6,057,351	
Average User Charge			\$ 5.67	\$ 6.11	\$ 6.56	\$ 6.98	\$ 7.51			
Average Rate Increase			7.76%	7.36%	6.40%	7.59%				

See accompanying summaries of significant assumptions.

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

	Actual					Estimated Future Operations				
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	
Key Operating data:										
Water sold	797,789	770,748	821,128	743,493	826,200	806,100	806,100	806,100	806,100	
Water purchased	853,610	856,475	894,885	818,454	890,868	869,146	869,146	869,146	869,146	
Average unit cost of sewage disposal	\$ 4.33	\$ 4.52	\$ 4.59	\$ 5.23	\$ 5.15	\$ 5.36	\$ 5.53	\$ 5.69	\$ 5.87	
Cost of Services										
Sanitary sewage disposal costs	\$ 3,692,752	\$ 3,869,263	\$ 4,109,306	\$ 4,277,198	\$ 4,591,140	\$ 4,661,621	\$ 4,802,757	\$ 4,948,127	\$ 5,097,859	
Storm water costs	2,522,409	2,599,432	2,752,743	2,887,023	3,044,190	3,104,570	3,186,759	3,273,635	3,363,115	
Depreciation and amortization	988,253	1,012,947	1,063,765	1,101,523	1,160,110	1,223,035	1,269,985	1,333,710	1,410,485	
Debt service - including principal	1,623,283	1,681,694	1,689,379	396,059	318,120	315,230	33,055	33,068	28,814	
Operation and maintenance	931,169	944,343	458,505	715,119	1,220,460	1,125,600	1,165,624	1,199,316	1,287,820	
General and administrative	232,159	247,382	251,643	238,274	243,530	251,755	259,231	266,916	274,657	
Capital outlay	2,139,757	852,432	1,952,702	2,402,023	4,364,000	2,517,000	1,878,000	2,549,000	3,071,000	
Total Cost of Services	12,129,782	11,207,493	12,278,043	12,017,219	14,941,550	13,198,811	12,595,411	13,603,772	14,533,750	
Other Income										
Interest	127,705	179,076	5,705	(149,795)	59,030	63,190	38,972	46,054	31,041	
Property taxes	1,630,670	1,687,430	1,688,738	396,579	318,120	315,230	33,055	33,068	28,744	
Storm water charge	2,540,512	2,624,333	2,769,011	2,910,903	3,044,190	3,104,570	3,186,759	3,273,635	3,363,115	
State grant	777,507	592,990	-	-	-	-	-	-	-	
Other	215,239	71,729	38,514	164,125	70,000	70,000	70,000	70,000	70,070	
Transfers from other funds	775,000	-	-	-	-	-	-	-	-	
Total Other Income	6,066,633	5,155,558	4,501,968	3,321,812	3,491,340	3,552,990	3,328,786	3,422,757	3,492,970	
Less: Capital Outlay Not Included in Net Cost of Services					(3,664,000)	(1,717,000)	(978,000)	(1,549,000)	(1,971,000)	
Net Cost of Services	\$ 6,063,149	\$ 6,051,935	\$ 7,776,075	\$ 8,695,407	\$ 7,786,210	\$ 7,928,821	\$ 8,288,625	\$ 8,632,015	\$ 9,069,780	
Average User Charge					\$ 9.42	\$ 9.84	\$ 10.28	\$ 10.71	\$ 11.25	
Average Rate Increase/Decrease						4.46%	4.47%	4.18%	5.04%	

See accompanying summaries of significant assumptions.

Part 1 - History of actual property tax levies:

	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
History of Form L-4025, Assessor's Report of Taxable Value	2,220,344,410	2,359,367,180	2,497,255,420	2,638,284,320	2,763,363,580
New property additions	65,325,894	63,886,305	75,634,670	69,047,712	66,043,930
Property losses	(14,272,588)	(13,118,053)	(11,573,438)	(13,050,235)	(10,222,270)
Increases in existing property TV (imputed; includes both uncapping and Headlee inflation increases)	<u>87,969,464</u>	<u>87,119,988</u>	<u>76,967,668</u>	<u>69,081,783</u>	<u>142,197,490</u>
Current year taxable value	2,359,367,180	2,497,255,420	2,638,284,320	2,763,363,580	2,961,382,730
Headlee Inflation rate	0.90%	2.40%	1.90%	1.40%	3.30%
Actual increase on existing properties	3.07%	1.31%	1.19%	1.23%	1.86%
Total change in Taxable Value	6.26%	5.84%	5.65%	4.74%	7.17%
Headlee reduction fraction	0.9703	0.9873	0.9884	0.9880	0.9823

Part 2 - Projection of Future property taxes:

	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2026-2027</u>
Fiscal year ended June 30, Assumed rate of:					
New property additions	2.39%	2.00%	2.00%	2.00%	2.00%
Property losses	0.37%	0.50%	0.50%	0.50%	0.50%
Headlee Inflation rate multiplier	3.30%	5.00%	4.00%	2.50%	2.50%
Projected actual change in TV of existing property	1.86%	1.50%	0.50%	0.50%	0.50%
Total change in Taxable Value	7.17%	7.98%	5.98%	4.49%	4.49%
Projected taxable value:					
Beginning value	2,763,363,580	2,961,382,730	3,197,553,003	3,388,766,673	3,540,837,577
New property additions	66,043,930	59,227,655	63,951,060	67,775,333	70,816,752
Property losses	(10,222,270)	(14,806,914)	(15,987,765)	(16,943,833)	(17,704,188)
Market value adjustments (including inflation)	<u>142,197,490</u>	<u>191,749,532</u>	<u>143,250,375</u>	<u>101,239,404</u>	<u>105,782,523</u>
Taxable value	<u>2,961,382,730</u>	<u>3,197,553,003</u>	<u>3,388,766,673</u>	<u>3,540,837,577</u>	<u>3,699,732,664</u>
Headlee rollback factor	0.9823	1.0000	0.9952	0.9951	0.9951
Less: Tax Incremental Taxable Value	16,773,250	16,665,910	18,217,550	23,649,860	14,748,760

Part 3 - Millage rates

Operating - General Fund	9.0104	8.1675	8.4424	8.2567	8.3147
Road - General Fund	1.2735	2.2006	2.0768	2.4167	2.3067
subtotal General Fund	<u>10.2839</u>	<u>10.3681</u>	<u>10.5192</u>	<u>10.6734</u>	<u>10.6214</u>
George W. Kuhn Drain	0.1080	0.0991	0.0098	0.0094	0.0078
Water Fund	0.3736	0.2829	0.2077	0.0000	0.0000
subtotal City Operating Levy	<u>10.7655</u>	<u>10.7501</u>	<u>10.7367</u>	<u>10.6828</u>	<u>10.6292</u>
Library Tax	1.3142	1.3143	1.3079	1.3015	1.1000
Refuse	0.7641	0.7384	0.7286	0.7302	0.7293
Debt	0.5104	0.5137	0.2335	0.2190	0.2240
Total Millage Rate	<u><u>13.3542</u></u>	<u><u>13.3165</u></u>	<u><u>13.0067</u></u>	<u><u>12.9335</u></u>	<u><u>12.6825</u></u>

Part 4 - Amount of property tax levy:

Operating - General Fund	\$26,532,110	\$25,979,900	\$28,455,520	\$29,040,360	\$30,639,540
Road - General Fund	<u>3,750,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>8,500,000</u>	<u>8,500,000</u>
subtotal General Fund	<u>30,282,110</u>	<u>32,979,900</u>	<u>35,455,520</u>	<u>37,540,360</u>	<u>39,139,540</u>
George W. Kuhn Drain	318,120	315,230	33,055	33,068	28,814
Water Fund	<u>1,100,000</u>	<u>900,000</u>	<u>700,000</u>	-	-
subtotal City Operating Levy	<u>31,700,230</u>	<u>34,195,130</u>	<u>36,188,575</u>	<u>37,573,428</u>	<u>39,168,354</u>
Library Tax	3,869,810	4,180,640	4,408,340	4,577,620	4,053,480
Refuse	2,250,000	2,348,860	2,455,630	2,568,230	2,687,420
Debt	<u>1,511,490</u>	<u>1,645,172</u>	<u>792,322</u>	<u>776,622</u>	<u>829,785</u>
Total property taxes levied	<u><u>\$ 39,331,530</u></u>	<u><u>\$ 42,369,802</u></u>	<u><u>\$ 43,844,867</u></u>	<u><u>\$ 45,495,900</u></u>	<u><u>\$ 46,739,039</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 2022 tax billing is already final (billed July 1, 2022); key assumptions for 2023-2024 through 2026-2027 on a line-by-line basis are as follows:

- a. New property additions are assumed to increase by 2 percent per year and losses are assumed to be .5 percent per year based on a 5-year average.
- 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 2023-2024 will be 7.9 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%, the forecast projects an annual inflation rate of 5 percent for 2023-2024 and 4 percent for 2024-2025, while decreasing to a normalized rate of 2.5 percent for fiscal years 2025-2026 and 2026-2027. This is due to pandemic-related supply chain challenges as well as the conflict in the Ukraine, both which will take some time to balance back out.
- d. The projected actual change in taxable values of existing properties for 2023-2024 of 1.5 percent is projected to be near the historic range. This number is projected to be .5 percent in the remaining years of the forecast due to a slow down of homes for sale resulting from high interest rates and potential decreases to taxable values as a result of tax appeals as home values may decrease slightly. 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-c above and results in projected taxable value changes of 8 percent in 2023-2024, 6 percent in 2024-2025 and approximately 4.5 percent in fiscal years 2025-2026 through 2026-2027.
- 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 infrastructure and lead service line replacement funding.
 2. The library tax levy for 2022-2023 is at the 1.3142 maximum rate and decreases slightly for 2 years to fund phase 3 of library renovations and 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, except for fiscal year 2025-2026.
 - 4. The debt millage rate is expected to increase slightly in fiscal year 2023-2024 due to scheduled debt payments. In fiscal year 2024-2025, the debt levy decreases significantly 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:

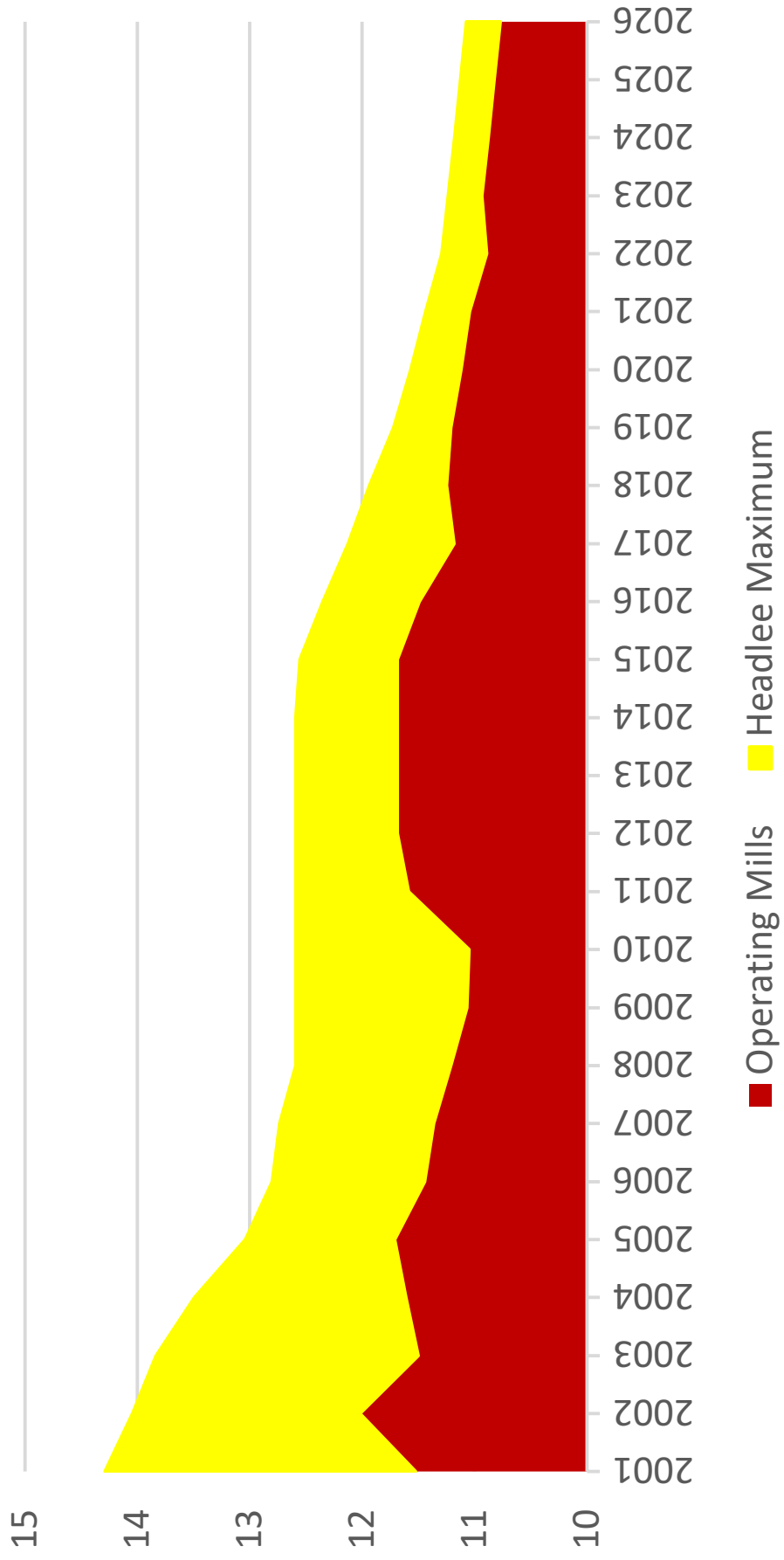
As of Fiscal Year 2022-2023

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.

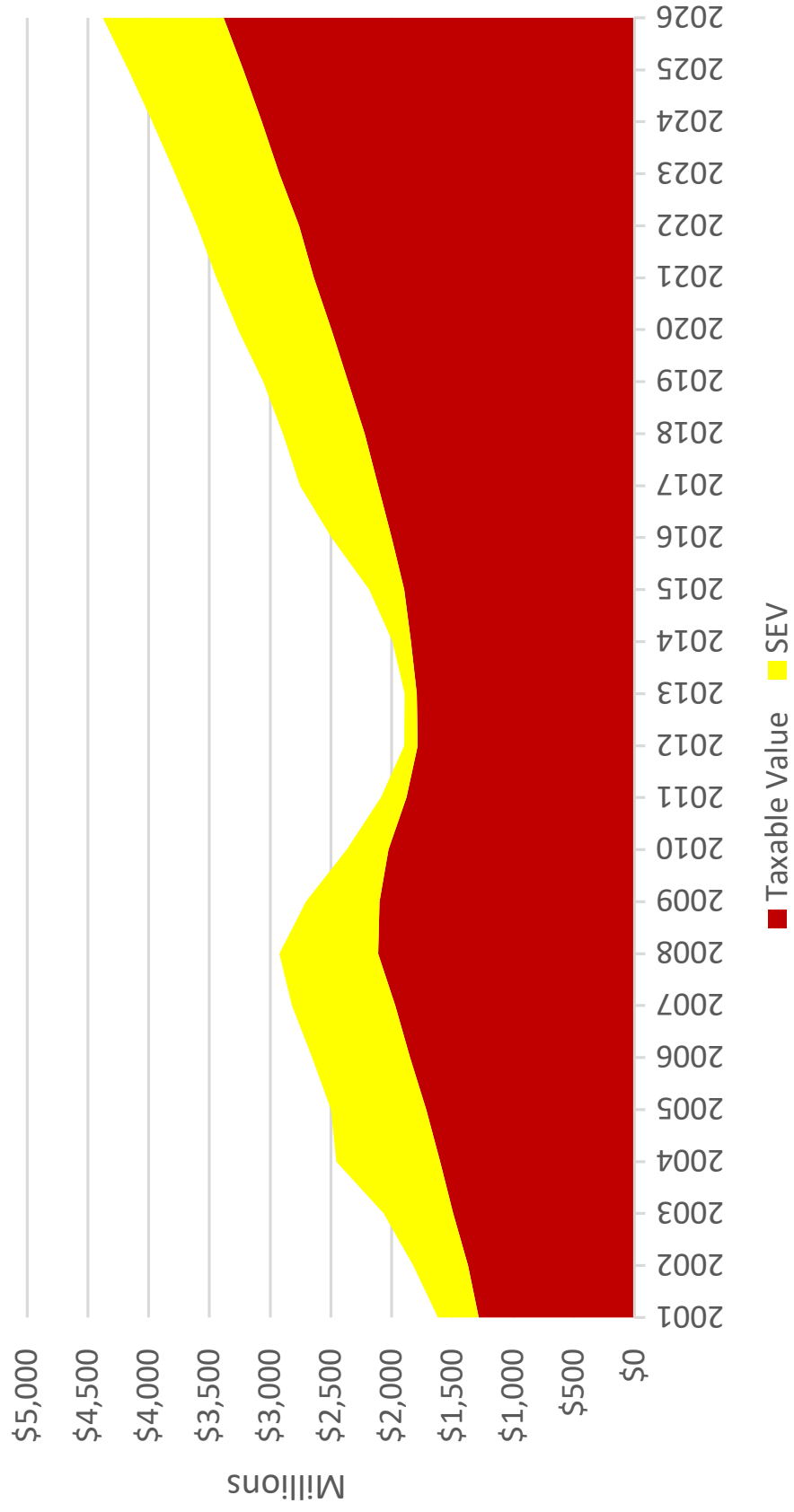
- h. The City considered the effects of tax incremental financing on property tax revenue in the forecast. The City uses tax incremental financing as a tool to encourage redevelopment of properties that would otherwise likely not be redeveloped. Tax incremental financing is primarily used to reimburse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



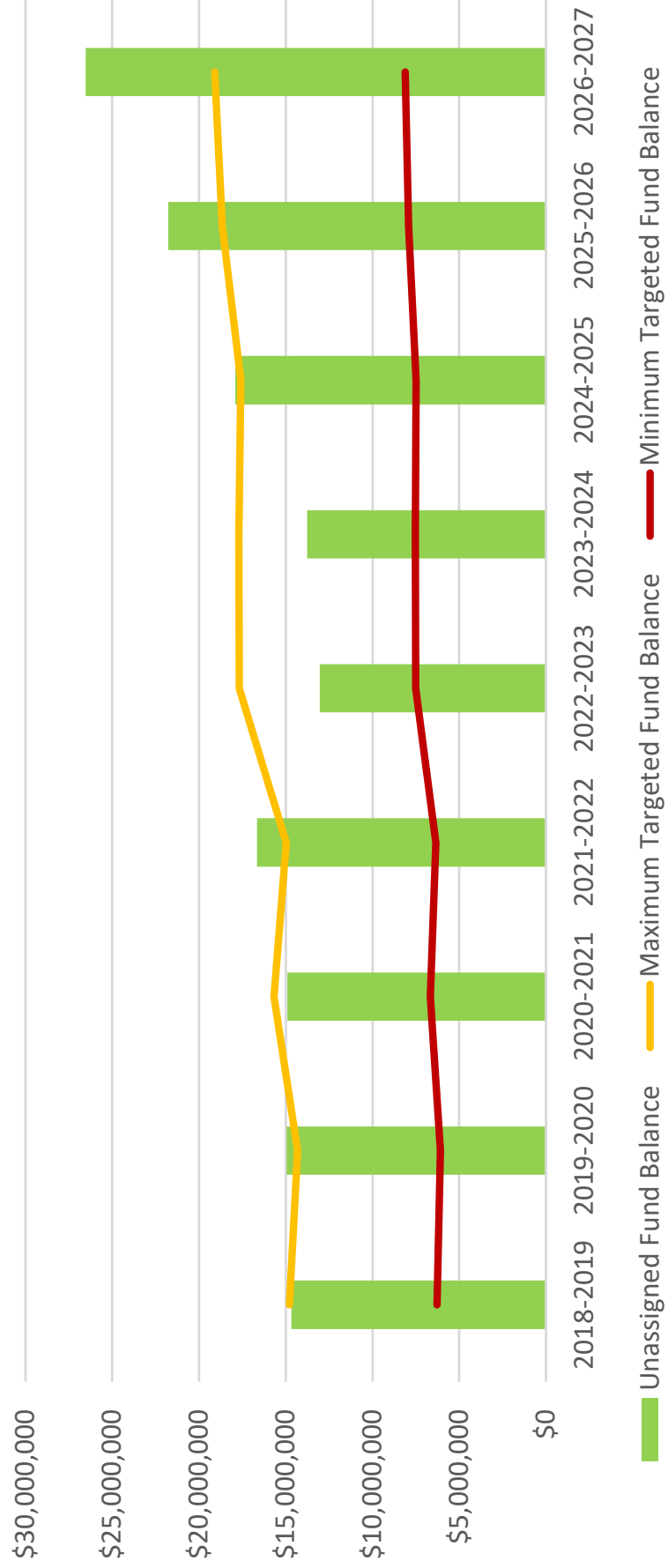
See accompanying summaries of significant assumptions and accounting policies.

General Fund - Fund Balance



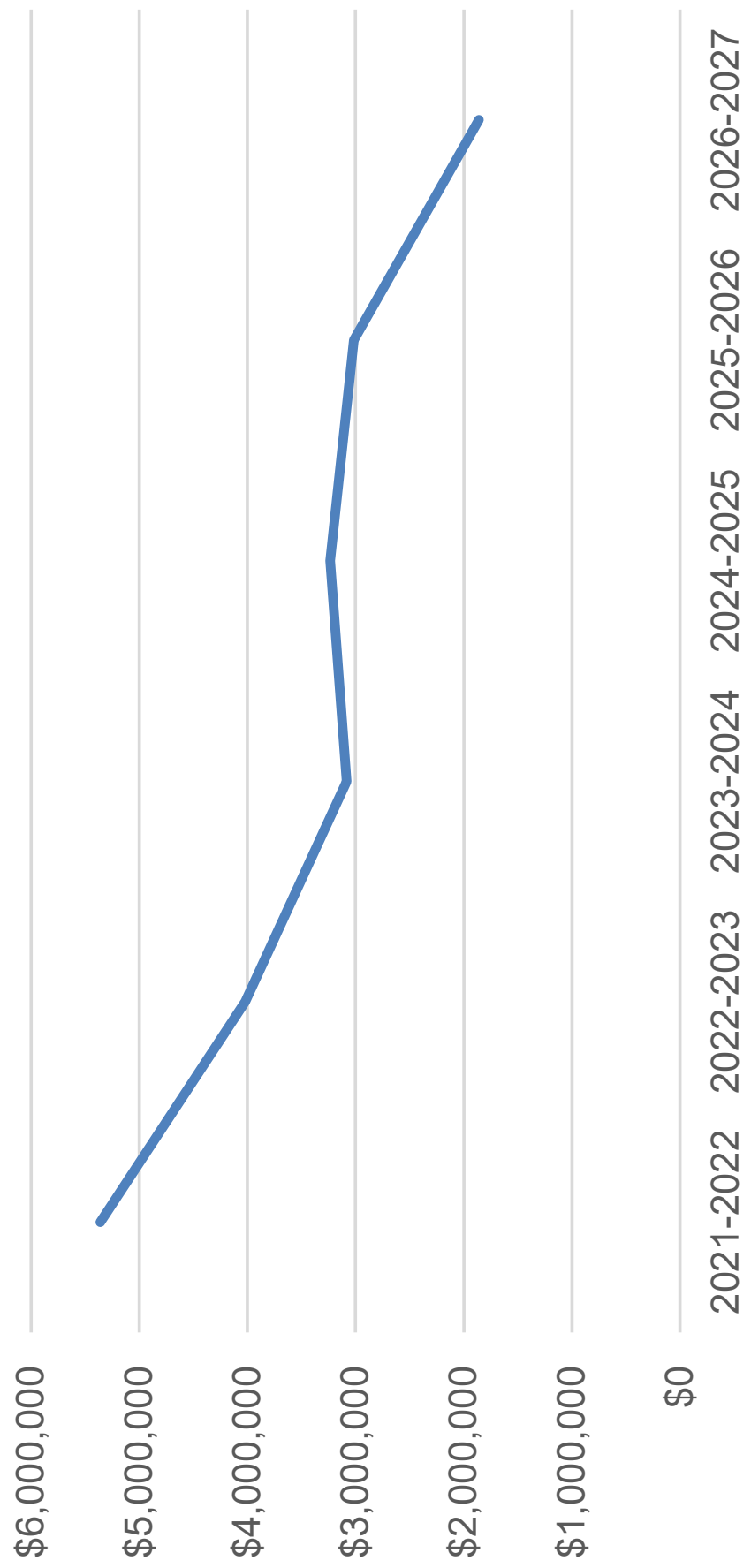
See accompanying summaries of significant assumptions and accounting policies.

General Fund Projected Unassigned Fund Balance Compared to Targeted Levels



See accompanying summaries of significant assumptions and accounting policies.

Projected Water Fund Unrestricted Net Position



See accompanying summaries of significant assumptions and accounting policies.

Projected Sewer Fund Unrestricted Net Position

