

City of Cadillac, Michigan

Since 1877



Annual Operating Budget July 1, 2011 - June 30, 2012



People, Place, Partnerships



Cadillac MICHIGAN

ELECTED OFFICIALS

William S. Barnett, Mayor
At Large

Shari Spoelman, Councilmember
First Ward

Antoinette Schippers, Councilmember
Second Ward

Art Stevens, Mayor Pro-Tem
Third Ward

Douglas Mellema, Councilmember
Fourth Ward

CITY ADMINISTRATION

City Manager	<i>Marcus A. Peccia</i>
Community Dev. Director	<i>Jerry Adams</i>
Director of Finance	<i>Owen Roberts</i>
Director of Public Utilities	<i>Jeff Dietlin</i>
Director of Public Works and Engineering	<i>Bruce DeWitt</i>
City Clerk	<i>Chris Benson</i>
City Treasurer	<i>Keri Lanning</i>
City Attorney	<i>Foster Swift Collins & Smith PC</i>

May 18, 2011

Dear Citizens of Cadillac:

I am pleased to submit to you the annual operating budget for the City of Cadillac for the fiscal year beginning July 1, 2011 and ending June 30, 2012. This budget represents the culmination of many hours of work beginning over four months ago. Our thorough budget process has included several opportunities for members of the Cadillac community to provide input into the direction of the budget and I am confident that this document represents a very realistic and achievable plan for the upcoming fiscal year.



The FY2012 budget plans over \$16.5 million in spending across the whole organization. This is mostly unchanged because of the impact that the state and national economic recession continues to have on our community. Local property values continue their decline and the State of Michigan has further threatened local units of government by taking away more and more funds in the form of statutory state shared revenue. This situation has made it very difficult for our great City to maintain the core services that our residents and businesses expect.

I want to express my appreciation to the great employees of the City of Cadillac for the shared sacrifices they continue to make in order to insure that our City remains fiscally strong and poised for sustainability and resiliency for many years. Not a single full-time City employee is scheduled to receive a cost-of-living pay increase in this budget, many of them for the second year in a row. At the same time, most employees will be contributing more to help offset the rising costs of important benefits like medical insurance. Their willingness to partner with City Council in making the kinds of tough decisions and sacrifices necessary to move Cadillac forward into the future is inspiring and makes me proud to represent such a fine group of people.

Thank you for taking the time to review this extensive budget document. There are two areas that I want to highlight for you that should help make the document easier to navigate and understand. First, the **Budget Reader's Guide** found just after this letter provides a simple yet valuable overview of the finances of the organization and the document itself. Secondly, our City Manager presents his **Transmittal Letter** starting on page 1 of this document. In it he details the challenges facing the City of Cadillac as well as some additional information on the plans incorporated into the current budget.

I am very proud of the effort that has gone into the development of this budget. I am honored to serve once again this year as your Mayor and look forward to interacting with you as we all partner together to make this City a community of continuing success.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Barnett", written over a horizontal line.

William S. Barnett
Mayor

Glimpses of ...

... Cadillac



CITY OF
CADILLAC
MICHIGAN



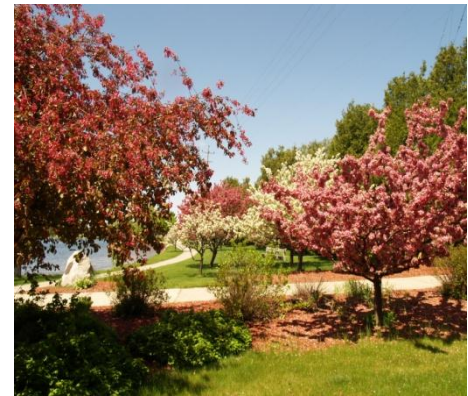


2011-2012 BUDGET READER'S GUIDE

Welcome to the City of Cadillac's Annual Operating Budget for the fiscal year beginning July 1, 2011 through June 30, 2012. Thank you for taking the time to learn about the appropriation of resources within the City of Cadillac. We trust that the time you invest in familiarizing yourself with this information will be time well spent. We are committed to accountability in the way that we conduct the business of serving the City of Cadillac, including its citizens, businesses, and industries. Hopefully this brief "Budget Reader's Guide" will help you understand this robust document as well as introduce you to the process that has led to its production.

Financial Structure

The financial structure of a municipality consists of various "funds", which operate just like separate businesses within the City and have their own set of balanced books. The main fund of the City of Cadillac is the General Fund. The General Fund is where you will find information on the resources devoted to providing the types of services that you would generally expect from a city - things like police, fire, general administrative services, tax collections, community planning and zoning, and parks maintenance are all core governmental services that are appropriated through the General Fund. An entire tabbed section of this document is devoted to the General Fund.



Keeping City parks beautiful is a core service provided by the General Fund.

Within the section called "Major Funds" you will find many of the other core services provided by the City of Cadillac that are not part of the General Fund. The activities related to street maintenance, including right-of-ways, are found in these funds. This is also where you will find information related to the costs of winter maintenance – activities like snow plowing and snow hauling. This is an important activity in Cadillac, as we are nestled in the heart of Northern Michigan and can find ourselves knee-deep in snow at any given moment during the winter months.

Also in the "Major Funds" section are activities related to the provision of utilities services, specifically water delivery and wastewater treatment. The Water and Sewer Fund combines these two activities into one fund, yet tracks the costs and revenues separately so that the true cost of each service is shown separately. This activity-based approach enhances the ability of City staff to analyze the costs of the activities separately and collectively, depending upon the type of analysis being done.

The "Non-Major Funds" section contains the budget detail for the rest of the funds that are within the City's financial structure. Activities such as the operation of the City cemetery, community development services, and others are found in this section, along with the details of the various debt service requirements of the City. Information technology is another area that the City commits substantial resources to in order to enhance efficiency and employee productivity, and these activities are tracked separately in this section. The City's costs for employee health insurance are found in a fund within this section as well.

The Process

A lot of effort has gone into developing a systematic process that will take a wide variety of information into consideration as funding and appropriation decisions are made. In fact, this has become a year-round activity at the City of Cadillac. There are basically four parts to the process:

Council Mission and Vision – The City Council recently established a Mission and Vision Statement. This was the result of a couple of months of review and input from Council Members and staff. These statements essentially established the priorities and communicated the Council's vision for Cadillac. The departmental staff of the City of Cadillac utilizes these statements when evaluating annual priorities and establishes goals and objectives that will be implemented into City operations to assist the Council in carrying out their mission and vision. Periodic review of these statements will help assure Council that their priorities play an important role in the direction of the City.

Capital Improvement Program – In early fall, work begins on a 5-year capital improvement program. This program lays out projects with a cost greater than \$7,500 and a useful life of more than one year. Any project that meets these criteria needs to flow through this program, with very few exceptions. Funding sources are identified through this process, but the actual appropriation of resources does not yet take place. This type of long-term capital planning has been of great benefit as funding has continued to be challenged on many fronts. There are opportunities for public input at this point, and the City Council officially adopts this 5-year program.



Construction activities are a big part of the long-term capital planning process.

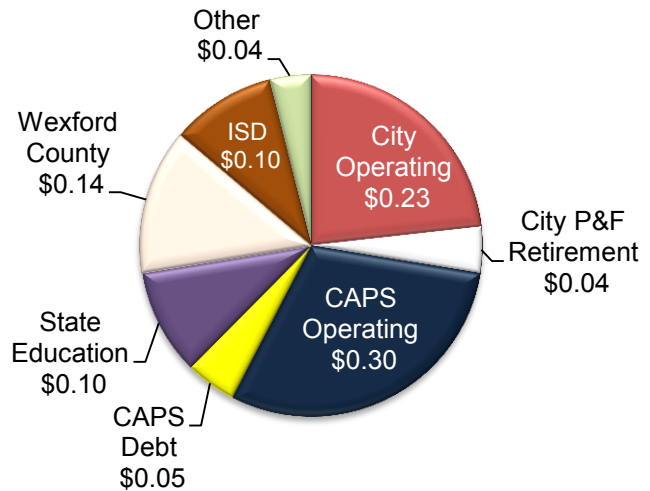
Annual Operating Budget – The annual operating budget is required by Cadillac's City Charter to appropriate all resources that will flow through the City, matching expenditures with various sources of revenues. The results of the first two planning processes – the Council Mission and Vision, and Capital Improvement Program – help guide many of the appropriation decisions made at the budget level. Additionally, the first year of the Capital Improvement Program is integrated into the budget as the Capital Budget. There are times that previously identified funding sources are no longer available, and when this happens these projects must be postponed or eliminated during the budget process. However, the City has historically been very successful at funding projects that have been planned for as part of the program. The budgeting process begins in mid-December and involves input from personnel in every department within the City. The process culminates in the document that you now hold in your hand which must be adopted by Council before the end of May each year.

Annual Independent Audit – Each year, the City retains an independent auditing firm to review the financial reports of the City and express an opinion on whether or not they fairly and adequately report the financial activities of the City. The results of this process are a vital part of the planning and budgeting process, as actual results are analyzed and compared with what was budgeted and appropriated. Any variances are closely analyzed and necessary adjustments are made in subsequent planning efforts.

As you can see, the City takes its responsibility for handling financial resources very seriously and is firmly committed to openness and accountability in the planning, budgeting, and subsequent financial reporting activities that take place throughout each fiscal year. There are at least six different opportunities throughout the year for the public to have input on strategic directions that the City will take. This input is both welcomed and encouraged.

City Property Tax Bill

While all taxes levied on property within the City are typically collected by the City of Cadillac, only a small portion of the payment actually remains at the City. In fact, only about \$0.27 of every \$1 in taxes paid on non-principal residence properties stays at the City, as the chart to the right shows. Most of the taxes are simply collected on behalf of other local taxing authorities. If the property has a principal residence exemption, about \$0.39 of every \$1 in taxes paid on a City tax bill is for City activities.



Elected Officials

Elected officials play a significant role in the operations of the City. They have the final adoptive authority in each process detailed in this guide. They set strategic plans into place and guide many of the decisions made in regards to the appropriation of resources. The following introductory biographies are offered so that you can familiarize yourself with the names and faces of the officials that have been elected to guide and direct City staff in the delivery of services.



Mayor William S. Barnett

Councilmember from City at Large
Population of City: 10,355
Occupation: Attorney
Term Expires: December 31, 2011
Annual Salary: \$4,100



Mayor Pro-Tem Art Stevens

Councilmember from Ward 3
Population of Ward: 2,631
Occupation: Financial Advisor
Term Expires: December 31, 2011
Annual Salary: \$2,800



Councilmember Douglas Mellema

Councilmember from Ward 4
Population of Ward: 2,480
Occupation: Manufacturing
Term Expires: December 31, 2013
Annual Salary: \$2,800

Elected Officials (Continued)



Councilmember Antoinette Schippers

Councilmember from Ward 2

Population of Ward: 2,561

Occupation: Teacher

Term Expires: December 31, 2013

Annual Salary: \$2,800



Councilmember Shari Spoelman

Councilmember from Ward 1

Population of ward: 2,683

Occupation: MSU Extension Director

Term Expires: December 31, 2011

Annual Salary: \$2,800

A map of the four city voting wards is shown here as well. If you are wondering who your elected representative to City Council is, the map should help you answer that question. These elected officials welcome public comments and input and will do their best to be available to answer your questions. The Council meets on the first and third Monday of each month at 7:00 PM in the council chambers at the City municipal complex. There is time set aside at each meeting for public comment. Agendas and minutes of these meetings can also be found on the City's website.



Thank you again for taking the time to look through this document. As part of our commitment to the readers and users of this information, we are always available to answer questions you may have about the information presented to you. Please feel free to contact our Financial Services Department at (231) 775-0181 if you have any questions. Additionally, this document in its entirety will be available on our website at www.cadillac-mi.net. We have tried to make the document easy to follow and read, and have offered many pictures, graphs, and textual descriptions of most of our activities to help you understand the scope of services that we are committed to providing with unmatched excellence.

Sincerely,

Marcus A. Peccia
City Manager

Owen E. Roberts
Director of Finance

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GFOA Distinguished Budget Presentation Award.....	Inside Back Cover

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City Manager's Office
200 N. Lake Street
Cadillac, MI 49601
(231) 775-0181

MEMORANDUM

To: Honorable Mayor William S. Barnett and City Council
From: Marcus A. Peccia, City Manager
Subject: Transmittal of 2011-2012 Annual Operating Budget
Date: April 1, 2011

INTRODUCTION

On behalf of the entire City of Cadillac staff, I am pleased to present to you the proposed FY2012 (July 1, 2011 – June 30, 2012) Annual Operating Budget totaling \$16,594,000.

The proposed FY2012 budget is balanced, with all operating and capital expenditures analyzed and covered by current revenues and available fund balance in accordance with the City's fiscal reserve policy. The overall City budget for all funds and activities is essentially unchanged and will increase only about 0.3% compared to the FY2011 budget. The following is a general overview of the City's outlook and status of the City's General Fund.

OUTLOOK

In a presentation to the Cadillac City Council on March 19, 2011, Community Development Director Jerry Adams described Cadillac as a "microcosm of a large City given the diversity of sectors and uses that we have." He added that "communities housing a diversity of uses and opportunities have the highest chance of long-term economic success."

Our City is comprised of a variety of residential neighborhoods, business/commercial sectors, industrial parks, recreational facilities, and is the seat of government in Wexford County. This critical diversity of uses and opportunities, when combined with a history of strong, conservative fiscal management has made Cadillac a special place to live, work, play, and thrive!

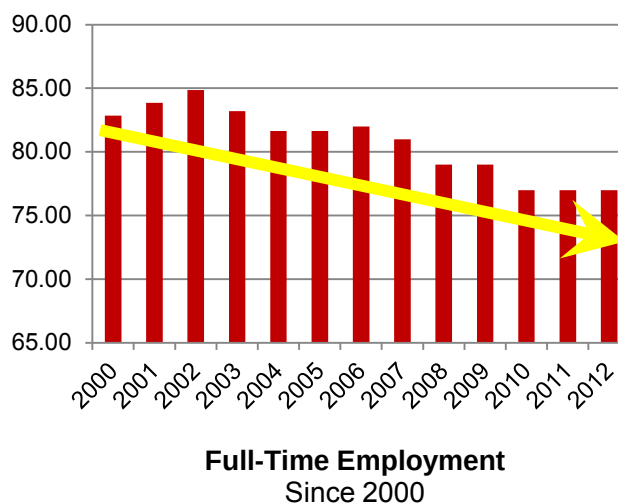
One year ago in this message, I reflected on the great economic crisis that was being reported about our State and the subsequent impact on our community. Today, Michigan has a new Governor who has proposed a sweeping new financial strategy to get the state back into the black. Unfortunately, it is becoming evident that part of the State's fiscal strategy to become stable includes new policies and legislation, specifically with statutory revenue sharing, that in reality may further destabilize and/or create financial crises for many local municipal agencies across the State. This may result in these municipalities falling into fiscal emergency, which would require the aid of an Emergency Financial Manager, a State appointed administrator with a myriad of authority including the ability to dissolve binding contracts and remove elected officials from office.

Although I am concerned about the new direction that our State is taking, especially as to how it will impact our City, I am proud to be able to report that Cadillac remains fiscally strong. I am confident that Cadillac will continue to “weather the storm” and be sustainable throughout this transitional period of time.

I am proud of our organization’s resiliency at all levels. We have continued to adapt to the economic environment, all while still meeting the needs and expectations of our citizens with only approximately \$0.27 of every \$1 of property taxes on a City tax bill collected for the provision of City services.

One indicator of our resiliency is that over time, management in hand with staff has worked to streamline the organization. Most notably, in the last year the City Manager’s Office, the Building Department, and the Community Development Department were restructured. The City also changed how prosecutorial services are provided, collaborating with Wexford County to do so. This year, further restructuring will be done, somewhat parallel to this budget process, which may result in a merging of departments to create a new “Public Services Department” after the retirement of our current Director of Public Works. Similar to the aforementioned restructuring done last year, I believe these operations may find new efficiencies by joining together under a single superintendent. To assist in this analysis, I have appointed a Staff & Equipment Utilization Committee to study how the structure may adjust, what effect the change would have throughout the organization, and how services may be maintained or improved moving forward.

With respect to streamlining as it relates to staffing, the City’s full-time employment level has also undergone substantial change over the last decade or so. Full-time City employment was at its highest level of 91 employees in 1993. In FY2000, total full-time employment was 83. This number is now down to 77 full-time employees, which is 15% less than the 1993 peak. These reductions in total employment have been done while preserving service levels throughout the organization through finding additional efficiencies and leveraging technology to gain productivity. Please note that the number of employees is full time equivalents (FTEs).

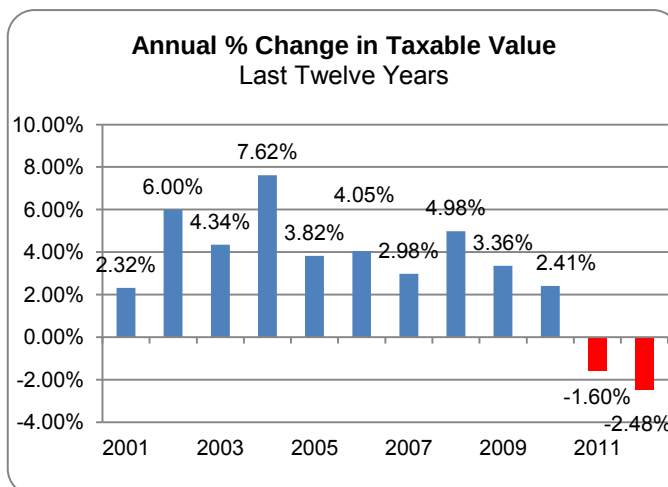


A second indicator of our resiliency as an organization may be found in looking at the funding of our pension systems, both for Public Act 345 Police & Fire staff and for all other staff.

Although not fully funded, our Public Act 345 Police & Fire Retirement System as of June 30, 2010 is funded at 70% and provides an annual average pension of \$18,298 to former sworn officers that are now retired. Contributions to this system are funded by an extra voted millage levied on City property. Our Municipal Employees Retirement System as of December 31, 2009 for all full-time, non-Public Act 345 employees is funded at 101% and provides an annual average pension of \$11,037 to former employees that are now retired.

A third indicator, connected to the first two, reinforces how conservative fiscal management has been a significant key to the City's ability to remain sustainable in this economic storm. In light of declining taxable values and the disappearance of State Shared Revenue, our organization has been able to continue to provide core services to our public with a balanced budget, which is becoming increasingly more difficult to do.

According to Owen Roberts, Director of Finance for the City of Cadillac, "The City loses approximately \$37,500 of operating revenue for every 1% drop in taxable value and it is projected that the City will experience at least a 2.5% decrease in taxable value for FY2012." Additionally, I have been advised that if state shared revenues had simply kept up with the Consumer Price Index over the last 20 years, the City would be receiving an estimated \$1,672,874 in this budget year; however, based on current State estimates, which might fall further, it is estimated that for FY2012 the City will only receive \$755,000. In 1990, state shared revenue across the State was \$911 million. The new Governor's initial proposal for the State's next fiscal year eliminated \$300 million of statutory appropriations. He has proposed an "Economic Vitality Incentive Program" and recommended an appropriation of \$200 million that must be competed for and shared between the 500+ municipalities that currently receive state shared revenues.



Our organization remains in a state of transition, which is understandably stressful and at times uncomfortable; however we do have a super organization with proud employees who do an excellent job given our limitations on resources, including financial, equipment, and personnel.

Our City is working hard to stay fresh, by promoting stronger communications between many local civic groups and agencies, such as the Cadillac Area Visitor's Bureau, West Cadillac Resort District, Downtown Development Authority, and Chamber of Commerce. The City Council has also spearheaded a new effort to create a regional economic development consortium that is designed to help retain and attract business to our area. This will become especially important if the State-provided financial tools such as the brownfield tax credits and Michigan Economic Growth Authority tax credits are eliminated as a part of the State's new budgeting plans, as has currently been proposed.

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund is presented as a balanced budget. The total revenues of the fund for FY2012 are \$7,147,200. This represents an increase of about 0.9% over the adopted budget, but a decrease of about 7.58% over the amended FY2011 budget. For the second year in a row, property tax revenues will decline. Overall, the taxable value within the City is expected to drop by approximately 2.5%, which represents a loss of about \$6 million in value. From a revenue perspective, this loss in taxable value will result in a decline in property taxes of close

to \$100,000 depending on the final tax roll. Losses in state shared revenue were a significant contributor to the overall revenue decline as well. As a result of that reduction, the City is forced to rely more and more on our own-source revenue – like property taxes – to sustain service delivery. With a full-time workforce that equals its lowest level in many years, further revenue restrictions and reductions will inevitably lead to reduced services.

The rate charged to residents for solid waste removal services will increase about 3.4% in FY2012 from \$14.06 per month to an estimated \$14.54 per month, an increase of \$0.48 per month, or \$5.76 annually. The rate adjustment is a reflection of various inflationary indexes that are built into the removal contract with the City's hauler, Republic Services. A promised decrease in tipping fees at the Wexford County landfill that would have offset these inflationary increases has not materialized.

A continuing negative impact on the budget is the direct result of decreased state funding, in the form of Act 51 funds coming to the City for major and local street maintenance. Due to the rising costs of maintenance, and reductions in actual revenues from the State, the General Fund's contribution to the Local Street Fund remains high at \$475,000 for FY2012. This is a serious situation that demands attention at the local level from a budgetary impact perspective and at the state level as we must engage our legislators in an effort to explore and advocate for ways to restore funding to needed levels.

Overall, converging economic and legislative factors have presented budgetary challenges for FY2012 at levels not seen for many years and the situation continues to worsen. This is the same message as prior years, but the situation continues to become even more troubling. Never has it been more critical to fully analyze and understand the costs of providing governmental services and to ensure that these core and critical services are being delivered in the most efficient and cost effective manner possible. Prioritization of services will be an important activity in upcoming months as the prospect of having to eliminate some of the lower priority services becomes an unfortunate reality.

The Major Street Fund is focused on the high traffic volume streets. This activity is funded primarily from revenues generated by the State of Michigan Gas and Weight Tax, which have continued to decline, even as the costs of street maintenance continue to rise. One unfortunate impact of restricted funding in the current year is the inability of the Major Street Fund to make a contribution to help offset the costs of maintaining the local street system. Additionally, any construction project being planned on a street within the major street system will require a contribution from another City fund as well as the use of prior year reserves on hand to provide sufficient resources to fully fund the costs of the project. The Major Street Fund also accounts for the work that the City provides to the State on a contractual basis to maintain the state trunk line system that runs through the city. The City is fully reimbursed for the costs of maintaining the major trunk lines in the City.

FY2011 Street Construction	
Project	Cost
Farrar Street (Major)*	\$110,000
Gunn/Seventh Streets (Major)*	180,000
Ayer Street (Local)	112,500
Total	\$402,500
* Grants will fund \$210,000 of \$290,000 in Major Street Construction	

The Local Street Fund is a street system focused on the less traveled streets, predominately the residential street system. This fund receives a small amount of money from the State of Michigan Gas and Weight Tax, while the majority of funding is received from the General Fund or other funds. Each local resident will contribute \$46 this year to maintain this infrastructure, which is down from \$53 per resident in FY2011. The current budget plans for one construction project totaling \$112,500. Reserves on hand from prior years will be used to fund portions of the construction.

MAJOR PROPRIETARY FUNDS

The Water and Sewer Fund as well as the Building Authority Operating Fund are accounted for and operated in this type of fund. They operate in the same manner as a private business. The method of budgeting and accounting for these funds is on an accrual basis.

The Water and Sewer Fund is anticipating a 4.5% rate increase to prepare for the additional costs resulting from replacing the system of wells that provide the municipal water supply to City utility customers. This capital investment in the system will add costs to the system and accordingly an incremental series of rate increases is planned in an effort to avoid the risk of a large one-time increase. Additionally, over \$4 million in improvements to the waste water system were placed in service in FY2009, which has also added to the costs of the system. This combination of factors necessitates the increase in rates that is proposed as part of this budget. Over \$37,000 of funds on hand will be committed through this budget for system upgrades related to street infrastructure projects.

A State of Michigan Department of Environmental Quality District Office is located in the downtown Cadillac area. The Building Authority Operating Fund is designed to record the operation of this facility, as the city owns the facility and leases it to the State.

NON-MAJOR SPECIAL REVENUE FUNDS

The Cemetery Fund has undergone significant changes over the last couple of years. City management must further develop a strategy for continuing to maintain the facility and improve infrastructure, while keeping rates down. This will be an ongoing challenge. The Cemetery Board has worked hard at improving the financial stability of this fund and as a result increased the rates in 2006. The cemetery is a beautiful showpiece at the entry to the City from the south. A survey was taken of surrounding communities which illustrates that our rates are very competitive.

Returns from interest on a UDAG grant to build the Hampton Inn are housed in the Cadillac Development Fund along with funds from Community Development Block Grants. Interest from these monies will be accumulated and used at the City Council's discretion for commercial development projects within the City.

The City Council is committed to keeping the downtown a viable and vibrant shopping area. The H.L. Green Operating Fund represents a prime example of these efforts. The City purchased a downtown commercial building, remodeled it and has since sold it on a land contract. As of March 31, 2011, the outstanding principle on the land contract was just over \$46,000 and the contract will be paid in full in January 2013. This fund accounts for the collection of the principal and interest.

On February 22, 2011, City voters approved a new millage to fund the treatment of Lake Cadillac against Eurasian water milfoil and other invasive aquatic species. This enables the levy of 0.50 mills that will be restricted for costs incurred to treat the lake. It is expected to raise about \$120,000 annually and was approved for three years. The Lake Treatment Fund will account for the revenues received from the millage and the treatment costs incurred.

NON-MAJOR DEBT SERVICE FUNDS

These funds are used to account for the retirement of various bond issues. Funds have been appropriated for six separate debt obligations at various stages of retirement. The statutory debt ceiling is 10% of the taxable value and the city remains well below this level. By remaining below the debt ceiling, the city maintains flexibility in its consideration of future projects which may require the issuance of debt. Each fund has included a five year pro forma income statement to catch a glimpse of the future. The per capita debt for FY2012 is \$1,036 (including revenue bonds) and 9.1% of the principal will be retired during the fiscal year.

NON-MAJOR PERMANENT FUNDS

The Capital Projects Fund is the result of the sale of the power generating plant. The assets are to be held as an endowment. Earnings on these assets have been used to help fund infrastructure projects. As of FY2012, over \$140,000 in contributions had been made using earnings on these endowment funds to assist in funding capital projects within the City. It is proposed to contribute \$25,000 from the earnings on this endowment fund to the Major Street Fund to help fund the proposed construction projects.

The final fund in this category is the Cemetery Perpetual Care Fund. This fund is an endowment, which uses interest earnings on perpetual care assets to assist financing of the Cemetery Operating Fund.

NON-MAJOR CAPITAL PROJECTS FUNDS

This group of funds consists of two funds, the Industrial Park Fund and the Special Assessment Capital Projects Fund.

The State of Michigan has placed the designation of Certified Business Park upon a portion of our industrial park area. This certification is an advantage in recruitment in the industrial sector.

The Industrial Park Fund has sold most of the remaining portions of land in the Harry VanderJagt Park and purchased another forty acres for an expansion project several years ago. The expanded area is known as the James E. Potvin Industrial Park. Several lots have been sold in this park with construction of two new facilities completed. Additionally, the City was the first community in the State of Michigan to establish a Brownfield Redevelopment Authority, which has allowed for the capture of taxes to be reinvested in abandoned and contaminated areas throughout the community. By returning these properties to occupancy, we will help to maintain the viability of our community.

The Special Assessment Capital Projects Fund is where the activity for summer construction projects is funded. Projects for the current fiscal year are highlighted by the reconstruction of Farrar Street, Gunn/Seventh Streets, and Ayer Street. The utilities infrastructure lying beneath the surface of these streets will be replaced as well.

NON-MAJOR PROPRIETARY FUNDS

Enterprise Funds

A major revenue source of the Auto Parking Fund is the parking special assessment, which will expire at the end of FY2011. This assessment allows the fund to continue to meet its operating obligations of providing parking in the business district for the customers of the merchants. The parking assessment is set at a level which covers the essential services of the fund, but does not generate sufficient revenue to consider additional construction projects. Efforts will begin to renew the assessment, as well as to explore other options for funding the downtown parking system.

Internal Service Funds

This group of funds furnishes services to other funds within the City. There are four such funds and the three largest are described as follows:

The Stores and Garage Fund is used to rent equipment to the various operating departments within the City. Internal rental rates need to be high enough to cover the purchase of new equipment and cover oversight and administration of the street maintenance system. Equipment rental represents 94% of revenue to this fund. There are over 80 pieces of equipment in this fund.



The Information Technology Fund accounts for the information technology (IT) operations across all departments and activities of the City. Through this investment, the City continues to leverage improvements in technology to enhance efficiency and productivity wherever possible. Oversight of all IT activities was contracted out in 2007, which continues to serve the city well and has led to improved service delivery. The initial four-year agreement with Terrapin Networks expired in January 2011, which will necessitate further study to determine the most optimal structure of this department moving forward.

The Self-Insurance Fund provides funding for the City's health care needs. Because of proactive employee health management and positive claims experience over the last several years, FY2012 begins with a solid balance of reserves. Claims that reach \$5,000 per family per year are covered by a reinsurance policy purchased by the City. The overall goal is to provide quality health care for City employees and their dependents while at the same time keeping costs under control. This fund also maintains a small, self-funded life insurance policy for retirees. For FY2012, most of the City's annual required contribution for other post-employment benefits (OPEB) will also be appropriated from this fund.

PENSION TRUST FUNDS

The City operates one pension trust fund entitled the Police and Fire Retirement System, which is funded by a millage approved by the citizens in 1977. The millage required for FY2012 is 2.6 mills, unchanged from FY2011. A local board of directors appointed by the City Council is responsible for the administration of this system. A small increase in the City's taxable value, coupled with the change in funds management to MERS ISP enabled a reduction in the millage rate in FY2009. In 1977, assets of \$100,000 were available and as of June 30, 2010, these funds have grown to over \$7 million. The City contributes 32.63% as a percentage of payroll for police and fire to fund the liabilities of the system.

The other retirement system offered by the City is a state-wide system entitled the Michigan Municipal Employees Retirement System (MERS). This covers all full-time City employees except for police and fire personnel. Actuarial estimates place the average cost of this system at 7.5% of annual salaries. Annual required contributions to this system increased by about \$80,000 city-wide a year ago, further exacerbating the financial challenges facing the City. The City is paying a smaller percentage of its obligation as determined by MERS due to the fund being well invested. The system is fully funded according to the most recent actuarial valuation.

COMPONENT UNITS

This group of funds consists of legally separate organizations for which the city is financially responsible and is divided into Major and Non-Major Component Units.

Major Component Unit

The Local Development Finance Authority Fund was established to record costs associated with the ground water cleanup process in the industrial park. Special assessments from benefited properties will cover the cost of operation of the facility and these costs will be accounted for in the operating fund. The special assessment was renewed for an additional five years in 2007.

Non-Major Component Units

The Local Development Finance Authority Utility Fund accounts for the costs associated with a well, which is the major water supply providing the power plant with water as required under the development agreement that governs the project as a whole.

The Downtown Development Authority Capital Projects Fund accounts for the revenue that is captured as a result of a tax increment financing plan, which allows for the capture of tax dollars from increased value of the downtown area. This fund is separated to cover the various construction and improvement projects identified by the DDA board. Providing a strong commitment to the downtown area continues to be a major goal of the City and this is reflected through reinvestment in the downtown as illustrated through this tax plan.

The Cadillac Brownfield Redevelopment Authority was established in 1996 and was the first in the State of Michigan. It is designed to redevelop previously environmentally contaminated sites. This is an economic tool used to reinvest in local communities and avoid urban sprawl.

I would like to thank the City Council for its incredible support in working with staff to finalize a budget during these extremely difficult times. Through input from a variety of sources, we are hopeful that this budget document identifies those services most needed and desired in the community. The efforts committed to the development of the budget document by all parties, staff and council alike, are greatly appreciated and I believe this document fairly and accurately reflects revenues and expenditures for FY2012. It is a budget which, especially when one considers the challenges presented to us by state and federal mandates, does an excellent job of continuing to serve the needs of our community. Extremely tough decisions have been made with regard to the prioritization of city services and the level of City staffing, but not before they were carefully researched and analyzed. The end result should be a utilization of scarce resources in the most efficient manner.

It is with great pride that I mention the awards received by the City of Cadillac again this year. These awards are something we can be proud of and are clear indications of the strong teamwork and commitment to excellence exhibited by the City Council and staff.

- ◆ **Tree City Award** goes to only those communities which meet strict standards for forestry management. Receiving this award for the twenty-eighth year in a row clearly illustrates our commitment to this most important natural resource.
- ◆ The **Award for Distinguished Budget Presentation** has been presented to the City of Cadillac for twenty-six consecutive years by the Government Finance Officers Association of the United States and Canada. This award is for one year and covers the budget beginning July 1, 2010. In order to receive this award, a governmental unit must publish a budget that meets program criteria as a policy document, as an operational guide, as a financial plan and as a communications device. We believe our current budget continues to conform to this high standard and we are submitting this year's document to be considered for another award.
- ◆ The Government Finance Officers Association of the United States and Canada presented the City of Cadillac with a **Certificate of Achievement for Excellence in Financial Reporting**. This award has been received twenty-five years in a row, reflecting our sincere effort to provide accurate and complete financial data.

This budget is prepared and formulated in accordance with State of Michigan guidelines and the City of Cadillac charter requirements. It also conforms to generally accepted accounting principles. There are four columns in the financial details of each fund: one contains audited figures from the most recently completed fiscal year; the next reflects unaudited anticipated activity for the current fiscal year; the third column is the current approved budget; and the final column is the proposed budget. These four columns, along with the fund balance descriptions are required by P. A. 621, the State of Michigan Budgeting and Accounting Act. Following this transmittal letter, the specific calculations of tax limitations that Michigan voters have approved and which are required of every municipality are shown. The budget document is available for public inspection at the City Clerk's office or on the City's website at www.cadillac-mi.net.

With the receipt of this proposed budget for the 2011-2012 fiscal year, the City Council begins its responsibility of examining the administration's proposals and its eventual approval of the document, which will establish the direction of all municipal services and programs. The City Charter requires that the Council adopt the final budget and set the tax levy authorization by the

last council meeting in May. This budget will take effect on July 1, 2011 and run through June 30, 2012.

FINAL THOUGHTS

Our organization, still under the pressures of our current economic climate, will continue to explore new ways to do more with less, and will continue to aggressively seek outside funding for capital and other special projects. We must also identify and evaluate new opportunities to collaborate and partner with other organizations where appropriate. As I have stated in the past, during difficult and uncertain economic times, the organization reaches a point where it can no longer “do more with less” but is forced to “do the best with fewer resources,” and Cadillac has reached that point.

The future is bright. Our community is working together closer than ever before, and our population both County and City-wide has increased according to the 2010 U.S. Census, evidence that people still choose to call Cadillac and the greater Cadillac area home.

In closing, I must acknowledge the tremendous efforts of our staff, and thank them for their genuine love and dedication for our City. I must also recognize and acknowledge the tremendous efforts of my executive and managerial staff, but wish to specifically highlight Owen Roberts and Carol Pacella from the Financial Services Department, our Director of Finance and Accountant respectively, for their investment of many hours in the preparation of our budget document that I am pleased to present for your consideration.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Marcus A. Peccia".

Marcus A. Peccia
City Manager



Council Mission & Vision Statement

Mission Statement

It is the mission of the City of Cadillac to be a well-managed, environmentally conscious and fiscally responsible appealing community in northwest Michigan. We will encourage and advocate for an environment for living and working that is founded upon a strong community spirit of trust, broad-based citizen involvement, and dignity and respect for all regardless of ethnic, social, or economic backgrounds.

Vision Statements

The City preserves and enhances its character and quality of life, and will be responsive to the changing needs of the residents and environment in a fiscally responsible manner.

The City will be an outstanding example of a well-managed, planned community which protects and enhances its historical heritage, architecturally significant buildings, residential neighborhoods, natural resources, open spaces and recreational areas. The City fosters well-planned business and commercial districts, encompassing a variety of industrial, manufacturing, retail and service establishments.

A strong commitment will be made to public health and safety, the maintenance of our infrastructure, and the conservation of our open spaces and natural resources, and where and when applicable, environmentally "green" practices will be utilized. Community services are distinguished by a strong commitment to quality, efficiency and outstanding public facilities, supported by reasonable property tax rates and/or fees.

The City will be known for its promotion of dignity, respect, and cooperation among residents regardless of ethnic, social, or economic backgrounds, as well as will be known for its promotion of cooperation among businesses, community agencies, and other units of government.

DEPARTMENTAL GOALS AND OBJECTIVES

City of Cadillac Departmental Structure

The City of Cadillac is organized under seven (7) main departments. A department director is assigned to each department. Departments are structured as follows:

<u>Department</u>	<u>Department Director Title</u>
• Office of the City Manager • Financial Services Department • Department of Public Works and Engineering	City Manager (Marcus Peccia) Director of Finance (Owen Roberts) Director of Public Works and Engineering (Bruce DeWitt)
• Community Development Department	Community Development Director (Jerry Adams)
• Police Department • Fire Department • Utilities Department	Police Captain (Acting) (Matt Wohlfeill) Fire Captain (Acting) (Randy Norman) Director of Utilities (Jeff Dietlin)

Except for the General Fund, all of the other funds within the City's fund structure are overseen by one of the primary department directors listed above. Throughout the budget document, each fund other than the General Fund will notate which department director is responsible for oversight of the fund.

It is important that each department of the City partners with the City Council to help carry out the mission of the Council. Departmental goals and objectives are presented below. It is also important to measure the outcomes of each department to ensure the progress of each department towards accomplishing this mission. Within each department below is a reference to other sections of this document where various performance measures can be found.

As the Chief Administrative Officer of the City of Cadillac, the City Manager has overall responsibility for the management of all City services and departments. As part of carrying out this responsibility, the City Manager requires each individual department to submit the following goals and objectives to outline how the respective departments will assist and partner with the City Council to achieve the mission and objectives contained in the Council Mission and Vision Concepts.

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Department: Financial Services Department
Director: Owen Roberts
Performance Measures: Pages 58, 59, 60, 61, 62, 185, 193

Departmental Goals and Objectives:

To assist the City Council in achieving its mission, the **Financial Services Department** will:

1. Promote **fiscal responsibility** by advocating for and practicing prudent, conservative fiscal practices and decision-making. Identified tasks to help achieve this objective are:
 - a. Minimize personnel legacy costs.
 - b. Measure and fully fund annual pension and other post-employment benefits liabilities.
 - c. Maintain General Fund undesignated fund balance of at least 15% of total annual General Fund expenditures.

2. Foster a **community spirit of trust** by providing open and easy access to financial information and results. Identified tasks to help achieve this objective are:
 - a. Interim quarterly financial reports available on the City's website by the end of the month following each quarter.
 - b. Property tax information available on the City's website.
 - c. Annual Operating Budget, Comprehensive Annual Financial Report, and 5-Year Capital Improvement Program available on the City's website.
3. Promote a **community spirit of trust** by commitment to providing comprehensive and accurate financial information. Identified tasks to help achieve this objective are:
 - a. Obtain Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).
 - b. Obtain Distinguished Budget Presentation Award from the GFOA.
 - c. Obtain unqualified ("clean") audit opinion.
4. Demonstrate a **strong commitment to quality and efficiency** in the delivery of **community services** by utilizing technology to streamline communications and internal business processes. Identified tasks to help achieve this objective are:
 - a. Evaluate and invest in new and/or upgraded technologies to take advantage of new efficiencies.
 - b. Continue to meet schedule of hardware replacement to ensure optimal efficiency and minimize down time.
 - c. Develop new communication tools and utilize existing tools to enhance delivery of important information to local residents and businesses.

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Department: Department of Public Works and Engineering

Director: Bruce DeWitt

Performance Measures: Pages 64, 76, 77,, 79, 81, 87, 95, 133, 179

Departmental Goals and Objectives:

To assist the City Council in achieving its mission, the **Public Works Department** will:

1. Enhance Cadillac as an **appealing community** by protecting our **natural resources, open spaces and recreational areas** throughout the City's parks, rights-of-way, open spaces and Maple Hill Cemetery. Identified tasks to help achieve this objective are:
 - a. Plant 100 trees annually in City right-of-way and public spaces.
 - b. Continue forestry practices that have helped the City maintain the designation of Tree City USA for twenty-eight consecutive years.
 - c. Adequately staff seasonal crews to facilitate optimal maintenance of parks and cemetery.
2. Promote **fiscal responsibility** by seeking ways to help offset costs of parks maintenance and forestry activities and to provide funding for additional activities. Identified tasks to help achieve this objective are:
 - a. Actively seek forestry grants to assist in the cost of purchasing trees.
 - b. Utilize competitive bidding process to ensure lowest acquisition costs for goods and services.
 - c. Seek opportunities to utilize volunteer help where appropriate.
 - d. Utilize Wexford County trustee help to reduce manpower costs.

3. Promote a **community spirit of trust** by responding to citizen comments and concerns in a timely fashion. Identified tasks to help achieve this objective are:
 - a. Develop a system to track citizen requests and complaints in order to measure response times and satisfactory resolutions.
 - b. Provide online submission venue for citizen concerns, comments and complaints.
4. Support our **strong commitment to monitoring the City's infrastructure** by continually evaluating and updating the infrastructure needs within the City. Identified tasks to help achieve this objective are:
 - a. Annually rank the condition of City streets.
 - b. Review and rank utility infrastructure needs below the streets.
 - c. Review and update Capital Improvement Program projects.
 - d. Design, bid and inspect all street and utility construction projects.
 - e. Update the Geographic Information System (GIS) with new utility information.
5. Enhance the City as a **highly appealing and desirable community** through maintenance practices that shall include:
 - a. Inspect and repair sidewalks thereby ensuring a safe walking environment for the public.
 - b. Continue the sign replacement program as well as maintaining the existing system of signs throughout the City.
 - c. Monitor and order repairs to all City lighting including streets, parks and the downtown business district.
 - d. Continue with the seasonal employment of a downtown maintenance worker who is responsible for sweeping sidewalks and side street parking spaces as well as resetting brick pavers and litter collection.
 - e. Optimize ice and snow control activities on State trunk lines, major and local streets and residential sidewalks.

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Department: Community Development Department

Director: Jerry Adams

Performance Measures: Pages 82, 83

Departmental Goals and Objectives:

To assist the City Council in achieving its mission, the **Community Development Department** will:

1. Promote a **well-managed and fiscally responsible community** by maintaining current information on the growth and development trends of the city and regional area. Supply this information to the City Council, City staff and others so as to allow these parties to make informed decisions founded on current data relevant to the issues at hand. Identified tasks for achieving this objective include:
 - a. Complete the Cadillac Area Market Study providing in-depth detail on market gaps in the commercial and industrial sectors.
 - b. Prepare an annual report detailing the growth in residential, commercial and industrial development.
 - c. Prepare a comprehensive user analysis of the city's recreational facilities to determine areas of need for purposes of funding.
2. Promote **fiscal responsibility** by carefully identifying, examining and pursuing local, state, and federal funding programs as a means of leveraging local dollars as well as providing for facilities and services potentially unavailable without the benefit of supplementary resources. Identified tasks for achieving this objective include:
 - a. Maintain an internal "grant alert program" informing city staff of potential local, state and federal grant funding programs.

- b. Pursue recreational grant funds through the Wexford County Recreational Millage Program.
 - c. Provide staff support to the Diggins Hill Committee as they solicit donations for the development of the Diggins Hill Community Park.
- 3. Enhance the City as a **highly appealing and desirable community** by fostering the growth and development of new facilities and services. Identified tasks for achieving this objective include:
 - a. In concert with the Arts Council, investigate the potential for opening an Art Gallery in Downtown Cadillac providing a location in which local artists may display and market their crafts.
 - b. Prepare a site design plan depicting an extension of the White Pine Trail into or near Downtown Cadillac.
- 4. Foster a **community spirit of trust** by instituting and participating in programs designed to inform and educate the public on community development matters. Identified tasks for achieving this objective include:
 - a. Expand the number of people identified as “friends” of the City’s Facebook website page. Concurrently, increase use of the website for displaying information on public programs, facilities and services.
 - b. As a representative of the city, serve as a guest speaker at meetings or events of local organizations addressing community development programs and services.
 - c. Using the public television station available to the city, produce a story (or live event) on the Lake Cadillac Invasive Species Management Program.
- 5. Promote the **City’s environmental well-being** by instituting programs designed to protect the City’s natural resources. Identified tasks for achieving this objective include:
 - a. Prepare an informational brochure encouraging people to follow best practices pursuant to preventing the spread of invasive aquatic species. Locally, distribute the brochure at sporting goods and bait shops, Mitchell State Park, Carl T. Johnson Hunting and Fishing Center and other relevant locations.
 - b. Institute a rotating series of educational displays/posters for placement in the Lake Cadillac kiosks dealing with the protection of the city’s natural resources.

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Department: Police Department

Director: Captain Matt Wohlfeill (*Acting*)

Performance Measures: Pages 67, 68, 69, 70, 71, 75

Departmental Goals and Objectives:

To assist the City Council in achieving its mission, the **Police Department** will:

- 1. Foster a **community spirit of trust** and **broad-based citizen involvement** by continuing to work with the community to reduce crime and increase the feeling of community safety. Identified tasks to help achieve this objective are:
 - a. Promote additional Neighborhood Watch groups to help identify and prevent criminal activity.
 - b. Involve Cadillac Community Policing Officer with local civic groups and community organizations.
- 2. Enhance the City as a **highly appealing and desirable community** by placing a high emphasis on traffic safety. Identified tasks to help achieve this objective are:
 - a. Perform traffic surveys to identify problem areas.
 - b. Utilize target enforcement zones to reduce speeds in residential zones and the downtown business district.
 - c. Focus on the increasing problem of operating under the influence of drugs by providing the necessary training and equipment to help officers recognize and combat this dangerous situation.

3. Enhance the City as a **highly appealing and desirable community** by decreasing criminal activity such as larcenies, property damage, and breaking and entering. Identified tasks to help achieve this objective are:
 - a. Deploy additional personnel in targeted neighborhood districts.
 - b. Utilize the media and neighborhood groups to raise community awareness of current problems in order to promote early detection and reporting of suspicious activity.
4. Promote the City's **environmental well-being** by purchasing products and equipment for the department whenever possible that are environmentally friendly, safe, economical and that support local business when appropriate. Evaluate other operational opportunities to reduce emissions. Identified tasks to help achieve this objective are:
 - a. Evaluate environmental impact of equipment acquisitions and departmental activities.
 - b. Utilize Summer Patrol Officers on foot and on bikes to reduce fuel usage and emissions.
5. Promote a **well-managed and fiscally responsible community** by continuing current efforts and seeking out additional opportunities for co-operative mutual aid agreements with area public safety agencies. Identified tasks to help achieve this objective are:
 - a. Identify opportunities for joint in-house training utilizing local departmental instructors.
 - b. Promote sharing of specialized equipment with other local agencies to eliminate duplication in the acquisition of costly equipment.
 - c. Promote ongoing effort of joint specialty teams.
 - d. Utilize joint resources, training, personnel and specialty teams to collectively and effectively handle major incidents in our area.

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Department: Fire Department
Director: Captain Randy Norman (*Acting*)
Performance Measures: Pages 71, 72, 74, 75

Departmental Goals and Objectives:

To assist the City Council in achieving its mission, the **Fire Department** will:

1. Demonstrate a **strong commitment to public health and safety** by protecting local residents, businesses, and industries through fast, effective and efficient fire protection and emergency medical care. Identified tasks to help achieve this objective are:
 - a. Provide adequate training for all personnel.
 - b. Maintain safe, efficient, and updated fleet of safety and firefighting apparatus.
 - c. Minimize emergency response times.
2. Promote a **fiscally responsible community** by continuing partnerships with local agencies to provide efficient firefighting and emergency medical services. Identified tasks to help achieve this objective are:
 - a. Continue partnerships with Northflight and Clam Lake Township.
 - b. Continue and enhance mutual aid agreements with other local departments.
 - c. Develop county-wide training partnerships.
 - d. Enhance county-wide purchasing partnerships.
3. Promote a **strong community spirit of trust** and **broad-based citizen involvement** through community fire prevention and safety education, especially to "at-risk" groups like the very young and elderly. Identified tasks to help achieve this objective are:
 - a. Increase educational programs within local school systems.
 - b. Increase educational programs within local senior housing facilities.

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Department: Utilities Department

Director: Jeff Dietlin

Performance Measures: Pages 107, 110, 113, 116, 119, 124-126, 203, 204, 206

Departmental Goals and Objectives:

To assist the City Council in achieving its mission, the **Utilities Department** will:

1. Promote *fiscal responsibility* by advocating for and practicing prudent decision-making. Identified tasks to help achieve this objective are:
 - a. Evaluate staff to maximize potential workloads.
 - b. Evaluate equipment needs and develop a comprehensive preventative maintenance program to extend useful life of all equipment.
2. Foster a *community spirit of trust* by providing open and easy access to information and results. Identified tasks to help achieve this objective are:
 - a. Encourage local residents and groups to tour departmental facilities.
 - b. Provide annual results of water quality tests on the City website.

Water Resources Division

1. Promote *fiscal responsibility* by advocating for and practicing prudent decision-making. Identified tasks to help achieve this objective are:
 - a. Evaluate opportunities for new revenue such as accepting additional hauled waste.
 - b. Maintain a well-run digester to ensure the production of alternate fuel sources to offset costs of natural gas usage.
2. Promote an *environmentally conscious attitude* by advocating for and practicing environmentally prudent decision-making. Identified tasks to help achieve this objective are:
 - a. Maintain a well-run digester to ensure the production of alternate fuel sources to reduce natural gas usage.
 - b. Evaluate green component of future purchases.
 - c. Maintain discharge levels below required NPDES permit levels.
 - d. Maintain an active Industrial Monitoring Program to limit amount of industrial waste that is discharged into the waste water treatment system.

Water Distribution and Collection Division

1. Promote *fiscal responsibility* by advocating for and practicing prudent financial decision-making. Identified tasks to help achieve this objective are:
 - a. Evaluate opportunities for new revenue such as selling bulk water.
 - b. Maintain a well-run meter program with less than 1% mis-reads per month.
2. Promote *environmentally conscious attitude* by advocating for and practicing prudent environmental decision-making. Identified tasks to help achieve this objective are:
 - a. Clean at least 20,000 feet of sewers a year.
 - b. Achieve total coliform tests results of zero for the year.
 - c. Flush all fire hydrants within the City two times per year.
 - d. Continue preventative maintenance program for all fire hydrants in the City.
 - e. Evaluate green alternatives for new well field infrastructure.

Laboratory Division

1. Promote **fiscal responsibility** by advocating for and practicing prudent financial decision-making. Identified tasks to help achieve this objective are:
 - a. Evaluate opportunities for new revenue such as expanding customer base for laboratory services.
 - b. Increase number of tests that laboratory and staff are certified to perform.
 - c. Perform over 32,000 total tests annually.
 - d. Bill over \$45,000 for contract laboratory services to non-City of Cadillac accounts.
 - e. Provide a chemical hygiene course yearly to prevent accidental chemical exposure.
 - f. Maintain an MSDS record for chemical spill response.
2. Promote **environmentally conscious attitude** by advocating for and practicing prudent environmental decision-making. Identified tasks to help achieve this objective are:
 - a. Provide a place where total coliform measurements may be performed.
 - b. Maintain an updated and accurate record of chemicals at the Wastewater plant.
 - c. Give tours and classroom instruction for the schools around Cadillac.



City of Cadillac
Truth-In-Assessing Calculations

The State of Michigan enacted Public Act 213 of 1981 on December 31, 1981 (MCL 211.43). This law provides for a reduction of the authorized millage rate if the City's Taxable Value based on assessed values for all classes exceeds its taxable value based on state equalized values for all classes. Property taxes levied should not exceed that which would have been levied based on the City's taxable value. The calculations for the Truth-In-Assessing reveal that the City is assessing equal to the State Equalization Taxable Valuation.

2011 Assessed Taxable Value	\$264,030,889		
2011 State Equalized Taxable Value	\$264,030,889		
Difference	<u>\$0</u>		
	<u>\$264,030,889</u>	equals	1.0000
	\$264,030,889		

City of Cadillac
Truth-In-Taxation Calculations

Effective February 9, 1982, the State of Michigan approved Public Act 5 of 1982, generally known as the Truth-In-Taxation. Briefly this law states that the ensuing fiscal year tax revenues, less additions, cannot exceed the concluding fiscal year tax revenue. If it does, then the ensuing fiscal year millage is rolled back so that the tax revenues generated will be the same as the concluding fiscal year. The figures are provided by the Wexford County Equalization Office. Based on this definition, the calculation would be as follows:

Base Tax Rate = Previous Year x		<u>2010 Total Taxable Value Minus 2011 Losses Taxable Value</u>			
		2011 Total Taxable Value Minus 2011 Additions Taxable Value			
Millage Rate					
13.9473	x	<u>\$257,138,892</u>	minus	<u>\$2,497,810</u>	
		\$264,030,889	minus	\$13,580,135	
13.9473	x	<u>\$254,641,082</u>			
		\$250,450,754			
13.9473	x	1.0167 (Base Tax Rate Factor)	=	14.1807	
15 mills is the base tax rate and charter maximum					
\$254,641,082	x	13.9473		\$3,551,555.56	
\$250,450,754	x	14.1807		\$3,551,555.56	
\$254,641,082	x	13.9473		\$3,551,555.56	
\$250,450,754	x	13.9473		<u>\$3,493,111.80</u>	
Net				<u><u>-\$58,443.76</u></u>	

City of Cadillac
Headlee Amendment Calculations

In 1978, the voters of Michigan approved the Constitutional Amendment referred to as the Headlee Amendment. The resulting change in the Constitution and its implementing statutes is a formula that limits the maximum tax rates that may be levied by local governments. These limitations do not apply to pension and debt service levy authorizations.

The current 2010 taxable value is \$264,030,889, of which \$13,580,135 represents new value. After subtracting the net amount of new value, the Constitutional formula will further affect the City's millage rates only if last year's total taxable valuation is increased by an amount greater than the consumer price index (CPI), which for this fiscal year is 1.7%. The CPI is established by the State of Michigan. Based upon current estimates, the tax limitation formula will result in an adjustment of the tax rates for FY2012 as shown below:

2010 Taxable Value	\$257,138,892	
Less: Losses	<u>\$2,497,810</u>	
Net		\$254,641,082
Times the Consumer Price Index		<u>1.017</u>
Ceiling		\$258,969,980
2011 Taxable Value	\$264,030,889	
Less - Additions	<u>\$13,580,135</u>	
2011 Adjusted Value		<u>\$250,450,754</u>
Millage Reduction Factor (MRF)	Ceiling divided by adjusted value	1.0340
Current Millage Rate		<u>13.9473</u>
New Millage Rate as a result of the Headlee Amendment Rollback		<u><u>13.9473</u></u>

The Headlee Millage Rollback is not a factor this year.

Note: For the General Fund FY2012 budget, a projected taxable value of \$251,000,000 was used. There is a significant property tax appeal taking place that could result in the loss of substantial value. Additionally, research is currently being done on new value reported by one of the industries in Cadillac. It is not yet finalized as to whether this amount actually belongs on the current tax roll. In order to avoid a significant shortfall, these amounts have not been included in budget projections.

**ORDINANCE NO. 2011-04****ORDINANCE ADOPTING GENERAL APPROPRIATIONS ACT
FOR FISCAL YEAR 2012****THE CITY OF CADILLAC ORDAINS:**Section 1, Title.

This Ordinance shall be known as the City of Cadillac General Appropriations Act For Fiscal Year 2012.

Section 2, Public Hearing on the Budget.

Pursuant to MCL 141.412 and Section 10.3 of the City Charter, notice of a public hearing on the proposed budget was published in a newspaper of general circulation on April 7, 2011, and a public hearing on the proposed budget was held on April 18, 2011.

Section 3, Expenditures.

The City hereby appropriates the expenditures for the fiscal year commencing July 1, 2011 and ending June 30, 2012 on a departmental and activity total basis as follows:

General Fund

Legislative	41,700
Office of the City Manager	229,300
Election Services	16,500
Financial Services	224,100
Assessing Services	143,000
Legal Services	141,500
City Clerk/Treasurer Department	265,700
Engineering Services	182,000
City Complex	306,600
Police Department	1,939,000
Code Enforcement	28,200
Fire Department	1,333,800
Public Works	982,200
Culture and Recreation	228,900
Economic Development and Assistance	148,200
Intergovernmental	351,500
Other	<u>585,000</u>
Total Expenditures	\$7,147,200

Section 4, Estimated Revenues.

The City estimates that revenues for the fiscal year commencing July 1, 2011 and ending June 30, 2012 will be as follows:

General Fund

Taxes	4,525,200
Licenses & Permits	1,200
Intergovernmental	1,038,000
Charges for Services	1,012,100
Fines & Forfeits	30,000
Miscellaneous	272,500
Interest and Rents	71,500
Other Financing Sources	<u>196,700</u>
Total Revenues	\$7,147,200

Section 5, Budgets.

The City hereby approves budgets for the fiscal year commencing July 1, 2011 and ending June 30, 2012 for the following funds in the amounts set forth below:

	<u>Revenues</u>	<u>Expenses</u>
Governmental Funds		
Major Street Fund	876,800	876,800
Local Street Fund	727,100	727,100
Cemetery Operating Fund	133,700	133,400
Naval Reserve Center Fund	26,700	26,700
Cadillac Development Fund	62,400	62,400
Lake Treatment Fund	120,500	120,500
H.L. Green Operating Fund	27,700	500
1997 Special Assessment Debt Retirement	136,800	136,800
2000 Special Assessment Debt Retirement	7,600	7,600
2002 Special Assessment Debt Retirement	118,900	33,100
2004 General Obligation Capital Improvement Bond	90,500	90,500
1997 Building Authority Debt Retirement	33,700	33,700
2000 Michigan Transportation Debt Retirement	32,300	32,300
Industrial Park Fund	39,000	24,100
Special Assessment Capital Projects Fund	49,900	1,400
Cemetery Perpetual Care Fund	26,000	8,600
Capital Projects Fund	25,500	25,500
 Proprietary Funds		
Auto Parking Fund	55,800	55,800
 Water & Sewer Fund	3,856,000	3,801,000
Capital		3,537,500
Debt Service		655,000

Building Authority Operating Fund	197,400	116,900
Capital		45,000
Debt Service		115,000
Central Stores & Municipal Garage Fund	540,100	539,600
Capital		8,600
Debt Service		50,000
Information Technology Fund	257,100	256,600
Capital		97,500
Self-Insurance Fund	1,200,500	1,200,500
Employee Safety Fund	11,800	11,800
Pension Trust Fund		
Police & Fire Retirement System	818,000	640,800
Component Units		
Downtown Development Authority Operating Fund	38,200	35,400
Downtown Development Authority Capital Projects Fund	101,000	61,700
Local Development Finance Authority Operating Fund	280,500	280,500
Local Development Finance Authority Capital Projects Fund	102,500	100,500
Local Development Finance Authority Utility Fund	22,500	14,900
Brownfield Redevelopment Authority Operating Fund	58,200	58,000

Section 6. Millage Levies.

(a) The City will levy a tax of 13.9473 mills for the period of July 1, 2011 through June 30, 2012, on all real and personal taxable property in the City, according to the valuation of the same. This tax is levied for the purpose of defraying the general expense and liability of the City and is levied pursuant to Section 20.6, Article 20 of the City Charter. The maximum authorized levy according to the City Charter is 15.00 mills.

(b) The City further levies a tax of 2.60 mills for the period of July 1, 2011 through June 30, 2012, on all real and personal taxable property in the City, according to the valuation of the same. This tax is levied for the purpose of defraying the cost of supporting the retirement plan for personnel of the police and fire departments of the City pursuant to the provisions of Public Act 345 of 1937, as amended, as approved by a vote of the citizens of the City on November 8, 1977.

(c) The City further levies a tax of 0.50 mills for the period of July 1, 2011 through June 30, 2012, on all real and personal taxable property in the City, according to the valuation of the same. This tax is levied for the purpose of defraying the cost of treating milfoil and other invasive aquatic plant and animal species on Lake Cadillac, as approved by a vote of the citizens of the City on February 22, 2011.

(d) The City further levies a tax of 1.9548 mills for the period of July 1, 2011 through June 30, 2012, on all real and personal taxable property in the City, according to the valuation of the same in a district known as the Downtown Development District. This tax is levied for the purpose of defraying the cost of the Downtown Development Authority.

Section 7, Adoption of Budget by Reference.

The general fund budget of the City is hereby adopted by reference, with revenues and activity expenditures as indicated in Sections 5 and 6 of this Act.

Section 8, Transfer Within Appropriation Centers.

The City Manager is hereby authorized to make budgetary transfers within the appropriation centers established throughout this budget. All transfers between appropriations may be made only by further resolution of the City Council pursuant to Section 10.5 of the City Charter and Section 19(2) of the provisions of the Michigan Uniform Accounting and Budget Act.

Section 9, Appropriations by Resolution.

The City Council may, by resolution, make additional appropriations during the 2012 Fiscal Year for unanticipated expenditures required of the City, but such expenditures shall not exceed the amount by which actual and anticipated revenues of the fiscal year are exceeding the revenues as estimated in the budget unless the appropriations are necessary to relieve an emergency endangering the public health, peace or safety.

Section 10, Effective Date.

This Ordinance shall take effect on July 1, 2011.

Approved this 16th day of May, 2011.

Christine L. Benson, Clerk

William S. Barnett, Mayor

Funds Formation

The financial structure of the City consists of various funds, which operate just like separate businesses within the organization and have their own set of balanced books. Budgets are adopted separately for each of these types of funds. Funds are differentiated between major and non-major funds. Major funds represent the significant activities of the City and basically include any fund where revenues or expenditures, excluding other financing sources and uses, constitute more than 10% of the revenues or expenditures of the appropriated budget. The breakdown of the City's fund structure is as follows:

Major Governmental Funds

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources. The budgeting and accounting for Governmental Funds are recorded on a modified accrual basis. The main operating fund for the City of Cadillac, the General Fund is a major fund of the City and is used to account for the resources devoted to funding services traditionally associated with local government. It has some limited interaction with a majority of the other funds. The Major Street Fund and Local Street Fund, the City's two major Special Revenue funds, are used to account for the activity of the streets designated by the State of Michigan and to record construction and maintenance of these City streets.

Major Proprietary Funds

This type of fund accounts for the acquisition, operation and maintenance of government facilities and services which are entirely self-supported by user charges. The City of Cadillac incorporates both Enterprise Funds and Internal Service Funds into its processes. The major funds of this type include the Water and Sewer Fund, which provides water and sewer utility services to the City's 3,500 water and sewer customers, as well as the Cadillac Building Authority Operating Fund, which was formed to account for the rental of the Michigan DEQ building. Proprietary funds are budgeted and accounted for on a full accrual basis.

Non-major Special Revenue Funds

This type of fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Funds include: Cemetery Operating Fund, H.L. Green Operating Fund, Naval Reserve Center Fund, Cadillac Development Fund, and the Lake Treatment Fund. These funds are budgeted and accounted for on a modified accrual basis.

Non-major Debt Service Funds

This type of fund is used to account for the accumulation of resources for, and the repayment of general long-term debt, interest and related costs. These funds are budgeted and accounted for on a modified accrual basis. Funds include: 1997 Special Assessment Debt Retirement Fund, 2000 Special Assessment Debt Retirement Fund, 2002 Special Assessment Debt Retirement Fund, 2004 General Obligation Capital Improvement Debt Retirement, 1997 Building Authority Debt Retirement Fund, and 2000 Michigan Transportation Fund Debt Retirement Fund.

Non-major Capital Projects Funds

This type of fund is used to account for financial resources to be used for the acquisition or construction of capital facilities. Funds include: Industrial Park Fund and the Special Assessments Capital Projects Fund. These funds are budgeted and accounted for on a modified accrual basis.

Non-major Permanent Funds

This type of fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs. The City administers the Cemetery Perpetual Care Fund and the Capital Projects Trust Fund, which are both budgeted and accounted for on a modified accrual basis.

Non-major Proprietary Funds

This type of fund accounts for the acquisition, operation and maintenance of government facilities and services which are entirely self-supported by user charges. The Auto Parking System Fund is the City's only nonmajor proprietary fund, and is budgeted and accounted for on a full accrual basis.

Internal Service Funds

Internal Service Funds account for services and/or commodities furnished by a designated program to other programs within the City. Funds include: Central Stores and Municipal Garage Fund, Information Technology Fund, Self-Insurance Fund and Safety Fund. These funds are budgeted and accounted for using a full accrual basis.

Pension Trust Funds

Pension Trust Funds account for assets of the Police and Fire Retirement System, which is a pension plan held in trust for members and beneficiaries.

Component Units

Component units are legally separate organizations for which the City is financially accountable. A component unit can be another organization for which the nature and significance of its relationship is such that exclusion would cause the City's financial statements to be misleading or incomplete. Organizations presented in this budget document that represent component units of the City are as follows:

Major Component Units

The Local Development Finance Authority Operating Fund was established to operate the groundwater cleanup in the industrial park, and is budgeted and accounted for on a modified accrual basis.

Non-major Component Units

Non-major component units are the Downtown Development Authority Fund, Downtown Development Authority Capital Projects Fund, Local Development Finance Authority Utilities Fund, Local Development Finance Authority Capital Projects Fund, and the Brownfield Redevelopment Authority Fund. The Local Development Finance Authority Utilities Fund is budgeted and accounted for on a full accrual basis, while all other non-major component units are budgeted and accounted for on a modified accrual basis.

The City's comprehensive annual financial report contains several funds for which no funds are appropriated and therefore not included in this document. These funds include debt service funds that have been eliminated due to the debt being paid off, or other funds for which the fund's purpose has been accomplished making further budgeting unnecessary.

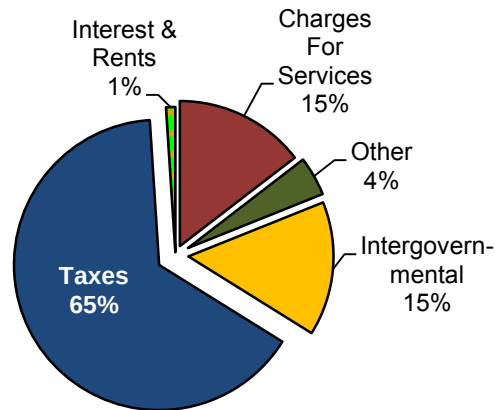
General Fund Highlights

As its name implies, the General Fund is the main operating fund of the City of Cadillac. This fund is where the property taxes levied on real and personal property within the City are recorded. Many of the typical services provided by a local unit of government – including property tax collections, general administration, police and fire services, culture and recreation, and economic development administration are found in the General Fund.

Revenue

The principal source of revenue for the General Fund is **Property Taxes**. Overall, the City will experience the loss of about 3% for the current fiscal year, on top of a 1.6% decline experienced in FY2011. Also accounted for in the General Fund are **Intergovernmental Revenues**, which principally consists of revenue shared from the State of Michigan, mostly from the generation of sales taxes. This source of revenue has also experienced significant declines in the last several years. **Charges for Services** are generated by solid waste collection charges, and administrative charges generated from other City-wide funds and activities.

General Fund Revenues by Type
FY2012



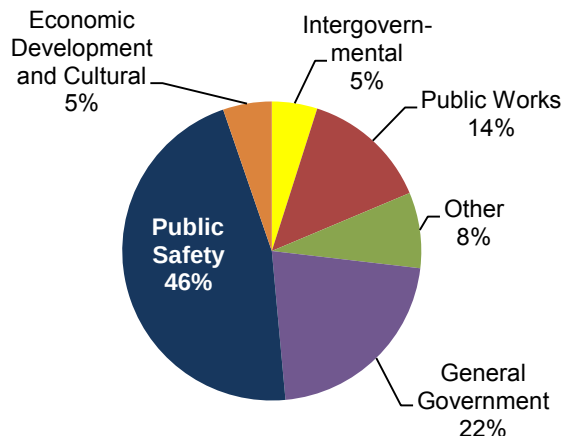
Source	Amount
Charges For Services	\$1,012,100
Other	500,400
Intergovernmental	1,038,000
Taxes	4,525,200
Interest & Rents	71,500
Total	\$7,147,200

Expenditures

General Fund expenditures decreased 8% for FY2011. This decrease is further detailed in the General Fund budget section. Other Financing expenditures include amounts transferred to other funds, the majority of which is the amount that is contributed to the Local Street Fund, which is \$525,000 for FY2011.

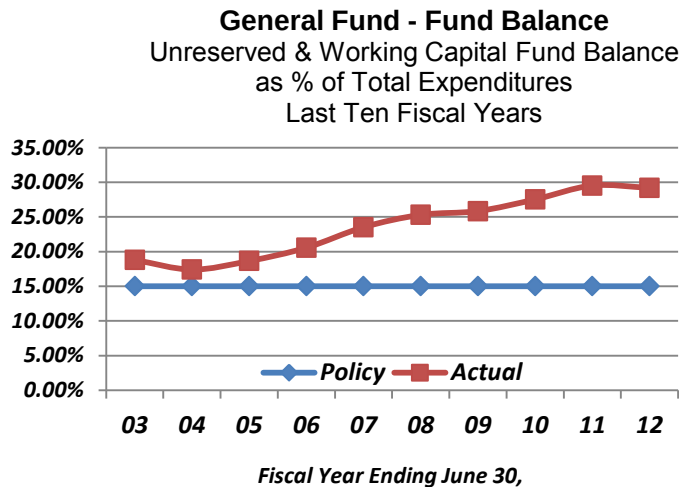
General Fund Expenditures by Activity
FY2012

Activity	Amount
Intergovernmental	\$351,500
Public Works	982,200
Other	585,000
General Government	1,550,400
Public Safety	3,301,000
Economic Development and Cultural	377,100
Total	\$7,147,200



Fund Balance

The General Fund seeks to maintain unreserved fund balance of at least 15% of total fund expenditures. This helps to insure that the City will have the cash on hand to cover any significant unforeseen expenditures and will be able to maintain sufficient cash flow to cover all expenditures in times of slower revenue collections. This eliminates the need for short-term borrowing to fund operations.



As seen in the chart to the left, this policy goal has been met for the last ten years. A portion of the unreserved fund balance has been designated for the working capital reserve, while an additional designation has been made to set aside funds for accrued sick and vacation leave that has been earned but unused by full-time City staff. For FY2012 the City is expected to use about \$196,000 in reserve to balance the budget. This utilization will not cause the overall unreserved fund balance to fall below the policy benchmark of 15% of total General Fund expenditures. In fact, unreserved fund balance will stay above 25% of total expenditures.

Retirement and Other Post-Employment Benefit (OPEB) Liabilities

The City of Cadillac has three components of post-retirement benefits that are available to City employees. The **Act 345 Police and Fire Retirement System** administers the retirement benefits for all sworn police officers and fire fighters. The required contributions to this system are calculated annually by an actuary and are funded through a special millage. Virtually all full-time employees of the City who are not sworn police officers or fire fighters are a member of the **Municipal Employees Retirement System of Michigan (MERS)**, an agent multiple-employer system that administers the benefits and manages the assets of the system. Finally, many current full-time employees are eligible for certain **other post-employment benefits (OPEB)** including life insurance and medical insurance until age 65. Details of these three systems are presented below.

Status: ■ = Negative ■ = Watch ■ = Positive

Act 345 Police & Fire Retirement System

	Valuation Date			Status
	June 30, 2008	June 30, 2009	June 30, 2010	
Actuarially Accrued Liabilities	\$9,936,669	\$9,985,089	\$10,326,784	■
Actuarial Value of Assets	7,080,392	6,549,608	7,188,395	■
Unfunded Liabilities	\$2,856,277	\$3,435,481	\$3,138,389	■
% Funded	71%	66%	70%	■
Average Pension	\$18,298	\$18,298	\$18,298	■
Annual Pension Costs	\$558,831	\$567,170	\$504,692	■
% of Annual Costs Contributed	100%	100%	100%	■

Municipal Employees Retirement System

	Valuation Date			Status
	12/31/2007	12/31/2008	12/31/2009	
Actuarially Accrued Liabilities	\$9,110,089	\$9,662,420	\$9,756,969	
Actuarial Value of Assets	9,811,375	9,852,998	9,831,879	
Unfunded Liabilities	(\$701,286)	(\$190,578)	(\$74,910)	
% Funded	108%	102%	101%	
Average Pension	\$10,023	\$10,841	\$11,037	
Annual Pension Costs	\$94,522	\$84,146	\$90,623	
% of Annual Costs Contributed	100%	100%	100%	

Other Post-Employment Benefits (OPEB)

	Valuation Date		Status
	12/31/2006	01/01/2010	
Actuarially Accrued Liabilities	\$5,059,343	\$3,453,575	
Actuarial Value of Assets	504,955	1,674,400	
Unfunded Liabilities	\$4,554,388	\$1,779,175	
% Funded	10%	52%	
Annual Costs		\$475,203	
% of Annual Costs Contributed		92%	

Cost saving measures have been an ongoing effort for several years, especially geared toward reducing OPEB liabilities. As of July 1, 2009 no new hires in any City employment group are eligible for retiree medical care coverage. Small life insurance policies are still available to eligible retirees.

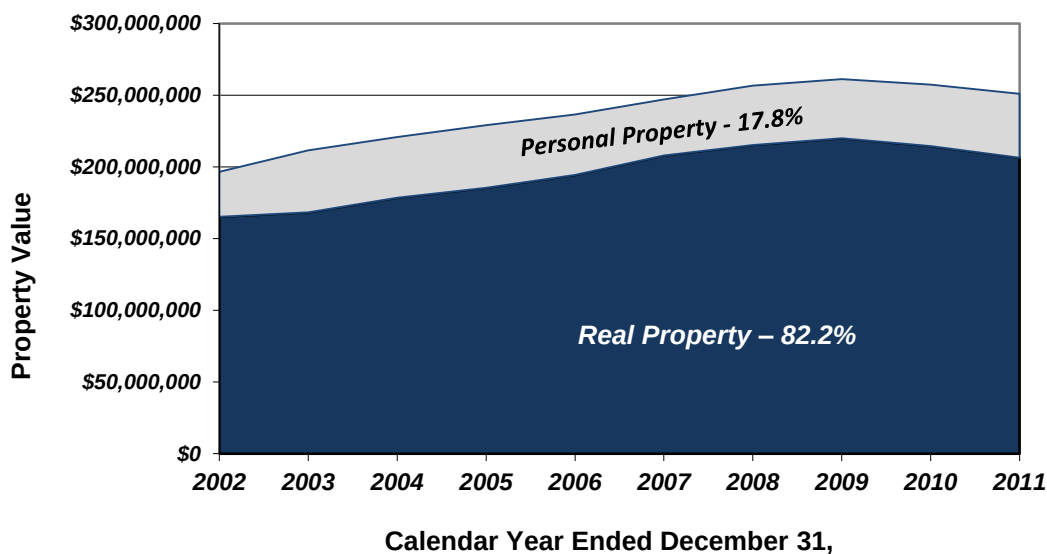
Total Unfunded Retirement and Other Post-Employment Benefit Liabilities

Though unfunded liabilities exist, the City continues to budget sufficiently to make 100% of the annual required contributions for each system. Taken as a whole, total unfunded liabilities for the three systems are:

System	Unfunded Liability	% Funded	Status
Act 345 Police & Fire Retirement System	\$3,138,389	70%	
Municipal Employees Retirement System	(74,910)	101%	
Other Post-Employment Benefits	<u>1,779,175</u>	52%	
Total Unfunded Liabilities	\$4,842,654		

Taxable Value of Property

After many years of slow but steady growth, the taxable value of property located within the City of Cadillac declined slightly in 2011. It is expected that after the 1.6% drop in 2011, the value will lose an additional 3-4% for FY2012. Overall, historical taxable value trends are presented below.



Tax Levy Year	Ad Valorem		Total Taxable Value	L.D.F.A. (1)	D.D.A. (2)
	Real	Personal			
2001	153,053,692	35,377,232	\$188,430,924	14,191,448	14,191,448
2002	165,243,210	31,372,200	\$196,615,410	14,305,437	13,900,153
2003	168,351,258	43,240,100	\$211,591,358	14,584,496	15,532,836
2004	178,542,129	42,307,800	\$220,849,929	13,876,588	16,082,462
2005	185,450,903	43,661,600	\$229,112,503	1,602,365	15,677,423
2006	194,425,780	42,148,500	\$236,574,280	1,807,048	15,871,650
2007	207,997,723	39,054,577	\$247,052,300	2,196,027	15,348,803
2008	215,265,242	41,430,900	\$256,696,142	2,469,322	15,781,546
2009	220,005,789	41,225,600	\$261,231,389	2,576,226	15,884,335
2010	214,543,803	42,847,700	\$257,391,503	2,577,482	15,132,051
2011	206,425,900	44,574,100	\$251,000,000	2,356,704	15,361,710

(1) Base value for LDFA is \$551,400. Taxes captured for FY2012 anticipated to be \$25,179 from the operating millage levy, and \$4,694 from Police and Fire Retirement millage levy. The LDFA also captures \$3,540,415 in value from Industrial Facilities Tax Exemption certificates. This generates an additional capture of City taxes of \$24,690 from the operating levy, and \$4,603 from the Police and Fire Retirement levy.

(2) Base value for DDA is \$11,654,550. Taxes captured for FY2012 anticipated to be \$51,705 from the operating millage levy, and \$9,639 from the Police and Fire Retirement millage levy.

Residential Taxable Values

Residential class parcels comprise 80% of the total parcels within the City of Cadillac. These parcels make up about 50% of the total taxable value of property within the City. Over the last five years, residential class parcels have experienced the following changes:

	2007	2008	2009	2010	2011	5-Year Change
Residential Class	<i>(Projected)</i>					
Assessed Value (AV)	\$174,194,400	\$175,907,783	\$175,056,172	\$159,731,250	\$142,221,000	(\$31,973,400)
Change	1.96%	0.98%	-0.48%	-8.75%	-10.96%	-18.36%
Taxable Value (TV)	\$131,764,516	\$137,864,992	\$142,305,980	\$139,079,278	\$130,560,213	(\$1,204,303)
Change	6.34%	4.63%	3.22%	-2.27%	-6.13%	-0.91%
Gap	\$42,429,884	\$38,042,791	\$32,750,192	\$20,651,972	\$11,660,787	
Gap as % of TV	32.20%	27.59%	23.01%	14.85%	8.93%	
TV/AV	75.64%	78.37%	81.29%	87.07%	91.80%	

Average Residential Taxable Value

The dramatic drop in residential values has also reduced the tax burden for the average homeowner. For the last ten years, the average taxable value of a home and the City taxes levied against it has trended as follows:

Tax Year	Average Home Taxable Value	City Millage	Average Tax Bill
2002	\$29,770	15.35	\$456.97
2003	\$33,541	15.55	\$521.56
2004	\$29,161	15.75	\$459.29
2005	\$30,259	15.75	\$476.58
2006	\$31,936	16.65	\$531.64
2007	\$33,420	16.75	\$559.68
2008	\$37,974	16.55	\$628.47
2009	\$39,697	16.55	\$656.99
2010	\$38,324	16.55	\$632.93
2011	\$37,975	17.05	\$647.48

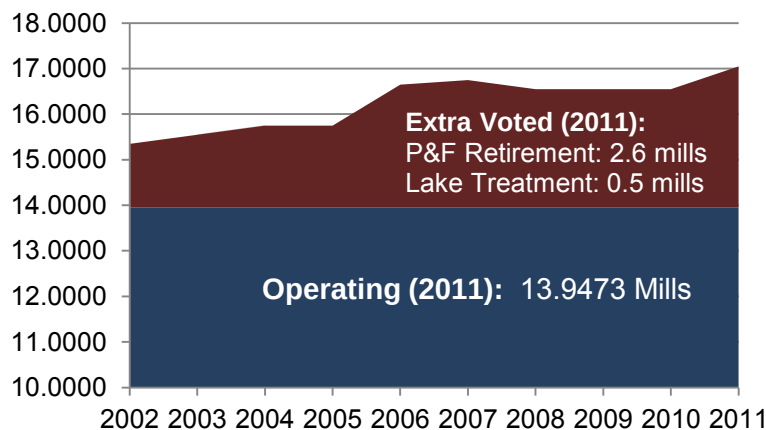


Local Property Tax Rates

City of Cadillac Tax Rates

Last Ten Years

(1 mill = \$1 per \$1,000 in taxable value)



The operating millage for the City of Cadillac has been unchanged for many years. The added voted millage for the police and fire retirement system has fluctuated between 1.4 and 2.8 mills and now sits at 2.6 mills. This rate fluctuates based on the annual required contribution to the Police and Fire Retirement System as calculated each year by the City's actuary. In February 2011 the Cadillac voters approved an additional millage of 0.5 mills that will be dedicated for treatment of Eurasian water milfoil and other invasive aquatic species on Lake Cadillac.

Total Property Taxes

Last Ten Years

City Taxes				Overlapping Tax Rates							
Tax Levy	General	Extra Voted (1)	Total City	Wexford County (2)	Cadillac-Transit Authority	Council On Aging	Cadillac-Wexford Library	Cadillac Area Public Schools (3)	Wexford Missaukee ISD	State Education Tax	Direct and Overlapping Annual Tax Rate
2002	13.9473	1.4000	15.3473	8.1680	0.4000	0.9950	0.6500	21.3760	6.0388	6.0000	58.9751
2003	13.9473	1.6000	15.5473	8.1040	0.3910	0.9872	0.6838	21.3005	6.0003	5.0000	58.0141
2004	13.9473	1.8000	15.7473	8.0890	0.3960	0.9942	0.6825	21.4506	5.9853	6.0000	59.3449
2005	13.9473	1.8000	15.7473	8.0665	0.3948	0.9913	0.6805	21.4505	5.9614	6.0000	59.2923
2006	13.9473	2.7000	16.6473	8.0797	0.6000	0.9976	0.6785	20.5505	5.9419	6.0000	59.4955
2007	13.9473	2.8000	16.7473	8.0797	0.6000	0.9976	0.6785	20.9000	5.9419	6.0000	59.9450
2008	13.9473	2.6000	16.5473	8.2797	0.6000	0.9976	0.7500	20.9000	5.9419	6.0000	60.0165
2009	13.9473	2.6000	16.5473	8.2797	0.6000	1.0000	0.7500	20.9000	5.9419	6.0000	60.0189
2010	13.9473	2.6000	16.5473	8.2297	0.6000	1.0000	0.7500	20.9000	5.9419	6.0000	59.9689
2011	13.9473	3.1000	17.0473	8.2297	0.6000	1.0000	0.7500	20.9000	5.9419	6.0000	60.4689

(1) Extra voted millage for City Taxes includes 2.6 mills for Act 345 Police and Fire Retirement, and 0.5 mills for Lake Cadillac Treatment.

(2) Wexford County rate includes allocated mills of 6.7797, 0.25 mills for Recreation, 0.95 mills for Road Patrol, and 0.25 mills for Animal Control.

(3) Cadillac Area Public Schools rate includes 18 mills for operating and 2.9 mills for debt service.

Millage Rate Benchmarks

Property Tax Benchmark Communities	Total Millage	General Operating	Police & Fire	Other
Big Rapids	15.2729	10.2000	2.8073	2.0676
Sault Saint Marie	21.5393	16.8139	3.3922	1.3332
Mt. Pleasant	15.7500	12.4880	0.9120	2.3500
Manistee	18.4457	16.9457	0.0000	1.5000
Alpena	17.3316	16.2316	0.0000	1.1000
Cadillac	17.0473	13.9473	2.6000	0.5000

The information in the chart above illustrates that the City of Cadillac compares favorably with other similar communities in northern Michigan.

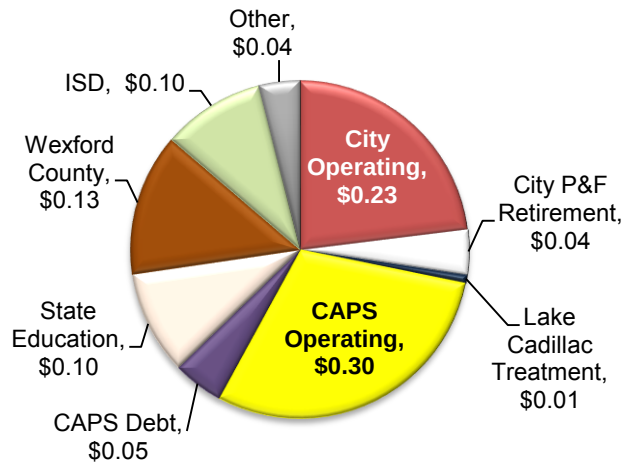
Total Tax Burden

The information presented below shows the total tax burden of property owners within the City of Cadillac for several classes of properties. Properties with a principal residence exemption (PRE) are exempt from school operating taxes. Properties within the Downtown Development Authority are subject to an additional millage of 1.9872 mills to fund downtown development activities.

		Property Type and Total Taxes at average taxable value of \$50,000					
Taxing Unit	Millage Rate	Principal Residence		Non-Principal Residence		DDA	
City of Cadillac		Millage	Taxes	Millage	Taxes	Millage	Taxes
City Operating	13.9473	13.9473	\$697.37	13.9473	\$697.37	13.9473	\$697.37
Police & Fire Retirement	2.6000	2.6000	130.00	2.6000	130.00	2.6000	130.00
Lake Cadillac Treatment	0.5000	0.5000	25.00	0.5000	25.00	0.5000	25.00
Downtown Development Authority	1.9872	N/A	0.00	N/A	0.00	1.9872	99.36
Wexford County							
Allocated	6.7797	6.7797	338.99	6.7797	338.99	6.7797	338.99
Recreation	0.2500	0.2500	12.50	0.2500	12.50	0.2500	12.50
Animal Control	0.2500	0.2500	12.50	0.2500	12.50	0.2500	12.50
Road Patrol	0.9500	0.9500	47.50	0.9500	47.50	0.9500	47.50
Cadillac-Wexford Transit Authority	0.6000	0.6000	30.00	0.6000	30.00	0.6000	30.00
Cadillac-Wexford Public Library	0.7500	0.7500	37.50	0.7500	37.50	0.7500	37.50
Council on Aging	1.0000	1.0000	50.00	1.0000	50.00	1.0000	50.00
Cadillac Area Public Schools							
Operating	18.0000	Exempt	0.00	18.0000	900.00	18.0000	900.00
Debt	2.9000	2.9000	145.00	2.9000	145.00	2.9000	145.00
State Education Tax	6.0000	6.0000	300.00	6.0000	300.00	6.0000	300.00
Wexford-Missaukee Intermediate School District	5.9419	5.9419	297.10	5.9419	297.10	5.9419	297.10
Total	62.4561	42.4689	\$2,123.46	60.4689	\$3,023.46	62.4561	\$3,122.82

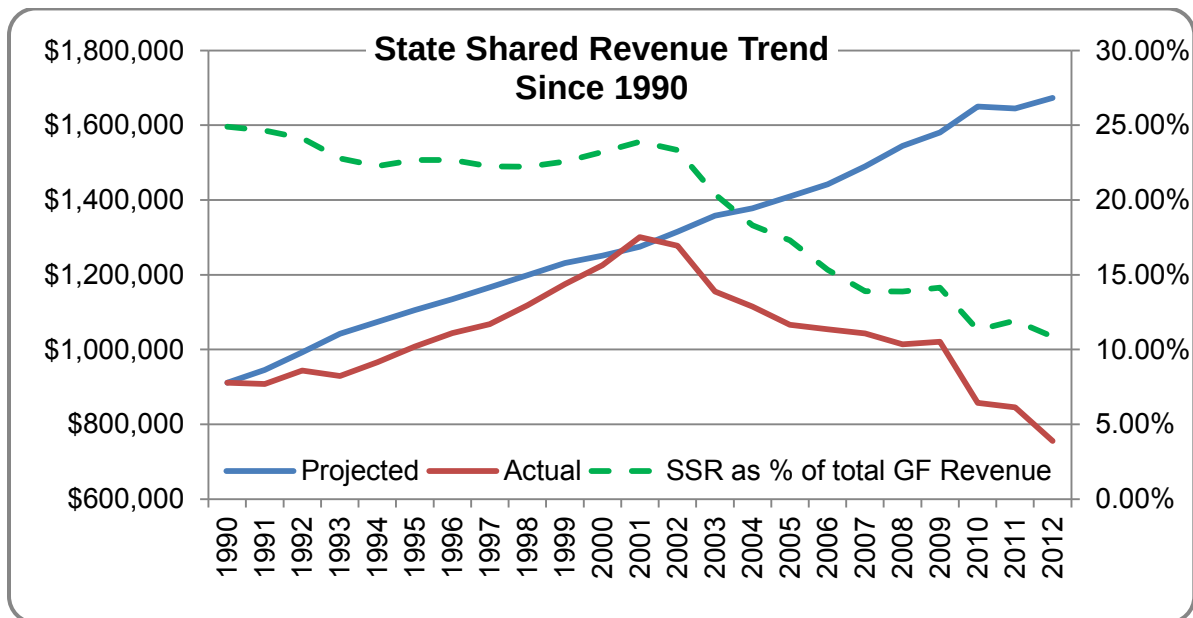
Tax Allocation

When a property owner within the City of Cadillac pays their annual tax bills, a common misperception is that the entire amount collected stays at the City. In reality, only about \$0.28 of every \$1 in taxes paid is for the City. The other portion is collected on behalf of the other taxing jurisdictions and is then paid to the jurisdiction within a couple weeks of collection, as governed by state law. The actual allocation of an average tax bill on a non-principal residence within the City of Cadillac is illustrated in the chart to the right. If the property were a principal residence, about \$0.39 of every \$1 in taxes remains at the City.



State Shared Revenue

Another significant revenue source at the City of Cadillac is State Shared Revenue. This revenue has been on the decline for several years. The 'Budget Summaries' section of this document gives greater detail on the specific characteristics of this important source of revenue and the current projections and sentiment about what will happen to it in the upcoming years. The chart below shows several things. First, the blue line on the chart shows the actual revenue received in 1990 and projects annual increases based on the Consumer Price Index. Essentially, this is the trend line that this revenue "should have followed". The red line shows what actually happened since 1990 and reflects a trend that has been difficult for the City to absorb financially. Finally, the dashed green line illustrates (on the right axis of the chart) the percentage of total General Fund revenue provided by these funds.



Principal Taxpayers

CITY OF CADILLAC, MICHIGAN
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2010			2001		
	Taxable Value	Rank	Percentage of Total City Taxable Value ^a	Taxable Value	Rank	Percentage of Total City Taxable Value ^b
Cadillac Renewable Energy ^c	\$13,010,800	1	4.98%	\$17,094,712	1	7.95%
Cadillac Casting ^d	9,133,900	2	3.49%	16,157,910	2	7.52%
Consumers Energy	6,026,913	3	2.30%	4,114,339	7	1.91%
AAR Cadillac Manufacturing	5,527,800	4	2.11%	3,938,539	8	1.83%
Rexair, Inc.	5,217,275	5	2.00%	7,332,954	5	3.41%
Avon Automotive	4,713,800	6	1.80%			
FIAMM Technologies, Inc.	4,327,409	7	1.65%	7,508,509	4	3.49%
Paulstra CRC Corporation	3,930,374	8	1.50%			
Four Winns Boats, LLC	3,537,444	9	1.35%	3,726,724	10	1.73%
Zhongding Sealing Parts (USA) ^e	3,225,500	10	1.23%	4,990,593	6	2.32%
Cadillac Rubber & Plastics ^f				9,796,160	3	4.56%
Transpro Group, Inc.				3,893,931	9	1.81%
Totals	<u>\$58,651,215</u>		<u>22.43%</u>	<u>\$78,554,371</u>		<u>36.55%</u>

^a Based on total taxable value of \$261,507,514

^b Based on total taxable value of \$214,914,100

^c Formerly Beaver MI Associates LTD Partnership

^d Formerly CMI Cast Parts

^e Formerly Michigan Rubber Products

^f Formerly Avon Rubber & Plastics

The chart above indicates that the City of Cadillac is less reliant on the top ten taxpayers within the City than ten years ago.

Employment Statistics

Full-Time Equivalent Employees by Activity

Last Ten Years

<u>Department</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>General Government</u>										
City Manager	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	2.37
Assistant City Manager	1.00	0.90	0.90	0.90	0.90	0.90	0.80	0.98	1.22	0.00
Financial Services	2.20	1.94	1.94	1.94	1.94	1.94	2.25	2.25	2.25	2.25
Clerk/Treasurer	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.88	3.80
Assessor	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
City Hall	1.70	1.70	1.30	1.30	1.30	1.30	1.10	1.28	1.28	1.33
City Engineer	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.51	1.79	1.80
<u>Public Safety</u>										
Police	18.50	17.15	18.41	18.41	18.41	17.41	17.06	16.41	16.91	16.91
Fire	11.50	11.50	11.50	11.50	11.50	11.50	11.85	11.85	11.85	11.85
Code Enforcement								0.40	0.50	0.50
Building Inspector	1.28	1.38	1.38	1.38	1.38	1.38	1.38	0.88	0.00	0.00
Planning/Zoning	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.55
<u>Other</u>										
Public Works	14.17	14.22	14.22	14.22	14.22	14.22	14.03	13.03	13.03	12.70
Data Processing	1.20	1.26	1.06	1.06	1.06	0.06	0.00	0.30	0.30	0.30
Auto Parking	0.35	0.35	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Water/Sewer	21.20	21.20	21.00	21.00	20.00	20.00	20.00	19.00	19.87	20.00
Community Dev.	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.65
Cemetery	0.68	0.68	0.68	0.68	0.68	0.68	0.92	0.92	0.92	0.90
Total FTE	83.20	81.80	82.00	82.00	81.00	79.00	79.00	77.00	77.00	77.00

Employment Analysis

As the above chart illustrates, FTE levels have declined by two additional employees in FY2010. Lack of funding has forced further reductions in staff over the last several years. This was primarily accomplished through attrition in the Utilities Department and Street Department. An allocation analysis was undertaken as part of the current budgeting process, and some re-allocations were made in an effort to maintain service levels as much as possible with reduced full-time staff. This accounts for the minor changes seen in the chart.

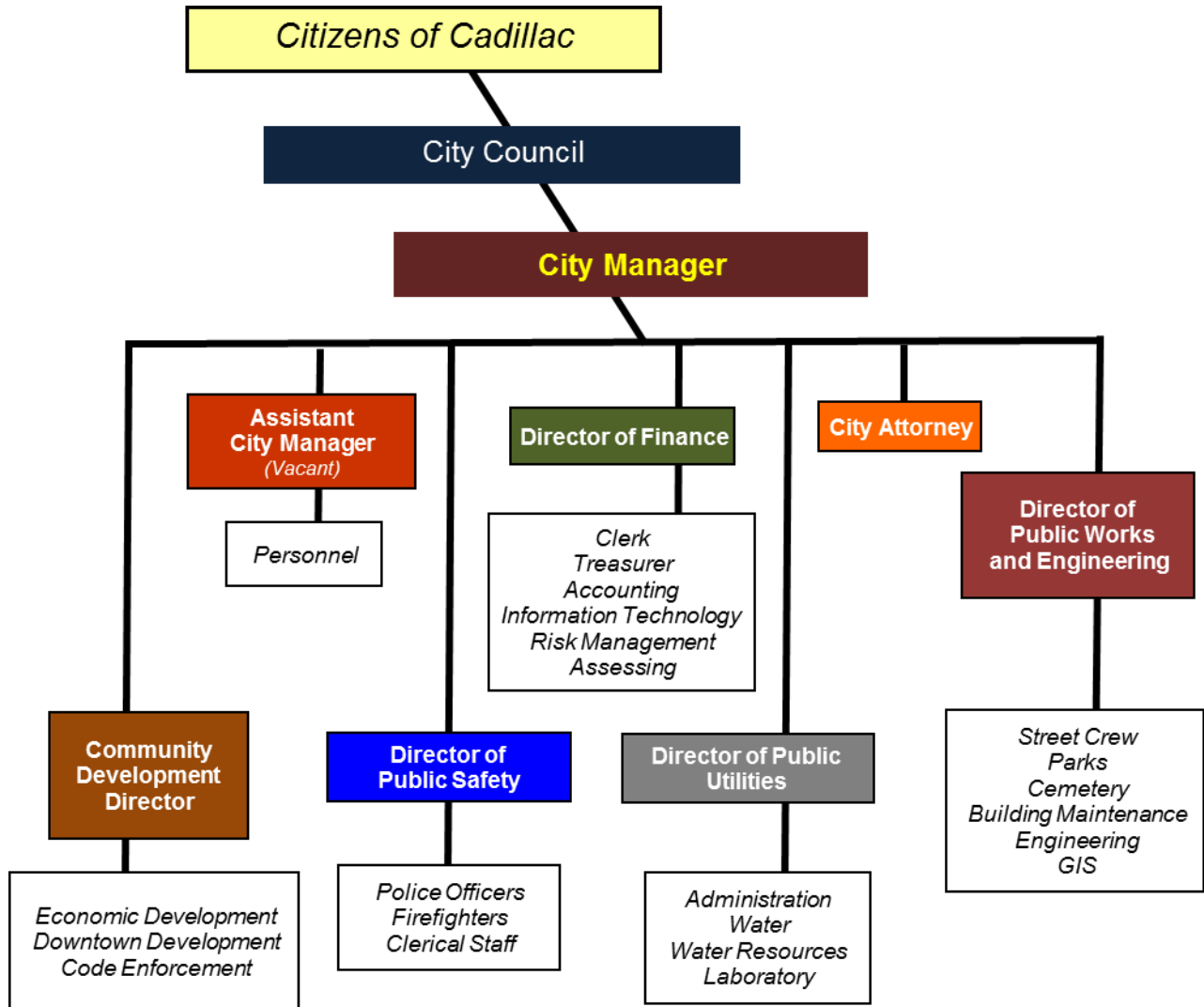
Employment Benchmarks

Comparable Communities	Population	FTE	Ratio	FTE per 1000 residents
Big Rapids	10,849	81	1:134	7.47
Alpena	11,304	74	1:153	6.55
Traverse City	14,532	158	1:92	10.87
Manistee	6,586	57	1:116	8.65
Sault St. Marie	16,542	125	1:132	7.56
Cadillac	10,355	77	1:134	7.44

Cadillac has 1 FTE per 134 residents. This comparison has many inherent variables, but in general a higher ratio indicates greater efficiency in service delivery. City employment peaked in 1993 at 91 FTE. Current employment level represents a 15% decline since the 1993 peak.

City of Cadillac Chart of Organization

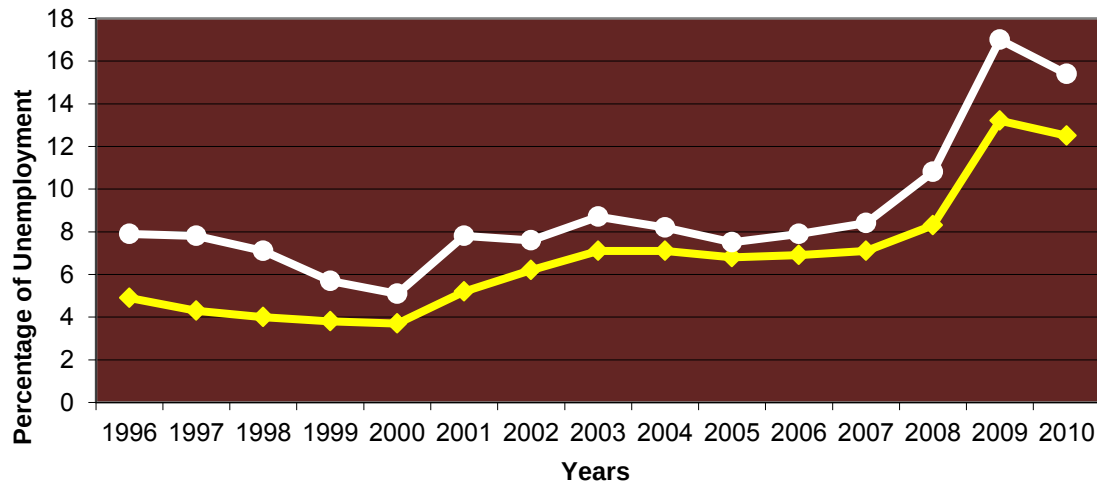
As of July 1, 2011



Other Demographic Data

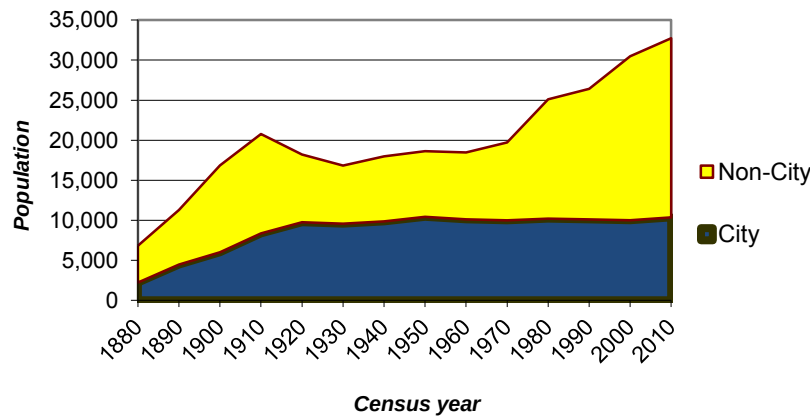
Yearly Average Unemployment Statistics

Local Labor Market Area (Wexford-Missaukee) and State of Michigan
Last Fifteen Years



Total Population

Wexford County and City of Cadillac
Since 1880

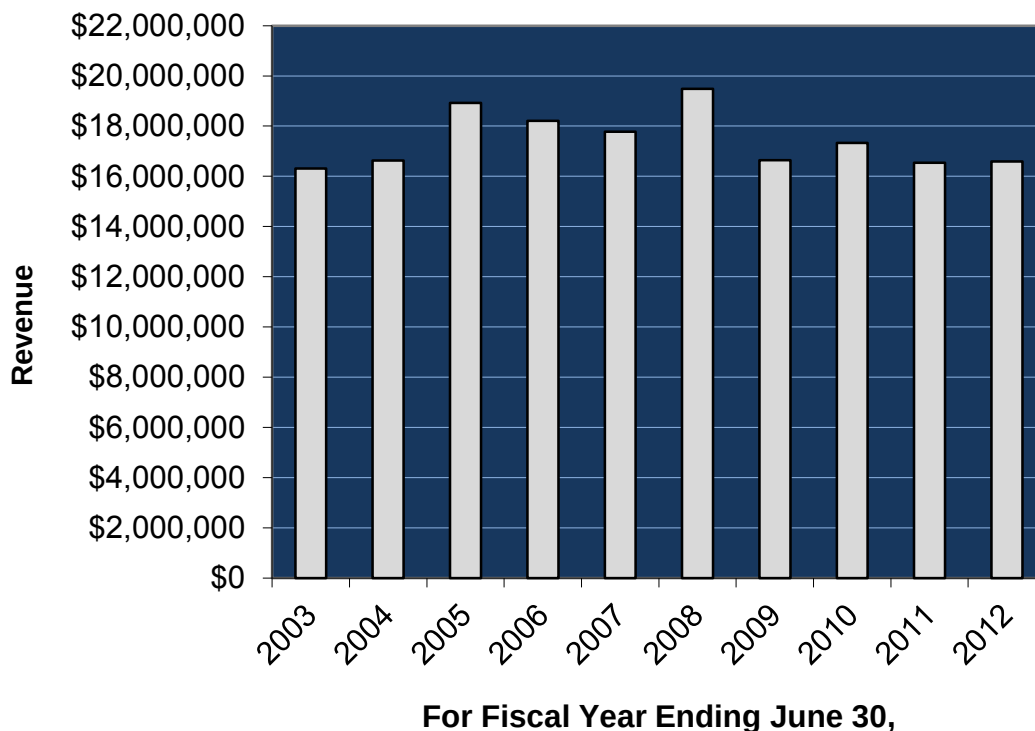


The most recent 2010 census numbers were recently released. The result for the City of Cadillac was an increase of 355 residents, or 3.6% increase since the prior census.

2011-2012 Budget Summary

The Budget Summary section, as its name implies, is designed to give the reader a big-picture overview of the City of Cadillac's budget as a whole. The section offers this summary not only graphically with the chart below, by the numbers in the following charts, and then textually in the last two pages of the section, where some discussion is given regarding the City's most significant sources of revenue.

City of Cadillac
Total Revenue and Other Sources
Last Ten Fiscal Years



The growth in total City revenues will vary based on grants, tax increases, service charges, and other adjustments to the revenue stream.

	Major Governmental Funds			Major Proprietary Funds		
	General Fund	Major Street Fund	Local Street Fund	Water and Sewer Fund	Building Authority Operating Fund	Nonmajor Governmental Funds (2)
(All numbers in thousands)						
Revenues and Other Sources:						
Taxes	\$4,525					\$120
Licenses and Permits	1					
Intergovernmental	1,038	\$831	\$184			
Charges For Services	1,012			\$3,784		59
Fines and Forfeits	30					
Miscellaneous	273			2		
Other Financing Sources		25				150
Local Funds			475			205
Rental					196	7
Principal Payment						108
Interest Income - Loan						30
Interest Income	72			70	2	53
Total	\$6,951	\$856	\$659	\$3,856	\$198	\$732
Expenditures:						
General Government	\$1,550					
Public Safety	3,301					
Public Works	982					
Culture and Recreation	229					
Economic Development	148					\$38
Intergovernmental	352					
Other Financing Uses	585					
Audit						
Operating		561	472	2,556	49	318
Capital Outlay						
Transfer to Debt		18	105			148
Construction		298	120			
Principal			26			212
Interest			4	320	28	41
Non-Operating				925	40	
Total	\$7,147	\$877	\$727	\$3,801	\$117	\$757
Excess (Deficiency) of Revenues over Expenditures (1)	(\$196)	(\$21)	(\$68)	\$55	\$81	(\$25)
Fund Balances - Beginning	\$2,301	\$26	\$117	\$14,959	\$764	\$3,621
Ending	\$2,105	\$5	\$49	\$15,014	\$845	\$3,596

(1) Per State mandate, any deficiencies will be offset by the use of prior year's earnings. Budget staff has determined that sufficient prior year's earnings are available to offset each deficiency.

COMPARISON

(All numbers in thousands)

Revenues and Other Sources:

	Nonmajor Proprietary Funds (3)	Pension Trust Fund	Component Units	FY2012 Totals	FY2011 Budget Totals	FY2010 Actual Totals
Taxes			\$482	\$5,127	\$5,047	5,327
Licenses and Permits	\$1			2	3	3
Intergovernmental	268		20	2,341	2,337	3,204
Charges For Services	30		19	4,904	4,831	5,002
Fines and Forfeits	1			31	31	43
Miscellaneous	6		5	286	277	333
Other Financing Sources	1,034		3	1,212	1,091	83
Local Funds	18	\$695		1,393	1,422	2,337
Rental	505			708	833	784
Principal Payment	33			141	179	115
Interest Income - Loan				30	34	0
Interest Income	33	152	37	419	453	1,002
Total	\$1,929	\$847	\$566	\$16,594	\$16,538	\$18,233

Expenditures:

General Government				\$1,550	\$1,580	1,714
Public Safety				3,301	3,264	3,367
Public Works				982	874	840
Culture and Recreation				229	199	217
Economic Development				186	173	161
Intergovernmental				352	351	327
Other Financing Uses				585	668	722
Audit				0	41	0
Operating	1,836	670	400	6,862	6,956	6,694
Capital Outlay			100	100	16	0
Transfer to Debt				271	233	183
Construction				418	115	1,282
Principal			45	283	318	248
Interest	16		6	415	454	466
Non-Operating	212			1,177	1,227	1,110
Total	\$2,064	\$670	\$551	\$16,711	\$16,469	\$17,331

Excess (Deficiency) of Revenues over Expenditures (1)	(\$135)	\$177	\$15	(\$117)	\$69	\$902
Fund Balances - Beginning	\$2,723	\$6,811	\$2,953	\$34,275	\$34,291	32,861
Ending	\$2,588	\$6,988	\$2,968	\$34,158	\$34,360	\$33,763

(1) Per State mandate, any deficiencies will be offset by the use of prior year's earnings. Budget staff has determined that sufficient prior year's earnings are available to offset each deficiency.

(2) Includes Nonmajor Debt Service, Special Revenue, Capital Projects, and Permanent Funds.

(3) Includes Nonmajor Enterprise Funds and Internal Service Funds

Analysis of Revenue Sources

The City of Cadillac has a number of revenue sources, summarized as follows:

<u>Revenue</u>	<u>Amount (thousands)</u>	<u>% of Total</u>
Taxes	\$5,127	30.90%
Interest Income	\$419	2.53%
Intergovernmental Revenues	\$2,341	14.11%
Charges for Services	\$4,904	29.55%
Principal Repayment & Interest Income - Loans	\$171	1.03%
Local Funds	\$1,393	8.39%
Other	\$2,239	13.49%
Total	\$16,594	100.00%

Property Taxes

The major source of revenue for FY2012 is once again property taxes levied on property owned within the City. Authorized tax levies in the form of millages (one mill equals \$1 in taxes for each \$1,000 in value) levied against the taxable value of a property make up the bulk of these revenues. The City contracts with Wexford County for assessing services provided by the Wexford County Equalization Department. The assessor determines the taxable value of properties which is then used to calculate the tax levy due each year.

There are now three components of property taxes levied by the City of Cadillac on each taxable property within the City. These three millages, along with the 5-year trend of the authorized millage rate, are:

Millage	2008	2009	2010	2011	2012
City Operating	13.9473	13.9473	13.9473	13.9473	13.9473
Police and Fire Retirement	2.6000	2.6000	2.6000	2.6000	2.6000
Lake Cadillac Treatment	N/A	N/A	N/A	N/A	0.5000
Total City Millage Rate	16.5473	16.5473	16.5473	16.5473	17.0473

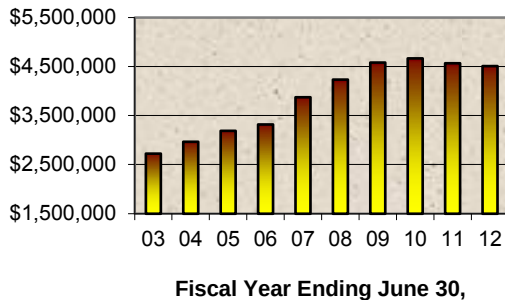
Authorization to levy the City's operating millage rests in the City Charter. The charter authorizes a maximum levy of 15 mills. Due to the Headlee Amendment, this millage has been rolled back to the current level and can only be increased back to the charter maximum levy by a vote of the City electors.

The Police and Fire Retirement millage was established when the City electors approved the adoption of an Act 345 Retirement System for sworn officers of the police and fire departments in November 1977. This millage rate is determined by comparing the City's taxable value to the annual required contribution to the pension determined by the annual actuarial valuation. The millage is set at a rate that will provide sufficient revenue to cover the required contribution.

The Lake Cadillac Treatment millage was approved by City voters in February 2011 and will provide funding necessary to treat milfoil and other invasive aquatic plant and animal species on Lake Cadillac. The millage rate was determined through an estimation of the required treatment costs and has been approved for the next three (3) years.

Current Property Taxes

Last Ten Fiscal Years



Property Tax Outlook

The Great Recession has had a significant impact on the property values within the City of Cadillac. After years of modest but steady growth in property values, the total taxable value within the City of Cadillac reversed this trend and lost about 1.6% of the overall value in FY2011. For FY2012, the value is expected to drop even further, with a projected loss of an additional 2.5% of taxable value. For the most part, this is simply a factor of the local, national and state economy. This difficult trend is expected to level off by the end of 2011, but it will take years for the values to recover even a significant portion of the loss that has been experienced in the last couple years. The chart to the left illustrates the downward trend in total property tax revenue for the last two consecutive years. Overall, this has meant a decrease of over \$200,000 in property tax revenue in just two years.

Tax Captures

There are three authorities within the City of Cadillac that have the ability to capture a portion of each component of property taxes for use within each authority's specific district. The tax captures are based on the right of each authority to utilize tax increment financing for approved funding uses within the districts. For FY2012, these entities, along with the amounts of City taxes they will capture, are:

Authority	City Operating	Police and Fire Retirement	Lake Cadillac Treatment	Total Capture
Downtown Development Authority (DDA)	\$51,705	\$9,639	\$1,854	\$63,198
Local Development Finance Authority (LDFA)	\$49,869	\$9,296	\$1,788	\$60,953
Brownfield Redevelopment Authority	\$1,000	\$200	\$100	\$1,300
Total Capture	\$102,574	\$19,135	\$3,742	\$125,451

Additionally, properties that are located within the DDA district pay an additional 1.9872 mills which provides funds for activities that target development within the DDA area.

Intergovernmental Revenues

The primary component of intergovernmental revenues is state shared revenue. These revenues are passed down from the State of Michigan according to formulas that annually pass certain revenues received by the State down to local units of government. These revenues are primarily comprised of the retail sales tax that is collected by the State. These revenues provide funding for critical General Fund services like Police and Fire protection and Parks and Recreation. Grant revenues from various state and federal sources are included in this category as well.

State Shared Revenue Outlook

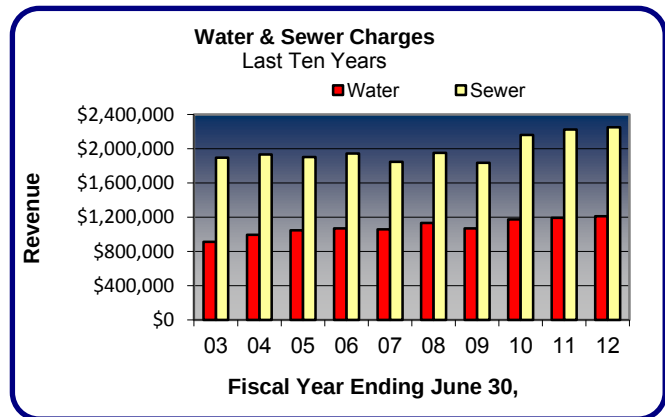
These revenues have experienced serious declines for the last 10-12 years. In fact, projections for FY2012 indicate that the City will receive less this year than what was received over twenty years ago. This has caused the City to rely to a greater and greater degree on revenues that are derived from local sources – principally property taxes.

State shared revenue is broken into two categories – constitutional and statutory. The constitutional portion has been projected to increase about 4% for FY2012 based on the State's projection of upcoming sales tax collections. This is expected to provide about \$25,000 in additional revenue for the fiscal year. Constitutional revenue sharing represents about 84% of total state shared revenue.

The other portion of state revenue sharing is the statutory portion, which is subject to annual appropriations by the State of Michigan, and which has been under significant attack for a number of years. In fact, new Michigan governor Rick Snyder recently proposed the elimination of statutory revenue sharing, thereby cutting \$300 million in revenue to over 500 units of government in the state. As a partial replacement, he has proposed that \$200 million be appropriated as an incentive-based revenue source for local units of government that adopt or continue best fiscal management practices and aggressively pursue employee cost-reducing measures. For FY2012 this portion of revenue for the City was cut nearly in half with the expectation that management practices followed for years at the City of Cadillac will allow the City to meet many of the incentives for “winning” at least part of this amount back. This reduces over \$100,000 in revenue for the year.

Charges for Services

Charges for Services represent a significant revenue source for the City. These revenues are primarily derived from user charges within the City’s Water and Sewer systems. Rates within the systems are reviewed each year and are increased to provide adequate funding to meet the City’s debt covenants and provide for the maintenance and operational costs of the systems. With flat trends projected for usage, rate increases are the only way to provide additional revenue to cover ever-increasing costs of providing water and water treatment to City utility customers. Total user charges generated for each of the last ten years is presented in the chart to the right.



In the General Fund, the contract for Solid Waste removal is accounted for. To provide funding for this contract, each residential property with less than four (4) living units within the City is charged a user fee.

User Charges Outlook

User charges for the Water and Sewer systems are proposed to be increased 4.5% for FY2012. This is primarily due to the fact that the City will be investing about \$7 million over the next few years in the relocation of the entire system of municipal wells that provide the water for the system. The current well system is over 50 years old and located in the vicinity of contamination. Funding for this project will come in the form of low-interest loans through the State of Michigan’s Drinking Water Revolving Fund (DWRP) which will help minimize the cost of funds to about 2.5%. Because of the investment in the system, additional funds are needed in the form of increased user rates. With the increased industrial activity that has recently been seen in Cadillac, a small amount of additional usage should help as well. However, various conservation activities and processes undertaken by local industries will restrict the increase in usage.

Other Revenue

Other Revenue for the City of Cadillac includes a variety of miscellaneous sources. Included in this category are items such as Fines and Forfeits, Licenses and Permits, and Other Financing Sources. Other Financing Sources include administrative charges that come into the General Fund from other City funds and activities, as well as contributions from various funds and activities into the City’s Self Insurance Fund to cover the costs of annual medical and life insurance benefits.

Overall, the national, state and local economies have negatively impacted each and every source of City revenue. This has made it very challenging to continue to provide the same level of services that local residents and businesses have received for many years.

For additional discussion on revenues and the impact of revenue loss on City operations, please see the City Manager’s transmittal letter found in the Introductory section of this document.

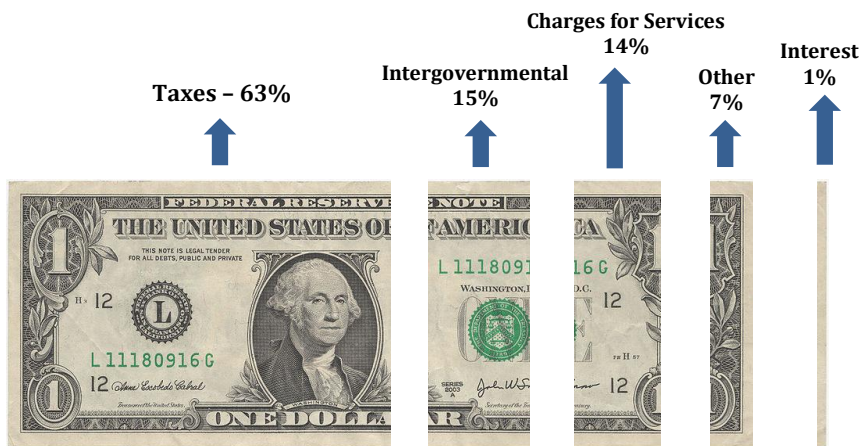
Fund: General Fund

Type: General Fund

Oversight: Various

The General Fund of the City of Cadillac is the main operating fund of the City and records all revenues and expenditures which are not required to be accounted for in another fund. The General Fund is where most of the standard services that are provided to a community are accounted for. This includes police and fire, tax collections, parks and recreation, election services, community development and other core services. This fund is also where the main operating taxes of the City are received.

The average homeowner pays about \$647.48 in City taxes annually. Property taxes fund about \$0.63 of every \$1 of the cost of municipal services. The other \$0.37 has to be derived from other sources. These various sources of revenue to fully fund services to Cadillac residents and businesses are illustrated on the chart below.

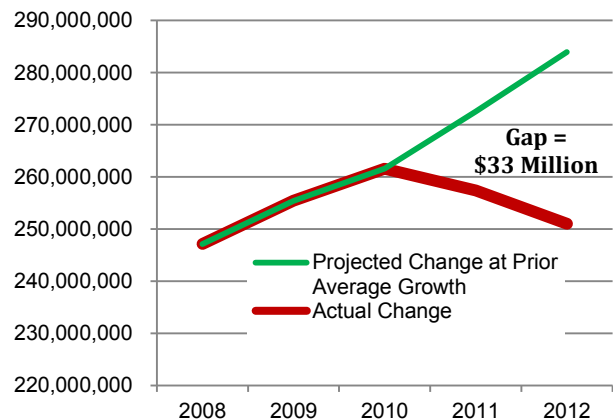


Pages 50-52 of this budget document detail the specific components of each revenue source.

REVENUE SUMMARY AND OUTLOOK

Property Taxes

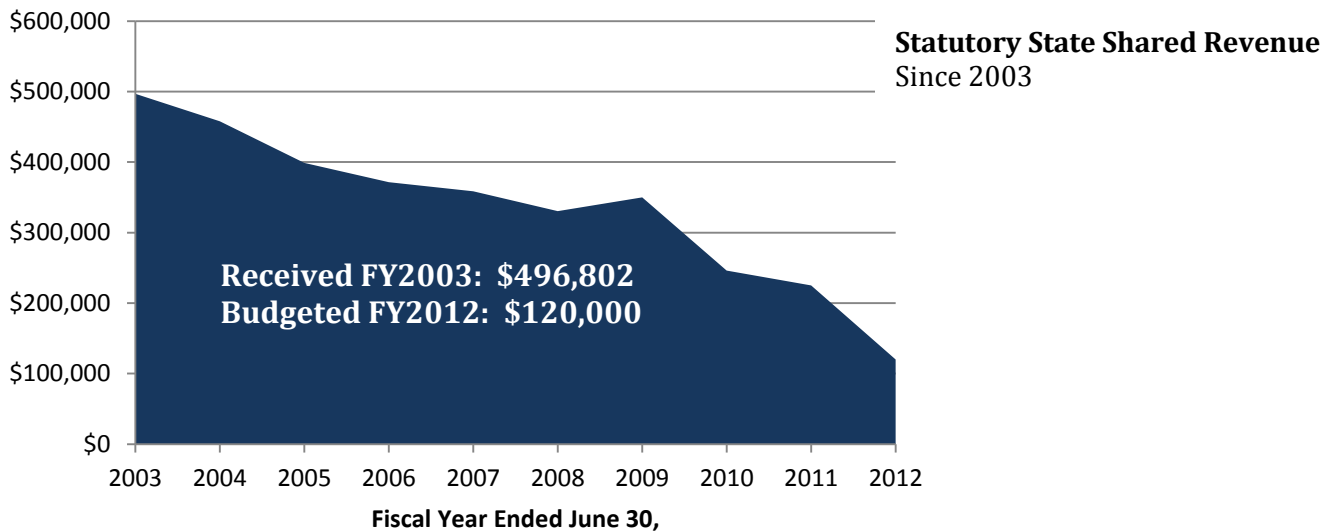
A lot has been said in this budget document about the impact the Great Recession has had on local property values and the subsequent impact on property tax revenues needed to provide critical services to Cadillac residents and businesses. In the ten years prior to FY2011, taxable value grew each year by an average of 4.19%. Then the impacts of the recession hit Cadillac and values declined. The chart to the right contrasts the taxable value change that would have taken place in FY2011 and FY2012 if the average growth trend had continued, with what has actually happened over the last two years. Had value continue to grow at the average rate, taxes would be levied on an additional \$33 million in value, yielding over \$450,000 in additional property taxes for FY2012.



State Shared Revenue

On top of experiencing a loss in property tax revenue, the General Fund's other primary source of revenue – State Shared Revenue – is expected to decline as well. State Shared Revenues are distributed by both constitutional and statutory formulas from revenues derived at the State level primarily from the state sales tax. This revenue source continues to deteriorate because of reductions by the State of Michigan. Not only has the economy impacted total sales tax revenues, but the State continues to balance their budget on the backs of local governments by reducing statutory portions of this revenue. As previously discussed, Michigan's new governor has proposed eliminating this entire source of revenue and replacing it with what he has termed the Economic Vitality Incentive Program, requiring Cadillac to "compete" with over 500 other municipalities for a total of just \$200 million available state wide. In the past, State-wide appropriations for statutory revenue sharing were over \$900 million, which had already shrunk to \$300 million in the State's prior fiscal year.

At the end of the day, what this means for Cadillac is a loss of an estimated \$105,000 in revenue for FY2012. This loss could go even higher depending on what happens with the State's budget. Organizations throughout the State are fighting to protect this revenue, but because of the volatility of it and the real threat against it, management feels it is prudent to wean Cadillac completely off any reliance on statutory state revenue sharing in the future. The chart below shows the statutory portion of state revenue sharing for the last ten years. It highlights what has become a significant problem throughout the state of Michigan, and shows that the State has broken their revenue-sharing promise made many years ago with local units of government.



When the issues with both of these primary revenue sources are combined, over \$200,000 was lost compared to the FY2011 budget. In order to present a balanced FY2012 budget, several cost cutting measures had to be taken, and a portion of the City's undesignated fund balance was appropriated to help balance the current year budget. These issues are highlighted on the next couple of pages.

COPS Grant

The City continues to receive federal money to fund one full-time position in the Police Department. A grant was received in late 2009 that provided revenue through the 2009 American Recovery and Reinvestment Act (the Stimulus) to fund a school liaison officer. Officer Jason Straight was assigned to this duty. His position was then backfilled, and the wages and benefits of the new officer will be reimbursed for three years through this grant. Because the City is required to fund a fourth year of the position as a condition of the grant, a portion of the anticipated \$90,000 in annual revenue will be reserved in each of the three years of the grant to prepare for the funding requirement of the fourth year. This revenue is accounted for in the Intergovernmental Revenues category under Federal Grants.

EXPENDITURE SUMMARY AND OUTLOOK

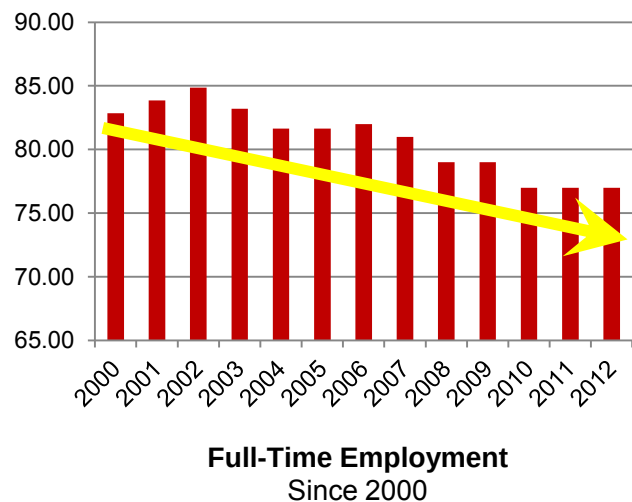
PERSONNEL COSTS

As a service organization, a significant amount of spending in the General Fund is for wages and benefits. For the current year, the General Fund proposes appropriations across all activities of \$2.6 million in wages and an additional \$1.5 million in benefits. Benefits are 58% of total salaries. A comparison of total salaries and benefits in the General Fund for the last five (5) years is presented in the chart below. The amounts for FY2012 and FY2011 represent budgeted amounts, while FY2008-2010 are actual amounts.

	FY2012	FY2011	FY2010	FY2009	FY2008
Wages	\$2,596,800	\$2,510,100	\$2,539,627	\$2,432,794	\$2,404,143
Benefits	1,546,500	1,510,300	1,405,411	1,513,741	1,614,345
Total	\$4,143,300	\$4,020,400	\$3,945,038	\$3,946,535	\$4,018,488
% of G.F. Expenditures	57.9%	52.0%	53.7%	53.4%	56.1%

Total employee compensation has only increased 3% in the last five years. This is due to a combination of both cost-saving measures taken regarding current employees and organizational restructuring that has achieved cost savings as well. The chart to the right details the overall City full-time employment since 2000. There has been a decrease of six full-time employees in that time. Only a portion of this reduction yielded savings in the General Fund.

It is the position of City administration that employment levels across the organization are now at the lowest possible level that is necessary to maintain current service levels. Any further reductions in staffing would necessarily result in a reduction of services to the community. Additionally, many staff members have not had a cost-of-living pay increase for a couple years.



FY2012 Wage Adjustments and Required Pension Contributions

Wage adjustments and pension costs anticipated for various employee groups/bargaining units within the City for FY2012 are as follows:

Employee Group	Members	FY2012 Wage Adjustment	Required Pension Contribution
Non-Union Administrative Employees	29	0%	7.96%
Command Officers Association of Michigan	1	(Expired 6/30/10)	34.10%
Police Officers Association of Michigan	16	(Expires 6/30/11)	34.10%
International Association of Fire Fighters Local 704*	11	0%	30.41%
United Steelworker's of America Local 14317	20	(Expired 6/30/10)	8.77%

* IAFF Local voted to forego a scheduled 1.5% increase effective 7/1/11

All City employees have shared in the sacrifices that have been necessary to achieve long-term fiscal stability over the last several years. Without the dedicated efforts of the incredible staff across the whole organization, core services to City residents and businesses would not be possible.

CAPITAL OUTLAY

Capital expenditures have been analyzed closely and reduced where possible. The following capital expenditures are proposed for FY2012:

Project	Department	Amount
Conference Room Furniture	Complex	\$9,000
Police Patrol Vehicle	Police	\$25,300
Interview Room Recording System	Police	\$9,500
Thermal Imaging Camera	Fire	\$8,500
Extrication Cutting Tools	Fire	\$7,500
Turn-Out Gear – New Auxiliary Employees	Fire	\$8,500
Riding Mower	Parks	\$8,500

GENERAL FUND SUMMARY

Difficult decisions have been made over the last two years, necessitated by the loss in both property taxes and state shared revenue. These decisions have included the elimination of positions, consolidation of duties, and the restructuring of positions as well. Cumulatively, these decisions have resulted in about \$237,000 in savings over the last two years. Additional opportunities to achieve structural savings are constantly evaluated in an effort to assure city residents and taxpayers that tax dollars are being utilized in the most efficient and effective manner possible.

Fiscal Year – Restructuring Action	FY2011 Savings	FY2012 Savings	Cumulative Savings
2011 - Eliminate Engineering Technician position	\$55,000	\$55,000	\$110,000
2011 - Eliminate Building Department (General Fund portion)	\$16,000	\$16,000	\$32,000
2011 - Restructure Clerk/Treasurer responsibilities	\$20,000	\$20,000	\$40,000
2012 – Restructure Assistant City Manager position	\$15,000	\$15,000	\$30,000
2012 – Restructure Director of Public Works position		\$25,000	\$25,000
Total Annual Savings from restructuring	\$106,000	\$131,000	\$237,000

Fund Balance

The City of Cadillac has an established policy that an amount equal to 15% of the General Fund's expenditures will be set aside in a reserve entitled Working Capital. The City has been in compliance with this policy for many years and it is expected that the proposed FY2012 budget will maintain this reserve. This reserve helps the City with cash flow and is a safety net that prevents the City from having to borrow for short-term operating funds during times of lower revenue collections. The City has additional undesignated fund balance on hand beyond what has been designated for working capital, bringing total unreserved fund balance up to about 27% of total General Fund expenditures.

The FY2012 budget proposes to use about \$196,700 of the undesignated fund balance to balance the budget. This appropriation of fund balance on hand will provide the organization time to make additional decisions regarding overall costs and to identify potential new sources of revenue in order to achieve structural balance moving forward.

Additionally, the City has an amount set aside to fund accrued sick and vacation leave. This reserve has helped mitigate the impacts of the significant staff turnover and related termination costs experienced over the last several years.

FY2012 Revenue Summary

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed	% Change
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REVENUES AND OTHER SOURCES:

Taxes	\$4,754,270	\$4,650,400	\$4,588,200	\$4,525,200	-1.37%
Licenses	1,275	1,000	1,200	1,200	0.00%
Intergovernmental	1,416,685	1,235,800	1,213,500	1,038,000	-14.46%
Charges For Services	986,391	1,000,400	1,003,700	1,012,100	0.84%
Fines and Forfeits	41,874	40,000	30,000	30,000	0.00%
Miscellaneous	328,791	304,000	311,000	272,500	-12.38%
Interest and Rents	75,618	61,000	76,500	71,500	-6.54%
Other Financing Sources	1,310	509,700	509,700	196,700	
Total Revenues	\$7,606,214	\$7,802,300	\$7,733,800	\$7,147,200	-7.58%

General Fund Revenue Sources

	Percentage of General Fund Revenues from 1972-2012				
	FY2012	FY2002	FY1992	FY1982	FY1972
Taxes	63.32%	53.94%	54.84%	55.78%	59.75%
Intergovernmental	14.52%	24.39%	25.16%	17.98%	29.76%
Charges for Services	14.16%	12.70%	6.43%	6.80%	2.85%
Other	8.00%	8.98%	13.57%	19.44%	7.64%
	100.00%	100.00%	100.00%	100.00%	100.00%

The chart above illustrates the fact that the City is relying more and more on local sources of revenue (Taxes, Charges for Services) to fund municipal services as less and less revenue is available from the State of Michigan.

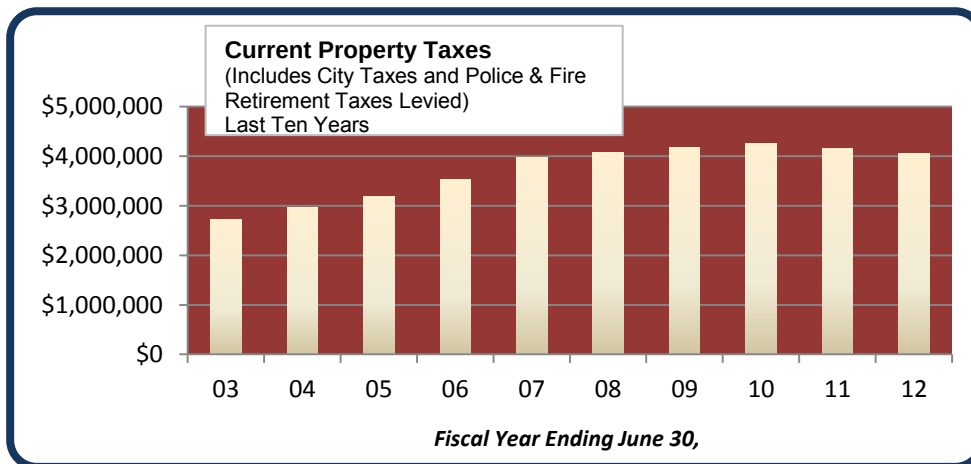
Property Tax Levy

As mentioned, the City levies 13.9473 mills for general operating purposes and an additional 2.6 mills for the Act 345 Police and Fire Retirement System. Several tax increment financing authorities capture a portion of these taxes for use in the specific district for applicable purposes. Details of the tax levy and various captures are as follows:

Total Anticipated Taxable Value: \$251,000,000

Total Levy	Total Tax Levy	DDA Capture	LDFA Capture	Brownfield Capture	General Fund Taxes	Taxes Captured
General Operating	\$3,500,772	51,705	25,179	1,000	\$3,422,888	\$77,884
P&F Retirement	\$652,600	9,639	4,694	100	\$638,167	\$14,433

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Taxes				
Current Tax	\$3,577,456	\$3,510,000	\$3,470,000	\$3,405,000
Industrial Facilities Tax	115,128	100,000	105,000	100,000
Current Property Tax - Police and Fire	685,116	650,000	636,000	650,000
Administration Fees	140,036	136,000	135,000	130,000
Trailer Park Fees	2,151	2,000	2,200	2,200
Penalties and Interest	58,142	54,400	40,000	45,000
Payment in Lieu of Taxes				
Housing	98,426	98,000	100,000	95,000
Cable Franchise Fees	77,815	100,000	100,000	98,000
Total Taxes	\$4,754,270	\$4,650,400	\$4,588,200	\$4,525,200
Licenses and Permits				
Business Licenses	\$1,275	\$1,000	\$1,200	\$1,200
Total Licenses and Permits	\$1,275	\$1,000	\$1,200	\$1,200
Intergovernmental Revenues				
State Shared Revenues:				
Sales & Use Tax - Constitutional	\$627,326	\$645,000	\$620,000	\$635,000
Sales & Use Tax - Statutory	246,086	225,000	225,000	120,000
Liquor Licenses	19,219	8,300	8,000	8,000
Telecommunications Right of Way	33,670	32,000	32,000	32,000
Grants from Local Units:				
Fire Protection	180,973	172,000	175,000	170,000
Michigan Justice Training Grant	3,149	3,500	3,500	3,000
Federal Grants	266,537	70,000	70,000	70,000
State of Michigan Grants	39,725	80,000	80,000	0
Total Intergovernmental Revenues	\$1,416,685	\$1,235,800	\$1,213,500	\$1,038,000



Revenue Highlights

Industrial Facilities Tax

This tax abatement program has grown consistently as the City Council has established a policy of granting an abatement to any qualified industrial facility. This program allows Council to abate half of the City taxes for up to 12 years. Exemptions have been granted with a total value of \$18,576,402. This results in a levy of about \$130,000. Various tax increment financing units in the City capture about 25% of this amount. This is virtually unchanged from last year. This represents over 200 abatements varying in value granted by the City of Cadillac.

Fire Protection

Clam Lake Township and the City of Cadillac have a fire protection agreement whereby the City provides fire protection to the township and in return the township pays the City a fee of 1.9 mills on its real and personal property taxes. The township's estimated taxable value is \$92 million. The fire contract was just renewed until June 30, 2013.

Solid Waste Collection

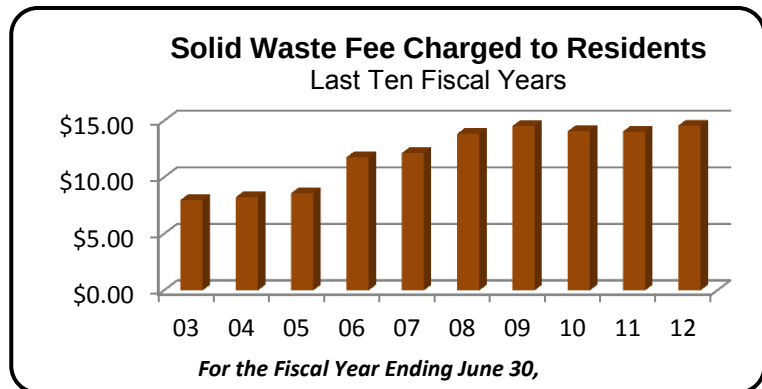
Solid waste collection is a contracted service with a private contractor. The cost is passed on to residents with only a slight markup to cover costs associated with administering the waste removal program. The new rate reflects annual contractual adjustments which are based on inflationary indexes. The increase is the result of an increase in fuel prices and the consumer price index in the last year. The rate for the rental of tidy totes is recommended to remain at \$2.20 per month.

Refuse Collection

3,250 average units x \$14.58
recommended monthly fee x 12 =
\$567,000 annual solid waste collection fee

Tidy Tote Garbage Cans

1,850 average customers x \$2.20 per
month fee x 12 = \$48,800 annual collection
(\$1.75 of the monthly collection fee is paid
back to the waste collector.)



Of total monthly charges, \$0.65 per unit for refuse collection and \$0.45 per tidy tote stays with the City to cover the costs of administering the program, including billing and collections services. This administrative charge offsets approximately \$35,000 in costs to manage the delivery of this service to City residents.

Engineering Fees

Engineering Fees are fees collected internally to cover the engineering costs of projects. Total billable construction projects are \$152,000 and the engineering fee is 10% of the costs.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Charges For Services				
Zoning Fees	\$1,395	\$1,200	\$2,000	\$2,000
Exemption Certificate Fees	1,200	2,000	1,000	1,500
Northflight	55,621	56,000	55,000	56,000
Police Charges	2,565	3,000	3,000	3,000
Engineering Fees	530	10,000	15,000	10,000
Solid Waste Collection	584,976	595,000	595,000	622,000
Sale of Maps and Ordinances	509	1,000	1,000	1,000
Rental Housing Ordinance Fee	9,020	6,000	6,000	7,000
Administrative Charges				
Water and Sewer Fund	\$201,900	\$201,900	\$201,900	\$201,900
Major Street Fund	19,600	19,600	19,600	10,000
Local Street Fund	17,900	17,900	17,900	10,000
Stores & Garage Fund	30,100	30,100	30,100	30,100
Community Development Fund	19,100	19,100	19,100	19,100
Data Processing Fund	28,600	28,600	28,600	30,000
Cemetery Operating Fund	8,500	8,500	8,500	8,500
Miscellaneous	4,875	500	0	0
Total Charges For Services	\$986,391	\$1,000,400	\$1,003,700	\$1,012,100
Fines and Forfeits				
Violations Bureau	\$41,874	\$40,000	\$30,000	\$30,000
Total Fines and Forfeits	\$41,874	\$40,000	\$30,000	\$30,000
Interest and Rents				
Interest Income	\$70,743	\$60,000	\$75,000	\$70,000
Land and Building Rental	4,875	1,000	1,500	1,500
Total Interest and Rents	75,618	61,000	76,500	71,500
Miscellaneous				
Sale of Property	39,147	5,000	10,000	1,500
Cadillac Community Television (CCTV)				
Sales	0	1,000	500	1,000
Sponsorships	0	7,500	10,000	10,000
Reimbursements - Housing Commission	223,826	250,000	250,000	250,000
Contributions - Private Sources	46,447	30,500	30,500	0
Miscellaneous - Refunds and Rebates	19,371	10,000	10,000	10,000
Total Miscellaneous	\$328,791	\$304,000	\$311,000	\$272,500
Other Financing Sources				
Other Transfers In	1,310	0	0	0
Surplus - Reserved from Prior Contributions	0	503,700	503,700	0
Surplus - Undesignated Fund Balance	0	6,000	6,000	196,700
Total Other Financing Sources	\$1,310	\$509,700	\$509,700	\$196,700
TOTAL REVENUES	\$7,606,214	\$7,802,300	\$7,733,800	\$7,147,200

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed	Change
EXPENDITURES					
General Government					
Legislative	\$44,932	\$44,100	\$46,100	\$41,700	-9.54%
Office of the City Manager	390,077	237,500	264,800	229,300	-13.41%
Financial Services	214,765	217,400	221,900	224,100	0.99%
Clerk/Treasurer Department	296,939	274,500	277,500	265,700	-4.25%
Election Services	5,319	16,500	16,500	16,500	0.00%
Assessing	133,488	133,800	134,500	143,000	6.32%
Legal Services	127,431	151,500	140,500	141,500	0.71%
Engineering Services	211,436	179,600	179,600	182,000	1.34%
City Hall	289,314	281,400	309,800	306,600	-1.03%
Total General Government	\$1,713,701	\$1,536,300	\$1,591,200	\$1,550,400	-2.56%
Public Safety					
Police Department	\$1,842,464	\$1,872,900	\$1,924,900	\$1,939,000	0.73%
Code Enforcement	29,667	34,500	28,300	28,200	-0.35%
Fire Department	1,494,544	1,295,800	1,311,100	1,333,800	1.73%
Total Public Safety	\$3,366,675	\$3,203,200	\$3,264,300	\$3,301,000	1.12%
Public Works	\$840,022	\$868,400	\$874,400	\$982,200	12.33%
Culture and Recreation	217,057	361,600	361,100	228,900	-36.61%
Economic Development and Assistance	160,842	240,400	244,900	148,200	-39.49%
Intergovernmental Expenses	327,227	351,500	351,500	351,500	0.00%
Other Financing	722,400	1,046,400	1,046,400	585,000	-44.09%
TOTAL EXPENDITURES	\$7,347,924	\$7,607,800	\$7,733,800	\$7,147,200	-7.58%
FUND BALANCE AT YEAR END					
Net Change in Fund Balance	\$258,290	(\$315,200)	(\$509,700)	(\$196,700)	
Fund Balance - Beginning of Year	2,358,215	2,616,505	2,616,505	2,301,305	
FUND BALANCE AT YEAR END					
Reserved	583,998	17,451	17,451	17,451	
Designated	1,506,415	1,545,396	1,564,296	1,476,306	
Undesignated	526,092	738,458	525,058	610,848	
TOTAL FUND BALANCE	\$2,616,505	\$2,301,305	\$2,106,805	\$2,104,605	

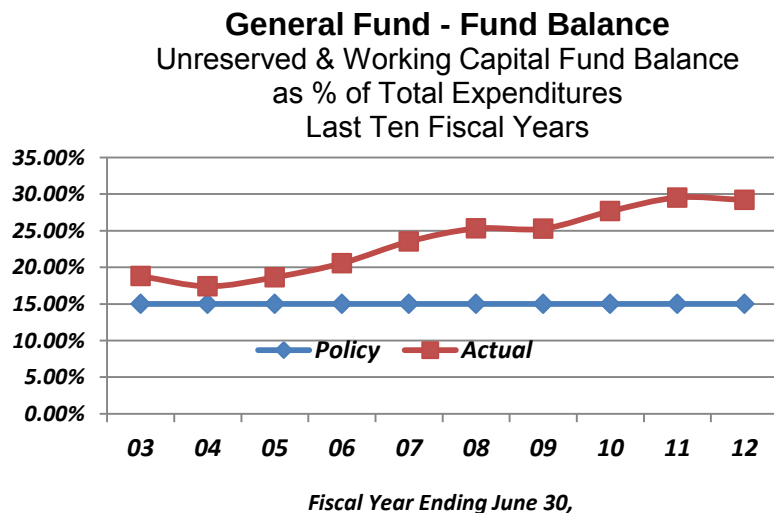
Reserved and Designated Fund Balance

All fund balance remaining at the end of the fiscal year is either reserved or designated for a certain purpose. Specific reserves and designations at the end of FY2010 and estimates for FY2011 and FY2012 are as follows:

FUND BALANCE INFORMATION	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Reserved:				
Blackburn Skate Park	8,566	2,000	2,000	2,000
Drug Forfeiture	3,802	2,800	2,800	2,800
Fire Safety House	1,859	1,859	1,859	1,859
Veterans Memorial	1,855	1,855	1,855	1,855
Pistol Range	3,324	2,579	2,579	2,579
White Pine Trail	2,394	2,394	2,394	2,394
Youth Services	844	844	844	844
Mayor Wedding Fees	650	100	100	100
Diggins Hill Tennis Courts	125,783	0	0	0
Diggins Hill Park	500	500	500	500
CASA Fields	2,520	2,520	2,520	2,520
Police and Fire Retirement	378,886	0	0	0
Prepaid Expenditures	53,015	0	0	0
Total Reserved	583,998	17,451	17,451	17,451
Designated:				
Sick & Vacation Funding	404,226	404,226	404,226	404,226
Working Capital	1,102,189	1,141,170	1,160,070	1,072,080
Total Designated	\$1,506,415	\$1,545,396	\$1,564,296	\$1,476,306
Undesignated	526,092	738,458	525,058	610,848
TOTAL FUND BALANCE	\$2,616,505	\$2,301,305	\$2,106,805	\$2,104,605

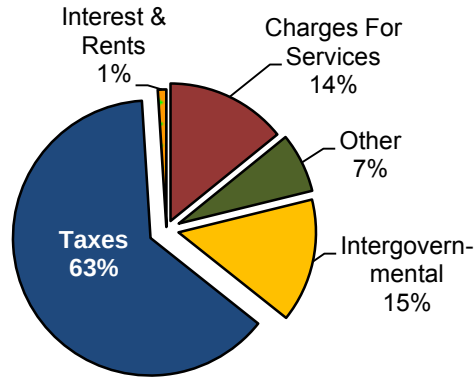
Fund Balance

The Fund Balance chart shows total Undesignated Fund Balance & Fund Balance designated for Working Capital in total as a percentage of total General Fund Expenditures for the last ten fiscal years. The City has met or exceeded the policy level of 15% for several years.



Revenues by Type

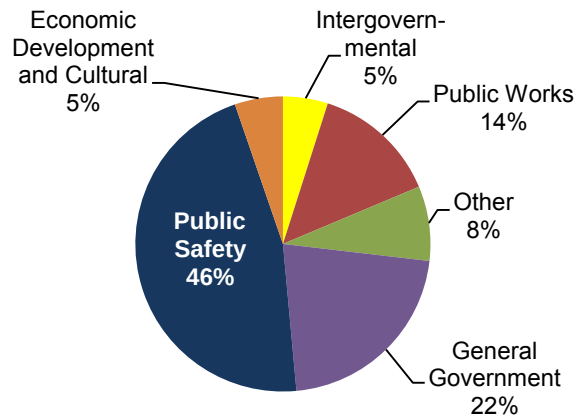
General Fund Revenues by Type FY2012



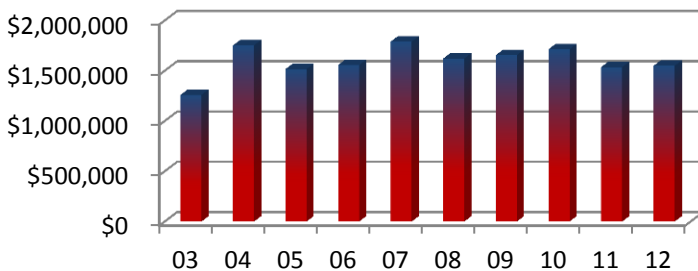
Expenditure Analysis Charts

Expenditures by Activity

The chart at the right shows the split of General Fund expenditures by activity. These percentages have remained relatively constant.



General Government Expenditures Last Ten Fiscal Years



General Government Expenditures

This chart shows the level of General Government spending over the last 10 years. General Government expenditures include all administrative departments, the legal department, assessing and elections, and the annual expenditures to maintain the City's municipal complex.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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GENERAL GOVERNMENT

Legislative

Salaries	\$14,886	\$15,300	\$15,300	\$15,300
Fringes	1,157	1,400	1,400	1,300
Office Supplies	1,065	1,600	1,600	1,600
Contractual Services	1,638	2,000	1,500	1,500
Data Processing	9,300	9,300	9,300	5,000
Dues & Publications	6,230	7,000	7,000	7,000
Travel and Education	6,159	4,500	5,000	5,000
Ordinances and Proceedings	4,497	3,000	5,000	5,000
Total Legislative	\$44,932	\$44,100	\$46,100	\$41,700

City Council Measures

Full-Time Positions	0	0	0	0
Part-Time Positions	5	5	5	5
Cost Per Resident	\$4.34	\$4.26	\$4.45	\$4.03

Legislative

The City Council is the policy making body for the City of Cadillac. Its salaries are set by an independent advisory committee which meets every two years. Education is encouraged for the part-time council members so that they will be on the cutting edge of information and issues involving municipal government. Contractual Services reflects the codification of the city code and increased the per capita costs the last couple years. The re-codification of the ordinances has been completed and current budgeted costs represent ongoing supplemental updates to the code.

Elected Officials

The structure of the Cadillac City Council is set by City Charter. The Council consists of four (4) members with one each from the City's four districts. Council members are elected to staggered four-year terms, with two council members up for election every two years. The mayor is elected at large by voters of the City and serves a two-year term. Details of the current City Council as well as a map of the City wards can be found in the Budget Reader's Guide on pages iii-vi of the budget document.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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GENERAL GOVERNMENT (Cont.)

Office of the City Manager

Salaries	\$148,401	\$160,000	\$171,000	\$155,000
Fringes	41,205	50,000	62,600	43,500
Office Supplies	1,055	2,500	2,900	2,500
Postage	0	1,000	1,200	1,200
Data Processing	3,500	7,000	7,000	7,000
Dues & Publications	2,467	3,000	4,800	4,800
Contractual Services	10,526	0	0	0
Telephone	746	1,800	2,100	1,600
Travel & Education	14,639	7,500	8,500	8,500
Vehicle Allowance	1,050	4,200	4,200	4,200
Vehicle Lease	3,204	0	0	0
Suggestion Award	0	500	500	1,000
Capital Outlay	0	0	0	0
Assistant City Manager*	163,284	0	0	0
Total Office of the City Manager	\$390,077	\$237,500	\$264,800	\$229,300

* Assistant City Manager Department was eliminated in 2010 and position was frozen. Other expenses were consolidated with the Office of the City Manager.

City Manager Measures				
Full-Time Positions	1.5	2.73	2.73	2.375
Part-Time Positions	0	0	0	0
Cost Per Resident	\$37.67	\$22.94	\$25.57	\$22.14

City Manager

The chief administrative officer of the City of Cadillac is the City Manager. The City Manager is responsible for the administration of all City departments and also for making reports and recommendations to the City Council. Marcus Peccia was appointed the chief administrative officer of the City in November 2009. He came to the city after being the Assistant City Manager in Lake Forest, Illinois.

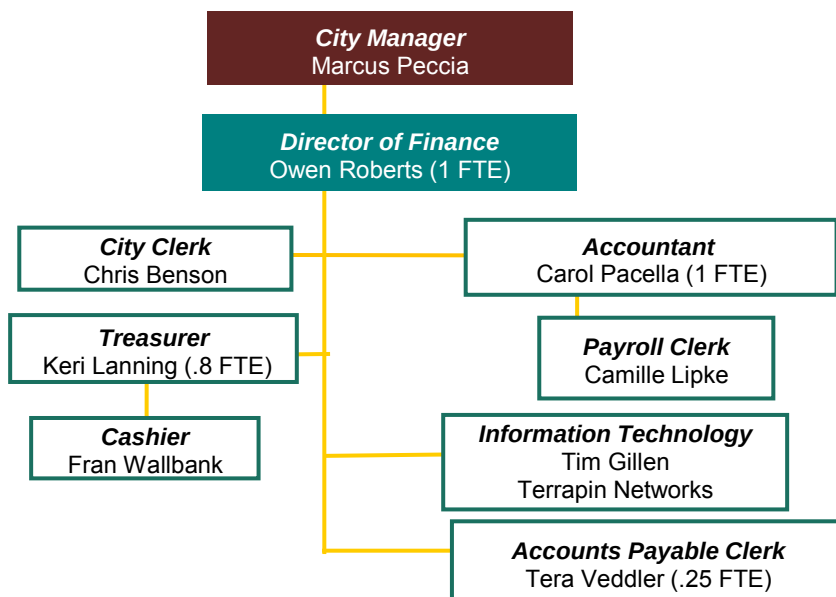
All human resource activities are overseen within the Office of the City Manager. Human Resources Coordinator Linda Kent is responsible for these activities.

The City Manager discusses the issues facing the City of Cadillac in the transmittal letter found at the beginning of this budget document.

Financial Services

The financial services department has the overall responsibility of all accounting and finance related functions. This responsibility is discharged in accordance with Federal and State regulations, the City Charter, Ordinances enacted by the City Council and directives from the City Manager, and is consistent with Governmental Accounting and Financial Standards established by the Governmental Accounting Standards Board. The Director of Finance oversees the clerk-treasurer, accounting, and information technology functions. In addition to the management activities, budgeting and investing of the City's money are critical functions of this department.

The clerk, treasurer, cashier and payroll clerk are under the supervision of the Director of Finance. The costs of these positions are accounted for in the Clerk/Treasurer department of the General Fund.



PERFORMANCE MEASURES - FINANCIAL SERVICES

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Received GFOA Budget/CAFR Awards		Yes	Yes	Yes	Yes	↔
General Fund Unreserved Fund Balance *		\$1,866,478	\$2,032,507	\$2,283,854	\$2,087,154	↓
Unreserved Fund Balance as % of General Fund Expenditures		25.28%	27.66%	29.27%	29.12%	↓
Fund Balance Policy Level (15%)		\$1,107,629	\$1,102,189	\$1,170,345	\$1,072,080	↓
Total Above (Below) Policy Benchmark		\$758,849	\$930,318	\$1,113,509	\$1,015,074	↓
Unqualified Audit Opinion		Yes	Yes	Yes	Yes	↔
Audit Adjustments		100	90	81	73	↓

* A portion of unreserved fund balance is designated to cover accrued sick and vacation liabilities

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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GENERAL GOVERNMENT (Cont.)

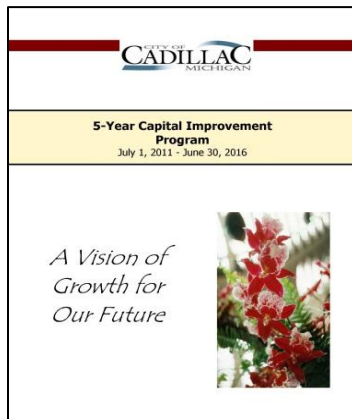
Financial Services

Salaries	\$121,443	\$122,000	\$122,000	\$122,500
Fringes	39,509	42,000	42,500	45,700
Office Supplies	6,351	6,000	7,500	7,500
Postage	201	1,000	2,500	2,500
Audit	9,500	9,500	11,500	9,500
Data Processing	28,000	28,000	28,000	28,000
Dues & Publications	3,110	2,500	3,000	3,000
Telephone	918	900	900	900
Travel & Education	5,733	5,500	4,000	4,500
Capital Outlay	0	0	0	0
Total Financial Services	\$214,765	\$217,400	\$221,900	\$224,100

Financial Services Department Measures

Full-Time Positions	1.94	2.25	2.25	2.25
Part-Time Positions	0	0	0	0
Cost Per Resident	\$20.74	\$20.99	\$21.43	\$21.64

Note: No additional staff was added in FY2010. An allocation analysis resulted in some changes which are reflected throughout the budget.



Capital Improvement Planning

One of the important responsibilities of the Financial Services Department is developing the annual 5 Year Capital Improvement Program for all City activities. This program is completed prior to the budget process each year. As funds are available, the projects included in the program are scheduled into the Annual Operating Budget. For FY2012, 90% of planned project costs are included in the budget proposal. The picture to the left is the cover of the most recent program document. The program is summarized in the 'Capital Improvement' section of this budget document, and is available for review on the City's website.

Departmental Highlights

City Clerk/Treasurer

This department is divided into two major sections. The first is the City Treasurer's Office, which has all custody of the revenues of the City and is established under the City Charter. Tax rolls are prepared and collected by this department and mailed to citizens. The second major area is the Clerk's Office, which is the Clerk to the City Council, signs all ordinances, keeps a permanent journal of all Council proceedings, and handles the City-wide elections.

The Clerk and Treasurer and under the oversight of the Director of Finance.

PERFORMANCE MEASURES - CITY TREASURER/CLERK

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Total City-wide Assessed Value		\$331,521,783	\$326,788,572	\$303,615,300	\$292,047,700	↓
Total City-wide Taxable Value		\$278,635,714	\$282,865,972	\$276,602,443	\$270,000,000	↓
Taxable Value as % of Assessed Value		84.0%	86.6%	91.1%	92.5%	↑
Tax Bills Issued		12,106	11,610	11,628	11,625	↔
Total Number of Annual Receipts		42,917	43,418	43,000	43,000	↔
Dollar Value of Annual Receipts		\$24,530,910	\$23,565,707	\$23,500,000	\$23,500,000	↔
Accounts Payable Checks Issued		3,406	3,216	3,300	3,300	↔
Payroll Checks Issued		1,254	1,167	1,150	1,125	↓
Payroll Direct Deposits		3,685	3,852	3,900	3,925	↑
Miscellaneous Billing Invoices Issued		567	575	600	600	↑
Total Registered Voters		7,143	7,552	7,552	7,550	↔
Number of Elections		3	2	3	2	↔
Total Cost of Elections		\$6,181	\$5,319	\$16,500	\$16,500	↑
Cost per Election		2,060	2,660	5,500	8,250	↑

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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GENERAL GOVERNMENT (Cont.)

Clerk/Treasurer Department

Salaries	\$165,652	\$129,000	\$129,000	\$129,000
Fringes	70,447	77,000	76,900	74,600
Office Supplies	1,520	3,000	3,000	3,000
Postage	14,064	9,500	9,500	9,500
Data Processing	40,000	40,000	40,000	30,000
Dues & Publications	553	500	600	600
Travel & Education	3,951	3,500	3,500	4,000
Bad Debt Expense (1)	752	12,000	15,000	15,000
Total Clerk/Treasurer Department	\$296,939	\$274,500	\$277,500	\$265,700

(1) Bad Debt Expense represents delinquent taxes that Wexford County paid to the City of Cadillac but were subsequently unable to collect, therefore requiring the City to repay the amounts received from the County.

Clerk/Treasurer Measures				
Full-Time Positions	4.000	4.000	4.000	3.800
Part-Time Positions	0.000	0.000	0.000	0.000
Cost Per Resident	\$28.68	\$26.51	\$26.80	\$25.66

Note: A staff reorganization took place upon the retirement of longtime Clerk/Treasurer Jan Nelson. This resulted in the reduction of .125 FTE from overall departmental staff.

Election Services

Salaries	\$1,682	\$8,500	7,500	\$7,500
Office Supplies	3,637	6,000	4,000	4,000
Contractual Services	0	2,000	5,000	5,000
Capital Outlay	0	0	0	0
Total Election Services	\$5,319	\$16,500	\$16,500	\$16,500

Elections Measures				
Full-Time Positions	0.000	0.000	0.000	0.000
Part-Time Positions	15.000	15.000	15.000	15.000
Cost Per Resident	\$0.51	\$1.59	\$1.59	\$1.59
Registered Voters	7,522	7,522	7,522	7,522
Cost per registered voter	\$0.71	\$2.19	\$2.19	\$2.19

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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GENERAL GOVERNMENT (Cont.)

Assessor

Office Supplies	\$0	\$0	\$0	\$0
Postage	4,734	3,000	3,000	3,000
Contractual Services	13,983	10,000	5,000	10,000
Wexford County Contract	95,525	101,000	106,500	110,000
Data Processing	18,000	18,000	18,000	18,000
Board of Review	1,246	1,800	2,000	2,000
Total Assessor	\$133,488	\$133,800	\$134,500	\$143,000

Assessing Measures				
Full-Time Positions	0	0	0	0
Part-Time Positions	0	0	0	0
Cost Per Resident	\$12.89	\$12.92	\$12.99	\$13.81

Assessor

The function of the City Assessor has been contracted with the Wexford County Equalization Department. This is a five-year contract expiring March 31, 2012. Payments to the County are made quarterly. The contractual arrangement has been beneficial for the City and provides very good service to our citizens. The City is still responsible for the board of review that is held periodically. There are no City employees in this area. Contractual Services activity anticipates legal costs associated with defending the property values assessed as well as any related appraisal costs. Mr. Joe Porterfield was appointed the County's Equalization Director in 2009.

Annual costs of the assessing contract are as follows:

Service	Charge	# of Parcels	Annual Cost
Per Parcel assessing charge	\$15.68	6,350	\$99,568
Per Parcel assessment roll maintenance	\$1.60	6,350	\$10,160
Total Charges			\$109,728

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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GENERAL GOVERNMENT (Cont.)

Legal Services

Office Supplies	\$376	\$1,500	500	\$1,500
Legal Services - General Counsel	127,055	65,000	55,000	55,000
Legal Services - Prosecution	0	35,000	35,000	35,000
Legal Services - Special	0	50,000	50,000	50,000
Travel & Education	0	0	0	0
Total Legal Services	\$127,431	\$151,500	\$140,500	\$141,500

Cost Per Resident	\$12.31	\$14.63	\$13.57	\$13.66
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General Counsel Services

Mr. Michael Homier of Foster, Swift, Collins & Smith, PC's Grand Rapids office will be the chief counsel for the City of Cadillac. Several other attorneys will provide counsel in specific areas of expertise.



City Prosecution Services

Since April 2010, prosecution of City cases have been handled by Wexford County Prosecutor Mark Smathers. Prosecution and legal services provided under this arrangement include all eligible traffic misdemeanors, all other eligible misdemeanors (including MIP), all traffic civil infractions, parking infractions, and other civil infractions of a traditional criminal-type nature such as disorderly conduct and others. Prosecution for cases involving ordinance violations would be handled on a per-hour basis at the rate of \$110 per hour.

Costs for Legal Services

General counsel services provided by Foster, Swift, Collins & Smith, PC will be billed at an hourly rate of \$175 per hour. There is no annual maximum included in the agreement. The Wexford County Prosecutor's Office will handle all general prosecution-related cases for an annual cost of \$30,240. Special legal services include environmental, labor, property tax, and other special kinds of legal work. These are typically billed between \$175 and \$250 per hour, depending on the specific work being done. The majority of these special services are performed by the City Attorney.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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GENERAL GOVERNMENT (Cont.)

Engineering Services

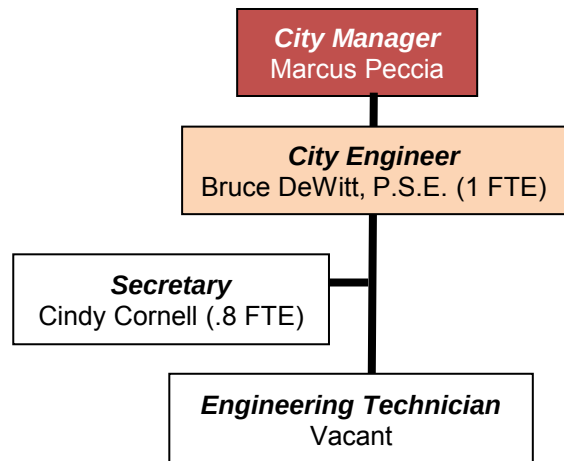
Salaries	\$113,098	\$97,500	\$97,500	\$97,500
Fringes	53,606	47,000	47,100	50,300
Office Supplies	3,141	3,000	3,500	2,900
Postage	0	0	200	200
Contractual Services	9,650	9,100	8,000	8,000
Data Processing	20,000	20,000	20,000	20,000
Dues & Publications	242	500	1,000	600
Telephone	489	500	500	500
Travel & Education	170	800	800	800
Equipment Rental	1,040	1,200	1,000	1,200
Capital Outlay	10,000	0	0	0
Total Engineering Services	\$211,436	\$179,600	\$179,600	\$182,000

Engineering Services Department Measures

Full-Time Positions	2.40	2.50	2.50	1.80
Part-Time Positions	0	1	1	0
Cost per Resident	\$20.42	\$17.34	\$17.34	\$17.58

Engineering Services

The engineering department, which operates under the direction of the City Manager, is responsible for the planning, design, inspection and testing of the City street construction projects and any other related construction jobs. A professional engineer licensed by the State of Michigan must oversee the department. The engineer plays a major role in providing the infrastructure needs of the City. Contractual Services were included to reflect the use of a contractual employee to develop and build out the City's Geographic Information System (GIS). For twenty-eight years, Bruce DeWitt has been the City Engineer. The secretary has 80% of her salary applied to this department. For FY2011, necessary budget reductions led to the elimination of the Engineering Technician position.



FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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GENERAL GOVERNMENT (Cont.)

City Hall

Salaries	\$37,959	\$38,500	\$38,500	\$39,000
Fringes	14,396	16,500	16,600	34,700
Operating Supplies	13,269	13,900	13,900	13,600
Contractual Services	6,025	10,500	13,100	6,400
Service/Lease Contracts	7,962	6,000	8,000	11,600
Data Processing	5,500	5,500	5,500	5,500
Liability Insurance	88,641	65,000	91,700	65,000
Travel and Education	0	5,000	0	4,500
Utilities	80,486	85,000	89,200	87,000
Repair and Maintenance	21,420	22,000	23,800	20,800
Equipment Rental	7,245	7,500	7,200	7,200
Parking Contract	2,260	2,300	2,300	2,300
Capital Outlay	4,151	3,700	0	9,000
Total City Hall	\$289,314	\$281,400	\$309,800	\$306,600

City Hall Measures

Full-Time Positions	1.275	1.275	1.275	1.325
Part-Time Positions	2	0	0	0
Cost per Resident	\$27.94	\$27.18	\$29.92	\$29.61

TOTAL GENERAL GOVERNMENT

\$1,713,701	\$1,536,300	\$1,591,200	\$1,550,400
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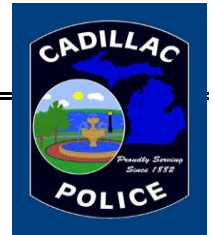
Total General Government Measures

Full-Time Positions	11.115	12.755	12.755	11.550
Part-Time Positions	22.000	21.000	21.000	20.000
Cost per Resident	\$165.50	\$148.36	\$153.66	\$149.72
% of General Fund Budget	23.32%	20.19%	20.57%	21.69%



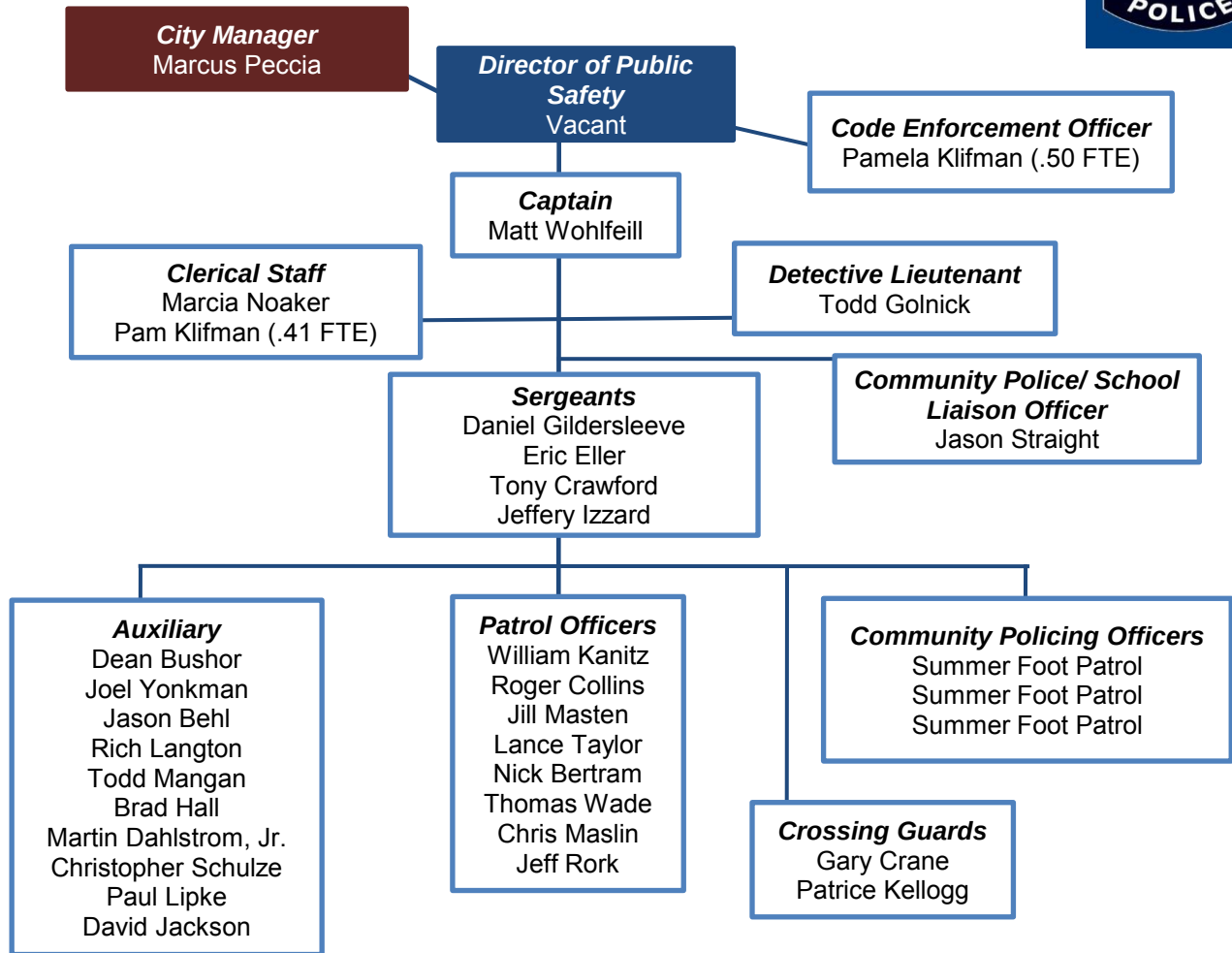
City Hall

The maintenance of the physical plant, which is occupied 24 hours per day, is anticipated to increase as the facility ages. Major replacements over the past few years have been the roof, the HVAC system, and the upgrade of the Council chambers. Salaries for FY2012 reflect 15% of the receptionist, 17.5% of an administrative assistant, and the full-time custodian. Several proposed capital improvements to the municipal complex have been delayed as a result of funding constraints.



POLICE DEPARTMENT

CHART OF ORGANIZATION



Values Statement

The members of the Cadillac Police Department realize that we are stewards of the public's trust. The badge that each member wears is a symbol of this trust. Therefore, we embrace the values of **honesty, integrity, and loyalty**, while serving our community with **respect, pride, and commitment**.

Mission Statement:

It is the mission of the Cadillac Police Department to:

- * **Enforce** the laws of the State of Michigan and ordinances of the City of Cadillac, protect the community from harm, and uphold the Constitution of the United States.
- * **Enhance** the quality of life and feeling of safety in the community through exceptional service, crime prevention, intervention, and problem solving.
- * **Exhibit** professionalism, integrity, and courtesy while respecting the rights and dignity of all persons.

Police Department Information and Performance Measures

Cadillac Mounted Patrol/Community Policing Officers

The summer of 1999 saw the appearance of the **Cadillac Police Mounted Patrol**. Jim Ray and Gwen Johnson are on patrol during festivals and parades, on horseback. The patrol has been a great hit with area children.



Community Policing Officers, formally known as the summer foot patrol, are graduates of the police academy and work from May to September. There are three part-time officers assigned to the downtown area and lakefront. The officers are on foot or bicycle enforcing ordinance violations as well as State law. The program was conceived in 1989. A steady decline in violations has been noted over the past 18 years, confirming the effectiveness of the program. CPO's focus on contacts with downtown business owners to identify and solve problems.

Cadillac Police Department Fleet Details			
#	Vehicle	Assignment	Miles
1	2001 Ford Ambulance	Command Post	226,487
2	2002 Impala	Captain	76,995
3	2006 Dodge Durango	Patrol/K-9	44,905
4	2008 Impala	Patrol	59,145
5	2007 Impala	Patrol	79,235
6	2003 Impala	Detective	82,968
7	2009 Impala	Patrol	36,100
8	2003 Impala	School/Travel	88,870
9	2006 Impala	Patrol/School Liaison	77,620
10	2004 Impala	Director	81,705
11	2005 Tahoe	Patrol Back-Up	89,205
12	1998 Ford F-150	Utility	166,206



The Cadillac Police Department prides itself in a safe, clean, and well-maintained fleet of patrol and emergency vehicles.

Residential Speed Reduction

As part of helping enhance the livability of Cadillac neighborhoods and residential areas, it was determined by the police department through contact with residents that speeding in neighborhoods represents a quality of life concern. Officers have been assigned regularly to specific problem areas. The areas, or "targeted traffic zones", focus on thoroughfares in and out of the city passing through residential areas. The traffic zones were first identified by citizen complaints and speed surveys conducted by DPW. Officers focus primarily on educating motorists and requesting voluntary compliance. Verbal warnings are given to most drivers, with an approximate ratio of 3 verbal warnings to every 1 traffic citation.

Target Area	Survey Location	2007 Average Speed	2009 Average Speed	MPH Difference (+/-)	Percentage (+/-)
West Division Street	West Division/Waldo	31.9 mph	23.8 mph	-8.1 mph	-25.3%
Chestnut Street	Chestnut/Donnelly	31.3 mph	25.8 mph	-5.5 mph	-17.5%
North Boulevard	N. Boulevard/Iroquois	31.1 mph	26.2 mph	-4.9 mph	-15.7%
Crosby Road	M-55 - Paluster	37.0 mph	29.0 mph	-8.0 mph	-21.6%

PERFORMANCE MEASURES - POLICE DEPARTMENT

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Sworn Officers		16	16	15	16	↔
Police Reports Completed		4,925	4,836	4,932	5,030	↑
Police Reports per Sworn Officer		308	302	329	314	↔
Traffic Citations Issued		1,177	815	937	1,030	↑
Traffic Verbal Warnings Issued		2,843	2,855	3,140	3,300	↑
NSF Check Complaints Processed		21	14	18	18	↔
Freedom of Information Requests Fulfilled		172	161	165	165	↔
Handgun Registrations		195	158	175	175	↔
K-9 Unit Tracking Calls		7	7	10	15	↑
K-9 Unit Demonstrations		21	9	15	15	↑
K-9 Unit Searches		22	36	30	35	↑
Neighborhood Watch Meetings Held		0	4	8	12	↑
Total Calls for Service		6,490	6,754	6,850	7,000	↑
Total Arrests		1,174	1,088	1,040	1,040	↔
Average Mileage of Fleet		N/A	92,453	95,000	100,000	↑
Average Mileage of Patrol Vehicles		N/A	64,368	50,000	55,000	↑
Operating Cost per Sworn Officer		\$115,553	\$113,615	\$127,260	\$119,013	↔



K-9 Unit

K-9 Officers Lance Taylor and Bo pose for a photo in the downtown City park. Bo serves the Cadillac PD by performing drug searches and suspect tracking, and is a great public relations tool that performs a variety of demonstrations in the community each year. Officers Taylor and Bo have teamed together since 2007.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
PUBLIC SAFETY				
Police Department				
Salaries - Supervisory	\$99,772	\$80,000	\$102,500	\$100,500
Salaries - Patrolmen	732,015	760,000	767,000	770,000
Salaries - Overtime	67,586	60,000	63,000	65,000
Salaries - Clerks	49,842	44,000	45,000	45,000
Salaries - Crossing Guards	6,173	7,000	7,500	7,500
Salaries - Auxiliary	1,199	3,000	4,000	5,000
Salaries - Summer Patrol	20,738	18,000	18,000	18,000
Fringes	656,394	685,000	709,400	710,700
Office Supplies	6,726	7,000	7,500	7,500
Operating Supplies	40,041	36,000	37,000	37,000
Operating Supplies - Community Service	853	1,000	1,000	1,000
Uniform Cleaning	9,250	9,500	9,500	9,500
Data Processing	55,030	55,000	55,000	55,000
Dues & Publications	1,316	1,800	2,000	2,000
Radio & Equipment Maintenance	3,188	5,000	5,500	4,500
Telephone	2,748	3,500	4,000	3,000
Travel & Education	15,882	19,500	20,000	20,000
Vehicle Repair and Maintenance	24,293	20,000	23,500	23,500
Uniforms and Maintenance	10,156	10,000	10,000	10,000
Equipment Rental	9,262	10,000	14,000	6,500
Vehicle Lease	2,766	0	0	0
Copier Lease	2,603	2,600	3,500	3,000
Capital Outlay	24,631	35,000	16,000	34,800
Total Police Department	\$1,842,464	\$1,872,900	\$1,924,900	\$1,939,000

Police Department Measures				
Full-Time Positions	18.500	18.500	17.100	16.910
Part-Time Positions	16.000	16.000	16.000	18.000
Cost per Resident	\$177.93	\$180.87	\$185.89	\$187.25

Note: An officer was hired using stimulus funds from the American Recovery and Reinvestment Act of 2009.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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PUBLIC SAFETY

Code Enforcement

Salaries	\$20,760	\$23,000	\$17,000	\$17,000
Fringes	8,907	11,000	10,300	10,200
Office Supplies	0	500	1,000	1,000
Total Code Enforcement	\$29,667	\$34,500	\$28,300	\$28,200

Code Enforcement Measures

Full-Time Positions	0.000	0.400	0.500	0.500
Part-Time Positions	0.000	0.000	0.000	0.000
Cost per Resident	\$2.86	\$3.33	\$2.73	\$2.72

Code Enforcement Department

In order to show the true costs of code enforcement activities, they were split into a separate department beginning in April 2009. Code enforcement activities are principally handled by code enforcement officer Pam Klifman, with oversight duties provided by the City's Director of Public Safety.

The code enforcement division investigates city ordinance violations such as blight, junk vehicles, noxious weeds, and snow removal violations. Activities also include the enforcement of downtown time zone parking areas.

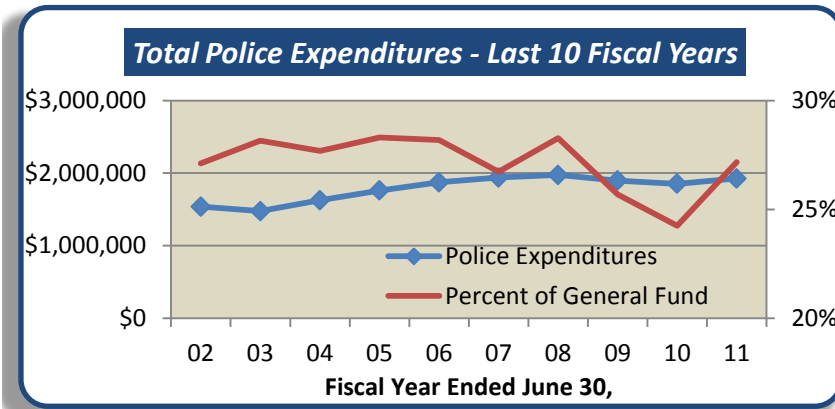
PERFORMANCE MEASURES - CODE ENFORCEMENT

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Yards cleaned up (Blight Ordinance)		117	112	115	115	↔
Junk Vehicles Removed/Repaired		86	48	50	50	↔
Lawn Complaints (Noxious Weed Ordinance)		221	192	200	200	↔
Total Complaint Numbers Pulled		364	283	300	300	↔



These pictures are examples of the blight that the code enforcement activities help eliminate within the City.

Police Expenditures



The chart at the left shows total police expenditures for the last ten fiscal years and the related percentage of total General Fund expenditures for each year. Much of the gradual increase is due to the rising cost of funding the Act 345 retirement system, as well as the City's implementation of GASB 45, which has led to a commitment to advanced funding of other post-employment benefits (OPEB).

Public Safety Benchmarking

Police Department						
Cities	2010 Census	FY2011 Police Budget	Number of Sworn Officers	Citizens Served Per Officer	Per Capita Costs	% of General Fund
Manistee	6,226	\$1,066,687	13	478.92	\$171.33	20.25%
Big Rapids	10,601	\$2,072,500	18	588.94	\$195.50	27.50%
Alpena	10,483	\$1,815,392	16	655.19	\$173.17	18.67%
Traverse City	14,674	\$3,460,800	28	524.07	\$235.85	24.60%
Sault Ste. Marie	14,144	\$2,498,228	23	614.96	\$176.63	20.47%
Coldwater	10,945	\$1,766,361	17	643.82	\$161.39	22.07%
Sturgis	10,994	\$2,624,283	19	578.63	\$238.70	36.99%
City of Cadillac	10,355	\$1,924,900	14	739.64	\$185.89	24.89%

Fire Department						
Cities	2010 Census	FY2011 Fire Department Budget	Number of Full-Time Officers	Citizens Served Per Full-Time Officer	Per Capita Costs	% of General Fund
Manistee	6,226	\$735,386	7	889.43	\$118.12	13.96%
Big Rapids	10,601	\$1,012,700	9	1,177.89	\$95.53	13.44%
Alpena	10,483	\$1,385,626	23	455.78	\$132.18	14.25%
Traverse City	14,674	\$2,645,160	25	586.96	\$180.26	18.80%
Sault Ste. Marie	14,144	\$1,300,781	18	785.78	\$91.97	10.66%
Coldwater	10,945	\$1,555,000	14	781.79	\$142.07	19.43%
Sturgis	10,994	\$1,503,946	11	999.45	\$136.80	21.20%
City of Cadillac	10,355	\$1,311,100	11	941.36	\$126.62	16.95%

Fire Department Information

The Cadillac Fire Department uses a capable and well-trained staff of 11 full-time firefighters and 14 part-time firefighters to provide 24-hour fire protection to the City of Cadillac and Clam Lake Township. In addition to their fire fighting duties and in conjunction with the City's rental housing ordinance, the firefighters conduct periodic rental housing inspections designed to help prevent fires. The rental program requires that all rental property be inspected for building, electrical, mechanical, and housekeeping deficiencies and must have their rental certificate renewed every three years through a passing inspection.



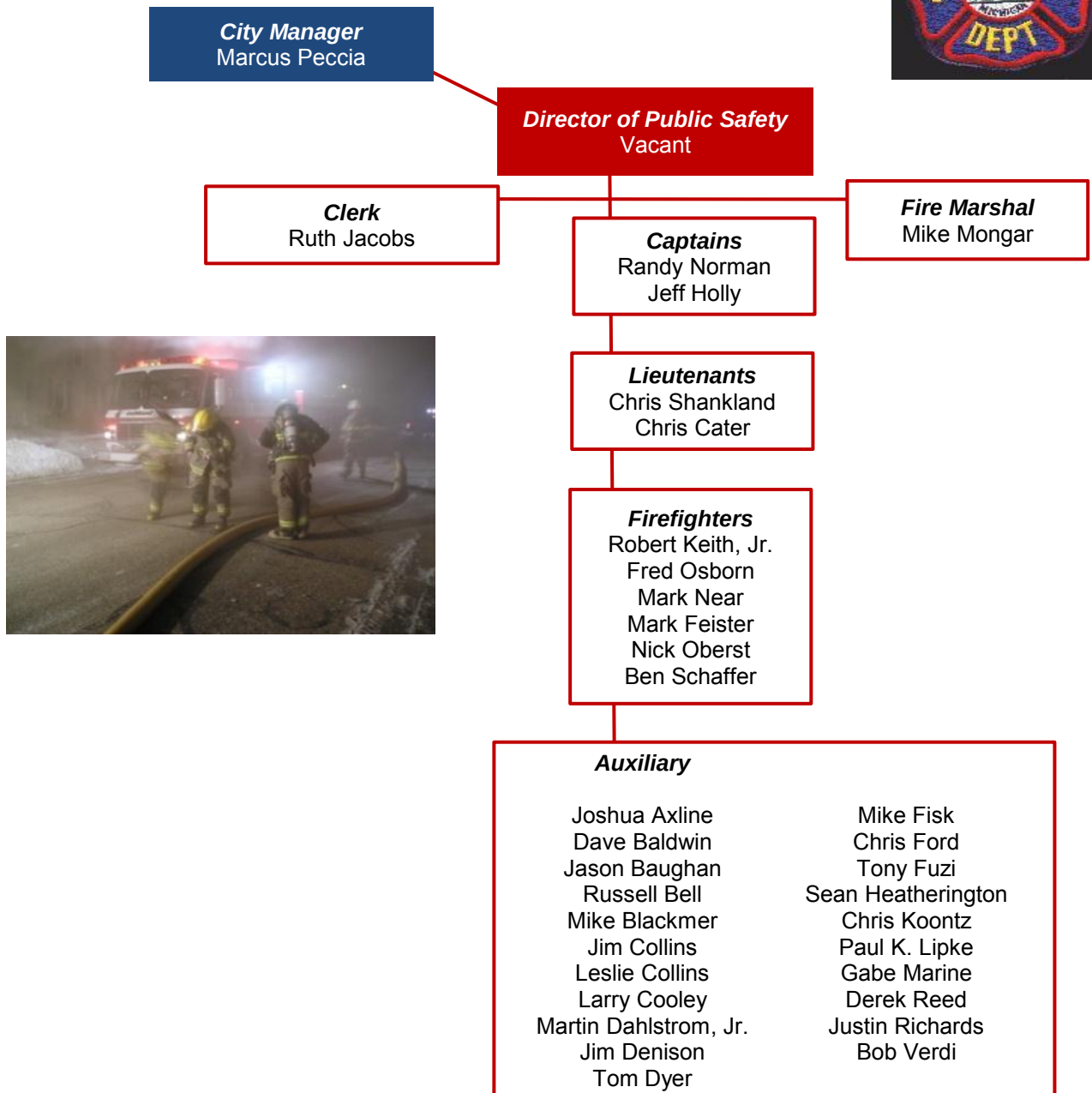
Fire Marshal

Firefighter Mike Mongar was assigned as Fire Marshal in 2003. Mike conducts commercial fire inspections, provides fire prevention education, coordinates the rental housing inspection program, and coordinates site inspections. Mike is certified by the National Fire Protection Association (NFPA).

PERFORMANCE MEASURES - FIRE DEPARTMENT

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Total Runs		1,598	1,679	1,700	1,700	↑
Number of Medical Emergencies Responses		1,295	1,353	1,350	1,350	↔
Hours Spent Fighting Fires		135	130	130	130	↔
Hours Spent on Site Inspections		2,790	2,835	2,900	3,000	↑
Hours Spent on Rental Inspection		740	750	800	800	↑
Number of Fires Reported		42	38	40	40	↔
Hours Spent Maintaining Vehicles		770	780	800	800	↑
Total Hours Spent in Training		4,100	4,000	4,000	4,000	↔
Hours Spent in Water Rescue Training		80	80	80	80	↔
Number of Educational Programs Offered		12	12	15	15	↑
Citizens Attending Education Programs		3,350	3,300	3,500	3,500	↑
Number of Fire Investigations		72	72	65	65	↓
Hours Spent on Public Relations		700	710	725	730	↑
Operating Cost per Fire Fighter		\$112,923	\$116,891	\$118,282	\$119,027	↑

FIRE DEPARTMENT CHART OF ORGANIZATION



FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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PUBLIC SAFETY (Cont.)

Fire Department

Salaries - Supervisory	\$37,154	\$500	\$38,500	\$37,500
Salaries - Firefighters	482,800	530,000	491,500	520,000
Salaries - Clerks	0	10,000	10,000	10,000
Salaries - FLSA Overtime	28,564	35,000	35,000	35,000
Salaries - Overtime	117,118	100,000	90,000	90,000
Salaries - Volunteer	19,075	34,000	40,000	30,000
Fringes	432,828	460,000	471,700	467,300
Office Supplies	1,746	1,800	2,000	2,000
Operating Supplies	22,716	20,000	21,500	22,500
Operating Supplies-Community Service	1,694	1,000	1,500	1,500
Uniform Cleaning	2,722	2,800	2,800	2,800
Subsistence Allowance	15,684	14,000	14,000	14,600
Data Processing	11,000	11,000	11,000	11,000
Dues & Publications	2,037	2,500	2,500	2,500
Radio & Equipment Maintenance	5,585	6,000	7,500	7,500
Telephone	1,214	1,200	1,200	1,200
Travel & Education	8,382	10,000	12,000	11,000
Vehicle Repair & Maintenance	35,442	25,000	25,000	22,500
Uniforms & Maintenance	13,380	12,500	14,000	14,000
Vehicle Lease	3,013	3,300	4,200	1,200
Employee Safety	0	5,200	5,200	5,200
Capital Outlay	252,390	10,000	10,000	24,500
Total Fire Department	\$1,494,544	\$1,295,800	\$1,311,100	\$1,333,800

Fire Department Measures

Full-Time Positions	11.900	11.900	11.850	11.850
Part-Time Positions	17.000	17.000	14.000	21.000
Cost per Resident	\$144.33	\$125.14	\$126.62	\$128.81

TOTAL PUBLIC SAFETY

\$3,366,675	\$3,203,200	\$3,264,300	\$3,301,000
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Total Public Safety Measures

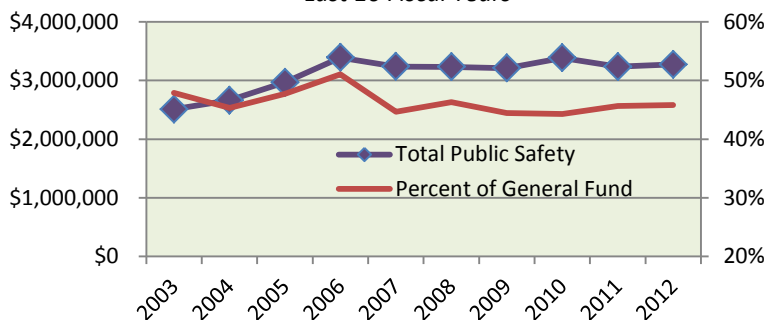
Full-Time Positions	30.400	30.800	29.450	29.260
Part-Time Positions	33.000	33.000	30.000	39.000
Cost per Resident	\$325.13	\$309.34	\$315.24	\$318.78
% of General Fund Budget	45.82%	42.10%	42.21%	46.19%

Public Safety Expenditures
as a Percentage of Total General Fund Expenditures
Last Twenty Years

Fiscal Year	Expenditures		Total Public Safety	General Fund Total Expenditures and other financing uses	Percent of total expenditures of General Fund		Total Public Safety (% of General Fund)
	Police	Fire			Police	Fire	
2012	\$1,939,000	\$1,333,800	\$3,272,800	\$7,147,200	27.13%	18.66%	45.79%
2011	\$1,924,900	\$1,309,600	\$3,234,500	\$7,083,100	27.18%	18.49%	45.67%
2010	\$1,853,700	\$1,531,300	\$3,385,000	\$7,647,000	24.24%	20.02%	47.85%
2009	\$1,936,600	\$1,272,500	\$3,209,100	\$7,221,900	26.82%	17.62%	44.44%
2008	\$1,973,100	\$1,258,000	\$3,231,100	\$6,977,100	28.28%	18.03%	46.31%
2007	\$1,937,927	\$1,298,359	\$3,236,286	\$7,247,727	26.74%	17.91%	44.65%
2006	\$1,872,203	\$1,517,368	\$3,389,571	\$6,642,264	28.19%	22.84%	51.03%
2005	\$1,760,171	\$1,207,111	\$2,967,282	\$6,217,441	28.31%	19.41%	47.73%
2004	\$1,626,181	\$1,035,891	\$2,662,072	\$5,872,347	27.69%	17.64%	45.33%
2003	\$1,475,406	\$1,034,873	\$2,510,279	\$5,239,720	28.16%	19.75%	47.91%
2002	\$1,537,630	\$916,998	\$2,454,628	\$5,671,563	27.11%	16.17%	43.28%
2001	\$1,575,551	\$988,632	\$2,564,183	\$5,613,156	28.07%	17.61%	45.68%
2000	\$1,465,293	\$1,144,998	\$2,610,291	\$5,366,921	27.30%	21.33%	48.64%
1999	\$1,433,047	\$991,645	\$2,424,692	\$5,234,493	27.38%	18.94%	46.32%
1998	\$1,447,101	\$873,240	\$2,320,341	\$4,948,684	29.24%	17.65%	46.89%
1997	\$1,369,058	\$908,804	\$2,277,862	\$4,687,638	29.21%	19.39%	48.59%
1996	\$1,236,945	\$824,857	\$2,061,802	\$4,532,936	27.29%	18.20%	45.48%
1995	\$1,214,244	\$835,244	\$2,049,488	\$4,553,093	26.67%	18.34%	45.01%
1994	\$1,271,421	\$1,149,142	\$2,420,563	\$4,832,474	26.31%	23.78%	50.09%
1993	\$1,148,090	\$680,831	\$1,828,921	\$4,199,778	27.34%	16.21%	43.55%

Total Public Safety Expenditures

Last 10 Fiscal Years



Total Public Safety Expenditures

This chart highlights the fact that although Public Safety expenditures have been increasing, the increase is comparable with the General Fund as a whole. The percentage of General Fund expenditures appropriated to Public Safety has been between 44% and 50% for a number of years.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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PUBLIC WORKS

Public Works - Administration

Salaries	\$4,365	\$9,500	\$4,600	\$75,100
Fringes	1,937	4,500	2,700	36,800
Property Taxes	3,457	5,100	5,000	5,000
Street Lighting	134,522	120,000	115,000	130,000
Maintenance of Dam	2,362	2,500	2,500	2,500
Equipment Rental	15,106	24,000	17,600	14,800
Hydrant Rental	24,865	23,900	23,900	24,100
Total Public Works - Administration	\$186,614	\$189,500	\$171,300	\$288,300

Public Works - Administration Measures

Full-Time Positions *	0.000	0.000	0.000	1.800
Part-Time Positions	0.000	0.000	0.000	0.000
Cost per Resident	\$18.02	\$18.30	\$16.54	\$27.84

* Due to restructuring in the Department of Public Works, a full-time Public Works Analyst, 30% of the Parks and Cemetery Superintendent, and 50% of an administrative assistant position are classified to this unit beginning in FY2012.

Public Works - Miscellaneous

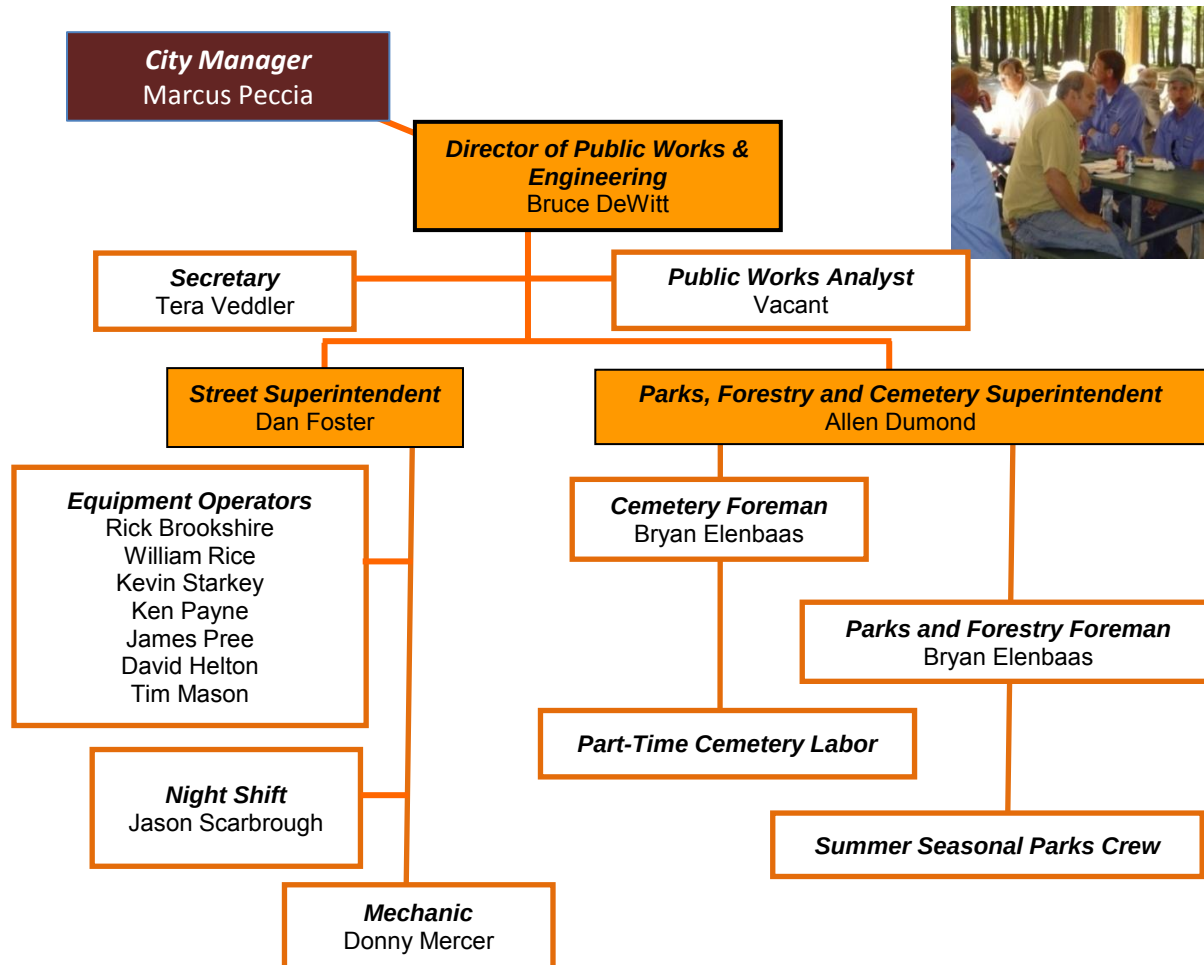
Property taxes account for the small pieces of property the City obtains from year to year through the tax sale and an attempt is made to resell the property and put it back on the tax roll. Street Lighting is the cost paid to Consumers Energy for the 578 street lights in the City. Hydrant Rental by ordinance is \$50 per hydrant paid to the Utilities Department for the readiness to serve charge for fire protection. There are currently 482 hydrants within the City.



Street Lights

Number of <u>Lights</u>	<u>Lumens</u>	Monthly <u>Rate</u>
10	2,500	\$7.930
3	3,500	\$12.440
96	7,500	\$16.530
182	20,000	\$25.570
285	8,500	\$11.890
1	24,000	\$21.530
1	45,000	\$28.700

Public Works Department Structure and Organization



PERFORMANCE MEASURES - PUBLIC WORKS

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Hours spent in leaf pickup		298	270	378	290	↔
Hours spent plowing sidewalks		589	265	473	473	↔
Miles of sidewalks maintained		132	132	132	132	↔

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
PUBLIC WORKS (Cont.)				
Sidewalks				
Salaries	\$4,209	\$7,500	\$7,500	\$7,500
Salaries - Part Time	0	0	0	0
Fringes	1,853	4,000	4,400	4,600
Operating Supplies	2,614	2,500	0	2,000
Contractual Services	0	0	12,200	0
Equipment Rental	11,608	17,000	18,500	16,000
Total Sidewalks	\$20,284	\$31,000	\$42,600	\$30,100
Leaves				
Salaries	\$4,293	\$6,000	4,600	\$4,600
Fringes	2,152	3,000	3,000	2,800
Equipment Rental	27,129	29,000	29,700	24,700
Total Leaves	\$33,574	\$38,000	\$37,300	\$32,100
Grass & Weed Control				
Salaries	\$7,130	\$7,500	7,500	\$7,200
Fringes	3,780	4,400	4,400	4,400
Equipment Rental	22,954	24,000	25,500	20,100
Total Grass and Weed Control	\$33,864	\$35,900	\$37,400	\$31,700
Composting				
Salaries	\$1,318	\$1,200	\$1,500	\$1,500
Fringes	621	600	900	1,000
Equipment Rental	3,126	2,800	2,800	1,000
Total Composting	\$5,065	\$4,600	\$5,200	\$3,500

Sidewalks

This account reflects the maintenance costs for the City-owned sidewalks and the plowing of alleys. In 1998, the city began a special assessment sidewalk replacement project to upgrade severely deteriorated sidewalks throughout the city. This program was last undertaken in FY2009 and will have to be evaluated again over the next couple of years. The City's portion of the assessment is included in Contractual Services.

Leaves

Many tree-lined streets adorn the City adding to the beauty but also requiring a large cleanup effort during the fall. Burning of leaves is prohibited and residents are required to purchase special bags to provide an economical way to remove the leaves from private property. The State of Michigan has legislated that no leaves or grass clippings can be deposited in any Michigan landfills.

The City has an ordinance prohibiting noxious weeds. Periodically throughout the summer, crews will mow areas that are in violation of this ordinance. Grass and Weed Control is for maintaining city right of way and city owned lots as well as privately owned lots which are in violation of ordinance.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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PUBLIC WORKS (Cont.)

Waste Removal

Salaries	\$32	\$100	\$100	\$100
Fringes	16	100	100	100
Operating Supplies	0	100	100	100
Removal Contract	556,575	565,000	575,000	592,000
City Debris Removal Fees	3,987	4,000	5,200	4,100
Equipment Rental	11	100	100	100
Total Waste Removal	\$560,621	\$569,400	\$580,600	\$596,500

TOTAL PUBLIC WORKS

\$840,022	\$868,400	\$874,400	\$982,200
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Public Works per Resident Costs

\$81.12	\$83.86	\$84.44	\$94.85
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Waste Removal

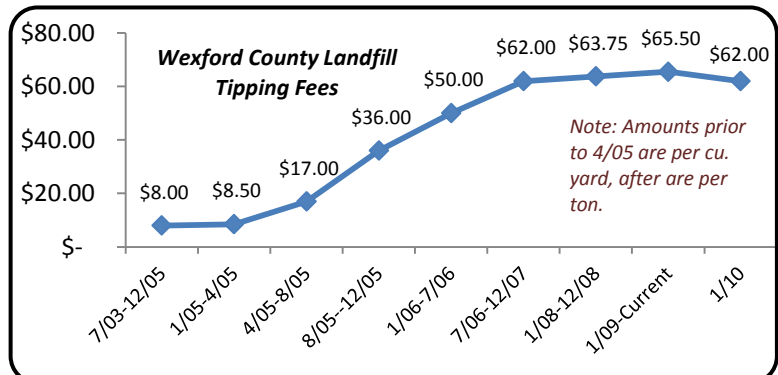
This group of accounts reflects the solid waste contract. The current contract is with Allied Waste. The contractor serves approximately 3,250 customers weekly with curbside pickup. The City does the billing and collects from the customers and reimburses the contractor. In addition the contractor offers a Tidy Tote garbage can for a fee of \$2.20 per month of which the City gets \$0.45 for a collection fee. About 1,800 customers take advantage of this on a monthly basis. The cost of the contract has increased due primarily to tipping fee increases at the Wexford County Landfill. Rate adjustments are made in April based on inflationary indexes.

MONTHLY CONTRACT FEES		
Fiscal Year	Cost	Increase
2004	\$8.07	0.88%
2005	\$8.18	1.36%
2006	\$11.27	37.78%
2007	\$11.53	2.31%
2008	\$12.77	10.75%
2009	\$13.89	8.77%
2010	\$13.19	-5.04%
2011	\$13.41	1.67%

Note: Increase in cost since 2004 has been 66%.

Wexford County Landfill Tipping Fees

The chart to the right highlights the changes over the last 5 years in the tipping fees at the Wexford County Landfill. This significant increase is the major driver behind the increase in costs to the residents in the City for weekly trash pickup.



FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
<u>CULTURE AND RECREATION</u>				
Arts Council	\$10,500	\$10,500	\$10,500	\$10,500
Cadillac Community Television (CCTV)				
Salaries	\$0	\$18,000	\$22,500	\$22,500
Fringes	0	1,800	2,000	2,200
Office Supplies	0	1,000	1,000	1,000
Contractual Services	0	3,500	5,000	5,000
Total CCTV	\$0	\$24,300	\$30,500	\$30,700

Arts Council

The City contributes funds to the local Arts Council to assist in programming. They support 12 different organizations and expend over \$19,000 annually. Revenues from the various events as well as donations produce enough to offset most of the costs and the City is asked to contribute a portion (55%) of the remaining balance.

Cadillac Community Television (CCTV)

Beginning July 1, 2010 the City assumed responsibility for the operation of the local PEG channels. These operations were formerly overseen by Cadillac Area Public Schools (CAPS). The schools remain an important part of the partnership as they host all of the facilities required to operate the stations. Also, the Wexford-Missaukee Intermediate School District has played an important role as well by partnering with CAPS in providing educational classes in production and other TV-related fields. This enables CAPS to continue to house the operations.

The operations of the station are overseen by Mr. Jeff Smith, under the supervision of the City Manager. Mr. Smith is a part-time City of Cadillac employee. The station also uses some contract labor to assist with operations and to provide technical staff for various events.

All Cadillac City Council meetings are shown live on the station. Other meetings, like the Cadillac Planning Commission, are also carried live. This is an important component in public access to City operations.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Parks				
Salaries	\$28,300	\$29,000	\$29,000	\$29,000
Salaries - Part Time	52,731	52,800	52,800	52,800
Fringes	27,999	25,000	21,000	19,500
Operating Supplies	18,306	19,000	19,400	20,300
Contractual Services	6,533	2,200	2,200	2,200
Data Processing	1,000	1,000	1,000	1,000
Telephone	608	500	500	500
Travel and Education	0	200	200	200
Utilities	21,331	24,000	20,400	21,400
Repair and Maintenance	18,953	22,000	22,300	21,400
Equipment Rental	11,029	11,000	11,000	9,800
Rental Building	1,100	1,100	1,100	1,100
Capital Outlay	18,667	139,000	139,200	8,500
Total Parks	\$206,557	\$326,800	\$320,100	\$187,700
TOTAL CULTURE AND RECREATION	\$217,057	\$361,600	\$361,100	\$228,900
Cost per Resident	\$20.96	\$34.92	\$34.87	\$22.11

Parks

The Parks Division is responsible for maintaining four City Parks, totaling 117 acres. This work is performed by approximately nine summer students, prison laborers, and Street Department personnel. The work is primarily overseen by Parks Superintendent Allen Dumond with part-time assistance from Cemetery personnel. The scope of the work includes spring cleanup, summer lawn maintenance, inspection and repair of playground equipment, cleaning of all bathrooms, landscape work, fall leaf collection, and winter storage of tables and equipment.

PERFORMANCE MEASURES - PARKS AND RECREATION

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Total Park Acres		117	117	117	117	↔
Total Parks Maintenance Costs		\$184,555	\$187,890	\$180,900	\$179,200	↓
Parks Maintenance Cost per Acre		\$1,577	\$1,606	\$1,546	\$1,532	↓
Parks Maintenance Cost per Resident		\$18	\$18	\$17	\$17	↓
Park Acres per 1,000 Population		11	11	11	11	↔
Seasonal Parks Maintenance Employees		9	9	9	8	↓

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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ECONOMIC DEVELOPMENT AND ASSISTANCE

Community Development

Salaries	\$61,317	\$60,000	\$63,000	\$73,000
Fringes	26,799	27,500	29,100	32,400
Office Supplies	1,806	2,000	2,000	2,000
Postage	0	500	500	500
Data Processing	2,500	2,500	2,500	2,500
Dues & Publications	607	800	400	400
Telephone	429	500	500	500
Travel & Education	105	1,000	500	1,500
Publisher's Costs	930	800	1,000	1,000
Capital Outlay	0	0	0	0
Total Community Development	\$94,493	\$95,600	\$99,500	\$113,800

Community Development Measures

Full-Time Positions	1.210	1.210	1.210	1.550
Part-Time Positions	0.500	0.000	0.000	0.000
Cost Per Resident	\$9.13	\$9.23	\$9.61	\$10.99

Community Development

Jerry Adams has over thirty years of professional planning and community development experience. He has eight years in the public sector and twenty three years in the private sector. His extensive experience in city master planning, zoning, economic development, housing, and health care facilities planning brings to the City of Cadillac a wealth of background. Jerry is the recipient of planning awards from the Michigan Municipal League and Michigan Society of Planning. He is often a guest lecturer for the Michigan Municipal League, Michigan Society of Planning, and Michigan Township Associations. He has authored over forty-five articles and professional publications dealing with planning and community development. Jerry has a bachelor of science degree in urban/regional planning from Eastern Michigan University.



Jerry Adams

Community Development Director

The Community Development department is responsible for the preparation and maintenance of the City Master Plan and for the administration and enforcement of the City's zoning and land division ordinances. Jerry serves as the secretary of the Zoning Board of Appeals and the Planning Board and is currently serving as staff liaison to the Historic District Committee. The salary of the Community Development Coordinator is accounted for in this account as well as 21% of the salary of a secretary.

Community Development Information**WORKLOAD PERFORMANCE MEASURES - Community Development**

Activity	2010	2009	2008	2007	2006
Number of Zoning Board of Appeals Meetings	1	7	5	5	5
Number of Planning Commission Meetings	6	4	7	7	8
Number of Site Plans Reviewed	49	96	79	109	111
Number of Historic District Commission Mtgs.	8	4	5	5	10
Number of Diggins Hill Committee Meetings	14	15	9	4	N/A
Milfoil Management Committee Meetings	3	2	2	2	4
Cadillac West Resort District Meetings	6	6	4	N/A	N/A
WestFest Committee Meetings	4	8	N/A	N/A	N/A
Cadillac Area Manufacturer's Assn. Meetings	4	2	N/A	N/A	N/A

Highlight of various Community Development Roles

- > **Commission/Committee Staff Assignments** – serve as primary staff to the City Planning Commission, Zoning Board of Appeals, Courthouse Hill Historic District Commission, Diggins Hill Fundraising Committee, Lake Cadillac Milfoil Management Committee, and the Cadillac Resort District Association. Provide staff support to the Downtown Development Authority.
- > **City Master Plan** – ongoing preparation of the City Master Plan including completion of neighborhood workshops.
- > **Zoning Administration** – administer the City Zoning Ordinance.
- > **Land Division Approvals** – administer the city Land Division Ordinance governing subdivisions, lot splits, land assembly, and lot reconfigurations.
- > **Lake Cadillac Milfoil Management Program** – administer the Lake Cadillac Milfoil Management Program (fourth year).
- > **Diggins Hill Community Park** – assist the Diggins Hill Fundraising Committee in coordinating the fundraising effort for the new Diggins Hill Tennis Courts and other park projects.
- > **Newsletters** – assist the Courthouse Hill Historic District Committee, DDA and the Cadillac West Resort District in preparing newsletters for public distribution.
- > **Industrial Buildings and Sites Inventory** – prepare an electronic inventory of the city's industrial buildings and sites. Prepare a marketing brochure for the city's industrial parks.
- > **Marketing** - Prepare informational and marketing brochures for the core downtown, Historic District, the city's primary market area, the Mitchell Street Improvement Project, and the Diggins Hill Community Park Development Project.
- > **Grand Vision Project** – serve as the city's liaison on the Grand Vision Regional Land Use and Transportation Project.
- > **Industrial Park Land Transactions** – assist in the coordination of the sale of the city's industrial park sites.
- > **Mitchell Street Project** – staff support for the Mitchell Street project including coordinating driveway closures, serving as an active member of the Mitchell Street Public Relations Committee, preparing project brochures for public distribution, and related activity.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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ECONOMIC DEVELOPMENT AND ASSISTANCE (Continued)

Community Promotions

Salaries	\$7,120	\$7,500	\$7,200	\$7,200
Fringes	3,437	3,700	4,200	4,400
Operating Supplies	1,253	1,500	2,100	2,000
Newsletter	2,081	2,000	2,500	2,500
Contractual Services	3,533	7,500	7,800	7,800
Utilities	1,235	2,000	1,600	1,600
Equipment Rental	8,688	7,500	7,500	6,900
Special Projects	612	600	0	0
Chamber of Commerce	2,000	2,000	2,000	2,000
Community Development	36,390	110,500	110,500	0
Total Community Promotions	\$66,349	\$144,800	\$145,400	\$34,400

TOTAL ECONOMIC DEVELOPMENT	\$160,842	\$240,400	\$244,900	\$148,200
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INTERGOVERNMENTAL EXPENDITURES

Housing Commission	\$224,280	\$250,000	\$250,000	\$250,000
Clam Lake Township	1,747	2,300	2,300	2,300
Airport	35,000	33,000	33,000	33,000
Recreation	66,200	66,200	66,200	66,200
Total Intergovernmental Expenditures	\$327,227	\$351,500	\$351,500	\$351,500

Community Promotions

Special projects were eliminated due to lack of funding. Chamber of Commerce is a contribution to help offset their tax burden. The Community Development line item accounts for small grants received for a variety of purposes. This has included projects like assisting with the redevelopment of the Cobbs-Mitchell building in downtown Cadillac through the administration of a State of Michigan Cool Cities grant, which was passed through to the developer that acquired the facility to help offset construction costs.

Intergovernmental Expenditures

Funds are transferred to the Wexford County Airport, which is a joint effort with Wexford County. The County funds 60% and the City funds the remaining 40% of costs after the operational revenues are considered. The net operating need of the airport for 2011 is \$82,700. The County is responsible for 60% - or \$49,700 - of the net operating need and the City is responsible for the remaining 40% - or \$33,000. Recreation is a joint program with the Cadillac Community School system and the total program is over \$300,000 per year, which provides many opportunities for all age groups. The Housing Commission is a pass-through account for their salaries and fringes which they reimburse on a monthly basis.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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OTHER FINANCING

Transfers to Other Funds:

Local Street	650,000	525,000	525,000	475,000
Police & Fire Retirement Fund	0	449,000	449,000	35,000
Cemetery Operating Fund	72,400	72,400	72,400	75,000
Sick/Vacation Funding	0		0	0
Total Other Financing	\$722,400	\$1,046,400	\$1,046,400	\$585,000

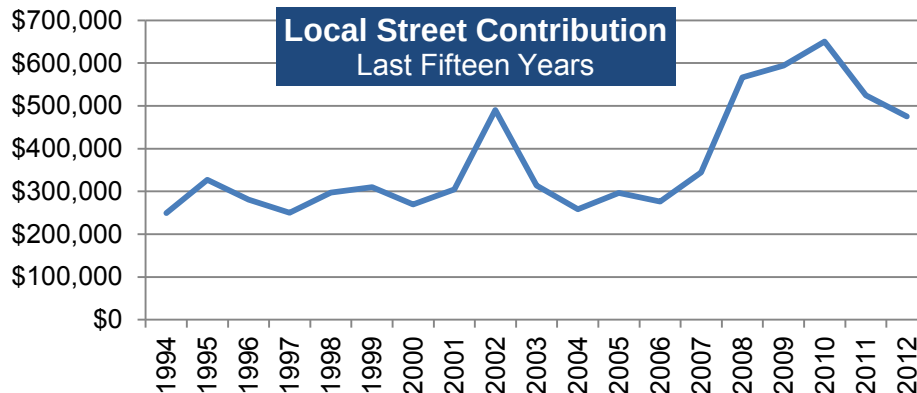
TOTAL EXPENDITURES

\$7,347,924	\$7,607,800	\$7,733,800	\$7,147,200
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Police and Fire Retirement Contribution

The extra voted millage is raising tax dollars in excess of what is needed to fully fund the annual required contribution (ARC) to the system as determined by an actuary. This line item accounts for the transfer of the portion that is beyond the ARC. The contributions up to the amount of the ARC are accounted for in the Police and Fire Departments.

Local Street Contribution



The transfer that the General Fund must make to the Local Street Fund for street maintenance has skyrocketed in the last several years due to the decline in local street revenues from the State of Michigan.

Cities	Population	2011 General Fund Budget	Per Capita Expenditures
Manistee	6,586	\$5,268,657	\$799.98
Big Rapids	10,849	\$7,535,900	\$694.62
Alpena	11,304	\$9,723,292	\$860.16
Traverse City	14,532	\$14,066,785	\$967.99
Sault St. Marie	16,542	\$12,205,782	\$737.87
Coldwater	12,697	\$8,004,661	\$630.44
Sturgis	11,285	\$7,093,710	\$628.60
Cadillac	10,355	\$7,733,800	\$746.87

General Fund Capital Outlay

FY2012**City Hall (1)**

Conference Room Chairs	\$9,000	
Office Furniture	<u>**Delayed**</u>	\$9,000

Police Department (2)

Patrol Vehicle	\$25,300	
Interview Room Recording System	<u>9,500</u>	\$34,800

Fire Department (3)

Thermal Imaging Camera	\$8,500	
Extrication Cutting Tools	7,500	
Turnout Gear - New Employees	<u>8,500</u>	\$24,500

Parks and Recreation (4)

Riding Mower	<u>\$8,500</u>	\$8,500
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Total	<u><u>\$76,800</u></u>	
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Source of Funds (5)

State Shared Revenue - Statutory Funds	76,800	
	<u>\$76,800</u>	

Footnotes:

1. Municipal Complex: The chairs used for meetings in the conference room are many years old. They have been re-covered once and many are almost unusable. Replacing chairs will keep the conference room usable and will be a good representation of the City when important meetings need to take place.

2. Police Department: After a one-year cancellation of the patrol vehicle replacement program, it is recommended to again fund the replacement of a patrol vehicle. The department has already experienced additional maintenance costs due to an aging fleet, and replacing a vehicle will help reduce annual maintenance costs.

3. Fire Department: General replacement of important safety equipment will help the fire department provide the highest level of safety services possible.

4. Parks and Recreation: Regular replacement of key pieces of maintenance equipment will reduce annual maintenance costs and enable the department to continue to keep the parks system looking beautiful.

5. Source of Funds: Due to the volatility of Statutory state shared revenue, as much as possible of these funds are earmarked to fund capital projects. Because of this, should these state funds be eliminated or cut even further, the City could quickly respond by cancelling capital purchases instead of having to reduce staff or make other drastic cost elimination decisions.

Fund: Major Street Fund

Type: Special Revenue Fund

Oversight: Director of Public Works and Engineering

Nature and Purpose:

Each Michigan city is required to establish a major street fund in compliance with Act 51 of the Public Acts of 1951. The Major Street Fund is designed to support the operation and maintenance of the 21.53 miles of roadway as well as the 5.19 miles of State Trunklines that flow through the City of Cadillac. The State highways are Old M-55 and US-131. These highways are maintained for the State of Michigan by the City under a contract with the Michigan Department of Transportation.

The purpose of this fund is to:

1. Receive all major street funds paid to the City by the State of Michigan.
2. Account for construction, maintenance and other authorized operations pertaining to all streets classified as major.
3. Receive money reimbursed to the City by the State for trunkline maintenance.

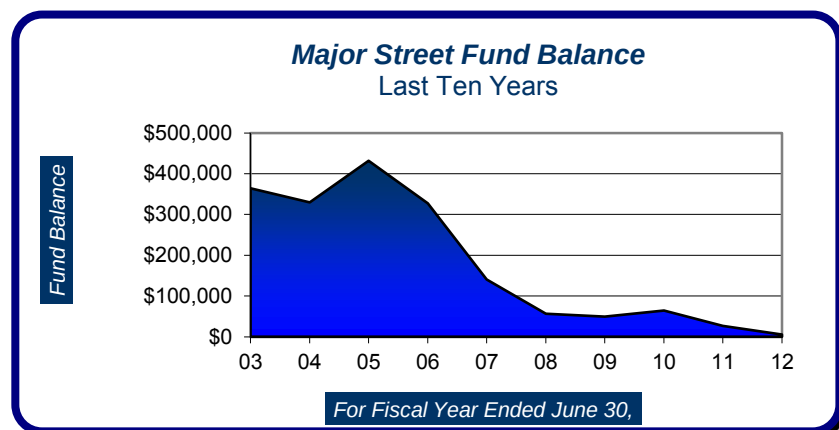
This fund technically has no employees but contracts with the Stores and Garage Fund, the Utilities Fund and the General Fund to furnish manpower, supplies and equipment. The hours worked on each project are supported with time sheets.

PERFORMANCE MEASURES - MAJOR STREET SYSTEM

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Miles of Major Streets		21.53	21.53	21.53	21.53	↔
Miles of State Trunk Line		5.19	5.19	5.19	5.19	↔
Operating Expenditures per Road Mile		\$18,376	\$16,397	\$16,972	\$16,962	↔
Operating Expenditures per Resident		\$38	\$34	\$35	\$35	↔
Hours Spent in Major Street Maintenance		5,670	5,095	5,325	5,406	↔
Cost per Hour of Major Street Maintenance		\$70	\$69	\$69	\$68	↔
Total Winter Maintenance Expenditures		\$176,668	\$122,125	\$139,000	\$142,000	↑
Hours Spent in Winter Maintenance		1,970	1,249	1,575	1,620	↑
Cost per Hour of Winter Maintenance		\$90	\$98	\$88	\$88	↓
Winter Maintenance Expenditures per Mile		\$8,206	\$5,672	\$6,456	\$6,595	↑
Winter Maintenance Expenditures per Resident		\$17	\$12	\$13	\$14	↑
State Trunk Line Maintenance Expenditures		\$152,052	\$92,548	\$151,100	\$126,000	↔
State Trunk Line Maintenance Exp. Per Mile		\$29,297	\$17,832	\$29,114	\$24,277	↔
Total Hours of State Trunk Line Maintenance		2,040	1,140	1,897	1,600	↔

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Motor Vehicle Highway Fund	\$488,844	\$490,000	\$495,000	\$495,000
State Trunkline Maintenance	106,203	151,100	139,000	126,000
State of Michigan	0	0	0	210,000
Federal Grants	0	0	0	0
Contribution - Capital Projects Fund	0	20,000	20,000	25,000
Interest Income	28	100	500	0
Surplus	0	38,300	38,000	20,800
Total	\$595,075	\$699,500	\$692,500	\$876,800
Expenditures				
Construction	\$11,867	\$57,500	\$59,500	\$297,500
Surface Maintenance	49,519	48,500	45,100	49,400
Sweeping and Flushing	33,265	25,500	26,500	24,100
Forestry	48,953	46,800	47,400	45,900
Catch Basin	23,427	25,100	26,900	27,400
Drainage	13,031	14,500	13,500	13,000
Traffic Services	62,703	66,000	70,200	63,400
Winter Maintenance	122,125	139,000	138,500	142,000
Administration	122,208	125,500	125,900	88,100
State Trunkline	92,548	151,100	139,000	126,000
Total	\$579,646	\$699,500	\$692,500	\$876,800
Fund Balance				
Net Change in Fund Balance	\$15,429	(\$38,300)	(\$38,000)	(\$20,800)
Fund Balance - Beginning of Year	49,126	64,555	64,555	26,255
FUND BALANCE AT YEAR END	\$64,555	\$26,255	\$26,555	\$5,455

Major Street Fund Balance

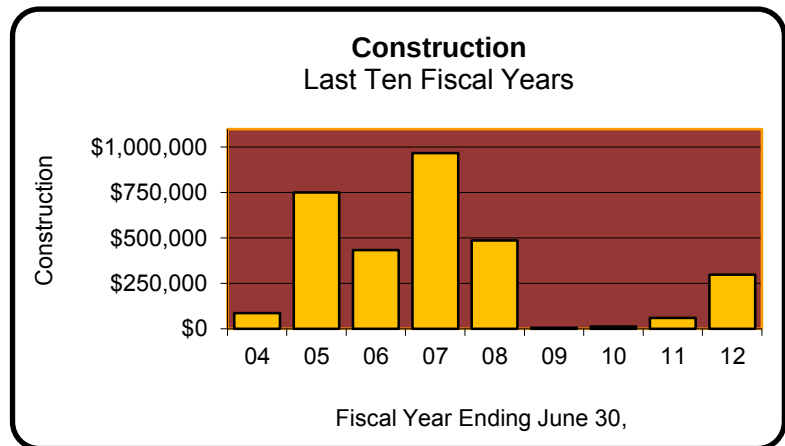


Revenue Details

The major source of revenue is the gas and weight taxes collected by the State of Michigan and shared with local units of government. The formula received by cities is based on miles of streets, population and a factor placed by the State. For FY2012, the estimate from the State has not yet been published, so the revenue is based on the same level of funding anticipated for the current fiscal year. The second major source of revenue is for the state trunkline contract. This revenue item should equal the amount of expenditures for trunkline maintenance.

Cost and Expenditure Details**Construction**

Construction levels vary from year to year depending on the 5-year capital improvement program, availability of funds, and grants secured. The City has been very successful in securing grants for infrastructure projects and will need to continue this trend to be able to sustain a high level of capital investment. Beginning in FY2009, funds for construction have virtually dried up, resulting in essentially no construction activity. Chestnut Street was resurfaced in FY2011

**FY2012 Construction**

Farrar Street
Gunn/Seventh Streets
Street Signs

Cost	Grant	City Portion
\$110,000	\$60,000	\$50,000
180,000	150,000	30,000
7,500		7,500
\$297,500	\$210,000	\$87,500

Administrative Charges

Administrative charges are for the various staff personnel who are not funded directly such as the Cashier, Accountant and City Manager. These administrative personnel spend a percentage of their time dealing with local street issues, including budgeting, accounting, and planning, but their salaries are fully funded in the General Fund.

Administrative Salaries represents 60% of Street Superintendent Dan Foster.

Transfers Out reflect the transfer to a debt service fund to cover principal and interest payments on debt obligations of the system. Current transfer is for debt service related to the 2004 GO Capital Improvement Bonds.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenditures				
Construction				
Contractual Services	\$11,867	\$57,500	\$59,500	\$297,500
Surface Maintenance				
Salaries and Wages	\$15,247	\$12,500	\$11,600	\$14,600
Fringes	7,402	8,000	6,900	8,500
Operating Supplies	10,965	11,000	9,600	11,500
Equipment Rental	15,905	17,000	17,000	14,800
Total Surface Maintenance	\$49,519	\$48,500	\$45,100	\$49,400
Sweeping and Flushing				
Salaries and Wages	\$4,033	\$3,500	\$3,200	\$3,300
Fringes	2,015	2,000	2,000	2,000
Equipment Rental	27,217	20,000	21,300	18,800
Total Sweeping and Flushing	\$33,265	\$25,500	\$26,500	\$24,100
Forestry				
Salaries and Wages	\$12,683	11,500	\$10,500	\$11,100
Fringes	5,942	6,500	6,200	6,800
Operating Supplies	6,995	4,000	4,200	4,400
Contractual Services	600	3,000	4,000	4,000
Travel	165	500	800	800
Repair and Maintenance	18	300	300	300
Equipment Rental	22,550	21,000	21,400	18,500
Total Forestry	\$48,953	\$46,800	\$47,400	\$45,900
Catch Basin				
Salaries & Wages	\$5,209	\$7,500	\$8,100	\$9,300
Fringes	2,419	4,000	4,500	5,700
Operating Supplies	417	600	600	600
Contractual Services	0	2,000	2,500	2,500
Equipment Rental	15,382	11,000	11,200	9,300
Total Catch Basin	\$23,427	\$25,100	\$26,900	\$27,400
Drainage				
Salaries and Wages	\$6,527	\$7,000	\$6,200	\$6,000
Fringes	3,220	4,000	3,700	3,700
Operating Supplies	0	500	200	200
Equipment Rental	3,284	3,000	3,400	3,100
Total Drainage	\$13,031	\$14,500	\$13,500	\$13,000

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenditures (Continued)				
Traffic Services				
Salaries and Wages	\$17,336	\$17,500	\$15,700	\$15,800
Wages - Part Time	0	0	0	1,000
Fringes	8,221	10,000	9,300	9,800
Operating Supplies	8,654	15,000	20,500	13,000
Contractual	19,543	12,500	15,000	15,000
Equipment Rental	8,949	11,000	9,700	8,800
Total Traffic Services	\$62,703	\$66,000	\$70,200	\$63,400
Winter Maintenance				
Salaries and Wages	\$19,820	\$25,000	\$24,900	\$25,700
Fringes	9,291	14,000	14,600	15,900
Operating Supplies	20,791	25,000	19,000	22,400
Equipment Rental	72,223	75,000	80,000	78,000
Total Winter Maintenance	\$122,125	\$139,000	\$138,500	\$142,000
Administration				
Salaries and Wages	\$48,653	\$48,700	\$48,500	\$22,000
Fringes	18,006	21,000	22,200	28,800
Office Supplies	0	100	100	100
Audit	1,500	2,000	1,700	2,000
Data Processing	8,000	8,000	8,000	0
Travel and Education	0	300	0	800
Equipment Rental	7,449	7,500	7,500	6,300
Other Administrative Charges	19,600	19,600	19,600	10,000
Contribution - Local Street	0	0	0	0
Transfers Out	19,000	18,300	18,300	18,100
Total Administration	\$122,208	\$125,500	\$125,900	\$88,100
State Trunkline				
Surface Maintenance				
Salaries and Wages	\$1,325	\$3,500	\$4,000	\$500
Fringes	631	1,700	2,500	300
Operating Supplies	638	2,000	2,100	500
Equipment Rental	1,436	5,000	5,400	500
Total Surface Maintenance	\$4,030	\$12,200	\$14,000	\$1,800
Sweeping & Flushing				
Salaries and Wages	\$881	\$1,000	\$800	\$800
Fringes	427	600	500	500
Equipment Rental	5,083	5,000	4,400	5,100
Total Sweeping & Flushing	\$6,391	\$6,600	\$5,700	\$6,400

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenditures (Cont.)				
State Trunkline (Cont.)				
Traffic Signs				
Utilities	\$6,222	\$6,900	\$6,900	\$6,900
Total Traffic Signs	\$6,222	\$6,900	\$6,900	\$6,900
Trees and Shrubs				
Salaries and Wages	\$381	\$600	\$600	\$600
Fringes	141	400	400	400
Equipment Rental	311	800	800	300
Total Trees and Shrubs	\$833	\$1,800	\$1,800	\$1,300
Drainage				
Salaries and Wages	\$1,334	\$3,000	\$4,300	\$4,300
Fringes	618	1,600	2,500	2,700
Operating Supplies	0	100	0	0
Contractual Services	0	0	0	0
Repairs & Maintenance	0	0	0	0
Equipment Rental	4,125	1,000	1,400	1,400
Total Drainage	\$6,077	\$5,700	\$8,200	\$8,400
Winter Maintenance				
Salaries and Wages	\$11,927	\$16,000	\$16,300	\$15,800
Fringes	5,491	9,000	9,800	9,700
Operating Supplies	17,142	35,000	22,100	23,000
Equipment Rental	26,160	37,500	38,800	38,100
Total Winter Maintenance	\$60,720	\$97,500	\$87,000	\$86,600
Snow Hauling				
Salaries and Wages	\$2,239	\$6,000	\$4,000	\$3,700
Fringes	1,031	3,200	2,400	2,300
Equipment Rental	5,005	13,000	9,000	8,600
Total Snow Hauling	\$8,275	\$22,200	\$15,400	\$14,600
Total State Trunkline	\$92,548	\$151,100	\$139,000	\$126,000
Total Expenditures	\$579,646	\$699,500	\$692,500	\$876,800

Other Fund Information

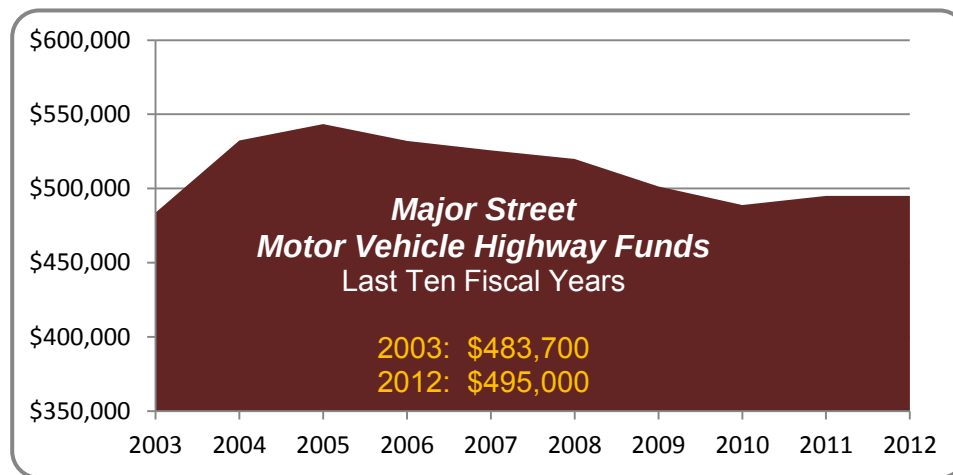
Streets in the Major Street System			
Street Name	From	To	Length (Feet)
Haynes Street	Linden Street	N. Lake Street	3,011
N. Lake Street	Pollard Street	Wright Street	4,561
E. North Street	N. Lake Street	Holbrook Street	3,656
E. Harris Street	N. Mitchell Street	Division Street	1,458
W. Harris Street	N. Mitchell Street	N. Lake Street	643
E. Division Street	Park Street	Delmar Street	1,574
Farrar Street	Wright Street	Gunn Street	1,839
Fifth Street	Farrar Street	Eighth Avenue	2,141
Seventh Street	Farrar Street	Fifth Avenue	1,949
Tenth Street	N. Mitchell Street	Second Avenue Ext.	950
Gunn Street	Farrar Street	N. Mitchell Street	496
Chestnut Street	Huston Street	N. Lake Street	7,766
Linden Street	W. Wright Street	Chestnut Street	2,737
Wright Street	Farrar & Lake Streets	Leeson Avenue	5,101
W. Division Street	Linden Street	W. City Limits-Seneca Street	5,277
North Boulevard	Leeson Avenue	M-115	9,109
E. Chapin Street	S. Mitchell Street	Oak Street	1,031
Oak Street	Chapin Street	Hobart Street	1,703
Mosser Street	S. Mitchell Street	Federal Surplus Warehouse	718
W. Cass Street	S. Mitchell Street	S. Lake Street	642
E. Cass Street	Mitchell Street	Crosby Road-East City Limits	5,800
Pine Street	Park Street	N. Lake Street	1,707
Cobbs Street	Mitchell Street	Carmel Street	4,886
Carmel Street	Cobbs Street	Cass Street	675
Park Street	E. River Street	E. Chapin Street	3,441
Whaley Street	Railroad Tracks	S. City Limits	1,084
River Street	Farrar & Lake Streets	N. Park Street	1,763
Bond Street	Haynes Street	Wright Street	1,111
Third Avenue	Wright Street	Fifth Street	967
Shelby Street	E. River Street	E. Chapin Street	3,404
Hobart Street	Cobbs Street	Oak Street	1,141
W. Mason Street	N. Lake Street	N. Mitchell Street	648
W. Chapin Street	S. Mitchell Street	S. Lake Street	691
Leeson Avenue	Chestnut Street	Thirteenth Street	6,588
Paluster Street	N. Mitchell Street	Whaley Street	3,667
Wilcox Street	Paluster Street	S. City Limits	1,654
Laurel Street	Pollard Street	M-55 Granite Street	1,497
South Street	S. Lake Street	S. Mitchell Street	708

Streets in the Major Street System (Continued)			
W. Bremer Street	<i>N. Mitchell Street</i>	<i>N. Lake Street</i>	653
Spruce Street	<i>N. Mitchell Street</i>	<i>N. Shelby Street</i>	498
Holbrook Street	<i>North Street</i>	<i>E. Division Street</i>	1,798
Sixth Avenue	<i>W. Thirteenth Street</i>	<i>Sixth Street</i>	2,621
E. Thirteenth Street	<i>Mitchell Street</i>	<i>Plett Road</i>	2,620
Beech Street	<i>N. Mitchell Street</i>	<i>N. Shelby Street</i>	414
Huston Street	<i>Chestnut Street</i>	<i>W. Division Street</i>	1,271
Sixth Street	<i>Leeson Avenue</i>	<i>Fifth Avenue</i>	2,970
Fifth Avenue	<i>Sixth Street</i>	<i>Fifth Street</i>	366
Fourth Avenue	<i>Seventh Street</i>	<i>Thirteenth Street</i>	2,200

Total Feet: 113,205 (21.53 Miles)

State of Michigan Act 51 Funds Declining

The graphic below presents the harsh funding reality that has plagued the street system for the last several years. Revenue from the State of Michigan in the form of Act 51 funds has dropped about 9% from its peak in FY2005. This represents a loss of nearly \$50,000 in revenue. As costs of street maintenance continue to escalate, this loss in revenue becomes significantly more difficult to make up for. Increased spending pressures in the form of salaries, operating supplies (salt, patching materials, etc.) and fuel when compared against declining revenues present a difficult challenge to simply continue maintaining these important streets and result in virtually non-existent funding for infrastructure replacement and upgrade projects.



Fund: Local Street Fund

Type: Special Revenue Fund

Oversight: Director of Public Works and Engineering

Nature and Purpose:

Each Michigan city is required to establish this fund to comply with Act 51 of the Public Acts of 1951. The Local Street system has 41.81 miles of roadway, and 1.83 miles, or 4.38% of the streets are unpaved. The Cadillac City Council has as one of its goals to pave all of the remaining unpaved streets within city limits. In 1997, 25% of the streets were unpaved, so significant progress has been made towards achieving this goal. The local streets represent 66% of all the roads within the City.

The purpose of this fund is to:

1. Receive all local street funds paid to the City by the State of Michigan.
2. Account for construction, maintenance, traffic services and winter maintenance on all streets classified as local streets within the City of Cadillac.
3. Account for money received from General Fund contributions for local street maintenance.

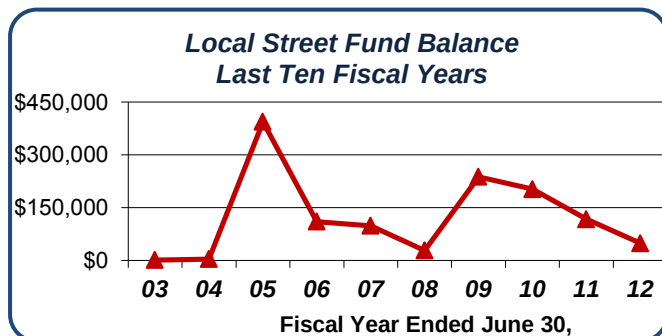
This fund technically has no employees but contracts with the Stores and Garage Fund, the Utilities Fund and the General Fund to furnish manpower, supplies and equipment. The hours worked on each project are supported with time sheets.

PERFORMANCE MEASURES - LOCAL STREET SYSTEM

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Miles of Local Streets		41.81	41.81	41.81	41.81	↔
Operating Expenditures per Road Mile		\$9,795	\$9,678	\$9,397	\$9,323	↓
Operating Expenditures per Resident		\$40	\$39	\$38	\$38	↓
Hours Spent in Local Street Maintenance		6,085	6,215	6,415	6,717	↑
Cost per Hour of Local Street Maintenance		\$67	\$65	\$61	\$58	↓
Total Winter Maintenance Expenditures		\$131,797	\$90,074	\$92,500	\$96,800	↔
Hours Spent in Winter Maintenance		1,350	920	1,008	1,100	↔
Cost per Hour of Winter Maintenance		\$98	\$98	\$92	\$88	↓
Winter Maintenance Expenditures per Mile		\$3,152	\$2,154	\$2,212	\$2,315	↓
Winter Maintenance Expenditures per Resident		\$13	\$9	\$9	\$10	↓
% of Local Streets remaining Unpaved		4.38%	4.38%	4.38%	4.38%	↔
Number of Trees Planted		48	82	100	100	↑
Number of Trees Removed		94	39	45	45	↓

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Motor Vehicle Highway Fund	\$183,363	\$180,000	\$170,000	\$183,500
Interest Income	204	500	1,500	500
Grants	0	0	0	0
General Fund	650,000	525,000	525,000	475,000
Major Street Fund	0	0	0	0
Surplus	0	85,500	107,500	68,100
Total	\$833,567	\$791,000	\$804,000	\$727,100
Expenditures				
Construction	\$205,803	\$142,000	\$107,500	\$120,000
Surface Maintenance	74,953	62,700	62,300	64,800
Sweeping and Flushing	58,323	59,000	60,700	51,300
Forestry	90,809	81,000	86,100	77,400
Catch Basin	54,205	52,400	63,300	54,100
Drainage	24,393	16,300	17,200	16,100
Traffic Services	11,898	29,000	39,100	29,300
Winter Maintenance	90,074	92,500	109,300	96,800
Administration	258,159	256,100	258,500	217,300
TOTAL EXPENDITURES	\$868,617	\$791,000	\$804,000	\$727,100
Fund Balance				
Net Change in Fund Balance	(\$35,050)	(\$85,500)	(\$107,500)	(\$68,100)
Fund Balance - Beginning of Year	237,592	202,542	202,542	117,042
Ending Fund Balance	\$202,542	\$117,042	\$95,042	\$48,942

Fund Balance Analysis

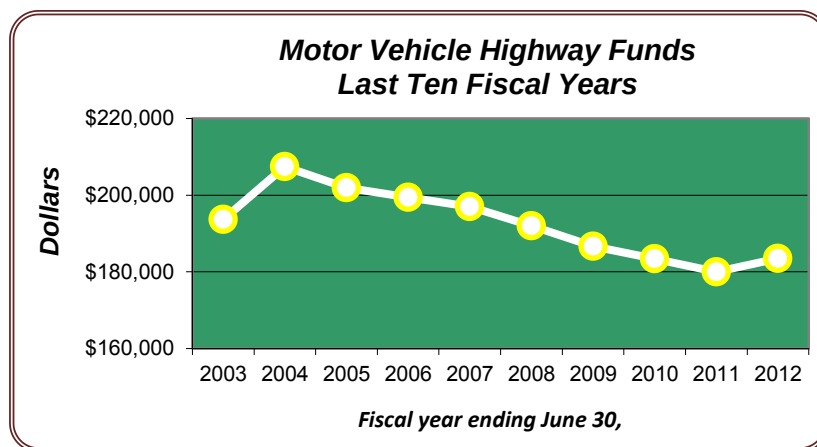


Fund Balance

The Local Street Fund does not typically have a significant fund balance. The spike in 2005 was due to the receipt of bond proceeds, which were subsequently spent down over the next three fiscal years. In FY2009, proceeds from a sale of a property owned by the City were transferred to this fund to be allocated to street construction projects. This amount will be spent down over the next couple of fiscal years on construction projects.

Revenue Details

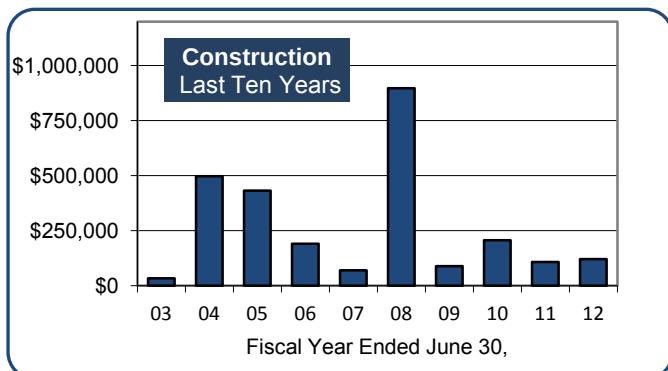
The first major source of revenue is the State of Michigan Motor Vehicle Highway Funds which are generated from the gas and weight taxes collected state wide and distributed to local governments based on miles of streets, a flat rate established by the State, and the population of the City. Estimates are projecting revenue to be slightly less in FY2011 than what is anticipated to be received in FY2010, reflecting several issues at the state level including the increase in price of gasoline. The second major source of revenue is a contribution from the General Fund which is needed to help balance the fund. Local taxpayers contribute to this fund since State tax collections are not returned in sufficient amounts to maintain and improve the local roadway system. This is typical for local governments with local street funds.



Cost and Expenditure Details

Construction

Based on the city engineer's estimates, the total construction costs for FY2012 will be \$120,000 for the Local Street Fund. Over the last 10 years, construction has totaled just over \$2.6 million. Much of this construction has been paid for through the use of grant funding. Securing grants to assist in funding capital projects is a critical function within the City and will be even more important as revenues continue to decline. Depending on the amount of grant funding received each year as well as various special assessments approved, construction can vary significantly from year to year.



The following construction projects are proposed for FY2012:

Ayer Street	\$112,500
Street Signs	7,500
Total	\$120,000

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenditures				
Construction				
Contractual Services	\$205,803	\$142,000	\$107,500	\$120,000
Surface Maintenance				
Salaries and Wages	\$17,644	\$17,300	\$17,300	\$18,900
Fringes	8,566	10,400	10,400	11,000
Operating Supplies	14,583	11,000	10,500	13,900
Equipment Rental	34,160	24,000	24,100	21,000
Total Surface Maintenance	\$74,953	\$62,700	\$62,300	\$64,800
Sweeping and Flushing				
Salaries and Wages	\$7,165	\$7,000	\$6,700	\$7,000
Fringes	3,868	4,000	4,000	4,300
Equipment Rental	47,290	48,000	50,000	40,000
Total Sweeping and Flushing	\$58,323	\$59,000	\$60,700	\$51,300
Forestry				
Salaries and Wages	\$25,525	\$23,000	\$23,200	\$21,000
Fringes	11,820	13,000	13,900	13,000
Operating Supplies	5,601	3,000	5,100	5,700
Contractual Services	595	2,000	2,700	2,700
Equipment Rental	47,268	40,000	41,200	35,000
Total Forestry	\$90,809	\$81,000	\$86,100	\$77,400
Catch Basin				
Salaries and Wages	\$19,564	\$17,500	\$18,900	\$19,500
Fringes	5,572	8,000	11,000	9,200
Operating Supplies	81	700	700	700
Contractual Services	0	0	100	0
Utilities	1,555	1,200	600	700
Equipment Rental	27,433	25,000	32,000	24,000
Total Catch Basin	\$54,205	\$52,400	\$63,300	\$54,100

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenditures (Cont'd)				
Drainage				
Salaries and Wages	\$8,588	\$8,000	\$8,000	\$8,000
Fringes	4,334	4,200	4,800	4,300
Operating Supplies	6,889	100	100	100
Equipment Rental	4,582	4,000	4,300	3,700
Total Drainage	\$24,393	\$16,300	\$17,200	\$16,100
Traffic Services				
Salaries and Wages	\$5,549	\$13,000	\$14,300	\$14,300
Wages - Part Time	0	0	0	1,000
Fringes	2,926	7,000	8,600	9,400
Operating Supplies	597	5,000	12,000	1,500
Equipment Rental	2,826	4,000	4,200	3,100
Total Traffic Services	\$11,898	\$29,000	\$39,100	\$29,300
Winter Maintenance				
Salaries and Wages	\$14,598	\$16,000	\$18,400	\$17,900
Fringes	6,825	8,500	11,000	10,700
Operating Supplies	13,258	18,000	12,100	11,600
Equipment Rental	55,393	50,000	67,800	56,600
Total Winter Maintenance	\$90,074	\$92,500	\$109,300	\$96,800
Administration				
Salaries and Wages	\$43,537	\$43,700	\$43,500	\$32,500
Fringes	15,862	17,500	20,100	31,500
Office Supplies	0	0	300	300
Audit	1,500	2,000	1,700	1,700
Data Processing	8,000	8,000	8,000	0
Equipment Rental	7,449	7,500	7,500	6,400
Administrative Charges	17,900	17,900	17,900	10,000
Principal Payment	26,111	26,200	26,200	26,200
Interest Expense	4,700	7,500	7,500	4,000
Transfers Out	133,100	125,800	125,800	104,700
Total Administration	\$258,159	\$256,100	\$258,500	\$217,300
TOTAL EXPENDITURES	\$868,617	\$791,000	\$804,000	\$727,100

Transfer Out

Transfers out of the Local Street Fund represent amounts that are transferred to various Debt Service Funds to cover principal and interest payments on debt obligations of the system. Details of debt service payments due are as follows:

<i>Bond Issue</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2004 GO Capital Improvement Bonds	51,500	19,700	71,200
2000 MTF Bonds	25,000	6,700	31,700
		Total:	\$102,900
			\$900 Audit Fees
			\$900 Paying agent fees
			Debt Service Reserves
			\$104,700

Administrative Charges

Administrative charges are for the various staff personnel who are not funded directly such as the Cashier, Accountant and City Manager. These administrative personnel spend a percentage of their time dealing with local street issues, including budgeting, accounting, and planning, but their salaries are fully funded in the General Fund.

Administrative Salaries represents 60% of Street Superintendent Dan Foster.

Unpaved Local Streets	Length (Miles)	Unpaved Local Streets	Length (miles)
Francis	0.13	Pennsylvania Ave.	0.10
Huston	0.33	Pollard	0.23
Illinois Ave.	0.10	Skate Rd.	0.06
Indiana Ave.	0.06	Waldo	0.25
Marathon Dr.	0.25	Wall	0.07
Martina	0.15	Wilcox	0.08
W. Nelson	0.02		
		Total Unpaved Miles of Local Streets	1.83

Total miles of local streets 41.81

Unpaved represents 4.38%

1998 total unpaved local streets were 7.03 miles - a reduction of 73.97%

Fund: Water and Sewer Fund

Type: Enterprise Fund

Oversight: Director of Utilities

Nature and Purpose:

The City Council in 1988 elected to combine the Water System and the Wastewater System into one activity simply called the Water and Sewer Fund. With this combination, the assets of \$21.9 million assisted in the financial ability of the utility system to leverage funds. The integrity of each system is to be maintained so water and wastewater activity can be identified.

The purpose of the fund is to record the operations of combined Water and Sewer Systems. The nature of the fund is self-supporting, meaning it does business with individuals and firms outside the local unit departments and is therefore classified as an enterprise fund. A distinguishing feature of this fund is that fixed assets are recorded within the fund and depreciation is charged.

The Cadillac City Charter dictates that user rates within the water and sewer systems must be set at a level that will meet all costs of the utilities. **Section 16.4 of the City Charter states,**

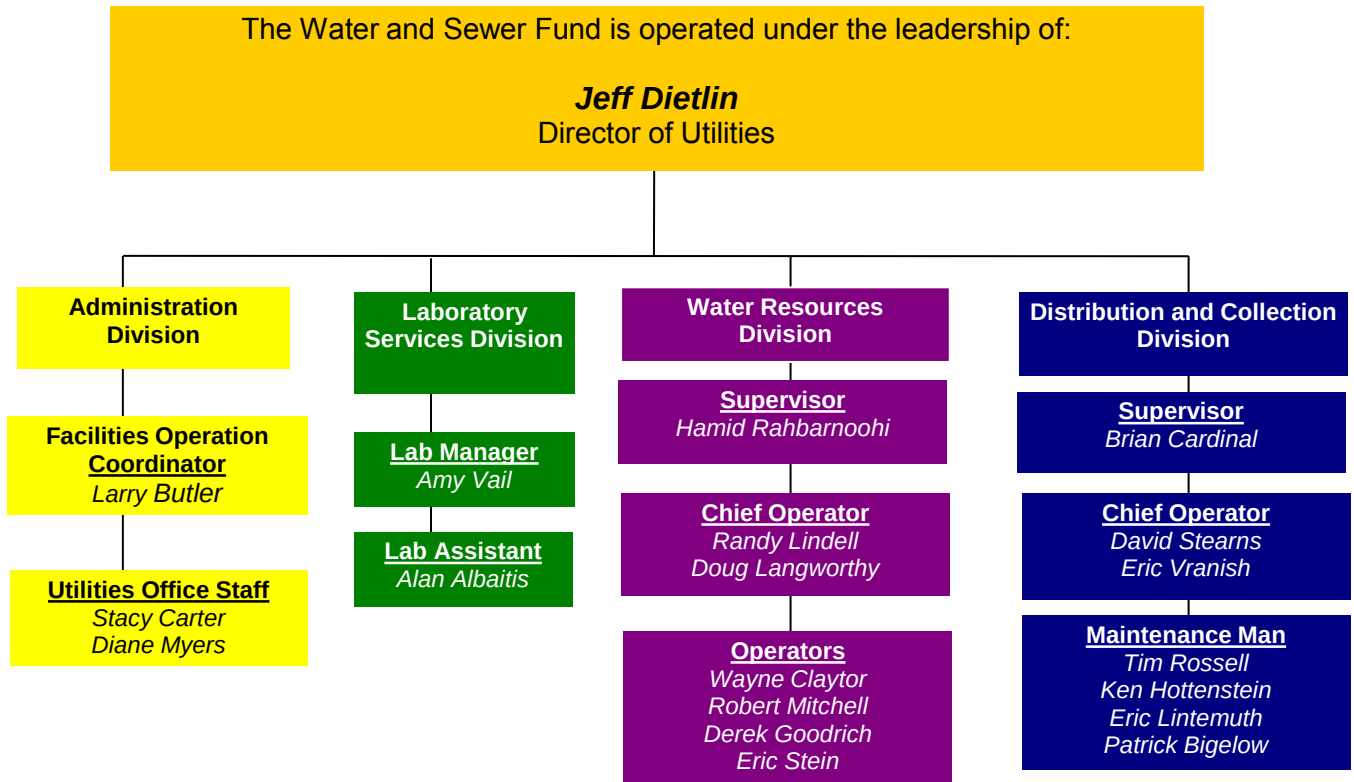
"The Council shall have the power to fix from time to time, such just and reasonable rates and other charges as may be deemed advisable for supplying the inhabitants of the city and others with such public utility services as the city may provide.

The rates and charges of any municipal public utility for the furnishing of public utility services shall be so fixed as to at least meet all the costs of such utilities. There shall be no discrimination in such rates within any classification of users thereof, nor shall free service be permitted, but higher rates may be charged for service outside the city limits."

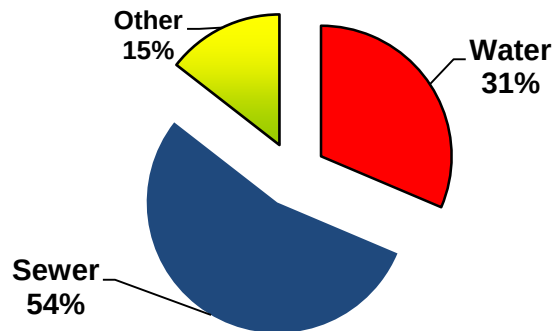
FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Water Sales	\$1,172,012	\$1,200,000	\$1,180,000	\$1,210,000
Sewer Sales - Flat Rate	48,345	46,000	47,500	47,500
Sewer Sales - Metered	2,037,577	2,050,000	1,990,000	2,040,000
Fire Protection	104,749	95,000	95,000	95,000
Hydrant Rental	12,433	23,000	24,000	24,000
Charges for Services	9,260	12,000	10,000	10,000
Services & Materials	31,779	20,000	20,000	20,000
Interest Income	63,187	75,000	110,000	70,000
Sale of Surplus Material	5,104	5,000	7,500	7,500
Wexford County DPW	72,723	73,000	80,000	75,000
Leachate	324,601	235,000	225,000	200,000
Laboratory Fees	49,643	53,000	40,000	55,000
Refunds	14,167	1,500	2,000	2,000
Total Revenues	\$3,945,580	\$3,888,500	\$3,831,000	\$3,856,000

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses				
Total Administration	\$1,257,561	\$1,047,300	\$989,800	\$980,500
Water Resources				
Preliminary Treatment	\$20,467	\$22,700	\$20,700	\$20,200
Primary Treatment	17,403	23,000	22,000	20,000
Secondary Treatment	82,155	78,500	77,600	77,600
Tertiary Treatment	76,538	74,000	70,400	70,500
Sludge Removal	93,934	110,900	121,900	116,900
Nutrient Removal	61,907	60,000	57,800	60,700
Effluent Disposal	45,564	55,500	57,000	55,500
Building & Grounds	148,307	210,000	168,500	197,000
Industrial Surveillance	19,185	21,200	20,800	20,900
Lift Station-Sanitary	84,424	87,300	88,800	88,700
Vehicles	11,515	15,800	12,800	12,500
Total Water Resources	\$661,399	\$758,900	\$718,300	\$740,500
Distribution and Collection				
Building & Water Tank	\$25,908	\$30,000	\$26,300	\$26,200
Pumping Station	209,086	194,500	187,000	189,600
Wells & Well Field	59,441	48,400	50,000	50,700
General Street Expense	7,621	18,200	24,600	24,600
Meter Reading & Delinquent Accounts	17,325	22,300	22,300	22,100
Meter Operations & Maintenance	95,335	205,700	133,700	155,700
Customer Service	43,211	25,000	25,000	39,500
Maintenance-Mains & Hydrants	64,247	52,000	132,300	93,500
New Water Service	5,581	23,700	24,500	21,500
Water Service Maintenance	6,866	10,200	10,200	9,700
Sanitary Sewer	65,481	63,500	71,800	72,700
Vehicles	25,419	35,000	35,200	34,900
Total Distribution and Collection	\$625,521	\$728,500	\$742,900	\$740,700
Laboratory Division				
General Laboratory	\$46,934	\$52,300	\$52,300	\$52,300
Contract Laboratory	35,416	39,000	42,500	42,000
Total Laboratory Division	\$82,350	\$91,300	\$94,800	\$94,300
Total Non-Operating	\$1,206,624	\$1,230,000	\$1,285,000	\$1,245,000
Total Expenses	\$3,833,455	\$3,856,000	\$3,830,800	\$3,801,000
NET ASSETS AT YEAR END				
Change in Net Assets	\$112,125	\$32,500	\$200	\$55,000
Total Net Assets - Beginning of Year	14,814,012	14,926,137	14,926,137	14,958,637
Total Net Assets at Year End	\$14,926,137	\$14,958,637	\$14,926,337	\$15,013,637

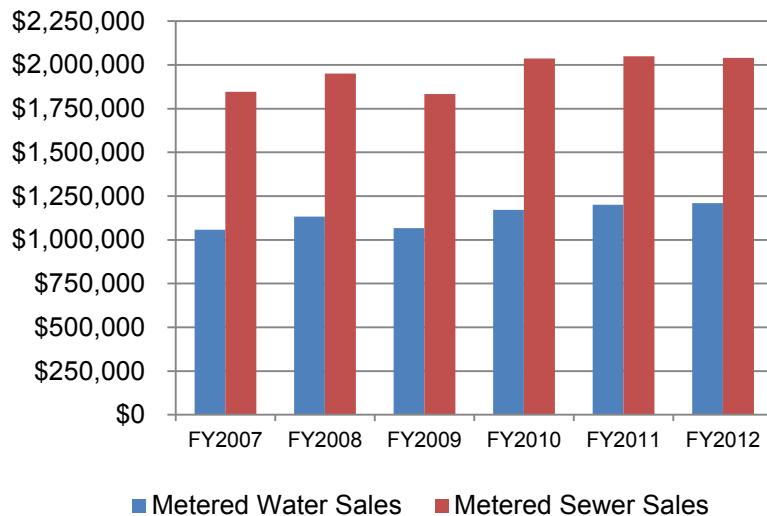
Fund Staffing and Organizational Structure



Water and Sewer Revenues - FY2012



Both water and sewer rates include a recommended 4.5% increase in metered rates. Revenue from utility sales in FY2012 is projected to increase minimally over the previous year due to a decrease in usage and interest earnings declining slightly as the investment dollars are used to install new mains.



Metered Usage

The chart to the left shows that there has been virtually no increase in metered usage of water and sewer over the last six fiscal years. The operations of the system have taken advantage of several efficiency-enhancing measures, including replacing old meters with radio read meters, that has enabled the system to operate within the revenue parameters.

Well Field Replacement Project

Due to the age of the well field and the proximity of contaminants to the current location, the entire system of wells that provide water to utility customers is being relocated. The project will be funded using a low-interest Drinking Water Revolving Fund (DWRf) loan, and the project should be completed and brought on line in late 2012.

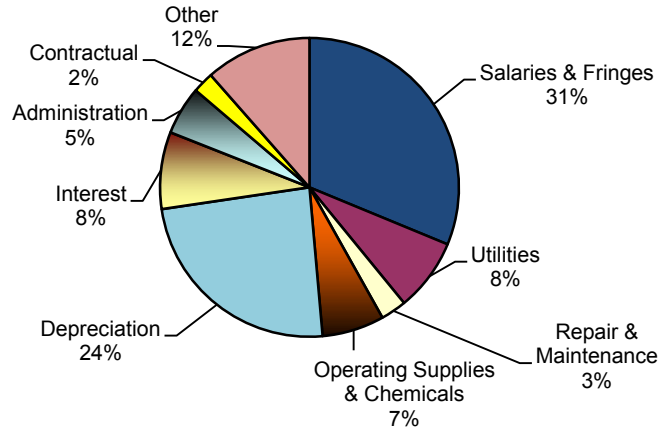
SCHEDULE STATUS:		
Task	Milestone Date	Status
Respond to DEQ Comments on Project Plan	February 15, 2011	Completed
Preliminary Design	March 4, 2011	Completed
Final Design, Permit Application	March 17, 2011	Completed
Revised Final Plans for DNRE comments	May 16, 2011	In Progress
Publish Advertisement for Bids	June 17, 2011	
Tentative Contract Award	August 1, 2011	



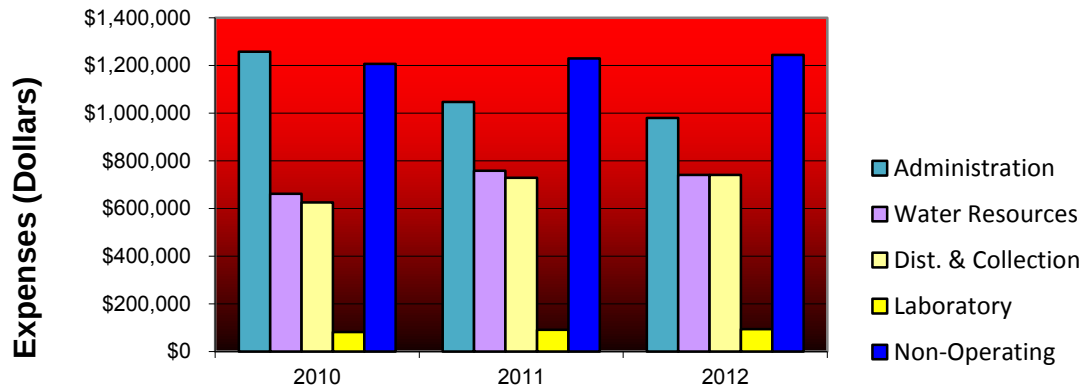
City staff works with C2AE, an engineering firm from Gaylord, Michigan to finalize the design of the project.

Fund Expense Highlights

Water & Sewer Fund - Expenses by Type



Water and Sewer Fund - Expenses by Type - Last 3 Fiscal Years



Fringes

Fringe benefit costs have increased substantially over the last few years. Driving much of this increase is the decision to fund other post-employment benefits (OPEB). This has increased overall personnel costs by nearly 10% city-wide, and has led to multiple benefit-changing decisions in an attempt to control the rising costs.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses				
Administration				
Salaries and Wages	\$421,814	\$340,000	\$337,500	\$342,500
Fringes	237,824	170,000	169,700	158,000
Office Supplies	6,191	9,000	9,000	9,000
Postage	21,873	21,000	19,500	19,500
Safety Supplies	2,469	3,000	4,800	4,800
Contractual Services	15,300	20,000	25,000	25,000
Engineering Fees	700	18,000	18,000	18,000
Audit	3,500	4,000	4,000	4,000
G.I.S. Contractual Services	35,071	37,500	36,000	36,000
Legal Fees	149,862	80,000	10,000	15,000
State Mandated Fees	29,121	25,000	22,500	22,500
Data Processing	55,604	55,000	55,000	55,000
Liability Insurance	39,000	25,300	39,000	30,000
Dues & Publications	2,838	2,000	2,000	2,000
Telephone	8,411	8,000	7,800	7,800
Alarm Systems	4,682	4,400	4,400	4,400
Travel & Education - Salary	4,294	4,500	4,500	4,500
Travel & Education - Hourly	4,524	5,500	5,500	5,500
Vehicle Repair & Maintenance	35	500	500	500
Employee Safety	192	2,100	2,100	3,500
Bad Debt Expense	0	1,000	1,000	1,000
Property Taxes	9,355	7,600	7,600	7,600
Administration - City	202,078	201,900	201,900	201,900
Public Relations	2,823	2,000	2,500	2,500
Total Administration	\$1,257,561	\$1,047,300	\$989,800	\$980,500

Cost and Expense Analysis**Administration**

This account addresses the assistance given to this fund by other administrative and management personnel of the City. This includes the cashier, accountant, city manager, and other portions of employees' time that is directly related to work with the utilities system. The allocation of these charges was carefully reviewed for the FY2009 budget to ensure appropriate charges are being made against this fund.

PERFORMANCE MEASURES - WATER RESOURCES DIVISION

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Number of Customers - Sewer		3,541	3,527	3,525	3,525	↔
Miles of Sewer Main		51	51	51	51	↔
Number of Water Resources FTE		6	6	7	7	↔
Water Resources service connections per FTE		590	588	504	504	↔
Millions of Gallons Treated per Day		2.033	2.108	2.200	2.300	↑
Industrial Monitoring and Pretreatment Discharge permits		20	20	20	20	↔
Rate Increase - Sewer		3.00%	4.50%	4.50%	4.50%	↔
Number of NPDES Permit Violations		0	0	0	0	↔

Water Resources Division Responsibilities:

- * Lift station operation and maintenance
- * Industrial pretreatment program
- * Biosolids management program
- * Floor drain inspection program
- * Groundwater treatment plant operation
- * Operation and maintenance of the City of Cadillac's wastewater treatment plant. The plant reclaims the used water of City residents, businesses and industries before discharge to the Clam River. The treatment plant is regulated by the Michigan Department of Natural Resources and staffed by state licensed operators.

Objective:

To treat and reclaim over two million gallons of water used by our city and sewer service areas each day.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses (Cont.)				
Water Resources Division:				
Preliminary Treatment				
Salaries and Wages	\$10,985	\$12,000	\$10,000	\$10,000
Fringes	4,649	6,000	5,000	5,000
Operating Supplies	1,319	800	800	800
Utilities	2,477	2,400	2,400	2,400
Repair & Maintenance	1,037	1,500	2,500	2,000
Total	\$20,467	\$22,700	\$20,700	\$20,200
Primary Treatment				
Salaries and Wages	\$10,275	\$12,000	\$10,000	\$10,000
Fringes	4,356	6,000	5,000	5,000
Operating Supplies	1,406	3,000	4,000	3,000
Repair & Maintenance	1,366	2,000	3,000	2,000
Total	\$17,403	\$23,000	\$22,000	\$20,000
Secondary Treatment				
Salaries and Wages	\$10,853	\$12,000	\$12,000	\$12,000
Fringes	4,472	6,000	6,000	6,000
Operating Supplies	898	1,400	1,400	1,400
Utilities	61,925	55,000	54,000	54,000
Repair & Maintenance	4,007	4,100	4,200	4,200
Total	\$82,155	\$78,500	\$77,600	\$77,600

Cost and Expense Analysis

Preliminary Treatment

Preliminary treatment includes the flow equalization tank, detritor and grit removal. Flow equalization averages the normal 24 hour variances in wastewater flow. By reducing the peak flow, the plant can treat a higher daily average flow.

Primary Treatment

Primary treatment covers the operation of the primary treatment tanks and related sludge pumping. The primary process removes 30 to 40% of the pollutants in the wastewater.

Secondary Treatment

Secondary treatment includes aeration tanks with fine bubble diffusers that have air supplied by centrifugal blowers, secondary clarifiers, and a return sludge system. Primary effluent flows in the aeration tanks where it is mixed with return sludge that provides the bacteria for treatment. After eight hours of aeration, the mixed liquor is settled in the secondary clarifiers, then returned to the aeration tanks to continue the cycle. The secondary treatment process provides 85 to 90% removal of pollutants.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses (Cont.)				
Water Resources Division (Cont.)				
Tertiary Treatment				
Salaries and Wages	\$10,707	\$12,000	\$13,000	\$13,000
Fringes	4,458	6,000	6,500	6,600
Operating Supplies	7,050	7,500	7,400	7,400
Utilities	46,052	40,000	35,000	35,000
Repair & Maintenance	8,271	8,500	8,500	8,500
Total	\$76,538	\$74,000	\$70,400	\$70,500
Sludge Treatment				
Salaries and Wages	\$21,167	\$26,000	\$27,000	\$24,000
Fringes	8,271	13,000	13,500	12,000
Operating Supplies	2,957	3,400	3,400	3,400
Laboratory	4,445	5,000	5,500	5,500
Injection Contract Cost	39,105	40,000	45,000	45,000
Utilities	15,930	17,000	20,000	20,000
Repair & Maintenance	2,059	6,500	7,500	7,000
Total	\$93,934	\$110,900	\$121,900	\$116,900
Nutrient Removal				
Salaries and Wages	\$9,607	\$8,500	\$7,100	\$9,100
Fringes	3,949	4,300	3,500	4,500
Operating Supplies	0	800	800	700
Chemicals	48,003	41,000	41,000	41,000
Repair & Maintenance	348	5,400	5,400	5,400
Total	\$61,907	\$60,000	\$57,800	\$60,700

Cost and Expense Analysis

Tertiary Treatment

Tertiary treatment includes screw pumps and sand filters. The secondary effluent is lifted by the pumps about 18 feet into the Rotating Biological Contractors (RBC) system. The average pollutant removal after tertiary treatment is greater than 97%.

Sludge Treatment and Disposal

The sludge treatment process includes sludge pumps, a 325,000 gallon primary digester, a 325,000 gallon secondary digester, a 550,000 gallon sludge storage tank, and 675,000 gallon storage tank. Sludge, or bio-solids, is the residual solid produced during the wastewater treatment process. The solids are first pumped into the primary digester which is heated to 95 degrees F where most organic matter is reduced in an anaerobic environment. A useable methane gas is produced (8,500,000 cf per year) along with about two million gallons of treated bio-solids for application to agricultural farm land as fertilizer. The fertilizer injections are done under contract and are estimated at \$45,000 for FY2012.

Cost and Expense Analysis

Nutrient Removal

Nutrient removal consists of phosphorus and ammonia removal from the wastewater. Both compounds are fertilizers that would promote weed growth and eutrophication of the receiving stream if discharged in excessive amounts. Phosphorus is removed by the addition of ferric chloride. The majority of ammonia is converted in the secondary treatment process. Any remaining ammonia is converted to nitrate by microbes that oxidize the ammonia as the water passes through the RBC's.

Buildings and Grounds

Buildings and Grounds includes the maintenance and operations of the buildings and grounds at the wastewater treatment plant. The operation and maintenance of the Lift Station buildings and grounds are also included. Water usage in the past few years has not been constant, with significant increases and decreases despite a relatively constant number of users. Much of this can be attributed to factors such as changes in industrial processes which would affect water consumption, or even the weather. Actual water usage per person in Cadillac is approximately 70 gallons per day.



Wastewater Treatment Facility

Water and Sewer System - 15 Largest Users

Customer	2009 Usage and Billing				
	Cubic Feet		Gallons		Total Billing
	Water	Sewer	Water	Sewer	
AAR Cadillac Manufacturing	13,551,300	7,726,100	101,363,724	57,791,228	\$267,133
Cadillac Castings, Inc.	9,967,300	8,471,900	74,555,404	63,369,812	\$252,027
Avon Rubber & Plastics, Inc.	7,821,300	7,119,500	58,503,324	53,253,860	\$213,775
Paulstra CRC	3,512,500	3,512,900	26,273,500	26,276,492	\$210,087
Mercy Hospital	1,654,000	1,654,000	12,371,920	12,371,920	\$63,559
Cadillac Renewable Energy *	0	1,483,100	0	11,093,588	\$40,614
Piranha Hose	1,197,800	1,197,800	8,959,544	8,959,544	\$35,709
Borg-Warner	1,051,300	1,051,300	7,863,724	7,863,724	\$33,647
Pheasant Ridge Estates	1,233,500	1,233,500	9,226,580	9,226,580	\$32,312
Michigan Rubber Products	1,008,700	1,008,700	7,545,076	7,545,076	\$32,258
Country Acres	895,900	895,900	6,701,332	6,701,332	\$28,011
Four Winns	254,300	254,300	1,902,164	1,902,164	\$15,333
Leisure Park	462,700	462,700	3,460,996	3,460,996	\$14,306
Kolarevic Car Wash	251,300	251,300	1,879,724	1,879,724	\$8,721
Rexair, Inc.	<u>119,300</u>	<u>119,300</u>	<u>892,364</u>	<u>892,364</u>	<u>\$8,643</u>
	42,981,200	36,442,300	321,499,376	272,588,404	\$1,256,135

* CRE has their own well, which is furnished by the LDFA Utilities Fund.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses (Cont.)				
Water Resources Division (Cont.)				
Effluent Disposal				
Salaries and Wages	\$9,691	\$13,000	\$12,000	\$12,000
Fringes	3,912	6,500	6,000	6,000
Operating Supplies	1,324	3,000	3,500	2,500
Plant Lab Supplies	7,025	7,000	8,000	8,000
Chemicals	0	500	500	500
Contracted Laboratory	10,568	10,500	11,000	11,000
Utilities	12,664	11,500	11,500	11,500
Repair & Maintenance	380	3,500	4,500	4,000
Total	\$45,564	\$55,500	\$57,000	\$55,500
Building & Grounds				
Salaries and Wages	\$61,827	\$100,000	\$78,500	\$85,500
Salaries - Part Time	12,024	8,000	8,000	9,000
Fringes	26,450	51,000	39,500	43,000
Operating Supplies	24,170	30,000	22,500	24,500
Utilities	12,684	13,500	20,000	20,000
Repair & Maintenance	11,152	7,500	0	15,000
Total	\$148,307	\$210,000	\$168,500	\$197,000
Industrial Surveillance				
Salaries and Wages	\$10,483	\$11,000	\$10,400	\$10,400
Fringes	3,830	5,500	5,200	5,200
Operating Supplies	750	1,200	1,200	1,200
Laboratory	4,094	3,500	4,000	4,000
Repair & Maintenance	28	0	0	100
Total	\$19,185	\$21,200	\$20,800	\$20,900

Cost and Expense Analysis

Effluent Disposal

Effluent Disposal includes disinfection equipment and tanks. Tertiary effluent flows into a new ultraviolet (UV) process where submerged UV bulbs disinfect the wastewater with ultraviolet energy. This system, constructed in 2003, eliminates the use of chlorine disinfection and sulfur dioxide dechlorination process, but requires increased electrical usage to operate. The treated water is then discharged into the Clam River. The Clam River is monitored at six locations up-stream and down-stream by the Water Resources personnel on a weekly basis.



Industrial Surveillance

The Cadillac Utilities Department administers an Industrial Monitoring and Pretreatment (IMP) program. Sample flows are collected from several industrial plants at varying intervals and analyzed for toxic and hazardous substances.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses (Cont.)				
Water Resources Division (Cont.)				
Lift Station - Sanitary				
Salaries and Wages	\$22,015	\$18,000	\$18,100	\$18,100
Fringes	8,340	9,000	9,200	9,100
Operating Supplies	9,748	8,500	7,000	9,500
Disposal Fees	1,061	1,800	1,800	1,800
Utilities	35,332	37,000	38,200	38,200
Repair & Maintenance	7,928	13,000	14,500	12,000
Total	\$84,424	\$87,300	\$88,800	\$88,700
Vehicles				
Salaries and Wages	\$354	\$1,200	\$1,200	\$1,000
Fringes	130	600	600	500
Operating Supplies	295	2,000	500	500
Fuel Costs	8,612	8,500	6,200	6,200
Repair & Maintenance	2,124	3,500	4,300	4,300
Total	\$11,515	\$15,800	\$12,800	\$12,500
Total Water Resources Division	661,399	758,900	718,300	740,500

Cost and Expense Analysis

Lift Stations

Lift stations includes operation and maintenance of the plant lift station, plus five major and six minor lift stations. These facilities are used to lift up sewage by pump from deep sewers to higher points in the gravity system so that it can flow to the wastewater treatment plant for treatment.



Vehicles

Several vehicles and over-the-road pieces of equipment are used in plant operations, lift station operation and maintenance, and building and grounds maintenance. Costs of maintenance and fuel are included in this department.

PERFORMANCE MEASURES - WATER DISTRIBUTION AND COLLECTION DIVISION

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Number of Customers - Water		3,496	3,474	3,480	3,480	↔
Miles of Water Main		73	73	73	73	↔
Number of Distribution and Collection FTE		7	7	7	7	↔
Water Service Connections per FTE		499	496	497	497	↔
Millions of Gallons Pumped per Day		2.020	2.170	2.250	2.300	↑
Total Calls for Service		971	1,000	1,000	1,000	↔
Total Calls for Service Per FTE		139	143	143	143	↔
MISS-DIG Responses		1,435	505	750	750	↑
Meter Repairs		33	135	135	135	↔
New Meter Installations		14	12	12	12	↔
Feet of Sanitary Sewers Cleaned		25,338	67,884	70,000	70,000	↑

Distribution and Collection Division Purpose:

This division is responsible for the operation of the public water system, sanitary sewer system and storm sewer system. The public water system supplies water to nearly 3,500 accounts. These accounts range from domestic users to industrial customers using up to 500,000 gallons of water per day. The water system personnel must be licensed by the Michigan Department of Environmental Quality. The sanitary sewer system collects the wastewater from the users and transports it to the wastewater treatment plant. The storm sewer system collects storm water and transports it to the lakes, rivers, and seepage ponds.

Objective: To supply the water used by our city each day and to maintain the water distribution system, sanitary collection system, and storm water collection system.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses (Cont.)				
Distribution & Collection Division				
Building & Water Tank				
Salaries and Wages	\$4,779	\$5,000	\$2,500	\$3,400
Salaries - Part Time	2,464	8,000	4,000	4,000
Fringes	1,510	4,000	3,300	2,300
Operating Supplies	13,604	11,000	14,500	14,500
Repair & Maintenance	3,551	2,000	2,000	2,000
Total	\$25,908	\$30,000	\$26,300	\$26,200
Pumping Station				
Salaries and Wages	\$3,045	\$6,000	\$3,000	\$4,700
Fringes	1,078	3,000	1,500	2,400
Operating Supplies	18,673	10,000	8,500	8,500
Chemicals	26,710	28,000	28,500	28,500
Laboratory Control	21,826	20,000	22,000	22,000
Utilities	136,731	125,000	121,000	121,000
Repair & Maintenance	1,023	2,500	2,500	2,500
Total	\$209,086	\$194,500	\$187,000	\$189,600
Wells & Well Field				
Salaries and Wages	\$4,984	\$6,500	\$3,000	\$4,700
Fringes	1,709	3,200	1,500	2,500
Operating Supplies	1,705	3,200	3,200	3,200
Wellhead Protection	0	2,000	2,500	2,500
Contractual Services	25,006	22,500	25,000	25,000
Repair & Maintenance	7,287	11,000	14,800	12,800
Special Projects	18,750		0	0
Total	\$59,441	\$48,400	\$50,000	\$50,700

Cost and Expense Analysis**Buildings and Water Tank**

Buildings consist of six well houses that enclose the active wells, one pump station that meters and treats the water, and one supplies garage building. Water storage is provided in a one million gallon elevated storage tank located on the North Street Hill.

Pumping Station

The City's pumping station metered and chlorinated in excess of 746 million gallons of water in 2010. This was up slightly from 2009, but still about 10% below the levels of several years ago. Much of this decrease was attributed to the impact of the economy on local usage patterns. Vacant homes and idle businesses use little or no water, thereby decreasing total flow in the City's system. The costs of chemicals and utilities are the pumping stations' major costs.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
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Expenses (Cont.)

Distribution & Collection Division (Cont.)

General Street Expense

Salaries and Wages	\$1,382	\$800	\$800	\$800
Fringes	349	400	400	400
Operating Supplies	1,485	4,000	4,000	4,000
Contractual Services	4,405	13,000	19,400	19,400
Total	\$7,621	\$18,200	\$24,600	\$24,600

Meter Reading & Delinquent Accounts

Salaries and Wages	\$12,544	\$14,500	\$14,500	\$14,500
Fringes	4,781	7,500	7,500	7,300
Operating Supplies	0	300	300	300
Total	\$17,325	\$22,300	\$22,300	\$22,100

Meter Operations & Maintenance

Salaries and Wages	\$57,200	\$125,000	\$75,000	\$90,000
Fringes	20,606	60,000	38,000	45,000
Operating Supplies	17,529	20,700	20,700	20,700
Total	\$95,335	\$205,700	\$133,700	\$155,700

Customer Service

Salaries and Wages	\$30,863	\$16,500	\$16,500	\$26,500
Fringes	12,348	8,500	8,500	13,000
Total	\$43,211	\$25,000	\$25,000	\$39,500

Maintenance - Mains & Hydrants

Salaries and Wages	\$34,519	\$20,000	\$68,300	\$44,000
Fringes	12,416	10,000	35,000	20,500
Operating Supplies	15,879	17,000	21,500	21,500
Contractual Services	1,433	5,000	7,500	7,500
Total	\$64,247	\$52,000	\$132,300	\$93,500

Cost and Expense Analysis

General Street Expense

When the Utilities Department needs to perform repairs or maintenance under the City streets, they contract with the City Street Department or other local contractors to replace the street surfaces.

Meter Reading & Delinquent Accounts

The utility system bills its customers monthly and the meters of the entire city can be read within one day. The remainder of these employees' time is spent on maintenance of meters. The City has upgraded water meters with a new meter remote that allows for automatic meter reading.

Customer Services

Many types of service calls are responded to in the course of a year. MISS-DIG is also a call this department responds to for construction needs when a user needs to know the location of water and sewer mains, or any other infrastructure located beneath the ground. Responses to water quality complaints and various other customer service issues are accounted for under this heading.

Maintenance - Mains and Hydrants

The City maintains 482 fire hydrants. All fire hydrant records and histories are computerized. The General Fund contributes \$50 per fire hydrant as a ready-to-serve charge. The City replaces water mains annually as streets are torn up to be resurfaced.

Water Supply Statistics				
	Gallons Pumped	Gallons Sold	% Lost (1)	Customers
2001	821,800,000	760,500,000	7.70	3,414
2002	787,700,000	754,100,000	4.00	3,407
2003	804,800,000	746,300,000	7.28	3,456
2004	773,400,000	736,300,000	4.70	3,487
2005	843,200,000	773,900,000	8.22	3,511
2006	792,900,000	714,000,000	10.00	3,524
2007	925,900,000	786,500,000	14.00	3,517
2008	840,240,000	731,961,000	12.90	3,544
2009	737,164,500	634,869,338	13.90	3,497
2010	743,793,507	667,112,042	10.31	3,474

(1) Percentage of Water Lost: Water loss is the term applied to the difference between water pumped into the system and water sold through water meters. Cadillac's water loss for 2010 was 10.31%, within the acceptable range of 10-15% for public water supplies. Water loss occurs from meter variances, worn meters, water used for fire purposes, water lost through system flushing, and water lost during run water situations in the winter.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses (Cont.)				
Distribution & Collection Division (Cont.)				
New Water Service				
Salaries and Wages	\$450	\$5,000	\$1,500	\$1,500
Fringes	223	2,500	800	800
Operating Supplies	4,908	15,000	21,000	18,000
Contractual Services	0	1,200	1,200	1,200
Total	\$5,581	\$23,700	\$24,500	\$21,500
Water Service Maintenance				
Salaries and Wages	\$2,769	\$3,500	\$3,500	\$3,300
Fringes	867	1,800	1,800	1,700
Operating Supplies	3,021	3,900	3,900	3,900
Repair & Maintenance	209	1,000	1,000	800
Total	\$6,866	\$10,200	\$10,200	\$9,700
Sanitary Sewer				
Salaries and Wages	\$32,042	\$30,000	\$33,500	\$33,500
Fringes	6,345	15,000	17,000	16,600
Operating Supplies	15,248	9,000	9,000	10,500
Contractual	11,560	7,000	9,500	9,500
Damage Contractual Services	0	1,500	1,800	1,600
Repair & Maintenance	286	1,000	1,000	1,000
Total	\$65,481	\$63,500	\$71,800	\$72,700
Vehicles				
Salaries and Wages	\$526	\$1,000	\$1,000	\$800
Fringes	52	500	500	400
Operating Supplies	675	2,500	1,200	1,200
Fuel & Oil	12,219	16,000	17,500	17,500
Repair & Maintenance	11,947	15,000	15,000	15,000
Total	\$25,419	\$35,000	\$35,200	\$34,900
Total Distribution and Collection	\$625,521	\$728,500	\$742,900	\$740,700

Cost and Expense Analysis

Sanitary Sewer

This section includes equipment used to clean sanitary sewer, along with the related costs of labor, repairs and maintenance. It also includes costs for outside contractors to do TV inspections. This important maintenance activity has decreased over the last couple of years due to the limited availability of maintenance labor.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses (Cont.)				
Laboratory Division				
General Laboratory				
Salaries and Wages	\$20,504	\$23,000	\$22,200	\$22,200
Fringes	9,238	11,300	11,500	11,500
Operating Supplies	13,359	14,000	14,500	14,500
Repair & Maintenance	2,250	2,000	2,100	2,100
Equipment Rental	368	500	500	500
Research & Development	1,215	1,500	1,500	1,500
Total	\$46,934	\$52,300	\$52,300	\$52,300
Contract Laboratory				
Salaries and Wages	\$14,098	\$13,000	\$14,000	\$14,000
Fringes	6,606	6,500	7,000	7,500
Operating Supplies	12,234	12,000	12,400	12,400
Repair & Maintenance	1,004	6,000	7,600	6,600
Equipment Rental	579	500	500	500
Research & Development	895	1,000	1,000	1,000
Total	\$35,416	\$39,000	\$42,500	\$42,000
Total Laboratory Division	82,350	91,300	94,800	94,300
Non-Operating				
Interest Expense	\$350,199	\$330,000	\$335,000	\$320,000
Depreciation	856,425	900,000	950,000	925,000
Total	\$1,206,624	\$1,230,000	\$1,285,000	\$1,245,000
TOTAL EXPENSES	\$3,833,455	\$3,856,000	\$3,830,800	\$3,801,000

Non-Operating

Three revenue bond issues comprise the interest activity:

1999 Revenue Refunding Bond: Interest payments September 1, 2011 and March 1, 2012 total \$51,093.

2001 Revenue and Revenue Refunding Bond: Interest payments September 1, 2011 and March 1, 2012 total \$197,245.

2007 State of Michigan SRF Loan: Interest payments October 1, 2011 and April 1, 2012 total \$55,985.

Depreciation increased substantially beginning in FY2009. The \$4 million upgrade project at the Wastewater Treatment facility came online and is being depreciated. It is calculated based on annual depreciation schedules using the straight-line method of depreciation.

PERFORMANCE MEASURES - LABORATORY DIVISION

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Number of Laboratory Analyses Performed		34,280	35,257	39,050	39,050	↑
Charges for Services - Laboratory		\$38,879	\$49,643	\$55,000	\$55,000	↑
Number of Laboratory FTE		2	2	2	2	↔
Analyses Performed per FTE		17,140	17,629	19,525	19,525	↔

Cost and Expense Analysis

Laboratory Services Division

This division consists of two distinct areas: general use for internal functions and contract for external purposes. Laboratory Services has now received certification from the State of Michigan in the areas of bacteriological analysis and metals analysis. Volatile organic testing is completed by a contract laboratory.

Analyses Performed:	2005	2006	2007	2008	2009	2010
Lead and Copper	175	64	37	32	30	31
Metals	8,980	7,776	9,210	7,749	8,122	8,202
Volatile Organic	272	148	152	72	72	72
Bacterial Testing	3,120	2,452	2,836	2,084	1,506	1,952
Wet Chemistry	24,050	22,976	26,200	25,640	24,550	25,000

Purpose:

This division provides analytical laboratory support to the water and wastewater operations. Laboratory services also provides contract analytical support to other communities and industries.

Objective:

To provide analytical laboratory results required by state and federal regulatory services.

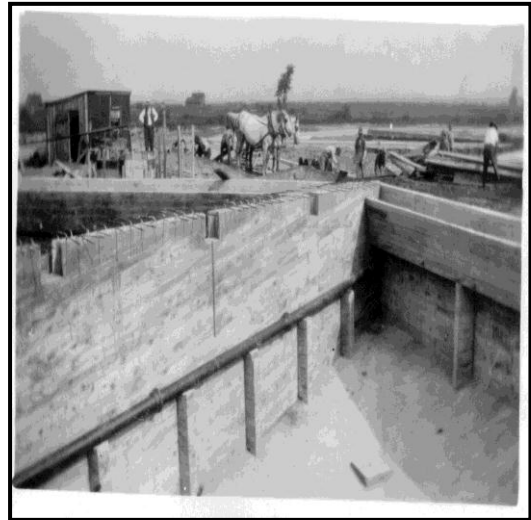


Other Fund Highlights

History

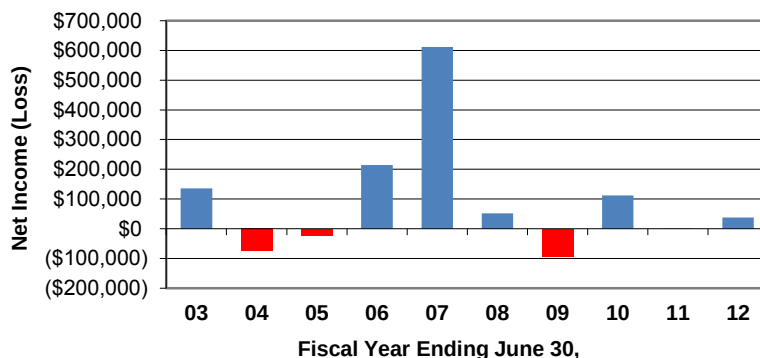
In the late 1870's the City began construction of a sanitary sewer collection system which discharged untreated wastewater into Lake Cadillac. In 1889 the City extended a major interceptor along the shores of Lake Cadillac to divert the wastewater flow from Lake Cadillac to the Clam River. Treatment of collected wastewater began in 1918 upon completion of a primitive secondary wastewater treatment facility with a sustained treatment capacity of 0.8 million gallons per day (MGD).

The City's original wastewater treatment facility was replaced in 1963 with the construction of a 2.0 MGD advanced secondary (activated sludge) treatment facility. In 1975 the facility was upgraded to provide ammonia removal and advanced tertiary filtration. In 1990 the City added an 800,000 gallon equalization basin, a 550,000 gallon sludge storage tank, and a new secondary clarifier among other major improvements which increased sustained treatment capacity to 3.2 MGD. Average daily flow is approximately 2.3 MGD with average peak flows of approximately 2.8 MGD. In 1995, the City again updated the treatment facility with another \$2.5 million expansion. In 2003, a UV disinfection/chemical storage building was added in addition to replacement of tertiary screw pumps. Throughout FY2008 and into FY2009 the City will be completing a \$4.0 million project that replaces aging equipment within the system.



September, 1923 construction of original facilities.

The City is in compliance with the National Pollutant Discharge Elimination System (NPDES) permit granted by the Department of Environmental Quality of the State of Michigan.



**Water and Sewer Fund
Change in Net Assets
Last Ten Fiscal Years**

Source and Use of Funds For Capital Improvements

FY2012**Source of Funds**

State of Michigan Drinking Water Revolving Fund	3,500,000	
Investments - Unrestricted	37,500	
		<u>\$3,537,500</u>

Total Source of Funds**Use of Funds****Infrastructure/System Costs**

Lynn Street	**Delayed**	
Ayer Street	17,500	
Gunn-Seventh Street	20,000	
Water Supply Improvements	3,500,000	
		<u>\$3,537,500</u>

Total Use of Funds\$3,537,500**Capital Improvements and Purchases**

Through the use of strong financial planning and sound cash management, the City has been able to use a "pay-as-you-go" financing approach to fund many capital improvements and purchases. This has given the City the flexibility to take advantage of low-interest loans similar to the one received in October of 2007 from the State of Michigan's State Revolving Fund (SRF), which was a \$3.9 million loan that is being used to fund a substantial Wastewater Treatment Plant renovation.



Cash Flow Analysis

FY2012

Additions

Net Income from Operations	\$55,000	
DWRF Loan Funds	\$3,500,000	
Depreciation	925,000	
Total Additions		4,480,000

Deductions

Principal Payments (1)	\$655,000	
Capital Improvements	3,537,500	
Total Deductions		4,192,500

Net Increase (Decrease) of Available Cash		\$287,500
--	--	------------------

Footnotes:

(1) Principal payments include:

1999 Revenue Refunding Bond

September 1, 2011	5,000	
September 1, 2011 (4.70%)		25,605
March 1, 2012 (4.70%)		25,488

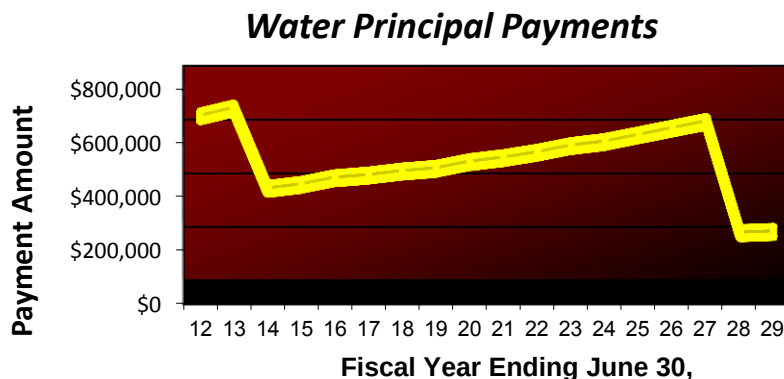
2001 Revenue Refunding Bond

September 1, 2011	480,000	
September 1, 2011 (4.75%)		104,322
March 1, 2012 (4.75%)		92,923

2007 State of Michigan SRF Loan

October 1, 2011	170,000	
October 1, 2011 (1.625%)		28,683
April 1, 2012 (1.625%)		27,302

Total Debt Payments	\$655,000	\$304,323	\$959,323
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Principal Payments

Principal payments are on the **1999 Revenue Refunding Bond**, the **2001 Revenue and Revenue Refunding Bonds**, and the **SRF loan**.

Water and Sewer Rates

Rates and Charges proposed as of July 1, 2011

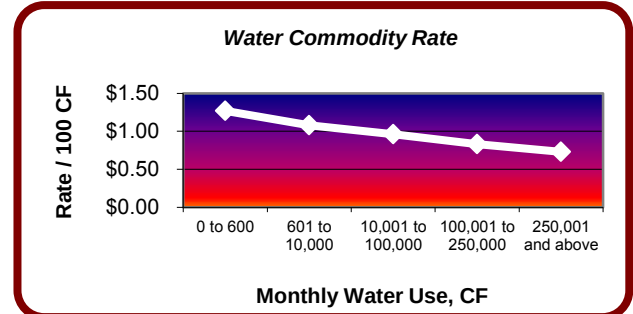
Ready to serve charge

<u>Meter Size</u>	<u>Water</u>	<u>Wastewater</u>
5/8"	\$6.05	\$9.76
3/4"	\$8.90	\$14.66
1"	\$14.84	\$24.42
1-1/2"	\$29.73	\$48.84
2"	\$47.42	\$78.17
3"	\$103.85	\$171.12
4"	\$178.02	\$293.17
6"	\$370.94	\$610.87
8"	\$534.12	\$879.61

Commodity Charge

Volume (Cubic Feet - CF)

0 to 600	\$1.27
601 to 10,000	\$1.08
10,001 to 100,000	\$0.96
100,001 to 250,000	\$0.83
250,001 and above	\$0.73
Per 100 cubic feet per month	\$2.26



Unmetered Users (Flat Rate)

- Monthly room charge (Living, Dining, Bedroom and Kitchens)

1 to 3 rooms	\$8.44
4 to 6 rooms	\$9.47
7 to 8 rooms	\$11.17
Each additional room	\$1.54
- Additional for each bathtub and shower \$4.04
- Additional for each toilet \$4.46

Continuing Disclosure Information

Revenue as Billed By Meter Classification
Fiscal Year Ended June 30, 2010

<u>Meter Classification</u>	<u>Water Supply</u>		<u>Wastewater Treatment</u>	
	<u>Revenue</u>	<u>Percent of Total</u>	<u>Revenue</u>	<u>Percent of Total</u>
Unmetered			\$46,669	2.38
5/8"	\$475,612	42.67	741,906	37.83
3/4"	1,211	0.11	1,548	0.08
1"	60,178	5.40	75,854	3.87
1-1/2"	71,707	6.43	104,332	5.32
2"	162,212	14.55	436,695	22.27
3"	29,195	2.62	58,803	3.00
4"	148,034	13.28	227,748	11.61
6"	150,281	13.48	251,085	12.80
8"	16,308	1.46	16,408	0.84
	<u>\$1,114,738</u>	<u>100.00</u>	<u>\$1,961,048</u>	<u>100.00</u>

Monthly Wastewater Treatment Ready-To-Serve Charge by Meter Classification
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Meter Classification</u>								
	<u>5/8"</u>	<u>3/4"</u>	<u>1"</u>	<u>1-1/2"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>6"</u>	<u>8"</u>
2002	6.80	10.20	17.00	34.00	54.38	118.97	203.94	424.88	611.82
2003	7.00	10.50	17.50	35.00	56.00	122.55	210.05	437.60	630.20
2004	7.20	10.80	18.05	36.05	57.70	126.25	216.35	450.35	649.10
2005	7.50	11.25	18.75	37.50	60.00	131.30	225.00	468.80	675.05
2006	7.80	11.70	19.50	39.00	62.40	136.55	234.00	487.55	702.05
2007	8.05	12.05	20.10	40.15	64.30	140.65	241.00	502.15	723.10
2008	8.35	12.55	20.90	41.75	66.85	146.30	250.65	522.25	752.00
2009	8.55	12.85	21.40	42.80	68.50	149.95	256.90	535.30	770.80
2010	8.93	13.43	22.36	44.73	71.58	156.70	268.46	559.39	805.49
2011	9.34	14.03	23.37	46.74	74.80	163.75	280.54	584.56	841.73

Data furnished in compliance with Securities and Exchange Commission rule 15c2-12 which requires the City to annually provide updated information filed for revenue bond issues. *Source: Cadillac Utilities Department*

Continuing Disclosure Information

Monthly Ready-To-Serve Charge For Fire Protection
Fiscal Year Ended June 30, 2011

<u>Line Size</u>	<u>Monthly Ready-To-Serve Charge</u>
3/4"	\$2.07
1"	\$3.55
1-1/2"	\$7.04
2"	\$11.36
3"	\$24.68
4"	\$42.43
6"	\$88.56
8"	\$127.60
10"	\$205.52
12"	\$304.62

Monthly Water Supply Ready-To-Serve Charge By Meter Classification
Last Ten Fiscal Years

Fiscal Year	Meter Classification								
	5/8"	3/4"	1"	1-1/2"	2"	3"	4"	6"	8"
2002	4.12	6.19	10.32	20.64	33.02	72.22	123.84	257.98	371.50
2003	4.25	6.40	10.65	21.25	34.00	74.40	127.55	265.70	382.65
2004	4.40	6.60	10.95	21.90	35.00	76.65	131.40	273.65	394.15
2005	4.60	6.85	11.40	22.80	36.40	79.70	136.65	284.60	409.90
2006	4.80	7.10	11.85	23.70	37.85	82.90	142.10	296.00	426.30
2007	4.95	7.30	12.20	24.40	39.00	85.40	146.35	304.90	439.10
2008	5.15	7.60	12.70	25.40	40.55	88.80	152.20	317.10	456.65
2009	5.30	7.80	13.00	26.05	41.55	91.00	156.00	325.05	468.05
2010	5.54	8.15	13.59	27.22	43.42	95.10	163.02	339.68	489.11
2011	5.79	8.52	14.20	28.45	45.37	99.37	170.36	354.96	511.12

Data furnished in compliance with Securities and Exchange Commission rule 15c2-12 which requires the City to annually provide updated information filed for revenue bond issues. *Source: Cadillac Utilities Department*

Continuing Disclosure Information

**Number of Water Supply and Wastewater Treatment Customers
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Water Supply Customers</u>		<u>Wastewater Treatment Customers</u>	
	<u>Number</u>	<u>Percent of Change</u>	<u>Number</u>	<u>Percent of Change</u>
2001	3,414	0.20	3,504	0.10
2002	3,407	(0.21)	3,493	(0.31)
2003	3,456	1.44	3,526	0.94
2004	3,487	0.90	3,544	0.51
2005	3,520	0.95	3,569	0.71
2006	3,524	0.11	3,573	0.11
2007	3,517	(0.20)	3,564	(0.25)
2008	3,544	0.77	3,592	0.79
2009	3,496	(1.35)	3,541	(1.42)
2010	3,474	(0.63)	3,527	(0.40)

**Average Number of Water Supply and Wastewater Treatment Customers By Meter Classification
Fiscal Year Ended June 30, 2010**

<u>Meter Classification</u>	<u>Average Customers</u>	
	<u>Water Supply</u>	<u>Wastewater Treatment</u>
Unmetered	0	170
5/8"	3,133	3,074
3/4"	7	7
1"	133	110
1-1/2"	88	74
2"	85	68
3"	9	9
4"	13	11
6"	5	3
8"	1	1
	<u>3,474</u>	<u>3,527</u>

Data furnished in compliance with Securities and Exchange Commission rule 15c2-12 which requires the City to annually provide updated information filed for revenue bond issues. *Source: Cadillac Utilities Department*

Fund: Building Authority Operating Fund

Type: Enterprise Fund

Oversight: Director of Public Works and Engineering

Nature and Purpose:

The Cadillac Building Authority was reestablished by the City Council in accordance with P.A. 31 of 1948. The purpose of the building authority is to facilitate the sale of bonds to fund construction of municipal structures. A building authority was previously used by the City of Cadillac in 1977 to issue bonds for the construction of the Municipal Complex and then in 1994 for the construction of the State of Michigan Department of Environmental Quality (DEQ) building pictured at right.



The most recent use of the building authority was to sell bonds for parking lot renovations. The parking lots were reconstructed in the summer of 1998.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Rental Income	\$195,870	\$195,900	\$195,900	\$195,900
Interest Income	1,583	1,200	2,000	1,500
Total	\$197,453	\$197,100	\$197,900	\$197,400
Expenditures				
Building Maintenance	8,560	7,500	9,000	9,000
Contractual Services	20,601	20,000	30,000	30,000
Audit	700	700	800	800
Liability Insurance	700	500	700	700
Utilities	2,748	3,200	3,000	3,500
Administration	5,000	5,000	5,000	5,000
Depreciation	38,644	39,900	39,900	39,900
Debt Service				
Interest Payment	36,155	33,000	33,500	28,000
Total	\$113,108	\$109,800	\$121,900	\$116,900
Net Assets				
Change in Net Assets	\$84,345	\$87,300	\$76,000	\$80,500
Total Net Assets - Beginning of Year	592,642	676,987	764,287	764,287
TOTAL NET ASSETS AT YEAR END	\$676,987	\$764,287	\$840,287	\$844,787

Fund Highlights

Revenues

The City of Cadillac rents the building to the State of Michigan and the rent is based on the operating expenses as well as the debt payments on the bond. Interest Income is earned by investing cash reserves and idle funds in accordance with the City's investment policy.

Expenditures

Building Maintenance costs cover the air conditioning, elevator, heating, electrical and other related items that are contracted for to maintain the facility. The contractual services reflect the contracts for landscaping, fire suppression system, and snow removal. Administration is the fee paid to the DDA fund for their management oversight of the facility. The Building Authority issued debt to fund the construction of this facility. In 1999 the debt was refinanced in order to take advantage of lower interest rates, resulting in \$33,000 in net present value savings.

The Building Authority members are appointed by the City Council. Those appointed members are:

Chairperson:

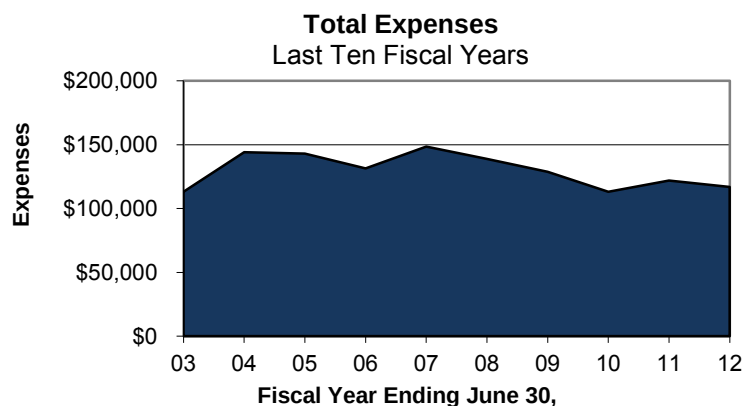
Marcus A. Peccia
City Manager
City of Cadillac

Vice-Chairperson:

Michael Homier
Foster, Swift, Collins & Smith
City Attorney
City of Cadillac

Secretary - Treasurer:

Owen E. Roberts
Director of Finance
City of Cadillac



Net Assets

Net assets are reserved for debt service and any unanticipated maintenance issues as the building ages.

Expenses have remained relatively flat. Interest Expense continues to decline as the outstanding debt decreases.

Source and Use of Funds For Capital Improvements**FY2012****Source of Funds**

Operational funds	45,000	
Total Source of Funds		\$45,000

Use of Funds

Carpet Replacement	45,000	
Total Use of Funds		\$45,000

Note:

The Building Authority is responsible for maintaining the facility, including capital upgrades as necessary. The carpet replacement was originally scheduled for FY2009 but has been delayed until FY2012 due to several other maintenance issues that took precedent over the project.

Cash Flow Analysis**FY2012****Additions:**

Net Gain from Operations	80,500	
Depreciation	39,900	
Total Additions		\$120,400

Deductions:

Principal Payment	115,000	
Capital Improvements	45,000	
Total Deductions		\$160,000

Net Increase (Decrease) in Cash		(\$39,600)
--	--	-------------------

Note:

There are sufficient reserves on hand to cover the use of cash anticipated for FY2012.

Outstanding Debt Issue**Title of Issue:** 1999 Building Authority Fund Refunding Bonds**Date of Issue:** February 2, 1999**Purpose:** For the purpose of advance refunding the 1994 Building Authority Bonds dated December 1, 1994 maturing in the years 2006 through and including 2015 on October 1, 1995.**DEBT SERVICE DETAILS**

		Amount Redeemed		<u>Balance</u>
		<u>Prior</u>	<u>Current</u>	
Amount of Issue:	\$1,265,000	\$505,000	\$115,000	\$645,000

DUE DATES	DEBT SERVICE REQUIREMENTS			
	RATE	PRINCIPAL	INTEREST	TOTAL
October 1, 2011	4.60%	\$115,000	\$14,835	\$129,835
April 1, 2012			\$12,190	\$12,190
October 1, 2012	4.60%	\$125,000	\$12,190	\$137,190
April 1, 2013			\$9,315	\$9,315
October 1, 2013	4.60%	\$130,000	\$9,315	\$139,315
April 1, 2014			\$6,325	\$6,325
October 1, 2014	4.60%	\$135,000	\$6,325	\$141,325
April 1, 2015			\$3,220	\$3,220
October 1, 2015	4.60%	\$140,000	\$3,220	\$143,220
		\$645,000	\$76,935	\$721,935

Special Revenue Funds Summary

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The budgeting and accounting for this group of funds is done on the modified accrual basis.

Special Revenue Funds in the City of Cadillac include:

Major Special Revenue Funds (Included in Major Fund Section):

Major Street Fund – Used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and the maintenance contract of the state trunklines.

Local Street Fund – Receives all local street money paid to cities by the State, accounts for all construction, maintenance, traffic services, and winter maintenance on all streets classified as local.

Nonmajor Special Revenue Funds (Included in this section):

Cemetery Operating Fund – This fund records the financial activities of running the cemetery. Revenues from endowment funds supplement charges for services to finance these activities.

Naval Reserve Center Fund – This fund was established to account for the rental of the Naval Reserve Center.

Cadillac Development Fund – This fund was established with grant monies from an Urban Development Action Grant to assist in economic development and Housing and Urban Development funds to assist low and moderate income families to bring their homes up to the city building codes.

Lake Treatment Fund - The fund is established for collection of an added voted millage dedicated for the eradication of Eurasian water milfoil and other invasive aquatic species in Lake Cadillac.

H. L. Green Operating Fund – This fund was established to account for the rental and sale of the H. L. Green building in downtown Cadillac.

FY2012

	Cemetery Fund	Naval Reserve Center Fund	Cadillac Development Fund	Lake Treatment Fund	H. L. Green Operating Fund	Total
REVENUES						
Interest Income	\$0	\$100	\$14,000	\$500	\$2,000	\$16,600
Interest Income-Loan			21,000			21,000
Principal Repayment-Loan					26,500	26,500
Rental		7,000				7,000
Charges for Services	51,200					51,200
Local Funds	7,500					7,500
General Fund	75,000			120,000		75,000
Property Taxes						120,000
Surplus		19,600	27,400			47,000
TOTAL REVENUES	\$133,700	\$26,700	\$62,400	\$120,500	\$28,500	\$371,800
EXPENDITURES						
Operating Expenditures	133,400	26,700	24,600	120,500		305,200
Community Development			37,800			37,800
Capital Outlay						0
Debt Service					18,900	18,900
Transfer Out						0
TOTAL EXPENDITURES	\$133,400	\$26,700	\$62,400	\$120,500	\$18,900	\$361,900
Change in Fund Balance	\$300	(\$19,600)	(\$27,400)	\$0	\$9,600	(\$37,100)
Fund Balance - Beginning of Year	1,873	34,936	1,435,091	138	70,423	1,542,461
Fund Balance - End of Year	\$2,173	\$15,336	\$1,407,691	\$138	\$80,023	\$1,505,361

Footnotes:

(1) Excludes "Surplus". Surplus indicates the use of prior year's earnings to balance the budget. The budget staff has determined that sufficient prior year's earnings are available to offset current year deficiencies.

(2) Surplus is excluded from total revenues for the purposes of the Budget Summaries section on page 35-40.

Fund: Cemetery Operating Fund

Type: Special Revenue Fund

Oversight: Director of Public Works and Engineering

Nature and Purpose:

The Cemetery Operating Fund is in existence for the operation of the City-owned cemetery located on the southern boundaries of Cadillac. It is a well-manicured facility and is viewed by many people as they travel on U.S. 131, which runs parallel to the facility.

The General Fund of the City funds approximately 56% of Cemetery operations. This is below the average of other cemeteries in Northern Michigan. This contribution was shown for the first time in FY2009. Historically the General Fund has provided administrative support services at no cost to the Cemetery, but in an effort to more accurately reflect the true operating cost of the cemetery, these amounts are now shown in this fund.

Advisory Board & Cemetery Management

Article 18, Section 18.1 of the City Charter reflects that an advisory board shall be established to handle policy related cemetery rules and ordinances relating to the cemetery. The City Manager, for all practical purposes, has delegated this responsibility to the Director of Public Works and Engineering. A cemetery superintendent is responsible for the daily activity of cemetery personnel, which consists of the cemetery supervisor and two part-time maintenance workers. These part-time workers do not work during the winter months, but begin working when the snow melts to maintain the Cemetery.

Advisory Board

Roy Wohlford, Jr., *Chairperson*

Del Packard, *Member*

Nick Nelson, *Member*

Chris Benson, *Secretary*

Robert Johnson, *Ex-Officio, Public Works Director*

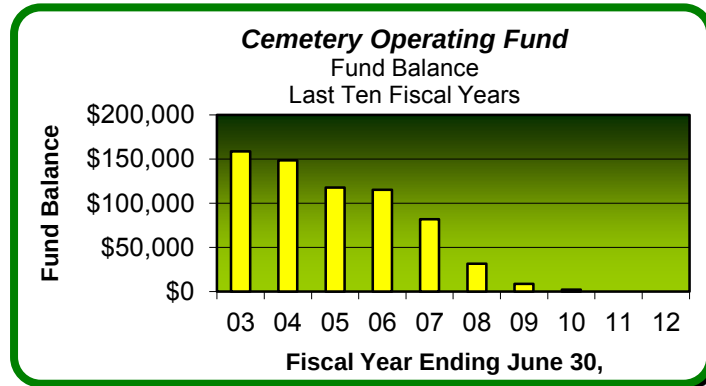
PERFORMANCE MEASURES - MAPLE HILL CEMETERY

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Number of Lots Sold		45	18	30	28	↓
Number of Burials		42	43	43	43	↔
Number of Cremains		33	32	32	32	↔
Total Revenue		\$41,950	\$44,952	\$42,500	\$51,200	↑
General Fund Contribution		\$68,400	\$72,400	\$72,400	\$75,000	↑
G.F. Contribution as % of Expenditures		51%	58%	58%	56%	↔

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenue				
Charges For Services:				
Sale of Lots & Burial Rites	\$7,925	\$8,500	\$9,800	\$9,800
Grave Openings & Storage	30,690	32,000	33,000	33,000
Foundations & Miscellaneous	6,337	7,500	8,400	8,400
Miscellaneous:				
Interest Income	5	500	1,000	0
Transfer In - Perpetual Care	0	2,500	0	7,500
Contribution from General Fund	72,400	72,400	72,400	75,000
Surplus	0	0	0	0
Total	\$117,357	\$123,400	\$124,600	\$133,700
Expenditures				
Salaries - Regular	\$37,929	\$38,300	\$38,500	\$37,500
Salaries - Part Time	21,261	21,000	20,000	23,300
Fringes	26,218	23,000	24,600	24,000
Liability Insurance	100	100	100	100
Operating Supplies	10,903	10,500	10,100	10,400
Audit	450	450	600	500
Utilities	7,375	10,000	10,100	9,700
Telephone	329	400	500	400
Equipment Rental	3,864	4,000	2,700	3,800
Administration	8,500	8,500	8,500	8,500
Data Processing	2,500	2,500	2,500	1,000
Travel & Education	338	300	400	400
Repair and Maintenance	4,267	4,500	6,000	5,300
Capital Outlay	0		0	8,500
Total	\$124,034	\$123,550	\$124,600	\$133,400
Fund Balance				
Net Change in Fund Balance	(6,677)	(150)	0	300
Fund Balance - Beginning of Year	8,700	2,023	2,023	1,873
Ending Fund Balance	\$2,023	\$1,873	\$2,023	\$2,173

Fund Financial Highlights**Fund Balance**

The fund balance has been declining for several years due to added costs of operating the cemetery. Much of this increase in costs is related to labor. The State of Michigan has eliminated the availability of prison labor, thus requiring the Cemetery to hire part time workers to help maintain the Cemetery. This costs significantly more than the low rate at which prison labor was formerly available.

**General Fund Contribution**

Historically the City has made no contribution from the General Fund to cover Cemetery operating costs. However, the City has contributed administrative oversight at no cost. In an effort to more accurately reflect the cost of operating the Cemetery, these costs are now accounted for separately. This has made it necessary to show a General Fund contribution in order to fully cover annual operating costs.

Revenue

One of the largest revenue items is the transfer from the Perpetual Care Fund. Part of the sale of cemetery lots is for a perpetual care fee which the city uses as an endowment and only uses the interest earned to support the operation of the daily activity in the cemetery. In FY2010, it is anticipated interest earnings from Perpetual Care will not provide any revenue for operations due to the depressed investment market.

The charges and services are based on a three-year trend as it is difficult to predict the accurate number of burials.

Cemetery Staffing

A portion of administrative salaries are allocated to this fund according to the estimated time spent on Cemetery activities, as follows:

Allen Dumond	Parks & Cemetery Superintendent	5.0%
Bryan Elenbaas	Cemetery Supervisory	85.0%

Part-Time Labor

Due to the elimination of prison labor availability from the State of Michigan, the Cemetery will need to hire 2 part-time workers to keep up with the daily maintenance of the Cemetery. This has added significant costs to the Cemetery and will create long-term challenges that need to be addressed to insure the long-term stability of the Cemetery operation.

Cemetery Rates Benchmark Study

How do our rates compare with other communities of similar size?

A recent survey taken in the spring of 2010 revealed the following comparisons of charges, along with the most recent budgets and the percentage of the budget funded by General Fund contributions:

	<u>Cadillac</u>	<u>Petoskey</u>	<u>Alpena</u>	<u>Traverse City</u>	<u>Midland</u>
<u>Lot Sales</u>					
Infant	\$175	\$85-\$1,475	\$175	\$175	\$155
Single	\$475	\$450 - \$3,450	\$515	\$500	\$525
Family	\$2,125	n/a	n/a	n/a	n/a
<u>Vault Storage</u>	n/a	\$200	\$195	n/a	n/a
<u>Foundations</u>					
Per Square Inch	\$0.40	\$0.27	n/a	\$0.30	\$0.40
<u>Grave Openings</u>					
Normal Working Hours					
4/16 to 10/31	\$500	\$400	\$515	\$475	\$485
11/1 to 4/15	\$575	\$400	n/a	\$575	n/a
Sat. or after 3:30 P.M.	\$550	\$550	\$780	\$300	\$830
Infants 4/16 to 11/14	\$165	\$100	\$330	\$325	\$220
Infants 11/15 to 4/15	\$190				
Sat. or after 3:30 P.M.	n/a	\$550	\$915	\$875	\$565
11/15 to 4/14	\$190	n/a	\$915	\$575	525-625
<u>Cremations</u>	\$250	\$190	\$240	\$250	\$125
Saturdays	\$275	\$290	n/a	n/a	n/a
Percent of General Fund Contribution	56%	82%	60%	78%	77%
Annual Budget	\$133,400	\$575,500	\$152,000	\$358,600	\$156,000

Rate Structure

Rates were reviewed and increased in 2006. Rates were further analyzed in 2010 and a slight adjustment was made to ensure equity in burial costs regardless of burial time. Perpetual Care interest has been declining due to the interest rate market, which coupled with the elimination of the availability of prison labor has made it much more difficult to fund the operations of the Cemetery. The rates continue to be in the mid range of rates charged in the northern Michigan area. The fund balance has been declining over the past few years as reserves have been used to fund Cemetery operations, and a General Fund contribution will be required to fund 58% of Cemetery operations once again in FY2012.

Fund: Naval Reserve Center Fund

Type: Special Revenue Fund

Oversight: Director of Finance

Nature and Purpose:

In 1947 the City of Cadillac began leasing the Naval Reserve Center to the Department of Navy. The lease was for \$1 per year. During this time the Navy was responsible for all operational costs of the Naval Reserve Center including all utilities and property and building maintenance. This resulted in no cost to the City of Cadillac. Due to military downsizing by the federal government, the Department of Navy vacated the Naval Reserve Center on June 1, 1996. Since then, the City has rented the building to various non-profit organizations for office, classroom, storage, and recreational space.



FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Interest Income	\$74	\$700	\$200	\$100
Rental Income:				
City of Cadillac Parks Division	1,100	1,100	1,500	1,500
Senior Citizens Center	4,000	4,400	4,700	4,900
YMCA	3,746	0	0	0
Wexford Genealogical Society	605	600	500	600
CWTA	4,983	0	5,000	0
Surplus	0	10,000	20,300	19,600
Total	\$14,508	\$16,800	\$32,200	\$26,700
Expenditures				
Building Maintenance	\$2,819	\$4,000	\$9,000	\$8,000
Audit	450	\$500	500	500
Liability Insurance	700	600	700	700
Utilities	16,515	18,000	22,000	17,500
Total	\$20,484	\$23,100	\$32,200	\$26,700
Fund Balance				
Net Change in Fund Balance	(\$5,976)	(\$16,300)	(\$20,300)	(\$19,600)
Fund Balance - Beginning of Year	57,212	51,236	51,236	34,936
Ending Fund Balance				
Undesignated	27,728	11,428	7,428	(8,172)
Designated - Roof Replacement	23,508	23,508	23,508	23,508
	\$51,236	\$34,936	\$30,936	\$15,336

Other Facility Information

The City of Cadillac converted the former Naval Reserve Center into a Community Center. The Center has been mostly vacant for several years. Significant upgrades will be required in order for the available space to be leased out in the future. The Senior Citizens Center, Cadillac Genealogy Society, and the City of Cadillac Parks Division currently rent space at the building. Funding for the Senior Center is provided through the Cadillac Community Schools Recreation Program, to which the City contributes about \$66,000 annually.

The City is the landlord and is responsible for lawn care and snow removal in the parking lot, structural maintenance and upkeep, and assuring that the building is capable of housing tenants in accordance with applicable building and zoning ordinances. Rental rates are kept low in order to reflect the City's desire to provide affordable space to these non-profit agencies.

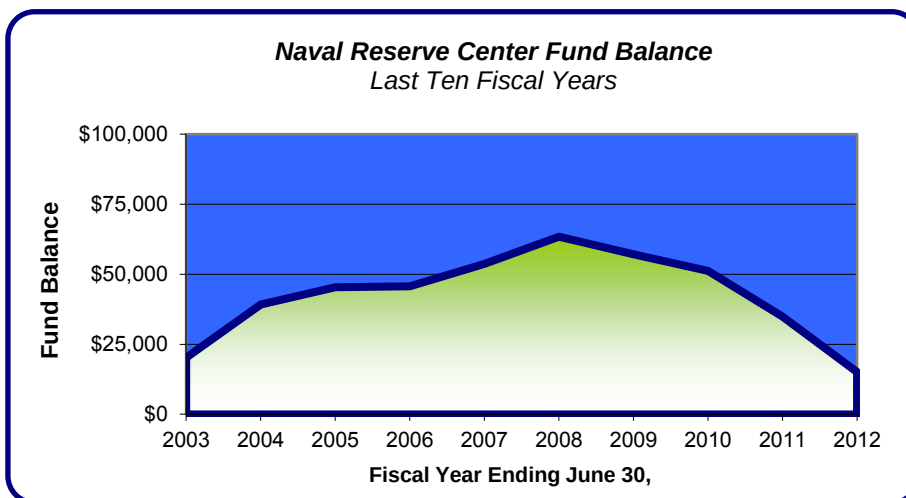
The City was able to improve and expand the parking lot in 2002. The flat section of the roof was previously scheduled for replacement, but the project has been postponed until a later date when funds are available. Funds are currently being set aside to accomplish the roofing project.

Property Management

Director of Finance Owen Roberts functions as the property manager for the City, providing management oversight. Municipal Complex Custodian Jim Givens assists with maintenance issues at the facility.

Fund Balance

Management has determined that the roof will need to be replaced at the Naval Reserve facility in the next few years. As such, annual increases in fund balance are being designated to this project to build up the reserves to fund the project. Early estimates are that the project will cost approximately \$100,000.



Fund: Cadillac Development Fund**Type:** Special Revenue Fund**Oversight:** Community Development Director**Nature and Purpose:**

This fund was established as the result of an \$800,000 UDAG grant to the City, which in turn was loaned to assist construction of the Hampton Inn. The Inn was constructed on schedule and the loan was paid in full in fiscal year 2000.

It is the City Council's desire to reuse these funds as low interest loans to enhance commercial development in the future. In cooperation with the Cadillac Downtown Development Authority, a Low-Interest Façade Improvement Program was created in 1999. All commercial properties in the DDA district are eligible to apply for a maximum \$30,000 loan to undertake approved facade improvements. A design review committee of the Downtown Development Authority helps to administer the program. A total of eleven loans at ten different locations have been made to date. Additional commercial redevelopment programs and opportunities are currently under exploration.

The Community Development Director is a full-time position funded 40% by this fund, 30% by the General Fund and 30% by the Downtown Development Authority. This position works primarily with the downtown merchants and the related promotions and recruitment.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Interest Income	\$18,374	\$18,000	\$19,000	\$14,000
Interest Income - Loans	25,976	\$24,500	\$24,000	21,000
Loan Principal Collection	5,114	\$0	\$0	0
Contributions from Private Sources	0	\$0	\$0	0
Surplus	0	17,900	20,100	27,400
Total	\$49,464	\$60,400	\$63,100	\$62,400
Expenditures				
Urban Redevelopment and Housing Administration	\$55,335	\$24,400	\$24,700	\$24,600
Community Development Director	31,046	36,000	38,400	37,800
	\$86,381	\$60,400	\$63,100	\$62,400
Fund Balance				
Net Change in Fund Balance	(\$36,917)	(\$17,900)	(\$20,100)	(\$27,400)
Fund Balance - Beginning of Year	1,489,908	1,452,991	1,452,991	1,435,091
Ending Fund Balance	\$1,452,991	\$1,435,091	\$1,432,891	\$1,407,691

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenditures				
Urban Redevelopment and Housing Administration				
Office Supplies	\$0	\$100	\$100	\$100
Postage	0	0	200	200
Data Processing	4,500	2,000	2,000	2,000
Audit	650	700	800	700
Contractual Services	2,606	2,500	2,500	2,500
Administration	19,100	19,100	19,100	19,100
Construction	0	0	0	0
Transfer to Building Inspection Fund	28,479	0	0	0
Total Administration	\$55,335	\$24,400	\$24,700	\$24,600
Community Development Director				
Salaries	\$24,456	\$24,500	\$27,000	\$25,500
Fringes	6,590	10,500	8,700	10,100
Office Supplies	0	100	300	300
Postage	0	100	300	300
Dues and Publications	0	300	600	600
Travel & Education	0	500	1,000	1,000
Property Taxes	0	0	500	0
Total Community Development Director	\$31,046	\$36,000	\$38,400	\$37,800
Total Expenditures	\$86,381	\$60,400	\$63,100	\$62,400

Cadillac Development Fund Goals:

1. Continue to make funds available to the DDA's low interest loan facade improvement program at 0% interest.
2. Partner efforts with the Cadillac DDA to encourage redevelopment of key commercial sites.
3. Maintain the principal and use the interest for grants as much as possible.

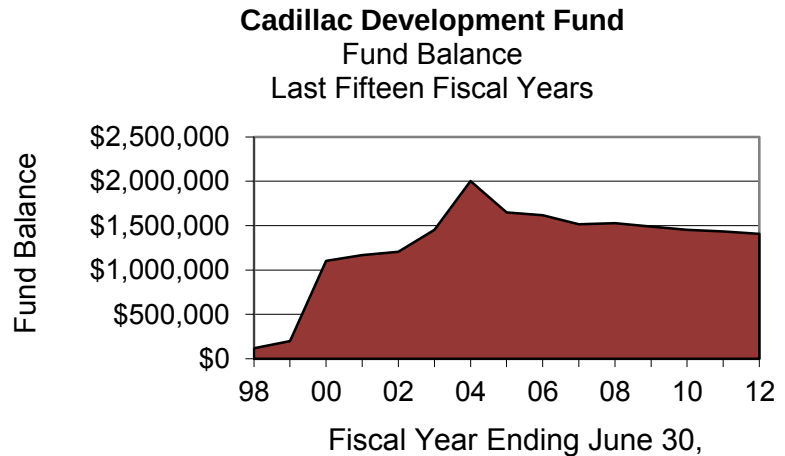
Community Development Director

Jerry Adams functions as the Director of Community Development for the City of Cadillac. This is in addition to his roles in planning and zoning and as the Downtown Development Authority Director. Adams brings a wealth of experience to the City from his background as a planning consultant with many years of experience.

Fund Financial Highlights

Fund Balance

The fund balance in this fund has experienced very positive results since the Hampton Inn loan was repaid in 2000. The resources in this fund continue to provide funds for development purposes, including the funds committed to sustaining city building inspection activities. A portion of the fund balance has been used over the last several years, as interest earnings have dropped and increased contributions have been made to various development activities.



Interest Income - Loans

This line item accounts for the interest received on various loans made to other internal City functions.

Transfer Out - Building Inspection Fund

Transfers were made to the Building Inspection Fund to help sustain this activity through difficult economic times. This activity has now been eliminated.

Project Highlights

Facade Improvement Loans Granted

Address

108 Beech Street
102 South Mitchell Street (2 granted) *
106 South Mitchell Street *
112 South Mitchell Street
114 South Mitchell Street
118 South Mitchell Street
134 West Harris Street *
408 North Mitchell Street
823 North Mitchell Street
117 North Mitchell Street *

Business

Commercial Rental Facility
Lakeside Title/Manpower
Shay Station
Brink's Custom Framing
Steve Fowler's Hairstyling Salon
Quadrant Northwest Appraisal Service
Baird, Cotter & Bishop, CPA, PC
Comfort Center
Muffler Man
Commercial/Retail Rental Building

* See additional highlights of project below

Project Highlights (Continued)

**102 South Mitchell Street**

The City participated with the City Park Professional group and Citizens Bank to help assist the redevelopment of the façade of a prominent downtown building. This provided a very significant enhancement to the downtown area and also helped enable re-use of an older downtown structure. This project was completed in 2006.

106 South Mitchell Street

This project was a participation between Rich and Beth Boscher, owners of the Shay Station restaurant, and Firstbank. The project significantly enhanced the appearance of a downtown building. The project was completed in 2006.

**134 West Harris Street**

Citizens Bank and the City of Cadillac partnered to provide the partners in the accounting firm of Baird, Cotter & Bishop, CPAs, with a low-interest loan to give their office building a facelift in 2005. This project is near the lakefront and provided the opportunity to improve the appearance of the professional office facility.

117 North Mitchell Street

The commercial rental facility known as the Kramer building suffered substantial damage from a fire in 2006. The City worked with the owners to partner with 5/3 Bank in providing funds to assist with the renovation of the building façade which was completed in 2007.



Fund: Lake Treatment Fund**Type:** Special Revenue Fund**Oversight:** Community Development Director**Nature and Purpose:**

The Lake Treatment Fund was formed to segregate revenues received exclusively for the treatment of milfoil and other invasive aquatic plant and animal species that found their way to Lake Cadillac. The voters of Cadillac approved a millage in February 2011 to provide resources for this treatment. An assessment on lakefront property owners - including the City of Cadillac - had funded about \$350,000 in lake treatments since 2005.

Lake Cadillac represents a 1,150 acre freshwater inland lake located within the city's boundaries. The lake is considered the city's greatest natural asset and one of its most important recreational resources. Unfortunately, like many of Michigan's inland lakes, Lake Cadillac experiences the presence of several invasive aquatic species including Eurasian watermilfoil and Zebra mussels.

The millage is dedicated to the implementation of measures oriented to the control of these undesirable plants and animals. Funds generated by the millage will be used to retain a qualified freshwater aquatic consultant to assist on matters of invasive species management and for lake treatment programs, public education, and related activities.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Special Assessment Payments	\$0	\$0	\$0	\$120,000
Interest Income	1,596	0	500	500
Surplus	0	12,100	12,100	0
Total	\$1,596	\$12,100	\$12,600	\$120,500
Expenditures				
Contractual Services	\$60,025	\$11,500	\$11,600	\$118,500
Supplies	180	100	500	1,500
Audit	450	450	500	500
Total	\$60,655	\$12,050	\$12,600	\$120,500
Fund Balance				
Net Change in Fund Balance	(\$59,059)	(\$12,050)	(\$12,100)	\$0
Fund Balance - Beginning of Year	71,247	12,188	12,188	138
Ending Fund Balance	\$12,188	\$138	\$88	\$138

Contractual Service

The principal use of funding provided by the millage is for engineering and treatment services provided contractually by outside vendors. These services are currently in the competitive bidding process and are expected to be about \$90,000 - \$100,000 per year. The remainder of the costs are for permits and educational activities.

Fund: H.L. Green Operating Fund**Type:** Special Revenue Fund**Oversight:** Director of Finance**Nature and Purpose:**

In 1994 the City Council agreed to purchase a vacant building located in downtown Cadillac at 105-109 South Mitchell Street, commonly known as the H.L. Green building. This structure, originally built in the 1800's, had been vacant for three years since its last tenant, the H.L. Green Dime Store, went out of business. With the aid and vision of the Cadillac Downtown Development Authority and the Cadillac Downtown Fund, the building was purchased and renovated. A low-interest loan from the Michigan Jobs Commission and the Urban Land Assembly Fund (ULAF) for \$200,000 was secured to fund the renovation of the structure into three separate storefronts. With all of the storefronts renovated, the City of Cadillac sold the building to Rick and Tammy Grant in 1997 on a land contract.

The purpose of this fund is to track revenues and expenses associated with the operation of the building, to assure receipt of land contract payments, and to ensure repayments of funding sources utilized in the initial development.

Revenues

The major source of revenue in this fund is from the land contract, which will be paid by 2013. The current monthly payment is \$2,500. Outstanding balance of the land contract at July 1, 2011 will be about \$46,000.

Expenditures

In FY2011, the balance owed from the original contribution from the Cadillac Downtown Fund was paid in full. There are no planned expenditures for FY2012.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Land Contract - Grant	\$24,929	\$26,500	\$26,500	\$26,500
Interest Income	2,621	2,000	2,000	1,200
Total	\$27,550	\$28,500	\$28,500	\$27,700
Expenditures				
Audit	\$450	\$500	\$500	\$500
Principal Payment	19,000	18,900	18,900	0
Total	\$19,450	\$19,400	\$19,400	\$500
Fund Balance				
Net Change in Fund Balance	\$8,100	\$9,100	\$9,100	\$27,200
Fund Balance - Beginning of Year	53,223	61,323	61,323	70,423
Ending Fund Balance	\$61,323	\$70,423	\$70,423	\$97,623

Debt Management Policy

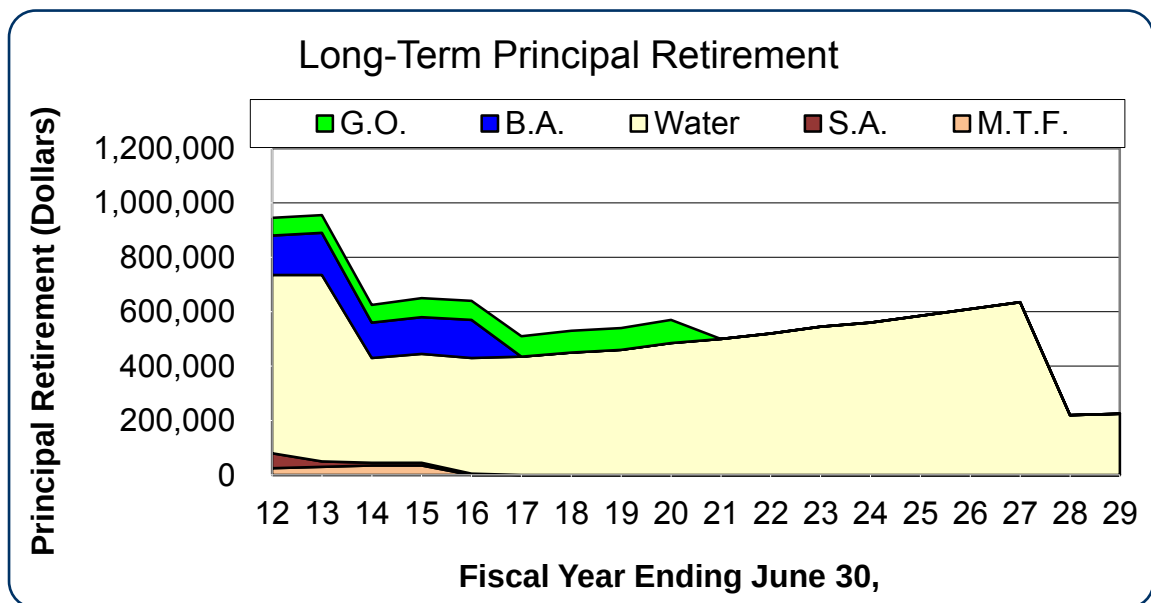
All of the City's Debt Service funds qualify as nonmajor funds. These funds are accounted and budgeted for on a modified accrual basis. Due to its conservative basis of accounting for tax revenues, the City of Cadillac is not required to borrow money for operations.

When incurred, the City's long-term general obligation and special assessment debt is handled through a debt service fund. The revenue bond requirements are handled through the Enterprise Fund. When appropriate for the type of debt incurred, a forty-five day referendum is held before the debt may officially be sold. By virtue of the State of Michigan, local government can not issue debt in excess of 10% of the assessed valuation of the taxable property.

The following objectives for debt management are the result of the goal to be fiscally responsible with the taxpayers' money in a conservative and prudent manner:

1. Long-term debt will be confined to capital improvements that can not be financed from current revenues.
2. The payback period of the debt will not exceed the expected useful life of the project.
3. The general obligation debt will not exceed ten percent of the assessed valuation of the taxable property.
4. Long-term debt will not be used for operations.
5. The City of Cadillac will maintain good communications with the bond rating agencies about its financial condition and will follow a policy of full disclosure on every financial report and bond prospectus.

The City's debt policy can be found in the Supplemental Section of this budget document.



Debt Limit and Overlapping Debt Information

LEGAL DEBT MARGIN - JUNE 30, 2010

(All numbers in thousands)

Taxable Valuation			<u>\$261,508</u>
Statutory Debt Limit - 10% of Assessed Valuation			\$26,151
Amount of Debt Applicable to Limit:			
Gross Bonded Debt		\$12,167	
Less			
Assets Available for Debt Service	3		
Bond Debt Not Subject To Limit:			
Special Assessment Bonds	170		
Revenue Bonds	10,160		
Other Debt	857	11,190	
Total Amount of Debt Applicable to Debt Limit			<u>977</u>
LEGAL DEBT MARGIN			<u>\$25,174</u>

DIRECT AND OVERLAPPING DEBT - JUNE 30, 2010

		GROSS BONDED DEBT	(1) EXCLUSIONS	NET BONDED DEBT
DIRECT DEBT:				
Outstanding Bonds				
General Obligation		\$980	\$3	\$977
Special Assessment		170	170	0
Revenue Bonds				
Water and Sewer		9,400	9,400	0
Primary Government		760	760	0
Other		857	857	0
Total Direct Debt		\$12,167	\$11,190	\$977
	(2)			
GROSS OVERLAPPING DEBT	% APPLICABLE			
Cadillac Area Public Schools	36.69%	\$4,955	\$0	\$4,955
Wexford County	26.08%	1,785	0	1,785
Total Gross Overlapping Debt		\$6,740	\$0	\$6,740
NET DIRECT AND OVERLAPPING DEBT		\$18,907	\$11,190	\$7,717

NOTES:

(1) Exclusions represent all bonds which are not general obligation bonds of the City of Cadillac, and general obligation bonds which are self-supporting.

(2) Percentage applicable to the City of Cadillac calculated using state taxable valuation of City divided by state taxable valuation of taxing district.

Debt Summary

Fiscal Year Ending June 30, 2012				
Description of Debt	Fund Servicing Debt	Debt Outstanding June 30, 2011	July 1, 2011 - June 30, 2012	
			Debt Service Payments	
			Principal	Interest
Bonds and Installment Notes				
1997	Special Assessment	20,000	20,000	545
2000	Special Assessment	25,000	5,000	1,243
2002	Special Assessment	55,000	30,000	1,869
1997	Building Authority	60,000	30,000	2,356
1999	Building Authority	645,000	115,000	27,025
Revenue Bonds				
1999	Water and Wastewater	1,070,000	5,000	51,093
2001	Water and Wastewater	4,175,000	480,000	197,245
2007	State of Michigan SRF	3,530,205	170,000	55,985
Michigan Transportation Bonds				
2000	Local Street	125,000	25,000	6,223
General Obligation Bonds				
2004	Major/Local Streets	655,000	65,000	24,191
Total Debt		<u>\$10,360,205</u>	<u>\$945,000</u>	<u>\$367,775</u>

Fiscal Year Ending June 30,	Total Debt Per Capita (inclusive of all funds) 2000 Census - 10,000	Rate of Principal Retirement
2003	2,093.00	27.10%
2004	1,366.00	9.96%
2005	1,295.50	14.67%
2006	1,165.50	6.18%
2007	1,062.00	6.92%
2008	988.50	7.49%
2009 *	1,301.00	5.89%
2010	1,224.50	7.59%
2011	1,131.50	8.40%
2012	1,036.02	9.12%

* Per Capita debt increased in FY2009 due to the securing of a low-interest loan from the State of Michigan in the amount of \$3,870,000. This loan is to fund a substantial improvement project at the Wastewater Treatment Plant, and will be paid for with Water and Sewer system revenues.

Debt Service Funds Summary

Fiscal Year Ending June 30, 2012

	1997 S.A.	1997 Building Authority	2000 S.A.	2000 M.T.F.	2002 S.A.
Revenues:					
Local Contribution - Local Street				\$32,300	
Local Contribution - Major Street					
Special Assessments		\$33,700	\$2,700		\$3,100
Interest Income - Assessments			500		800
Interest Income			3,000		
Transfer in					115,000
Surplus	136,800		1,400		
Total Revenues	\$136,800	\$33,700	\$7,600	\$32,300	\$118,900
Expenditures					
Audit	\$600	\$500	\$600	\$500	\$600
Bond Principal Payment	20,000	30,000	5,000	25,000	30,000
Interest Expense	1,200	3,200	2,000	6,800	2,500
Transfer out	115,000				
Total Expenditures	\$136,800	\$33,700	\$7,600	\$32,300	\$33,100
Revenue Over (Under) Expenditures (1)	(\$136,800)	\$0	(\$1,400)	\$0	\$85,800

	2004 G.O. Capital Improvement	Total
Revenues:		
Local Contribution - Local Street	\$72,400	\$104,700
Local Contribution - Major Street	18,100	18,100
Special Assessments		39,500
Interest Income - Assessments		1,300
Interest Income		3,000
Transfer In		115,000
Surplus		138,200
Total Revenues	\$90,500	\$419,800
Expenditures		
Audit	\$500	\$3,300
Bond Principal Payment	65,000	175,000
Interest Expense	25,000	40,700
Transfer Out		115,000
Total Expenditures	\$90,500	\$334,000
Revenue Over (Under) Expenditures	\$0	(\$52,400)

(1) Excludes "Surplus." Surplus indicates the use of prior year's earnings to balance current budget. The budget staff has determined that sufficient prior year's earnings are available to offset current year deficiencies.

(2) Surplus is excluded from total revenues for the purposes of the Budget Summaries section of this document.

1997 Special Assessment Debt Service Fund

Type: Debt Service Fund

Oversight: Director of Finance

TITLE OF ISSUE: 1997 Special Assessment Limited Tax Bonds

DATE OF ISSUE: May 1, 1997

PURPOSE: Paying all or part of the cost of public improvements in certain Special Assessment Districts in the City of Cadillac.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Special Assessments	\$14,069	\$14,000	\$14,000	\$0
Interest Income - Assessments	1,717	900	900	0
Interest Income	3,343	2,000	2,500	0
Surplus	0	11,100	10,700	136,800
Total	\$19,129	\$28,000	\$28,100	\$136,800
Expenditures				
Audit	\$600	\$600	\$600	\$600
Bond Principal Paid	25,000	25,000	25,000	20,000
Interest Expense	3,415	2,400	2,500	1,200
Transfer Out	0	0	0	115,000
Total	\$29,015	\$28,000	\$28,100	\$136,800
Fund Balance				
Net Change in Fund Balance	(\$9,886)	(\$11,100)	(\$10,700)	(\$136,800)
Fund Balance - Beginning of Year	157,826	147,940	147,940	136,840
Ending Fund Balance	\$147,940	\$136,840	\$137,240	\$40

Bond Issue Payoff

FY2011 represents the final year of budgeting for this fund, as the bond issue will be paid in full on October 1, 2010. Any remaining reserves in the fund will be transferred to another debt service fund of similar character and purpose. All special property assessments have been paid in full.

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1997 Building Authority Debt Service Fund

Type: Debt Service Fund

Oversight: Director of Finance

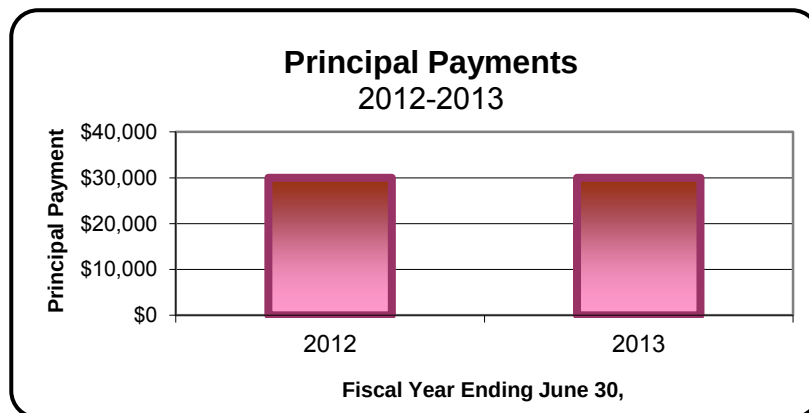
TITLE OF ISSUE: 1997 Building Authority Fund Bonds

DATE OF ISSUE: December 1, 1997

PURPOSE: For the purpose of paying all or part of the cost of public parking lot improvements in the City of Cadillac. Tax increment financing (TIF) funds are transferred from the DDA Capital Projects fund to cover the debt service on the bond issue.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Tax Increment Financing Revenues	\$31,300	\$35,100	\$35,100	\$33,700
Total	\$31,300	\$35,100	\$35,100	\$33,700
Expenditures				
Audit	\$450	\$450	\$400	\$500
Bond Principal Paid	25,000	30,000	30,000	30,000
Interest Expense	5,618	4,650	4,700	3,200
Total	\$31,068	\$35,100	\$35,100	\$33,700
Fund Balance				
Net Change in Fund Balance	\$232	\$0	\$0	\$0
Fund Balance - Beginning of Year	409	641	641	641
Ending Fund Balance	\$641	\$641	\$641	\$641

Bond principal payment will be paid in full on October 1, 2012.



DEBT SERVICE DETAILS

		AMOUNT REDEEMED		<u>Balance</u>
		<u>Prior</u>	<u>Current</u>	
AMOUNT OF ISSUE	\$310,000	\$220,000	\$30,000	\$60,000

DUE DATES	DEBT SERVICE REQUIREMENTS			
	RATE	PRINCIPAL	INTEREST	TOTAL
October 1, 2011	5.20%	\$30,000	\$1,568	\$31,568
April 1, 2012			\$788	\$788
October 1, 2012	5.25%	\$30,000	\$788	\$30,788
		\$60,000	\$3,144	\$63,144

Five Year Projections

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Revenues					
Tax Increment Financing Revenues	\$31,500	\$0	\$0	\$0	\$0
Interest Income - TIF	400	0	0	0	0
Total Revenues	\$31,900	\$0	\$0	\$0	\$0
Expenditures					
Audit	\$600	\$0	\$0	\$0	\$0
Principal Payment	30,000	0	0	0	0
Interest Expense	1,300	0	0	0	0
Total Expenditures	\$31,900	\$0	\$0	\$0	\$0

2000 Special Assessment Debt Service Fund

Type: Debt Service Fund

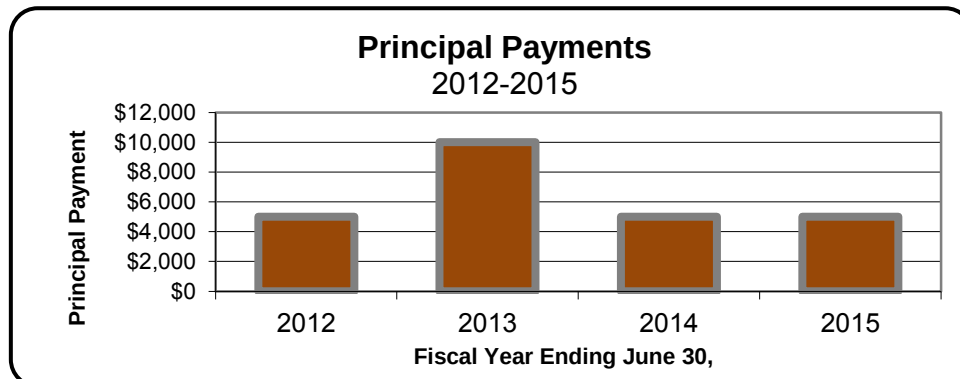
Oversight: Director of Finance

TITLE OF ISSUE: 2000 Special Assessment Limited Tax Bonds

DATE OF ISSUE: June 1, 2000

PURPOSE: Paying all or part of the cost of public improvements in certain Special Assessment Districts in the City of Cadillac.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Special Assessments	\$2,726	\$2,700	\$2,800	\$2,700
Interest Income - Assessments	930	700	700	500
Interest Income	3,858	3,000	1,000	3,000
Surplus	0	1,500	3,400	1,400
Total	\$7,514	\$7,900	\$7,900	\$7,600
Expenditures				
Audit	\$600	\$600	\$600	\$600
Bond Principal Paid	20,000	5,000	5,000	5,000
Interest Expense	2,475	2,300	2,300	2,000
Transfer Out	0	0	0	0
Total	\$23,075	\$7,900	\$7,900	\$7,600
Fund Balance				
Net Change in Fund Balance	(\$15,561)	(\$1,500)	(\$3,400)	(\$1,400)
Fund Balance - Beginning of Year	114,883	99,322	99,322	97,822
Ending Fund Balance	\$99,322	\$97,822	\$95,922	\$96,422



DEBT SERVICE DETAILS

AMOUNT OF ISSUE		AMOUNT REDEEMED		<u>Balance</u>
		<u>Prior</u>	<u>Current</u>	
	\$210,000	\$180,000	\$5,000	\$25,000

DUE DATES	DEBT SERVICE REQUIREMENTS			
	RATE	PRINCIPAL	INTEREST	TOTAL
October 1, 2011	5.50%	\$5,000	\$690	\$5,690
April 1, 2012			\$553	\$553
October 1, 2012	5.50%	\$10,000	\$553	\$10,553
April 1, 2013			\$277	\$277
October 1, 2013	5.55%	\$5,000	\$277	\$5,277
April 1, 2014			\$139	\$139
October 1, 2014	5.55%	\$5,000	\$139	\$5,139
		\$25,000	\$2,628	\$27,628

Five Year Projections

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017

Revenues					
Special Assessments	\$10,000	\$7,000	\$5,300	\$0	\$0
Interest Income - Assessments	2,000	1,500	1,000	0	0
Surplus	0	0	0	0	0
Total Revenues	\$12,000	\$8,500	\$6,300	\$0	\$0

Expenditures					
Audit	\$700	\$700	\$700	\$0	\$0
Principal Payment	10,000	5,000	5,000	0	0
Interest Expense	1,300	900	600	0	0
Total Expenditures	\$12,000	\$6,600	\$6,300	\$0	\$0

2000 Michigan Transportation Fund (MTF) Debt Service Fund

Type: Debt Service Fund

Oversight: Director of Finance

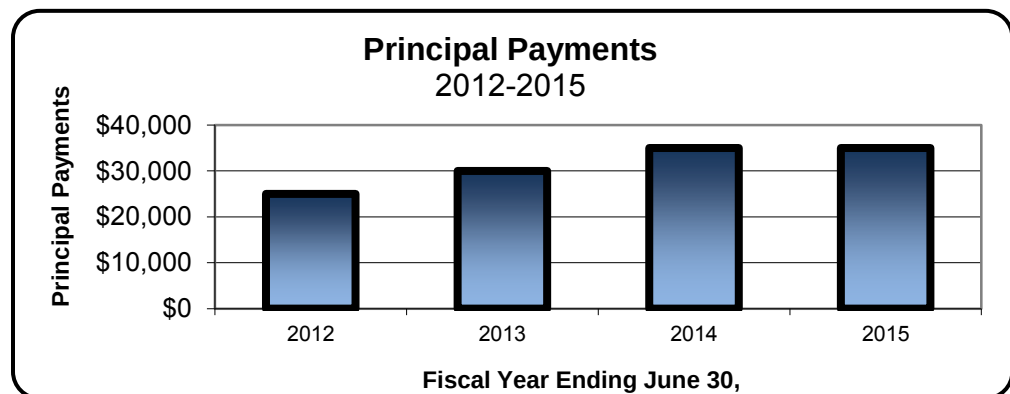
TITLE OF ISSUE: 2000 Michigan Transportation Fund Bonds

DATE OF ISSUE: June 1, 2000

PURPOSE: To defray part of the cost of constructing street improvements in the City of Cadillac pursuant to the provisions of Act 175, Public Acts of Michigan, 1952.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Transfer from Local Street Fund	\$36,104	\$34,000	\$34,000	\$32,300
Total	\$36,104	\$34,000	\$34,000	\$32,300
Expenditures				
Audit	\$450	\$450	\$500	\$500
Bond Principal Paid	25,000	25,000	25,000	25,000
Interest Expense	9,541	8,500	8,500	6,800
Total	\$34,991	\$33,950	\$34,000	\$32,300
Fund Balance				
Net Change in Fund Balance	\$1,113	\$50	\$0	\$0
Fund Balance - Beginning of Year	696	1,809	1,859	1,859
Ending Fund Balance	\$1,809	\$1,859	\$1,859	\$1,859

Bond principal payment will be paid in full on October 1, 2014



DEBT SERVICE DETAILS

AMOUNT OF ISSUE		AMOUNT REDEEMED		Balance
		Prior	Current	
	\$300,000	\$150,000	\$25,000	\$125,000

DEBT SERVICE REQUIREMENTS				
DUE DATES	RATE	PRINCIPAL	INTEREST	TOTAL
October 1, 2011	5.50%	\$25,000	\$3,455	\$28,455
April 1, 2012			\$2,768	\$2,768
October 1, 2012	5.50%	\$30,000	\$2,768	\$32,768
April 1, 2013			\$1,943	\$1,943
October 1, 2013	5.55%	\$35,000	\$1,943	\$36,943
April 1, 2014			\$971	\$971
October 1, 2014	5.55%	\$35,000	\$971	\$35,971
		\$125,000	\$14,819	\$139,819

Five Year Projections

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017

Revenues					
Local Contribution - Local Street	\$35,600	\$38,900	\$36,800	\$0	\$0
Total Revenues	\$35,600	\$38,900	\$36,800	\$0	\$0

Expenditures					
Audit	\$400	\$400	\$400	\$0	\$0
Principal Payment	30,000	35,000	35,000	0	0
Interest Expense	5,200	3,500	1,400	0	0
Total Expenditures	\$35,600	\$38,900	\$36,800	\$0	\$0

2002 Special Assessment Debt Service Fund

Type: Debt Service Fund

Oversight: Director of Finance

TITLE OF ISSUE: 2002 Special Assessment Limited Tax Bonds

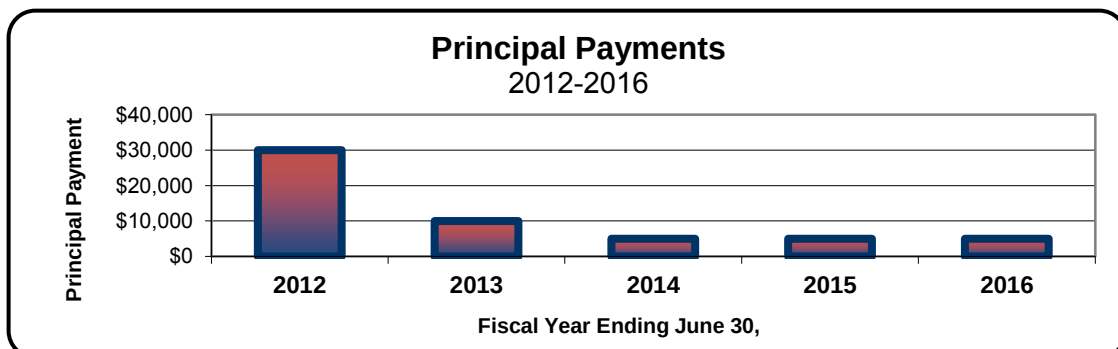
DATE OF ISSUE: June 1, 2002

PURPOSE: Paying all or part of the cost of public improvements in certain Special Assessment Districts in the City of Cadillac.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Special Assessments	\$12,889	\$10,700	\$10,700	\$3,100
Interest Income - Assessments	2,135	2,100	2,100	800
Transfer In	788	68,600	68,600	115,000
Surplus	0	0	0	0
Total	\$15,812	\$81,400	\$81,400	\$118,900
Expenditures				
Audit	\$600	\$600	\$600	\$600
Bond Principal Paid	30,000	30,000	30,000	30,000
Interest Expense	4,742	4,000	4,000	2,500
Transfer Out - 1992 S.A. Debt	0	0	0	0
Total	\$35,342	\$34,600	\$34,600	\$33,100
Fund Balance				
Net Change in Fund Balance	(\$19,530)	\$46,800	\$46,800	\$85,800
Fund Balance - Beginning of Year	24,519	4,989	4,989	51,789
Ending Fund Balance	\$4,989	\$51,789	\$51,789	\$137,589

Transfer In

Other debt retirement funds have fund balance exceeding the debt outstanding. These excess available funds are transferred to the next outstanding debt retirement fund.



DEBT SERVICE DETAILS

AMOUNT OF ISSUE		AMOUNT REDEEMED		Balance
		Prior	Current	
	\$325,000	\$240,000	\$30,000	\$55,000

DEBT SERVICE REQUIREMENTS				
DUE DATES	RATE	PRINCIPAL	INTEREST	TOTAL
October 1, 2011	4.50%	\$30,000	\$1,272	\$31,272
April 1, 2012			\$597	\$597
October 1, 2012	4.60%	\$10,000	\$597	\$10,597
April 1, 2013			\$367	\$367
October 1, 2013	4.75%	\$5,000	\$367	\$5,367
April 1, 2014			\$248	\$248
October 1, 2014	4.90%	\$5,000	\$248	\$5,248
April 1, 2015			\$125	\$125
October 1, 2015	5.00%	\$5,000	\$125	\$5,125
		\$55,000	\$3,946	\$58,946

Five Year Projections

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017

Revenues					
Special Assessments	\$8,600	\$4,300	\$4,700	\$4,700	\$0
Interest Income - Assessments	3,500	2,500	2,000	2,000	0
Surplus	0	0	0	0	0
Total Revenues	\$12,100	\$6,800	\$6,700	\$6,700	\$0

Expenditures					
Audit	\$700	\$700	\$700	\$700	\$0
Principal Payment	10,000	5,000	5,000	5,000	0
Interest Expense	1,400	1,100	1,000	1,000	0
Total Expenditures	\$12,100	\$6,800	\$6,700	\$6,700	\$0

2004 G.O. Capital Improvement Bonds Debt Service Fund

Type: Debt Service Fund

Oversight: Director of Finance

TITLE OF ISSUE: 2004 General Obligation Capital Improvement Bonds

DATE OF ISSUE: November 1, 2004

PURPOSE: For the purpose of paying all or part of acquiring and constructing various street improvements in the City, including all appurtenances and attachments pursuant to Act 34, Public Acts of Michigan 2001.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Transfer from Local Street Fund	\$70,100	\$69,100	\$69,100	\$72,400
Transfer from Major Street Fund	19,000	18,300	18,300	18,100
Total	\$89,100	\$87,400	\$87,400	\$90,500
Expenditures				
Audit	450	450	400	500
Bond Principal Paid	60,000	60,000	60,000	65,000
Interest Expense	28,265	27,000	27,000	25,000
Total	\$88,715	\$87,450	\$87,400	\$90,500
Fund Balance				
Net Change in Fund Balance	\$385	(\$50)	\$0	\$0
Fund Balance - Beginning of Year	1,045	1,430	1,380	1,380
Ending Fund Balance	\$1,430	\$1,380	\$1,380	\$1,380

DEBT SERVICE REQUIREMENTS						
Fiscal Year	Major Street Fund		Local Street Fund		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	13,650	5,080	51,350	19,111	\$65,000	\$24,191
2013	13,650	4,613	51,350	17,352	\$65,000	\$21,965
2014	13,650	4,125	51,350	15,517	\$65,000	\$19,642
2015	14,700	3,600	55,300	13,543	\$70,000	\$17,143
2016	14,700	3,041	55,300	11,442	\$70,000	\$14,483
2017	15,750	2,447	59,250	9,207	\$75,000	\$11,654
2019	16,800	1,107	63,200	4,165	\$80,000	\$5,272
2020	17,850	379	67,150	1,427	\$85,000	\$1,806
	137,550	26,189	517,450	98,519	655,000	124,708

DEBT SERVICE DETAILS

AMOUNT OF ISSUE		AMOUNT REDEEMED		Balance
		Prior	Current	
	\$995,000	\$280,000	\$60,000	\$655,000

DEBT SERVICE REQUIREMENTS				
DUE DATES	RATE	PRINCIPAL	INTEREST	TOTAL
September 1, 2011	3.35%	\$65,000	\$12,640	\$77,640
March 1, 2012			\$11,551	\$11,551
September 1, 2012	3.50%	\$65,000	\$11,551	\$76,551
March 1, 2013			\$10,414	\$10,414
September 1, 2013	3.65%	\$65,000	\$10,414	\$75,414
March 1, 2014			\$9,228	\$9,228
September 1, 2014	3.75%	\$70,000	\$9,228	\$79,228
March 1, 2015			\$7,915	\$7,915
September 1, 2015	3.85%	\$70,000	\$7,915	\$77,915
March 1, 2016			\$6,568	\$6,568
September 1, 2016	3.95%	\$75,000	\$6,568	\$81,568
March 1, 2017			\$5,086	\$5,086
September 1, 2017	4.05%	\$80,000	\$5,086	\$85,086
March 1, 2018			\$3,466	\$3,466
September 1, 2018	4.15%	\$80,000	\$3,466	\$83,466
March 1, 2019			\$1,806	\$1,806
September 1, 2019	4.25%	\$85,000	\$1,806	\$86,806
		\$655,000	\$124,708	\$779,708

Five Year Projections

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017

Revenues					
Local Contribution - Local Street Fund	\$70,400	\$68,600	\$70,800	\$68,800	\$66,400
Local Contribution - Major Street Fund	17,600	17,100	17,700	17,200	16,600
Total Revenues	\$88,000	\$85,700	\$88,500	\$86,000	\$83,000

Expenditures					
Audit	\$400	\$500	\$500	\$500	\$500
Principal Payment	65,000	65,000	70,000	70,000	70,000
Interest Expense	22,600	20,200	18,000	15,500	12,500
Total Expenditures	\$88,000	\$85,700	\$88,500	\$86,000	\$83,000

Capital Projects Funds Summary

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The accounting for this group of accounts is on the modified accrual basis.

Industrial Park Fund - The purpose is acquisition and development of a 300 acre tract of land into an industrial park for manufacturing companies. Part of the development costs of the project have been through a small cities grant from the State of Michigan and the Department of Commerce.

Special Assessment Capital Projects Fund - Accounts for preliminary and construction work on projects that are subsequently paid from special assessments.

Capital Projects Funds Summary

FY2012

	Industrial Park Fund	Special Assessments Capital Projects	Total
Revenues			
Sale of Property	\$35,000		\$35,000
Interest Income	4,000	\$500	4,500
Interest Income - Assessments		7,700	7,700
Special Assessment Principal		41,700	41,700
Bond Proceeds			0
Grants - State of Michigan			0
Water and Sewer Fund			0
Major Street Fund			0
Local Street Fund			0
Capital Projects Fund			0
Local Funds			0
Surplus			0
Total Revenue	\$39,000	\$49,900	\$88,900
Expenditures			
Fees and Commissions	3,500		3,500
Administration	2,800	1,400	4,200
Office Supplies			0
Principal Payment	17,800		17,800
Interest Payment			0
Special Projects	0		0
Total Expenditures	\$24,100	\$1,400	\$25,500
Fund Balance			
Net Change in Fund Balance	\$14,900	\$48,500	\$63,400
Fund Balance - Beginning	\$455,594	\$227,732	\$683,326
Fund Balance - End of Year	\$470,494	\$276,232	\$746,726

Fund: Industrial Park Fund**Type:** Capital Project Fund**Oversight:** Community Development Director**Nature and Purpose:**

This fund was created to account for capital expansion and development within the City of Cadillac's three industrial parks which include:

Cadillac Industrial Park

Developed in 1981, this 48-acre parcel of land established the Cadillac Industrial Park.

Harry VanderJagt Industrial Park

Industrial growth in the 80's and 90's was a reflection of the City's ability to purchase and develop enough land to encourage an industrial explosion. Demands were great for a second park so the 200-acre Harry VanderJagt Industrial Park was established. The streets and utilities were put in place with a Federal Economic Development Administration Grant.

James E. Potvin Industrial Park

The VanderJagt park is nearly full at this time. Additional inquiries were routinely received by the City and accordingly a third park was constructed as a result of the demand for industrial space. This newest park, the James E. Potvin Industrial Park, has been broken into two phases, with phase one being complete. All public utilities are in place for this phase, which encompasses 14 lots over a 65 acre area. Piranha Hose is the only current tenant in this park. A speculative building was constructed by the Cadillac Industrial Fund which has been leased to Piranha Hose to provide them with additional space beyond their main plant.

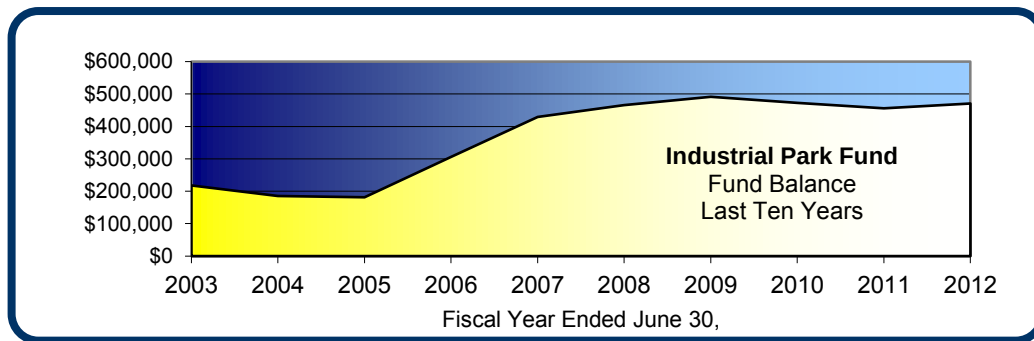
FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Sale of Property	\$0	\$0	\$35,000	\$35,000
Interest Income	687	3,500	8,000	4,000
Total	\$687	\$3,500	\$43,000	\$39,000
Expenditures				
Property Taxes	\$1,665	\$1,700	\$3,100	\$2,000
Audit	600	600	800	800
Contractual Services	296	0	0	0
Capital Outlay	0	0	16,000	0
Principal Payment	17,721	17,800	17,800	17,800
Fees and Commissions	0	0	3,500	3,500
Total	\$20,282	\$20,100	\$41,200	\$24,100
Fund Balance				
Net Change in Fund Balance	(\$19,595)	(\$16,600)	\$1,800	\$14,900
Fund Balance - Beginning of Year	491,789	472,194	455,594	455,594
Ending Fund Balance	\$472,194	\$455,594	\$457,394	\$470,494

Fund Financial Highlights**Principal Repayment**

A portion of the money received from the State of Michigan to develop the James E. Potvin Industrial Park was in the form of an interest-free loan. Quarterly payments are made to the state, and the loan will be paid in full December 1, 2016. The outstanding balance of the loan as of March 31, 2011 was \$101,896.

Other Financial Highlights

Management's goal is to sell one three-acre lot each year. The fund balance is increasing and is used to purchase additional land and necessary infrastructure. Fees and commissions are paid to the Cadillac Industrial Fund which in turn markets the industrial park. The commission paid on land sales is 10% of the sale price.



Current Park Occupants**Cadillac Industrial Park - "Certified Industrial Park"**

Kendall Electric	Four Winns Engineering Facility
Michigan Rubber Products	FIAMM Technologies
Avon Automotive World Headquarters	NOC Northern Opportunities
Four Winns Main Plant	Metal Punch, Inc.

Harry Vanderjagt Industrial Park - "Certified Industrial Park"

Arvco Corporation	Big Foot Manufacturing
United Parcel Services	7-UP Distributing
Four Winns Trailer Company	Fiber-Tech Industries
Delta Power Services	Fed-Ex Ground
Cadillac Fabrication	Four Winns Small Parts Plant
Northwest MI Community Action Agency	DTE Energy

James Potvin Industrial Park

Piranha Hose
Cadillac Industrial Fund Spec Building (Currently leased to Piranha Hose)

Fund: Special Assessment Capital Projects Fund**Type:** Capital Project Fund**Oversight:** Director of Finance**Nature and Purpose:**

This fund is a Capital Projects Fund and was established to account for construction projects that are paid for through special assessments on the benefited property. This fund only accounts for these projects that are not financed through the use of debt. The fund is budgeted and accounted for on a modified accrual basis.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Interest Income - Special Assessment	\$13,123	\$10,000	\$10,000	\$7,700
Special Assessment	60,074	44,000	44,000	41,700
Interest Income	42	500	500	500
Surplus	0	0	0	0
Total Revenue	\$73,239	\$54,500	\$54,500	\$49,900
Expenditures				
Audit	\$1,200	\$1,300	\$2,000	\$1,400
Construction	0	0	0	0
Total Expenditures	\$1,200	\$1,300	\$2,000	\$1,400
Fund Balance				
Net Change in Fund Balance	\$72,039	\$53,200	\$52,500	\$48,500
Fund Balance - Beginning of Year	102,493	174,532	174,532	227,732
FUND BALANCE AT YEAR END	\$174,532	\$227,732	\$227,032	\$276,232

Fund Financial Highlights**Special Assessments**

These payments are received from special assessments approved on abutting property owners for various street construction projects. These assessments have no underlying special assessment debt associated with them.

Construction Project Information

FY2012 Major Construction Projects

<i>Source of Funds:</i>							
Project Name	Special Assmt.	Grant	DDA	Local Street	Utilities Fund	Major Street	Total
Gunn-Seventh Street		\$150,000				\$30,000	\$180,000
Farrar Street		\$60,000				\$50,000	\$110,000
Ayer Street				\$112,500			\$112,500
Street Sign Replacement				7,500		\$7,500	\$15,000
Well Field Replacement					3,500,000		\$3,500,000
Total Projects	\$0	\$210,000	\$0	\$120,000	\$3,500,000	\$87,500	\$3,917,500

Notes:

> The Special Assessment portions of the construction activity are accounted for in this fund. No special assessment projects are planned for FY2012.

> The Well Field Relocation project will encompass several years and cost over \$7 million in total. The project is expected to begin in FY2011, therefore a portion of the costs are included in this budget. The City is seeking financing assistance from the State of Michigan's Drinking Water Revolving Fund program. This program provides low-interest loans - currently 2.5% - for projects such as this.

Permanent Funds Summary

Permanent Funds

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs. Permanent Funds are accounted for on a modified accrual basis.

The City appropriates resources for the following Permanent Funds:

Cemetery Perpetual Care Fund - Perpetual care of a cemetery lot is part of the purchase price. This principal amount is an endowment and the interest is used to maintain the cemetery operation.

Capital Projects Trust Fund - The gain from the sale of the City's investment in an electric cogeneration plant has been set aside as an endowment for capital projects. Investment earnings from the endowment will be used for capital projects as deemed appropriate by the City Council.

Permanent Funds Financial Summary**FY2012**

	Cemetery Perpetual Care	Capital Projects Trust	Total
Revenues			
Interest Income	\$8,500	\$10,000	\$18,500
Realized gains	10,000	0	10,000
Perpetual Care of Lots	7,500	0	7,500
Surplus		15,500	
Total Revenues	26,000	25,500	36,000
Expenditures			
Audit	1,100	500	1,600
Contribution - Cemetery Operating	7,500	0	7,500
Contribution - Public Infrastructure	0	25,000	25,000
Total Expenditures	8,600	25,500	34,100
Fund Balance			
Net Change in Fund Balance	17,400	(15,500)	1,900
Beginning Fund Balance	512,369	592,330	1,104,699
Ending Fund Balance	529,769	576,830	1,106,599

Fund: Cemetery Perpetual Care Fund**Type:** Permanent Fund**Oversight:** Director of Finance**Nature and Purpose:**

The Cemetery Perpetual Care Fund is a permanent fund established to maintain the operation of the cemetery. With assets of over \$400,000, the generation of interest income from the funds is used for the primary purpose of maintaining the cemetery and helps offset normal operating costs. This fund is accounted for on a modified accrual basis. Revenue projections for the investments are based on the estimated investment climate, while the sale of cemetery lots which generate perpetual care income is based on a historical trend. All of the interest income is transferred to the Cemetery Operating Fund to assist in the daily operation of the cemetery.

Perpetual Care of Lots

A portion of each sale of a cemetery lot is designated for perpetual care and is set aside into this trust fund to maintain a well manicured cemetery. A normal burial plot costs \$475 and 50% of the cost is set aside into this fund for endowment. The amount of interest earned is dependent upon the investment market each year.

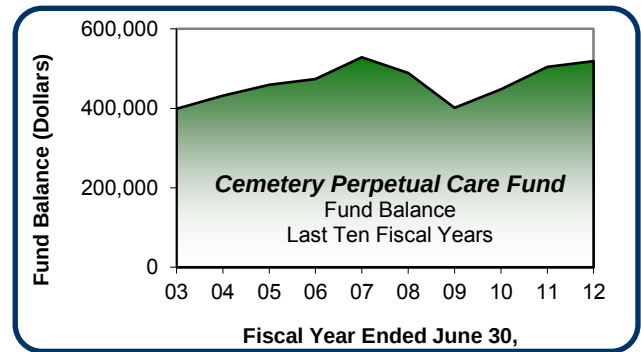
Due to extremely poor investment conditions in FY2009, investment losses were significant. This eliminates the availability of any earnings to transfer to the Cemetery Operating Fund until the losses begin to be recovered.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Perpetual Care of Lots	\$7,925	\$7,500	\$7,500	\$7,500
Gain (Loss) on Investments	29,049	45,000	10,000	10,000
Interest Income	11,318	12,500	7,000	8,500
TOTAL REVENUES	\$48,292	\$65,000	\$24,500	\$26,000
Expenditures				
Audit	\$1,000	\$1,000	\$1,100	\$1,100
Transfer out - Cemetery Operating	0	0	0	7,500
Total	\$1,000	\$1,000	\$1,100	\$8,600
Fund Balance				
Net Change in Fund Balance	\$47,292	\$64,000	\$23,400	\$17,400
Fund Balance - Beginning of Year	401,077	448,369	448,369	512,369
Ending Fund Balance	\$448,369	\$512,369	\$471,769	\$529,769

Fund Financial Highlights

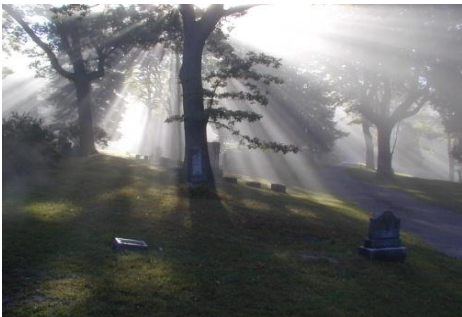
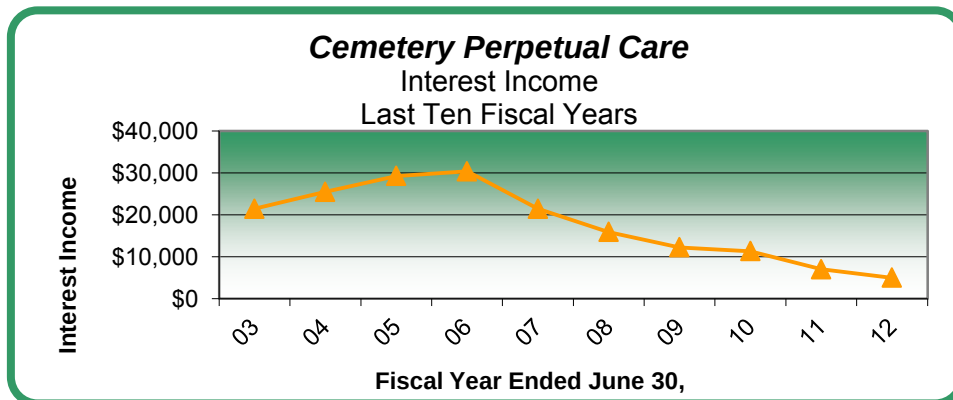
Fund Balance

The accumulated fund balance will grow in direct proportion with the number of cemetery lots sold. The principal will not be used as it preserves the future maintenance of the cemetery. The current economic recession has significantly impacted this fund, as the fund balance dropped significantly in FY2009. The decline was due to the loss in value of the fund's investment portfolio. A portion of the loss has been recovered since.



Interest Income

Loss of interest revenue as a result of the economic recession will impact the operations at the Maple Hill Cemetery. The interest earned on the perpetual care funds is transferred to the operating fund to help offset perpetual care maintenance costs. Absence of interest earnings puts increased strain on the maintenance budget which threatens the ongoing stability of the cemetery operation.



Cemetery Facts

The Cemetery rates were last increased in 2006 by the City Council.

No sales staff solicits the sale of lots, so the number of lots sold will vary from year to year.

Only the investment earnings are transferred for the operation of the cemetery.

Fund: Capital Projects Trust Fund**Type:** Permanent Fund**Oversight:** Director of Finance**Nature and Purpose:**

Established in 1998, this fund is an endowment fund created by the City Council with the intent to be used for capital items such as public infrastructure. The City Council's intent is to use only the earnings generated from the principal of the endowment. The funds came from the sale of the City's partnership interest in the electric cogeneration power plant. Several projects have been accomplished over the past few years as earnings have allowed. The City Council has a goal of paving all of the gravel streets within the City and this fund has helped in achieving that goal.

This fund is a Permanent Fund and is accounted for on a modified accrual basis, similar to all other Governmental Fund types.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Interest Income	\$19,704	\$1,500	\$15,000	\$10,000
Gain on Investments	36,564	10,000	0	0
Surplus	0	0	5,500	15,500
Total	\$56,268	\$11,500	\$20,500	\$25,500
Expenditures				
Audit	\$450	\$500	\$500	\$500
Contribution - Public Infrastructure	0	20,000	20,000	25,000
Total	\$450	\$20,500	\$20,500	\$25,500
Fund Balance				
Net Change in Fund Balance	\$55,818	(\$9,000)	(\$5,500)	(\$15,500)
Fund Balance - Beginning of Year	545,512	601,330	601,330	592,330
Ending Fund Balance	\$601,330	\$592,330	\$595,830	\$576,830

Past Public Infrastructure Projects

Fiscal Year	Projects Assisted with Endowment Earnings	Amount
1999	Cummer Street	\$12,056
2000	Alley behind Milliken's	10,344
2001	No activity	0
2002	Elm Street Triangle (gravel street)	33,900
2003	No activity	0
2004	Balsam Street (gravel street)	10,000
2005	No activity	0
2006	No activity	0
2007	No activity	0
2008	Alley between Henry and Evert Streets (gravel)	10,000
2009	Diggins Hill Tennis Court Restoration Project	25,000
2010	No activity	0
2011	Chestnut Street	20,000
2012	Gunn-Seventh Street	25,000
Total:		\$146,300



Before

Diggins Hill Tennis Court Restoration

In FY2010, City Council identified this project as one that warranted a contribution from the City. As such, \$25,000 was appropriated to assist in the completion of the project. This exciting restoration project was completed in 2010.



After

Current Year Funding

It is proposed that \$25,000 be contributed to the Major Street Fund to help offset the costs of the project to resurface a portion of Gunn and Seventh Streets that will be resurfaced in conjunction with a grant.

Fund: Auto Parking Fund

Type: Enterprise Fund

Oversight: Community Development Director

Nature and Purpose:

The Auto Parking Fund is an enterprise fund established to collect revenues and pay expenses associated with maintenance, operation, enforcement and improvement to the downtown off-street parking lot system. The accounting as well as the budgeting occurs on an accrual basis.

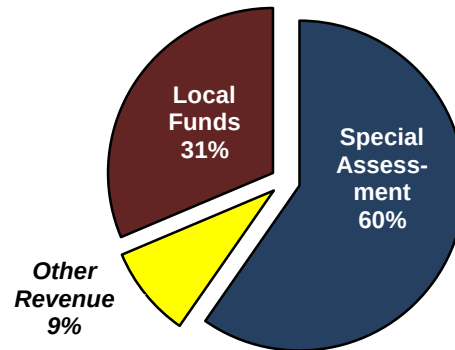
The Auto Parking Fund has undergone significant change in the last thirty years. For many years and up to 1989, parking was funded by parking meters. From 1990 to 1994 it was funded through a voluntary contract system. Given the difficulties with non-payment and the fact that the contract system expired June 30, 1995, a special assessment was adopted as prescribed in the Shopping Area Redevelopment Act, P.A. 120 of 1961 (as amended) for a five year period, which expired June 30, 2000. Two subsequent five-year assessments have been adopted, expiring most recently in 2010. A one-year reduced assessment was passed to fund the FY2011 budget and to provide time to evaluate additional options for funding the maintenance of the downtown parking system. Current proposed budget is reliant upon the passage of a new assessment in addition to securing a local source of funds to subsidize the maintenance of the parking lots.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Parking Violations	\$1,120	\$1,200	\$1,000	\$1,500
Parking Permit Fees	1,510	1,500	1,300	1,500
Interest Income	1,255	2,500	2,600	2,000
Special Assessment	44,598	33,300	46,000	33,300
Local Funds	0	0	0	17,500
Surplus	0	20,900	10,700	0
Total	\$48,483	\$59,400	\$61,600	\$55,800
Expenses				
Operation	\$25,296	\$26,000	\$27,200	\$25,000
Lot Repair	169	700	1,000	1,100
Snow Plowing	12,254	16,400	18,600	16,500
Snow Hauling	8,898	16,300	14,800	13,200
Total	\$46,617	\$59,400	\$61,600	\$55,800
Net Assets				
Change in Net Assets	\$1,866	(\$20,900)	(\$10,700)	\$0
Net Assets - Beginning of Year	761,308	763,174	763,174	742,274
TOTAL NET ASSETS - END OF YEAR				
Invested in Capital Assets	\$593,521	\$576,721	\$576,721	\$559,921
Unrestricted	169,653	165,553	175,753	182,353
TOTAL	\$763,174	\$742,274	\$752,474	\$742,274

Fund Highlights

Special Assessment

The current special assessment roll was developed by separating the downtown properties into two zones based on location: the Mitchell Street Zone and the Side Street Zone. An assessment for each property was calculated based upon 50% of assessable front footage and 50% of net assessable square footage. A 200 square feet per private parking space parking credit was included in the formula. Given the district over which the assessment is spread, historic assessments of \$45,600 per year have funded ongoing parking lot maintenance. The current assessment represents about 60% of the total revenues in this fund, which are used to cover maintenance and snow removal from the parking lots. Beginning in FY2012, a local source of revenue will be sought to augment or subsidize the assessment.

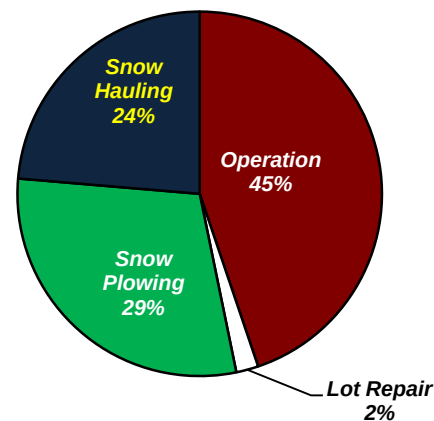


Expenses

Plowing and removal of snow represents over half of each year's annual budget.

Snow Removal and Hauling

The Auto Parking Fund is responsible for clearing snow in all municipal parking lots each year. The costs of these activities vary from year to year depending on the amount of annual snowfall.



Salaries and Equipment Rental

The Street Department provides the labor required to maintain the parking lots, including snow plowing and hauling. The equipment that is used is rented from the City's Stores and Garage Fund. In the Operations section, a portion of the Code Enforcement Officer's salary is classified due to her activities in parking enforcement. Enforcement activities are conducted under the supervision of the Public Safety Director.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
EXPENSES				
Operations				
Salaries - Enforcement	\$3,002	\$3,200	\$3,500	\$3,200
Fringes	1,692	2,000	2,800	2,400
Office Supplies	248	400	400	400
Audit	600	600	700	700
Data Processing	3,000	3,000	3,000	1,500
Depreciation	16,754	16,800	16,800	16,800
Total Operations	\$25,296	\$26,000	\$27,200	\$25,000
Lot Repair				
Salaries	\$0	\$300	\$500	\$500
Fringes	0	200	200	300
Operating Supplies	169	100	200	200
Equipment Rental	0	100	100	100
Total Lot Repair	\$169	\$700	\$1,000	\$1,100
Snow Plowing				
Salaries	\$2,321	\$3,700	\$4,000	\$4,000
Fringes	1,068	2,100	2,600	2,500
Operating Supplies	18	100	0	0
Equipment Rental	8,847	10,500	12,000	10,000
Total Snow Plowing	\$12,254	\$16,400	\$18,600	\$16,500
Snow Hauling				
Salaries	\$1,651	\$3,900	\$3,500	\$3,500
Fringes	798	2,000	2,300	2,200
Equipment Rental	6,449	10,400	9,000	7,500
Total Snow Hauling	\$8,898	\$16,300	\$14,800	\$13,200
TOTAL EXPENSES	\$46,617	\$59,400	\$61,600	\$55,800

Source and Use of Funds For Capital Improvements**FY2012****Source of Funds**

Operational funds	<u>\$0</u>	
Total Source of Funds		<u><u>\$0</u></u>

Use of Funds

No projects planned	<u>0</u>	
Total Use of Funds		<u><u>\$0</u></u>

Cash Flow Analysis**FY2012****Additions:**

Change in Net Assets	\$0	
Depreciation	<u>\$16,800</u>	
Total Additions		\$16,800

Deductions:

	<u>0</u>	
Total Deductions		\$0
Net Increase in Cash		<u><u>\$16,800</u></u>



Significant snowfalls will quickly pack municipal parking lots with huge piles of snow that must be hauled away.

Internal Service Funds Summary

Internal Service Funds

Internal Service Funds are established to finance and account for services and/or commodities furnished by a designated program to other programs within the City. Since the services and commodities are supplied exclusively to programs under the City's jurisdiction, they are distinguishable from those services which are rendered to the public in general and which are accounted for in general, special revenue or enterprise funds.

The City of Cadillac Central Stores and Municipal Garage Fund, Information Technology Fund, Self-Insurance Fund and Safety Fund make up the Internal Service Funds category.

Central Stores and Municipal Garage Fund - Operates the motor pool for the City.

Information Technology Fund - Provides computer services to the various internal and external agencies that use the City's computers, computer software programs, and enterprise-wide networking infrastructure.

Self-Insurance Fund - A self-funded account that provides for hospitalization and life insurance for municipal employees at a limited amount of risk to the City.

Safety Fund - This fund was created to educate and encourage safety throughout the City organization.

Internal Service Funds Financial Summary

FY2012

	Stores and Garage Fund	Information Technology Fund	Self- Insurance Fund	Employee Safety Fund	Total
Revenues					
Services and Materials	\$30,000				\$30,000
Equipment Rental	505,000				505,000
Interest Income	100	\$100	\$30,000	\$300	30,500
Sale of Surplus Material	5,000	1,000			6,000
Intergovernmental Services		256,000		11,500	267,500
Employer Contribution			938,600		938,600
Employee Contribution			95,000		95,000
Surplus			136,900		136,900
Total Revenues	\$540,100	\$257,100	\$1,200,500	\$11,800 (2)	\$2,009,500
Expenditures					
Administration	\$377,700		\$25,500	\$11,800	\$415,000
Outside Work	19,900				19,900
Building & Grounds	5,400				5,400
Operating		\$181,600			181,600
Reinsurance			830,000		830,000
Benefit Payments			345,000		345,000
Interest Expense	16,000				16,000
Depreciation	120,000	75,000			195,000
Total Expenditures	\$539,000	\$256,600	\$1,200,500	\$11,800	\$2,007,900
Change in Net Assets (1)	\$1,100	\$500	(\$136,900)	\$0	(\$135,300)
Net Assets - Beginning of Year	539,814	334,377	1,085,315	7,849	1,967,355
Net Assets - End of Year	\$540,914	\$334,877	\$948,415	\$7,849	\$1,832,055

Footnotes:

(1) Excludes "Surplus." Surplus indicates the use of prior year's earnings to balance current budget. The budget staff has determined that sufficient prior year's earnings are available to offset current year deficiencies.

(2) Surplus is excluded from total revenues for the purposes of the Budget Summaries section of this budget document.

Fund: Stores and Garage Fund

Type: Internal Service Fund

Oversight: Director of Public Works and Engineering

Nature and Purpose:

This fund is used to record the operations of the Stores and Garage Department as well as provide equipment and manpower for various street construction and maintenance activities. This fund provides services to the Major Street Fund, Local Street Fund, General Fund, Cemetery Operating Fund, and several other City-operated funds. The major source of revenue for this fund is supplied by equipment rental rates. This fund owns all of its own equipment and rents it to the other funds at a base rate established by the State of Michigan. Services and materials revenue is for work done for City residents such as brush removal, parking lot cleaning, and tree removal.

Equipment Rental is responsible for 94% of the revenues for FY2012. Over 80 pieces of equipment are in this fund ranging from plow trucks to trailers. In addition to equipment, the Stores and Garage Fund is responsible for the City inventory of items such as salt, salt/sand mix and other items used on a regular basis.

PERFORMANCE MEASURES - STORES AND GARAGE FUND

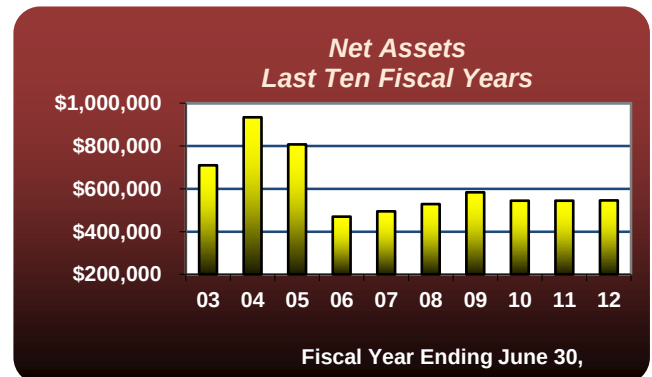
MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Number of Vehicles/Equipment Maintained		82	83	85	85	↔
Total Fuel Costs		\$44,183	\$37,868	\$50,000	\$50,000	↑
Gallons of Diesel Used		16,501	12,209	15,000	14,000	↔
Gallons of Unleaded Fuel Used		6,763	6,047	6,200	6,100	↔
Cost per Gallon - Diesel		\$1.80	\$2.08	\$2.70	\$3.00	↑
Cost per Gallon - Unleaded		\$2.14	\$2.06	\$2.40	\$2.75	↑
Total Annual Cost of Road Salt		\$67,593	\$49,089	\$69,650	\$90,000	↑
Tons of Road Salt Used		1,320	846	1,168	1,500	↑
Cost per Ton - Road Salt		\$51.21	\$58.02	\$59.63	\$60.00	↑

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Charges for Services:				
Services & Materials	\$55,900	\$30,000	\$30,000	\$30,000
Equipment Rental	573,582	600,000	625,000	505,000
Miscellaneous				
Interest Income	36	100	300	100
Sale of Surplus Material	2,398	4,500	4,000	5,000
Refunds and Rebates	70	0	0	0
Surplus	0	0	0	0
Total	\$631,986	\$634,600	\$659,300	\$540,100
Expenses				
Administration	\$649,853	\$613,800	\$633,300	\$514,300
Outside Work	16,383	19,300	20,800	19,900
Building & Grounds	5,009	6,400	5,200	5,400
Total	\$671,245	\$639,500	\$659,300	\$539,600
Net Assets				
Change in Net Assets	(\$39,259)	(\$4,900)	\$0	\$500
Total Net Assets - Beginning of Year	583,973	544,714	544,714	539,814
Total Net Assets - End of Year	\$544,714	\$539,814	\$544,714	\$540,314

Financial Highlight

Net Assets

The Net Assets of this fund have been fairly consistent for the last several years. Most of the net assets are in the form of capital equipment, net of related depreciation.



FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses				
Administration				
Salaries and Wages	\$169,438	\$165,000	\$157,500	\$83,500
Fringes	118,426	92,000	92,000	47,500
Operating Supplies	73,340	60,000	65,000	65,000
Fuel Costs	37,884	47,500	50,000	50,000
Property Taxes	2,350	2,000	2,200	2,000
Legal	0	0	0	1,000
Audit	2,550	2,600	2,800	2,800
Data Processing	13,500	13,500	13,500	13,500
Travel & Education	290	1,100	500	7,800
Insurance	21,000	13,600	21,000	17,000
Utilities	17,318	20,000	30,000	30,000
Telephone	1,016	1,100	1,100	1,100
Employee Safety	0	1,700	1,700	2,600
General Administrative Charges	30,100	30,100	30,100	30,100
Depreciation	122,994	125,000	135,000	120,000
Equipment Maintenance	17,883	20,000	12,400	24,400
Equipment Rental	488	0	0	0
Interest Expense	21,276	18,600	18,500	16,000
Total Administration	\$649,853	\$613,800	\$633,300	\$514,300
Outside Work				
Salaries	\$5,007	\$6,200	\$6,200	\$6,200
Fringes	2,451	3,500	3,700	3,800
Supplies	2,946	3,600	4,100	4,100
Equipment Rental	5,979	6,000	6,800	5,800
Total Outside Work	\$16,383	\$19,300	\$20,800	\$19,900
Building & Grounds				
Salaries	\$1,592	\$1,500	\$1,200	\$1,200
Fringes	835	900	800	700
Operating Supplies	904	1,000	500	800
Contractual Services	422	500	1,000	1,000
Repair and Maintenance	1,256	2,500	1,300	1,300
Equipment Rental	0	0	400	400
Total Building & Grounds	\$5,009	\$6,400	\$5,200	\$5,400
Total Expenses	\$671,245	\$639,500	\$659,300	\$539,600

Source and Use of Funds For Capital Improvements**FY2012****Source of Funds:**

Operating Funds	72,900	
Total Source of Funds		\$72,900

Use of Funds:**Equipment:**

Underbody Plow	\$8,600	
Total Use of Funds		\$8,600



Footnote: Replacing aging equipment is a vital part of the ongoing operations in this department. All proposed equipment purchases will replace outdated models, saving the department costs arising from increased maintenance on older equipment. Significant cost pressures resulting from declining revenues preclude any significant capital investment for FY2012.

Cash Flow Analysis**FY2012****ADDITIONS:**

Depreciation	\$120,000	
Net Income (Loss)	500	
TOTAL ADDITIONS		\$120,500

DEDUCTIONS:

Principal Payment - Internal Loan	\$50,000	
Capital Items	8,600	
TOTAL DEDUCTIONS		\$58,600

NET INCREASE (DECREASE) OF AVAILABLE CASH		\$61,900
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Equipment Replacement Activities

The Director of Public Works and Engineering reviews the fleet annually and recommends replacements and upgrades that are necessary to maintain a safe and efficient inventory of equipment, both heavy and light duty. By planning the purchase of new equipment this fund can efficiently manage the maintenance and the appearance of the equipment. Listed below are the anticipated capital equipment replacements and upgrades proposed for the next five fiscal years July 1, 2011 through June 30, 2016. Nearly \$1.4 million in equipment replacements are scheduled in this time period.

2011-2012	
Underbody Plow	\$8,600
Vacuum Street Sweeper	185,000
Wheel Loader	110,000
Total	\$303,600

2012-2013	
Pickup Truck	\$19,500
Underbody Plow	9,000
1-Ton Dump Truck	30,000
Underbody Plow Truck	126,000
One-Way Plow	9,000
Total	\$193,500

2013-2014	
Pickup Truck	\$25,000
Underbody Plow Truck	135,000
Underbody Plow	9,000
One-Way Plow	9,400
Boss Type V-Plow	7,500
Riding Lawn Mower	8,500
Total	\$194,400

2014-2015	
Underbody Plow Truck	135,000
Regenerative Air Sweeper	175,000
Total	\$310,000



The City owns 6 plow trucks, similar to the one shown above. Each truck costs approximately \$100,000 and has a useful life of about 10 years.

2015-2016	
Underbody Plow Truck	140,000
1-Ton Dump Truck	35,000
Downtown Street Sweeper	25,000
Bucket Truck	150,000
Total	350,000

Outstanding Debt Issue**Title of Issue:** 2007 Stores and Garage Cash Flow Note**Date of Issue:** December 14, 2006**Purpose:** To assist the fund with cash flow to purchase major pieces of heavy equipment. Debt issue represents an internal loan from the Cadillac Development Fund.**DEBT SERVICE DETAILS**

		Amount Redeemed		
		Prior	Current	Balance
Amount of Issue:	\$500,000	\$150,000	\$50,000	\$300,000

Debt Service Requirements				
Due Dates	Rate	Principal	Interest	Total
June 30, 2012	5.25%	\$50,000	\$15,957	\$65,957
June 30, 2013	5.25%	\$50,000	\$13,297	\$63,297
June 30, 2014	5.25%	\$50,000	\$10,638	\$60,638
June 30, 2015	5.25%	\$50,000	\$7,978	\$57,978
June 30, 2016	5.25%	\$50,000	\$5,319	\$55,319
June 30, 2017	5.25%	\$50,000	\$2,659	\$52,659
Total		\$300,000	\$55,848	\$355,848

Fund: Information Technology Fund

Type: Internal Service Fund

Oversight: Director of Finance

Nature and Purpose:

The City of Cadillac has been very successful in leveraging technology to improve productivity. The City's investment in the New World Systems comprehensive public sector software package has paid significant dividends in streamlining City services at every department level. The City IT Department coordinates and supports the infrastructure, hardware, operating systems, and user software for all City departments. This includes file servers, data security and backup, Internet connections and security, remote connectivity, user workstations and software, printers, and other related computer equipment and processes.

As an internal service fund, revenues are received from contributions by other City funds and activities.

Currently the IT Department equipment list includes the following:

- > 68 workstations including desktop and notebook computers;
- > 11 file servers including Email, Application, Storage, and Security servers;
- > Numerous printers, smart phones, scanners, and other related equipment and software.

PERFORMANCE MEASURES - INFORMATION TECHNOLOGY

MEASURE	Fiscal Year:	Actual		Projected	Budgeted	Trend
		2009	2010	2011	2012	
Number of Workstations		68	68	68	68	↔
Operating Cost per Workstation		\$4,321	\$4,218	\$4,037	\$3,774	↓
Number of Workstations Replaced		25	2	15	15	↑
Total Capital Investment		\$46,516	\$21,544	\$30,000	\$97,500	↑
Hours spent on-site by IT provider		New Measure not yet available				
Percent of help desk calls resolved in < 8 hours		New Measure not yet available				
Total applications supported		New Measure not yet available				

IT Performance Measures

The City of Cadillac is currently evaluating a new model of service delivery based on 100% remote support with emergency on-site support only. As part of this evaluation, new measures will be developed and implemented to insure that the model is providing the level of service needed to maintain optimal efficiency.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Intergovernmental Services				
General Fund				
City Council	\$9,300	\$9,300	\$9,300	\$5,000
City Manager	3,500	7,000	7,000	7,000
Assistant City Manager	3,500	0	0	0
Finance	28,000	28,000	28,000	28,000
Assessor	18,000	18,000	18,000	18,000
Treasurer	40,000	40,000	40,000	30,000
Municipal Complex	5,500	5,500	5,500	5,500
Police	55,000	55,000	55,000	55,000
Fire	11,000	11,000	11,000	11,000
Engineering	20,000	20,000	20,000	20,000
Parks and Recreation	1,000	1,000	1,000	1,000
Community Development	2,500	2,500	2,500	2,500
Water & Sewer	55,000	55,000	55,000	55,000
Stores and Garage	13,500	13,500	13,500	13,500
Major Street	8,000	8,000	8,000	0
Auto Parking	3,000	3,000	3,000	1,500
Local Street	8,000	8,000	8,000	0
Cadillac Development	4,500	2,000	2,000	2,000
Cemetery	2,500	2,500	2,500	1,000
Downtown Development Authority	0	1,500	1,500	0
Building Inspection	4,000	0	0	0
Total Intergovernmental Services	295,800	290,800	290,800	256,000
Interest Income	6	100	500	100
Other Revenue	0	0	0	0
Sale of Property	1,589	1,500	700	1,000
Total Revenue	\$297,395	\$292,400	\$292,000	\$257,100
Expenses				
Operating				
Salaries	\$8,431	\$8,500	\$8,800	\$8,800
Fringes	5,572	6,000	6,200	4,000
Office Supplies	5,349	7,500	6,000	7,500
Audit	600	600	700	700
Contractual Services	106,500	97,000	107,000	75,000
Software and Programming	55,265	55,000	49,000	50,000
Liability Insurance	300	300	300	300

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Expenses (Continued)				
Dues & Publications	0	0	200	200
Telephone	2,262	2,400	600	600
Travel and Education	1,515	1,600	1,600	1,500
Repair and Maintenance	2,085	2,000	3,000	3,000
Depreciation	70,356	65,000	80,000	75,000
Administration	28,600	28,600	28,600	30,000
Total Expenses	\$286,835	\$274,500	\$292,000	\$256,600
Net Assets				
Change in Net Assets	\$10,560	\$17,900	\$0	\$500
Total Net Assets - Beginning of Year	305,917	316,477	316,477	334,377
Total Net Assets - End of Year	\$316,477	\$334,377	\$316,477	\$334,877

Expense Descriptions

Salaries and Fringes

The Information Technology Fund pays an employee (0.3 FTE) to perform functions related to the City's electronic document storage system, including scanning new and existing documentation.

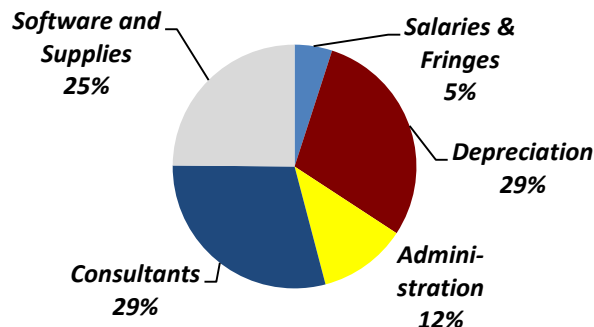
Software and Programming

This line item accounts for the annual maintenance and subscription fees for the many software programs used throughout the City. Included in these fees are the City's financial software (including Utility Billing, Financials, Community Development, and Payroll) and tax billing software (including tax billing and special assessment tracking). The monthly costs of the T-1 line that provides internet access to the municipal complex are allocated to this line item as well, as are other services such as programming and maintenance of the phone system in the municipal complex. In the last couple of years, the costs of using an outside company to provide IT services was accounted for in this line. As detailed below, this cost has been split out into a separate line item moving forward.

Contractual Services

In January, 2007, the City made the decision to contract out the provision of Information Technology services. A four-year contract was signed which will expire in 2011. The annual costs of this contract are classified to this line item. This contract will be re-bid in Spring 2011.

Expenses by Type
Current Budget Request



Other Financial Analysis

Source and Use of Funds For Capital Improvements**FY2012****Source of Funds:**

Revenues:

Operating Revenues 97,500**Total Source of Funds** \$97,500**Use of Funds**

Computer Replacement \$20,000

Printers 7,500

Network Servers 70,000**Total Use of Funds** \$97,500

Footnote: Replacement of equipment is essential within this department. All of the items are replaced due to age and the need to upgrade technology. The computer replacement program utilized by the City schedules replacements once computers have been deployed for 3-4 years. The capital expense for software will upgrade existing desktop software packages to the latest versions, taking advantage of the latest efficiency-enhancing functionality that exists.

Cash Flow Analysis**FY2012****Additions**

Depreciation \$75,000

Net Income (Loss) 500**Total Additions** \$75,500**Deductions**Capital Items 97,500**Total Deductions** \$97,500**Net Increase (Decrease) in Available Cash** (\$22,000)

Budget staff has determined that there is sufficient cash on hand to fully cover the net decrease in cash projected for FY2012.

Fund: Self Insurance Fund

Type: Internal Service Fund

Oversight: City Manager

Nature and Purpose:

This fund provides for the health and life insurance of all full-time City employees and their families, as well as eligible retirees. Eligible retirees receive health insurance until age 65, in accordance with the applicable collective bargaining agreement or non-union schedule of benefits. The various funds within the City are charged an employer contribution rate equivalent to the estimated cost of providing the benefits on a per month per employee cost basis.

Basic and Master Medical

The employer contribution rate has held fairly consistent for several years and has provided the fund with solid reserves to help mitigate the risk of higher-than-normal claims years. Because of health care reform, certain benefits had to be offered to City employees. This resulted in a plan change for all City of Cadillac employees. Because of the changes, total costs are expected to increase nearly 20%. Employee contributions are being increased to help offset the rise in costs. An employee wellness program was started in 2007 and has produced immediate cost savings while enhancing the quality of life for City employees. The overall management of the health care plan is vital to containing health care costs and ensuring that the City will be able to provide health care benefits to its employees in the future.

FUNDING DETAILS	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Employer Contributions	\$792,351	\$785,000	\$820,000	\$840,000
Employer Contributions-Dental	55,580	58,000	58,000	80,000
Employer Contributions-Optical	9,327	9,300	9,400	12,000
Employer Contributions-Life	6,189	6,200	6,600	6,600
Employee Contribution	74,482	73,000	70,000	95,000
Interest Income	34,249	30,000	33,500	30,000
Surplus	0	168,000	45,000	136,900
Total	\$972,178	\$1,129,500	\$1,042,500	\$1,200,500
Expenses				
Audit	\$450	\$500	\$500	\$500
Reinsurance Premiums	484,871	700,000	535,000	830,000
Administration	23,382	45,000	35,000	25,000
Benefit Payments				
Health Insurance	476,896	375,000	465,000	335,000
Life Insurance	17,850	9,000	7,000	10,000
Total	\$1,003,449	\$1,129,500	\$1,042,500	\$1,200,500
Net Assets				
Change in Net Assets	(\$31,271)	(\$168,000)	(\$45,000)	(\$136,900)
Total Net Assets - Beginning of Year	1,284,586	1,253,315	1,085,315	1,085,315
Total Net Assets - End of Year	\$1,253,315	\$1,085,315	\$1,040,315	\$948,415

System Benefits Highlights

Self-Insurance Plan Details

The City purchases insurance with a high deductible of \$5,000 and reimburses costs down to lower levels to reduce the costs that are borne by employees. The former plan had a \$10,000 deductible, so while the premium costs is much higher, the claims reimbursed by the City are expected to decline somewhat.

Life Insurance

The City provides life insurance for active employees. The City also provides for a small life insurance policy for qualified retirees. Depending on the applicable bargaining unit or non-union schedule of benefits, the benefit ranges from \$2,500 to \$5,500. The benefit is paid to the retiree's estate upon their death.

Health Insurance Benefit Payments

A portion of the City's annual required contribution for other post-employment benefits (OPEB) will be taken from this fund for FY2012, in the amount of approximately \$50,000. These funds have been accumulating here and will now be transferred to the City's retiree health care funding vehicle at MERS. Additionally, this fund continues to cover retiree health premiums on a "pay-as-you-go" basis while the funds are building in the trust.

Plan Cost Summaries

	Annual Costs			Total	Employee Co-Pay	Co-Pay as % of Total Costs
	Medical	Dental	Vision			
Non-union						
Single	\$5,273	\$444	\$71	\$5,788	\$600	10.37%
Two-Person	\$12,655	\$820	\$109	\$13,584	\$1,440	10.60%
Family	\$15,818	\$1,447	\$195	\$17,460	\$1,800	10.31%
Police						
Single	\$5,273	\$411	\$71	\$5,755	\$480	8.34%
Two-Person	\$12,655	\$751	\$109	\$13,515	\$960	7.10%
Family	\$15,818	\$1,260	\$195	\$17,273	\$960	5.56%
Fire						
Single	\$5,273	\$444	\$71	\$5,788	\$540	9.33%
Two-Person	\$12,655	\$810	\$109	\$13,574	\$1,080	7.96%
Family	\$15,818	\$1,342	\$195	\$17,355	\$1,080	6.22%
Steelworkers						
Single	\$5,273	\$359	\$71	\$5,703	\$480	8.42%
Two-Person	\$12,655	\$660	\$109	\$13,424	\$960	7.15%
Family	\$15,818	\$1,133	\$195	\$17,146	\$960	5.60%

Fund: Safety Fund

Type: Internal Service Fund

Oversight: Safety Director (Currently: Laboratory Manager)

Nature and Purpose:

The Safety Fund was created to enable the development of a safety culture that would enhance employee performance by assisting employees in maintaining the highest possible level of health and safety.

The Safety Coordinator is tasked with assisting employees in maintaining a safe and healthy work environment. The Safety Coordinator chairs the City of Cadillac Safety Committee, which is comprised of representatives from each city department and meets frequently to discuss and address safety issues, evaluate training, and review on the job accidents.

The Safety Coordinator also insures that all city departments are in compliance with MIOSHA (Michigan Occupational Safety and Health Administration) regulations. This is accomplished through continuing education, review of MIOSHA material, and preventative inspections coordinated through the Consultation, Education and Training section of MIOSHA.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Interest Income	\$11	\$200	\$300	\$300
General Fund	0	5,200	5,200	5,500
Water and Sewer Fund	0	2,100	2,100	3,500
Stores & Garage Fund	0	1,700	1,700	2,500
Surplus	0	0	4,200	0
Total	\$11	\$9,200	\$9,300	\$11,800
Expenditures				
Salaries and Wages	\$0	\$3,500	\$7,000	\$3,500
Fringes	0	1,500	0	1,800
Operating Supplies	3,281	1,700	2,500	3,000
Audit	450	450	500	500
Dues and Publications	138	900	1,000	500
Travel and Education	755	1,500	2,500	2,500
Total	\$4,624	\$9,550	\$13,500	\$11,800
Net Assets				
Change in Net Assets	(\$4,613)	(\$350)	(\$4,200)	\$0
Total Net Assets - Beginning of Year	12,812	8,199	8,199	7,849
Total Net Assets - End of Year	\$8,199	\$7,849	\$3,999	\$7,849

Safety Program Highlights**Safety Committee**

The Safety Committee is comprised of employees from various departments with a total of 7 members.

Laboratory Manager Amy Vail has been the safety coordinator since 2010 and works hard at helping City of Cadillac employees enjoy a safe work environment.

Safety Statistics				
Cases	2007	2008	2009	2010
Deaths	0	0	0	0
Number of cases with days away from work	6	1	4	0
Number of cases with job transfer/restriction	3	2	1	3
Other reported cases	5	0	0	3
Days				
Total days away from work	287	7	128	0
Total days of job transfer/restriction	106	30	31	125
Total hours worked - all employees	187,792	184,262	178,479	172,846

Note:

A severe injury to a police officer as well as an extended leave injury to a street department employee caused the significant increase in lost time days in 2007. An extended leave injury to one employee in the Utilities Department accounted for the spike in 2009.

GOALS**FY2012**

1. Analyze 2010 accident reports to determine prevention and mitigation strategies.
2. Form a committee to review and update the City's Safety Manual biennially.
3. Continue fire extinguisher training for all City employees.
4. Perform Job Safety Analysis for new tasks.
5. Evaluate and update emergency evacuation plans for all City facilities.
6. Complete preventive MIOSHA CETinformal inspections of all City facilities.

Fund: Police and Fire Retirement Fund

Type: Pension Trust Fund

Oversight: Director of Finance

Nature and Purpose:

This fund is a Pension Trust Fund, established to administer the police and fire retirement system authorized by a vote of the Citizens of Cadillac in 1977 when they agreed to an added millage to cover the costs of the retirement system for the police and fire employees. Michigan Public Act 345 governs the activities of the system. The board of directors have the responsibility of administering the system and maintaining an actuarially sound fund.

The financial objective is to establish and receive contributions, expressed as a percent of active payroll, which will remain approximately level from year to year and will not be increased for future generations. The system is supported by City contributions, investment income from the retirement assets, and an employee contribution of 3% of salary. To fund the system, the City contributes 34.10% of the police member salaries and 30.41% of the fire members' salaries. The system is meeting its annual funding requirements. The system is 69.61% funded, up from 69.61% on the previous valuation. In 2001 the police officers and the fire officers agreed to an employee deduction to cover the actuarial costs of increasing the retirement factor from 2.0 to 2.5. The members agreed to make contributions to cover the additional benefit, which was subsequently capped at 3% of salary, requiring the City to make up any difference.

PERFORMANCE MEASURES - POLICE AND FIRE RETIREMENT SYSTEM

MEASURE	Actuarial Valuation Date: June 30,				Trend
	2007	2008	2009	2010	
Actuarially Accrued Pension Liabilities	\$9,992,478	\$9,936,669	\$9,985,089	\$10,326,784	↑
Funding Value of Accrued Assets	\$6,604,109	\$7,080,393	\$6,549,608	\$7,188,395	↑
Unfunded Actuarially Accrued Liabilities	\$3,388,369	\$2,856,276	\$3,435,481	\$3,138,389	↓
Funded Ratio (Assets/Liabilities)	66.09%	71.26%	65.59%	69.61%	↑
Total Pension Payments	\$447,970	\$585,542	\$585,542	\$585,542	↔
Number of Retirees	28	32	32	32	↔
Average Annual Pension	\$15,999	\$18,298	\$18,298	\$18,298	↔
Contribution Required (% of payroll) - Police	36.03%	31.41%	39.06%	34.10%	↓
Contribution Required (% of payroll) - Fire	35.15%	27.20%	36.58%	30.41%	↓
Total Contribution Required	\$572,257	\$482,450	\$573,385	\$556,203	↓
Number of Active Members	27	25	24	27	↑
Average Annual Salary	\$54,924	\$55,598	\$58,321	\$58,723	↑

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Additions				
Contributions - Employer	504,691	\$1,035,000	\$636,000	\$650,000
Contributions - Employee	46,413	\$45,000	\$45,000	45,000
Interest and Dividend Income	226	2,500	\$2,500	2,000
Net Appreciation (Depreciation) in the Fair Value of Plan Investments	604,755	400,000	100,000	150,000
Investment Expenses	(26,186)	(30,000)	(28,000)	(29,000)
Total Additions	\$1,129,899	\$1,452,500	\$755,500	\$818,000
Deductions				
Benefit Payments				
Retirement	\$585,552	\$625,000	\$600,000	632,000
Administrative Expenses				
Audit	0	1,200	1,300	1,300
Actuarial	12,025	6,000	12,000	7,500
Total Deductions	\$597,577	\$632,200	\$613,300	\$640,800
Net Increase (Decrease) in Plan Assets	\$532,322	\$820,300	\$142,200	\$177,200
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	\$5,458,007	\$5,990,329	\$5,990,329	\$6,810,629
End of Year	\$5,990,329	\$6,810,629	\$6,132,529	\$6,987,829

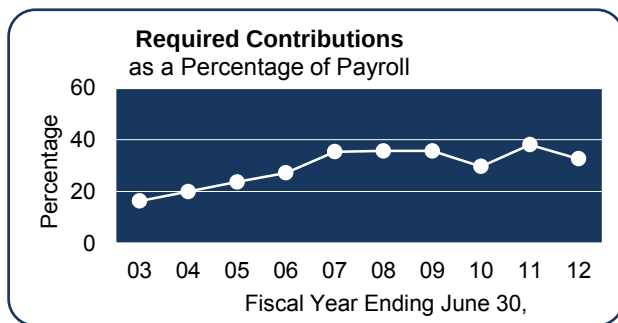
Plan and Membership Information

In July, 2006 the Police and Fire Retirement System removed their investment managers and contracted with the Municipal Employees Retirement System of Michigan to manage the investments. This has proven to enhance the returns of the system's assets, and will provide long-term cost savings to the City.

Retirement Board

Jay Thiebaut, Chairperson - Citizen Member
Keri Lanning, Secretary/Treasurer - City Treasurer
Dan Brooks, Citizen Member
Chris Shankland, Firefighter Member
Todd Golnick, Police Member

Note: The board, in conformance with P.A. 345, consists of two citizens approved by the City Council, the City treasurer, a firefighter and a police officer.

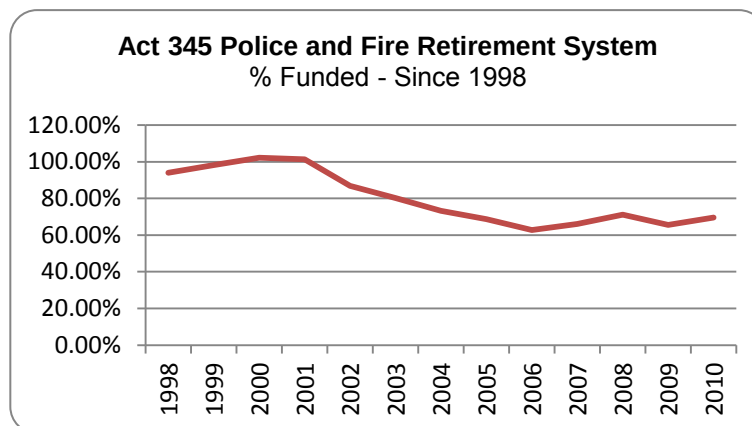
Plan Financial Details**Required Contribution**

Contribution rates have trended upward as a result of a declining stock market, low interest rates, and additional benefits. The annual required contribution as a percentage of payroll dipped to 32.63% in FY2012 from 38.11% in FY2011 due primarily to the increased investment yields after a loss the prior year.

Contribution Rates

The Retirement System is supported by City contributions and investment income generated by retirement system assets. Contributions which satisfy the funding objective are determined by an annual actuarial valuation and are sufficient to:

1. Cover the actuarial present value of benefits assigned to the current year by the actuarial cost methods; and
2. Amortize over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (unfunded actuarial accrued liability).

**Funded Status**

Enhanced retirement benefits in the early 2000's had a detrimental impact on the overall funded status of the plan. Coupled with the devastating impact the economy has had recently on the assets of the system, as of the last valuation dated June 30, 2010 the plan is now only 69.6% funded.

Summary of Actuarial Methods and Assumptions

Last Valuation Date	June 30, 2010
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll
Remaining Amortization Period	10
Remaining Amortization - Benefit Increase	21 Years
Asset Valuation Method	5-year smoothed market

Assumptions:

Investment Rate of Return	7.5%
Projected Salary Increases	4.0%
Assumed Rate of Payroll Growth	4.0%
Assumed Rate of Membership Growth	0.0%

Summary of Act 345 Benefits & Conditions

Eligibility:	Benefit:
Regular Retirement	
Age 50 with 25 or more years of service or age 60 regardless of service.	Straight life pension equals 2.5% of 5 year average final compensation (AFC) times first 25 years of service plus 1% of AFC times years of service in excess of 25 years.
Deferred Retirement	
10 or more years of service.	Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at the date the member would have been eligible to retire if employment had continued.
Death After Retirement	
Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.	Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.
Duty Disability Retirement	
Payable upon the total and permanent disability of a member in the line of duty.	To age 55: 50% of AFC. At age 55: same credit as service retirement pension with service credit from date of disability to age 55.
Non-Duty Disability Retirement	
Payable upon the total and permanent disability of a member with 5 or more years of service.	To age 55: 1.5% of AFC times years of service. At age 55: same as service retirement pension.
Duty Death in Service Retirement	
Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by Worker's Compensation.
Non-Duty Death in Service Retirement	
Payable to a surviving spouse, if any, upon the death of a member with 20 or more years of service.	Accrued straight life pension actuarially reduced in accordance with an Option 1 election.

Member Contribution:

All active members contribute 3% of their salary to the system to pay for an increase in the benefit multiplier.

**Fire responded
to by City Fire
Department**



Component Unit Funds Summary

Component Units

This section contains the discretely presented component units, which are reported separately to indicate their legal separation from the City, but which are financially accountable to the City as a reporting entity.

MAJOR COMPONENT UNIT FUNDS

Local Development Finance Authority (LDFA) - The LDFA was created by the City Council pursuant to the provisions of Act 251, Public Acts of 1986. The members of the board of the LDFA are appointed by the City Council. The LDFA has a stated purpose to provide for the acquisition, construction and financing of a groundwater treatment facility, which will consist of a complex of wells and pumps installed on property where contaminated groundwater is located, piping sufficient to carry the contaminated groundwater to the cleaning facility, and the cleaning facility itself. The LDFA has also indicated that, if funds are available, they will construct roads, water and sewer lines within the VanderJagt Industrial Park. Money to finance these projects will come from tax increments attributed to increases in the value of real and personal property resulting from new construction, and property value increases within the industrial park.

NONMAJOR COMPONENT UNIT FUNDS

Local Development Finance Authority Capital Projects Fund - This fund was established to account for the receipt of captured taxes after all debt service obligations had been met. These tax increment financing revenues are restricted for capital projects.

Local Development Finance Authority Utilities Fund - This fund was established to provide water utility services to the cogeneration plant located within the boundaries of the LDFA.

Downtown Development Authority (DDA) - The DDA was established through City Ordinance under Act 197 of the Public Acts of Michigan of 1975. The City Council determined that it was necessary and in the best interest of the City to halt property value deterioration, to eliminate the causes and to promote economic growth in the downtown area. The members of the board of the DDA are appointed by the City Council. Its operational and capital budgets and bonded debt must be approved by the City Council. The DDA is authorized to impose an ad valorem tax (2 mill maximum) on all taxable property within the established DDA district. The DDA is a volunteer organization.

Downtown Development Authority Capital Projects Fund - This fund was established to provide a source of revenue for the DDA to undertake various capital and public infrastructure improvements within the DDA Development District.

Brownfield Redevelopment Authority - This fund identifies contaminated sites and remediates them, as well as provides the financing to do so. This fund was established pursuant to Michigan Public Act 381 of 1996.

Component Unit Funds Summary

FY2012	Major Fund	Nonmajor Funds		
	Local Development Finance Authority Operating	Local Development Finance Authority Utilities	Local Development Finance Authority Capital Projects	Brownfield Redevelopment Authority Operating
Revenues				
Tax Revenues	\$219,000		\$95,000	\$37,200
Interest Income	25,000	\$3,000	7,500	\$1,000
Management Fees				
Water Revenues		19,500		
Grant Funds				20,000
Contributions				
Surplus	36,500			
Total Revenues	\$280,500	\$22,500	\$102,500	\$58,200
Expenditures				
Salaries - Regular	\$18,500	\$3,000		
Salaries - Part Time				
Fringes	9,200	1,500		
Other Operating Expenses	252,800	10,400	500	58,000
Capital Outlay			100,000	
Principal Payment				
Interest Payment				
Depreciation				
Total Expenditures	\$280,500	\$14,900	\$100,500	\$58,000
Fund Balance				
Net Change in Fund Balance (1)	(\$36,500)	\$7,600	\$2,000	\$200
Beginning Fund Balance	1,715,723	393,085	602,661	177,318
Ending Fund Balance	1,679,223	\$400,685	\$604,661	\$177,518

(1) Excludes "Surplus." Surplus indicates the use of prior year's earnings to balance current budget. Budget staff has determined that sufficient prior year's earnings are available to offset current year deficiencies.

Component Unit Funds Summary (Continued)

FY2012	Nonmajor Funds		Total
	Downtown Development Authority	Downtown Development Authority Capital Projects	
Revenues			
Tax Revenues	\$30,000	\$100,500	\$481,700
Interest Income	200	500	37,200
Management Fees	5,000		5,000
Water Revenues			19,500
Grant Funds			20,000
Contributions	3,000		3,000
Surplus			36,500
Total Revenues	\$38,200	\$101,000	\$602,900
Expenditures			
Salaries - Regular	\$18,500		\$40,000
Salaries - Part Time	2,000		2,000
Fringes	7,000		17,700
Other Operating Expenses	7,900	10,500	340,100
Capital Outlay			100,000
Principal Payment		45,000	45,000
Interest Payment		6,200	6,200
Depreciation			0
Total Expenditures	\$35,400	\$61,700	\$551,000
Fund Balance			
Net Change in Fund Balance (1)	2,800	39,300	\$15,400
Beginning Fund Balance	16,966	47,240	\$2,952,993
Ending Fund Balance	19,766	86,540	\$2,968,393

(1) Excludes "Surplus." Surplus indicates the use of prior year's earnings to balance current budget. Budget staff has determined that sufficient prior year's earnings are available to offset current year deficiencies.

GLIMPSES OF CADILLAC



The beautiful Kris Eggle Memorial Fountain in the downtown City park.

Community service and education is a big role played by Cadillac City Firefighters



Each spring, dozens of volunteers help to clean up city parks after a long winter season

Fund: Local Development Finance Authority Operating Fund**Type:** Component Unit - Special Revenue Fund**Oversight:** Director of Utilities**Nature and Purpose:**

The Local Development Finance Authority (LDFA) established an operating fund which reflects the operational costs of the groundwater cleanup process in the industrial park. This fund has a sole source of revenue which is the special assessments paid by the industrial community within the contaminated area. In 2007 the City Council approved the next multi-year assessment. The cleanup process of the groundwater is a benefit to the industrial park area and is not intended to identify any plant or organization as contaminating the groundwater but instead presents a positive solution to an existing challenge. The City Council approves the special assessment roll based on acreage owned by a property owner which establishes a corresponding percentage of the total operational costs to effectively monitor the clean-up. Fiscal year 2012 will be the sixteenth full year the plant has been in operation.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Tax Revenue	\$219,226	\$220,000	\$220,000	\$219,000
Interest Income	32,622	25,000	42,400	25,000
Surplus	0	0	18,000	36,500
Total	\$251,848	\$245,000	\$280,400	\$280,500
Expenditures				
Salaries and Wages - Regular	\$12,018	\$17,000	18,500	18,500
Fringes	4,560	8,500	9,100	9,200
Operating Supplies	3,079	11,000	11,500	11,500
Chemicals	0	200	200	200
Contractual Services	30,605	27,000	27,200	27,200
Legal Contractual Services	0	7,000	9,500	9,500
Audit	450	500	900	900
Contracted Lab Costs	45,242	50,000	45,000	45,000
Utilities	125,581	130,000	125,000	125,000
Repair & Maintenance	8,694	12,000	15,500	15,500
Carbon	0	0	3,000	3,000
Engineering Fees	0	0	15,000	15,000
Total	\$230,229	\$263,200	\$280,400	\$280,500
Fund Balance				
Net Change in Fund Balance	\$21,619	(\$18,200)	(\$18,000)	(\$36,500)
Fund Balance - Beginning of Year	1,712,304	1,733,923	1,715,723	1,715,723
Ending Fund Balance	\$1,733,923	\$1,715,723	\$1,697,723	\$1,679,223

System Information

The purge and treat system was constructed during 1995 and 1996 with start-up in September of 1996. System design includes a chromium removal process and dual stage air stripping for volatile organic chemical (VOC) removal. Maximum design flow for the treatment system is 3.2 million gallons per day (MGD). During 2009 the daily average was 2.4 MGD. Treated groundwater is discharged to the Clam River near the old Lake Cadillac dam.

Groundwater is pumped from 18 purge wells located in two defined water bearing formations referred to as the upper and intermediate aquifers. In 1996, influent VOC concentrations exceeded 600 parts per billion (ppb). Last year, influent VOC concentrations were just below 200 ppb. (One part per billion is approximately equal to one second in 32 years.) Chromium concentrations have been reduced to clean-up criteria and the Environmental Protection Agency (USEPA) has been petitioned for closure of the chromium treatment process.

Board of Directors:

Marcus A. Peccia - Chairperson	City Manager, City of Cadillac
Jack Benson	Retired Bank President
Paul Liabenow	Superintendent, Cadillac Area Public Schools
Steve Frisbie	Owner, Frisco Management
Bill Tencza	President, Cadillac Area Chamber of Commerce
Jim Petersen	Retired Bank President
Pat Briggs	Assistant Superintendent of Operations and Personnel, Cadillac Area Public Schools
Denny Benson	Local Attorney
Vacant	Wexford County Commissioner

Fund Financial Highlights

Fund Balance

Fund Balance is reserved for capitalized interest and assessment shortfalls. The Special Assessment is calculated at a level that covers all operating costs, which include all of the above except Contractual Services, Legal Contractual Services, Carbon, and Engineering Fees.

Engineering Fees

In FY2011, it is anticipated that the Soil Vapor Extraction site will be closed. The USEPA has granted clearance for this to take place, and the project is anticipated to begin in spring 2011.

L.D.F.A. Groundwater Treatment Statistics

Volume of groundwater pumped and treated:

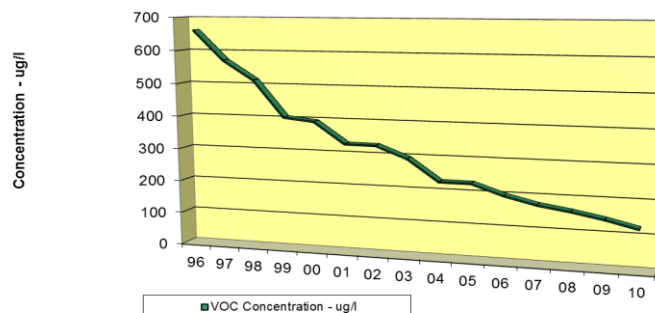
Year	Gallons	
	Per Day	Per Year
2001	2,384,000	870,180,000
2002	2,315,100	845,000,000
2003	2,331,500	851,000,000
2004	2,407,100	878,600,000
2005	2,339,300	853,850,000
2006	2,387,000	871,400,000
2007	2,422,000	884,190,000
2008	2,401,700	857,000,000
2009	2,405,479	878,000,000
2010	2,400,000	876,000,000



LDFA Water Treatment Facility

Year	Estimated pounds of volatile organics stripped from the water (per year):	Hours spent in Operation and Maintenance
2001	2,402	770
2002	2,322	890
2003	2,090	940
2004	1,715	970
2005	1,673	830
2006	1,453	940
2007	1,305	1,140
2008	1,195	1,014
2009	1,067	819
2010	899	800

LDFA GWTP - Influent VOC Concentration

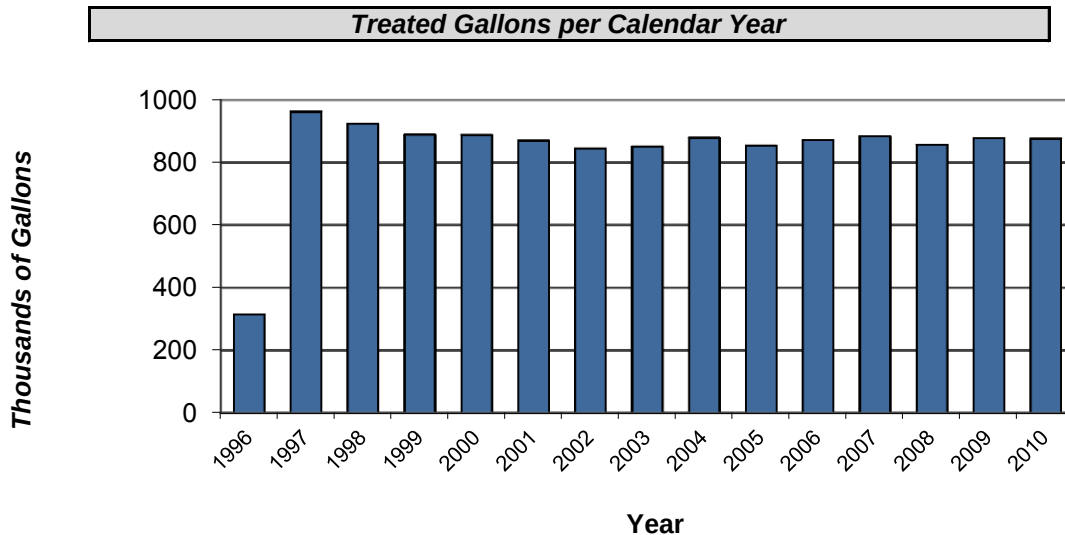


Other L.D.F.A. Groundwater Treatment Details



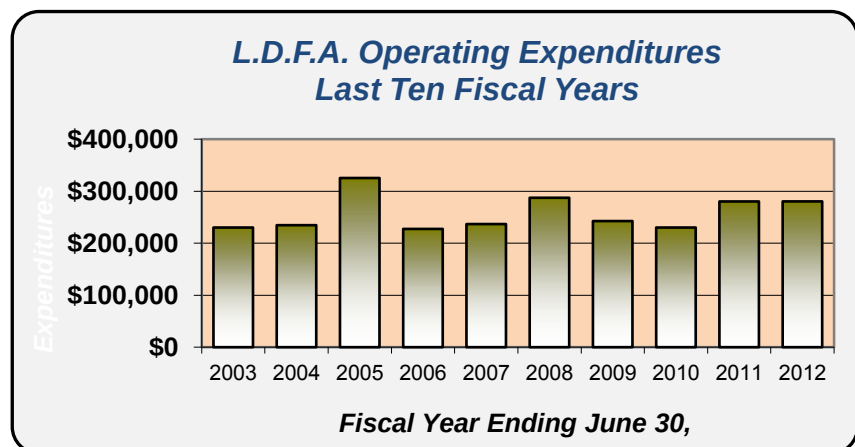
* More than 12 billion gallons of water have been treated since the inception of the program.

* VOC distribution in the LDFA discharge has been below detection limit since the beginning of the program in 1996.



Expenditures

The costs of operating the LDFA treatment facility have remained relatively consistent since the beginning of the treatment program.



Fund: Local Development Finance Authority Utilities Fund**Type:** Component Unit - Enterprise Fund**Oversight:** Director of Utilities**Nature and Purpose:**

The Local Development Finance Authority (LDFA) developed a deep well to provide cooling water for the Power Plant. This water is untreated and can be used only for industrial purposes. Water is also available from the LDFA Groundwater Treatment Plant for the same purposes.

Revenue from the sale of water is used to pay for the cost of providing the water. The rates are established by the LDFA and are not part of the City's Utilities Ordinance.

The LDFA contracts with the City Utilities Department to provide operational and maintenance expertise.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Water Revenue	\$19,515	\$15,500	\$14,800	\$19,500
Interest Income	3,445	4,500	4,000	3,000
Total	\$22,960	\$20,000	\$18,800	\$22,500
Expenditures				
Salaries and Wages - Regular	\$1,979	\$2,500	\$3,000	\$3,000
Fringes	752	1,300	1,600	1,500
Operating Supplies	0	500	500	500
Contractual Services	0	2,500	4,500	4,500
Audit	400	400	400	400
Depreciation	4,536	4,600	5,000	5,000
Total	\$7,667	\$11,800	\$15,000	\$14,900
Net Assets				
Change in Net Assets	\$15,293	\$8,200	\$3,800	\$7,600
Total Net Assets - Beginning of Year	369,592	384,885	384,885	393,085
TOTAL NET ASSETS - END OF YEAR	\$384,885	\$393,085	\$388,685	\$400,685

Fund Highlights**Net Assets**

Available net assets will be used to assist in replacement of the well and funding major system repairs.

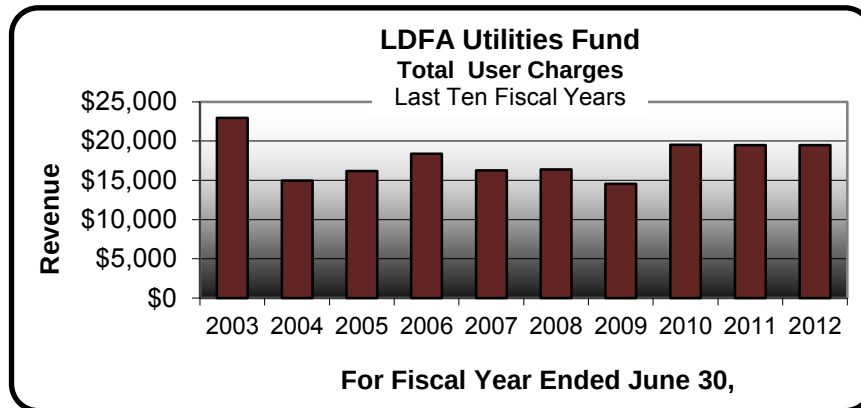
Contractual Services

Contractual Services are to replace RPZ valve in FY2011.

Fund Highlights

Revenue

The customer water rate is tied to the electrical rate Consumers Energy pays for wholesale power. Only one customer is served, Cadillac Renewable Energy, and they provide the electrical energy for the well operation.



System Statistics & Measures

Volume of Water Pumped	
Year	Gallons
2001	152,795,000
2002	162,571,000
2003	168,144,588
2004	152,780,000
2005	140,912,000
2006	148,930,000
2007	123,957,000
2008	147,034,000
2009	134,265,000
2010	109,877,000



LDFA well house (foreground) with Cadillac Renewable Energy in background



LDFA Well

Hours spent in operation and maintenance	
Year	Hours
2001	148
2002	122
2003	115
2004	170
2005	134
2006	125
2007	175
2008	151
2009	110
2010	127

Fund: Local Development Finance Authority Capital Projects Fund**Type:** Component Unit - Capital Project Fund**Oversight:** Director of Utilities**Nature and Purpose:**

This fund accounts for tax increment finance revenues (TIF) collected on behalf of the LDFA after debt service requirements have been met. The TIF revenues are restricted for capital investments, and this fund will help ensure that the restricted funds are used only for allowable purposes.

The debt service for the groundwater treatment infrastructure in the LDFA district was paid in full in FY2006. For the next couple of years, the TIF revenues were deposited in the operating fund of the Local Development Finance Authority. Because of the restrictions on the use of the funds, it was determined that establishing this fund would be the best way to account for them.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Tax Increment Financing Revenue	\$104,892	\$100,000	\$100,000	\$95,000
Interest Income	9,719	5,500	3,000	7,500
Surplus	0	0	0	0
Total	\$114,611	\$105,500	\$103,000	\$102,500
Expenditures				
Audit	\$400	\$500	\$500	\$500
Construction	0	0	0	100,000
Total	\$400	\$500	\$500	\$100,500
Fund Balance				
Net Change in Fund Balance	\$114,211	\$105,000	\$102,500	\$2,000
Fund Balance - Beginning of Year	383,450	497,661	497,661	602,661
Ending Fund Balance	\$497,661	\$602,661	\$600,161	\$604,661

Tax Increment Finance Revenues

Tax increment finance (TIF) revenues collected by Cadillac's LDFA are restricted for capital projects. There is ongoing tax capture after the debt service requirements have been fulfilled which is accounted for in this fund. Accounting for them in a separate fund segregates them for capital purposes in compliance with the TIF plan. Details of the TIF capture are presented on the next page.

LDFA Groundwater Treatment System

Anticipated Capital Needs

The LDFA telemetry system will be replaced in FY2012. The project will be funded using TIF funds and is expected to cost approximately \$100,000.



LDFA Treatment Facility

Constructed in 1995 and 1996, the groundwater treatment system started up in September 2006, and has since treated over 9 billion gallons of groundwater.

LDFA Operating Fund

All operations of the treatment facility are covered by a special assessment. This activity is accounted for in the LDFA Operating Fund.

Source of Tax Increment Financing Revenue

The Local Development Finance Authority captures taxes in the LDFA District as follows:

	<u>Ad Valorem</u>	<u>IFT</u>	<u>Total</u>
Total LDFA District Taxable Value	\$2,356,704	\$3,540,415	5,897,119
Base Value	(551,400)	0	(551,400)
Captured Value	\$1,805,304	\$3,540,415	\$5,345,719

	<u>Millage</u>	<u>Capture</u>		
		<u>Ad Valorem</u>	<u>IFT</u>	<u>Total</u>
Taxes Captured:				
City Operating	13.94730	\$25,179	\$24,690	\$49,869
Police and Fire Retirement (City)	2.60000	4,694	4,603	9,296
Lake Cadillac Treatment (City)	0.50000	903	885	1,788
Wexford County Allocated	6.77970	12,239	12,001	24,241
Wexford County - Recreation	0.25000	451	443	894
Wexford County - Animal Control	0.25000	451	443	894
Wexford County - Road Patrol	0.95000	1,715	1,682	3,397
CWTA	0.60000	1,083	1,062	2,145
Cadillac-Wexford Public Library	0.75000	1,354	1,328	2,682
Council on Aging	0.99760	1,801	1,766	3,567
Total Taxes Captured	27.62460	\$49,871	\$48,901	\$98,772

Note: Captured taxes are calculated by multiplying the millage rate by the captured value. The millage rate must first be divided by 1000, as one mill is equal to \$1 in taxes per \$1,000 in taxable value. IFT parcels receive exemptions of 50% of taxes. Total City-wide taxable value is \$251,000,000. The LDFA captures about 0.7% of the ad valorem tax roll, and an additional 19% of the IFT tax levy.

Fund: Downtown Development Authority Operating Fund

Type: Component Unit - Special Revenue Fund

Oversight: DDA Director

Nature and Purpose:

The volunteer board members of the Cadillac Downtown Development Authority (DDA) are charged with the responsibility of encouraging economic development and halting declining property values in the Downtown Development District, for the benefit of the Downtown District's businesses and the community at large, as prescribed according to the provisions of Public Act 197 of 1975 (as amended).

The DDA's purpose is to use its various resources to invest in the Downtown Development District and fund public improvements that will spur additional private investment and development in the downtown area. This economic development purpose requires the DDA to recognize the infrastructure and marketing needs of the downtown, and then to prioritize and act upon those needs so that the downtown will incur economic growth as a result. DDA activities must meet public purposes and be financially supported by legally ascribed funding methods.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Interest Income	\$178	\$200	\$200	\$200
Tax Revenue	31,153	29,800	29,500	30,000
DEQ Management Fee	5,000	5,000	5,000	5,000
Contributions From Private Sources	2,110	3,000	3,000	3,000
Surplus	0	0	2,000	0
Total	\$38,441	\$38,000	\$39,700	\$38,200
Expenditures				
Salaries and Wages - Regular	\$18,330	\$19,000	\$21,200	\$18,500
Salaries and Wages - Part Time	1,038	2,500	2,000	2,000
Fringes	5,033	7,500	7,100	7,000
Office Supplies	132	200	200	200
Postage	15	100	100	100
Data Processing	0	0	1,500	0
Contractual Services	6,063	6,000	5,000	5,000
Audit	850	850	900	900
Travel and Education	0	200	200	200
Publisher's Costs	106	500	500	500
Downtown Marketing	2,200	800	1,000	1,000
Total	\$33,767	\$37,650	\$39,700	\$35,400
Fund Balance				
Change in Fund Balance	\$4,674	\$350	(\$2,000)	\$2,800
Fund Balance - Beginning of Year	11,942	16,616	16,616	16,966
Ending Fund Balance	\$16,616	\$16,966	\$14,616	\$19,766

Fund Structure and Staffing

There are 418 parcels of property within the Downtown Development District (including real and personal property) on which taxes are paid. These parcels are anticipated to generate \$30,000 in property tax revenue from the DDA's two mill levy, which averages \$72 per parcel of property taxes paid per year in the district. The State of Michigan Department of Environmental Quality pays this fund for oversight of the building they rent from the City of Cadillac at 120 W. Chapin Street.

DDA Staff

Community Development Director Jerry Adams is also the director of the DDA. Mr. Adams brings vast community development and planning experience to the position. Approximately 25% of his time will be spent with the DDA program. In addition, during the summer months a part-time summer employee is hired to clean and monitor the downtown area to enhance the image of our community.

Cadillac DDA Board of Directors

Name		Business	Occupation
Chris Huckle	Chairperson	Cadillac News	Owner/Publisher
Robert Levand	Vice-Chairperson	N/A	DDA District Resident
Marcus A. Peccia	Secretary/Treasurer	City of Cadillac	City Manager
Bill Cinco	Member	Trend Designers	Owner
Tim Coffey	Member	Coffey Insurance Agency	Owner
Curtis Schultz	Member	Markur Consulting	Consultant
Stephanie Trombley	Member	Bridal Expressions	Owner
Deb Christie	Member	Firstbank	Branch Officer
Vacancy	Member		
Vacancy	Member		
Vacancy	Member		

Fund Financial Highlights**Tax Revenue**

The tax revenues of the DDA are based on a millage levied on properties within the district for operating purposes. Over the last ten years, there has not been significant growth in the district-wide taxable value, which has restricted the growth in revenues available for operating purposes.

Fiscal Year	Taxable Value	Millage	Taxes	Change
2003	\$13,900,153	1.9832	\$27,567	-2.88%
2004	\$15,532,836	1.9548	\$30,364	10.15%
2005	\$16,082,462	1.9548	\$31,438	3.54%
2006	\$15,677,423	1.9548	\$30,646	-2.52%
2007	\$15,871,650	1.9548	\$31,026	1.24%
2008	\$15,348,803	1.9548	\$30,004	-3.29%
2009	\$15,781,546	1.9548	\$30,850	2.82%
2010	\$15,884,335	1.9548	\$31,051	0.65%
2011	\$15,132,051	1.9548	\$29,580	-4.74%
2012	\$15,361,710	1.9548	\$30,029	1.52%

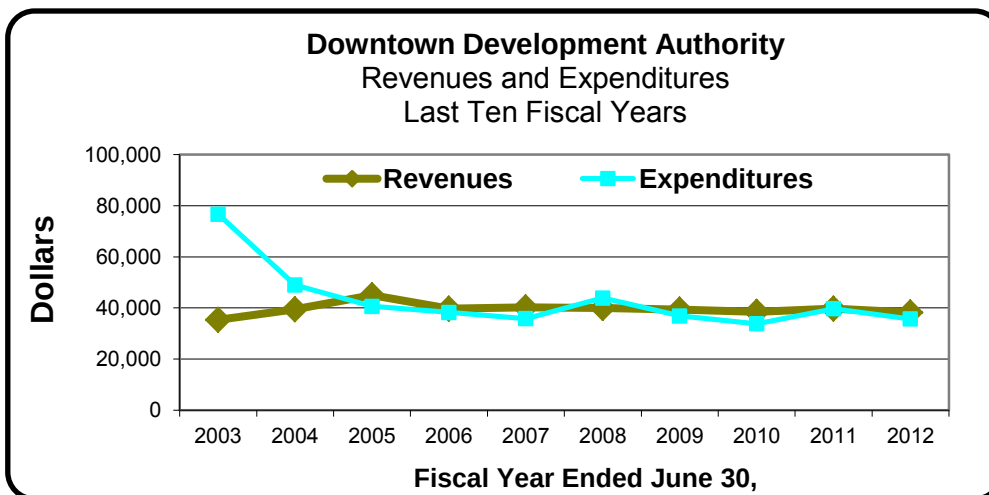
Fund Financial Highlights (Continued)

Contractual Services

New flower baskets are purchased each year to hang from the lightposts through the downtown. Funds for the purchase of the baskets and the subsequent summer flower watering services are appropriated to this line item. Contributions are solicited each year that gives local residents and businesses the opportunity to "sponsor" a flower basket for the year. This program helps to keep the downtown looking beautiful throughout the summer without having to burden this fund and its limited resource with the entire responsibility for funding.



History of Total Revenues and Expenditures



Total revenues and expenditures have remained relatively constant over the last ten years. The spike in expenditures in 2003 was for a wayfinding sign project which helped direct motorists to the downtown district.

Overview of the Cadillac Downtown Development Authority Strategic Plan

The Downtown Development Authority (DDA) Board shall:

1. Establish a maintenance schedule for various downtown infrastructure. Continue with annual resetting of the sunken sidewalk brick pavers and also continue employment of a downtown maintenance worker to carry out maintenance activities.
2. Implement the physical improvements recommended in the Mitchell Street Corridor Study to calm downtown traffic. This includes lane re-striping, intersection bump-outs and gateway enhancements. This project was completed in 2010.
3. Evaluate long-term physical improvements such as:
 - Development of additional parking on east side of Mitchell Street;
 - Development of a speculative building for retail;
 - Property acquisition for future redevelopment projects.
4. Planning and Design issues:
 - Undertake design/study of loading and unloading zones and short-term parking needs.
5. Marketing Issues:
 - Conduct a market study oriented specifically to downtown Cadillac.
 - Develop a business retention plan with action steps to retain key downtown businesses.
 - Participate in a comprehensive marketing campaign with other organizations interested in downtown growth and redevelopment.



Fund: Downtown Development Authority Capital Projects Fund**Type:** Component Unit - Capital Project Fund**Oversight:** DDA Director**Nature and Purpose:**

In November, 1992 the Cadillac Downtown Development Authority (DDA) and the Cadillac City Council approved the DDA's Development and Tax Increment Financing (TIF) plans. The purpose of these plans is to provide a source of revenue for the DDA to undertake various capital and public infrastructure improvements within the DDA Development District. It is anticipated that this public investment will in turn enhance the Development District and initiate spin-off private investment, resulting in an overall increase in downtown economic development and the elimination of declining property taxes.

While the plans were established in 1992, the first TIF capture was not realized until FY1997. In order for a TIF capture to be realized, the base property value for the entire DDA Development District must be exceeded by future years property values. From 1993 to 1995, property values in the DDA Development District continued to show an overall net decline. It was not until 1996 that the district's overall property values exceeded the 1992 base value (\$11,654,550), producing the first DDA TIF revenue capture of \$13,000. Since 1996, property values have increased. However, property values declined substantially in 2009. For FY2012, taxable value within the DDA TIF district increased about 1.5% to \$15,361,710 due to the private development of several properties within the district.

The purpose of Cadillac's DDA Capital Projects Fund is to receive these TIF revenues and track their expenditures on Development Plan projects.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Tax Revenue	\$113,807	\$94,500	\$94,500	\$100,500
Federal Grants	503,243	0	50,000	0
State Grants	143,367	0	0	0
Interest Income	2,839	3,000	500	500
Loan Proceeds	75,000	0	0	0
Surplus	0	0	0	0
Total	\$838,256	\$97,500	\$145,000	\$101,000
Expenditures				
Audit	\$400	\$400	\$400	\$500
Contractual Services	6,825	63,500	63,500	10,000
Construction	946,185	0	0	0
Debt Service	31,300	53,000	53,000	51,200
Total	\$984,710	\$116,900	\$116,900	\$61,700
Fund Balance				
Net Change in Fund Balance	(\$146,454)	(\$19,400)	\$28,100	\$39,300
Fund Balance - Beginning of Year	213,094	66,640	66,640	47,240
Ending Fund Balance	\$66,640	\$47,240	\$94,740	\$86,540

Other Fund Information

In accordance with the Michigan Public Act 197 of 1975, as amended (the DDA Act), the Cadillac DDA must spend its TIF revenues only as prescribed by law and only on projects listed in its Development Plan. Typically, these projects are of a public infrastructure nature, but can include overall district marketing efforts and some operational expenditures, as directly related to the DDA office and staff. The Cadillac DDA has detailed a number of such public improvements in its Development Plan, including additional sidewalks and lighting improvements along downtown side streets, parking lot improvements, public water and sewer improvements associated with private developments, and building acquisitions/demolitions, to name a few. In 1998, significant public parking lot improvements were completed. Limited general obligation bonds were issued by the City's Building Authority to finance the improvements. Revenues from TIF captures are now being used in part to repay this fifteen year bond issue. Total outstanding debt on this bond issue as of June 30, 2011 will be \$60,000 with the final principal payment scheduled for October 1, 2012.

Debt Service

Expenses classified under Debt Service represent a transfer to the 1997 Building Authority Debt Retirement Fund. This transfer is to cover the debt service on the bonds sold to finance parking lot improvements in downtown Cadillac. The remainder of the debt service expenditure is to repay an internal loan that was taken out as part of the 2009 Mitchell Street Improvement Project to assist in cash flow.

Source of Tax Increment Financing Revenue

The DDA Capital Projects Fund captures taxes in the DDA District as follows:

Total DDA District Taxable Value		\$15,361,710
1996 Base Value		<u>(11,654,550)</u>
Captured Value		\$3,707,160
Taxes Captured:	Millage	Capture
City Operating	13.94730	\$51,705
Police and Fire Retirement (City)	2.60000	9,639
Lake Cadillac Treatment (City)	0.50000	1,854
Wexford County - Allocated	6.77970	25,133
Wexford County - Recreation	0.25000	927
Wexford County - Animal Control	0.25000	927
Wexford County - Road Patrol	0.95000	3,522
CWTA	0.60000	2,224
Cadillac-Wexford Public Library	0.75000	2,780
Council on Aging	0.99760	3,698
Total Taxes Captured	27.62460	\$102,409

Note: Captured taxes are calculated by multiplying the millage rate by the captured value. The millage rate must first be divided by 1000, as one mill is equal to \$1 in taxes per \$1,000 in taxable value. Total City-wide taxable value is projected to be \$251,000,000. The DDA captures about 1.5% of the ad valorem tax roll.

Fund: Brownfield Redevelopment Fund**Type:** Component Unit - Special Revenue Fund**Oversight:** Community Development Director**Nature and Purpose:**

The Cadillac Brownfield Redevelopment Authority (BRA) was established on December 6, 1996. It was the first Authority established in the State of Michigan under Michigan Public Act 381 of 1996. The BRA is charged with the redevelopment of brownfield sites throughout the City of Cadillac. A "brownfield" is defined as a previously developed property that is either perceived or known to have environmental contamination. Because Cadillac is a "core community," properties that are functionally obsolete may also be considered a brownfield site. Prior to the economic development tools and incentives authorized under P.A. 381, a number of brownfield sites sat idle throughout the Cadillac community and steadily declined in property value due to perceived or confirmed contamination. Due to the increased risks and costs associated with brownfield sites, prior to P.A. 381, many developers consistently opted to invest in "greenfields", or previously undeveloped parcels. The rapid development of greenfields is known statewide to have contributed to the growing problem of urban sprawl and the costly, unwarranted extension of public utilities (i.e., water and sewer).

After creating the Cadillac BRA, efforts were undertaken by this new board to establish a Brownfield Redevelopment Authority Plan. The Plan was first approved on August 4, 1997 which has since been amended and re-approved four times, most recently on May 1, 2006. The Brownfield Redevelopment Plan identifies brownfields throughout the City of Cadillac, and defines "eligible activities" (i.e., environmental assessment, environmental remediation) that will be undertaken by the BRA to reduce or eliminate known contamination, so that it is economically feasible for the private sector to redevelop these properties. Eligible activities are funded through the capture of tax dollars via tax increment financing, which is enabled by the private redevelopment of brownfield sites.

FUNDING SUMMARY	FY2010 Actual	FY2011 Estimated	FY2011 Adopted	FY2012 Proposed
Revenues				
Current Property Taxes	\$27,727	\$34,600	\$35,000	\$37,200
Interest Income	221	500	2,500	1,000
State of Michigan - Grant	67,053	0	50,000	20,000
Surplus	0	5,000	23,300	0
Total	\$95,001	\$40,100	\$110,800	\$58,200
Expenditures				
Contractual Services	\$118,485	\$39,300	\$110,000	\$57,200
Audit	800	800	800	800
Total	\$119,285	\$40,100	\$110,800	\$58,000
Fund Balance				
Net Change in Fund Balance	(\$24,284)	(\$5,000)	(\$23,300)	\$200
Fund Balance - Beginning of Year	192,118	167,834	167,834	162,834
Ending Fund Balance	\$167,834	\$162,834	\$144,534	\$163,034

Fund Highlights

At present, the Cadillac Brownfield Redevelopment Plan identifies ten Brownfield sites, which are as follows:

- > 403 W. Seventh Street - the Metal Casters site (former foundry)
- > 1405 Sixth Avenue - the Four Starr site (former manufacturing facility)
- > 301 N. Lake Street - the Kraft site (former manufacturing/storage facility)
- > 1002 Sixth Street - the Northernair Plating site (former metal plating site)
- > 117 W. Cass Street - the Sundstrom building site (former real estate office)
- > 115 S. Mitchell Street - the Stage/Milliken building site (former department store)
- > 1033 W. Sixth Street - the Emerald Tree Farm site (former tree farm)
- > 314 S. Mitchell Street - the Brasseur site (former gas station) *
- > 302 South Mitchell Street (former YMCA site) *
- > 111 West Chapin Street (former Harris Milling Site) *
- > 924 S. Mitchell Street (Willow Mercantile facility)
- > 100 E. Chapin Street (Cobbs/Mitchell Building)
- > 940 N. Mitchell (Cad-A-Stran Building)

* Three sites now make up the new Chemical Bank facility

Brownfield Redevelopment Authority	
Board of Directors:	
Mike Figliomeni	Regan O'Neill
Jack Benson	Marcus A. Peccia
Ron Swanson	

Fund Financial Information

Captured Taxes

Currently, there are taxes being captured for three projects. An additional project related to the Cobbs/Mitchell Building (former MDOT location) is expected to be added to the Brownfield TIF capture. Projected tax captures for FY2012 are as follows:

Total Brownfield Taxable Value	\$1,487,500
Base Value	\$269,143
Captured Value	\$1,218,357
Captured Taxes	
City Operating	\$814
Police and Fire Retirement (City)	152
Lake Cadillac Treatment (City)	29
Wexford County	480
Other	137
CAPS Operating	21,360
State Education Tax	7,120
Wexford-Missaukee ISD	7,051
Total Taxes Captured	\$37,143

Each project is captured differently, and the specific taxes which each project can capture may vary as well.

Other Brownfield Remediation Projects

Prior Remediation and Redevelopment Activity

To date, 403 W. Seventh Street and 1405 Sixth Avenue have both been remediated and redeveloped by the private sector. A rubber recycling facility owned by Avon Rubber & Plastics now operates at 403 W. Seventh Street and AAR Cadillac Manufacturing has constructed the largest manufacturing facility in Cadillac's Industrial Park on the 1405 Sixth Avenue site. Remediation efforts were completed at the Brasseur site (314 S. Mitchell Street), and 1002 Sixth Street will be addressed once a private developer has been identified to redevelop the site. At the former Emerald Tree site, emergency remediation funds were secured from the MDEQ in 2002 to address two leaking barrels and other debris that was illegally dumped on the site.

Additionally, 117 W. Cass Street, the Sundstrom building site, was purchased by Lakeside Title, LLC. Unfortunately, a two story office building as originally planned for the site could not be constructed, due to the poor condition of the neighboring building. The site was subsequently donated to the Cadillac Area Community Foundation and is currently vacant. The former Stage-Milliken's building site at 115 S. Mitchell Street is now occupied by Horizon Books, Bridal Expressions, and Your Sister's Closet. The south half of the building, now under separate ownership by Horizon Books, was issued an Obsolete Property Rehabilitation exemption Certificate to encourage its comprehensive rehabilitation and reuse.

Project Spotlights



Kraft Site Development Project

One of the sites identified as a brownfield in the City of Cadillac was the Kraft site, a prominent lot located near Lake Cadillac, which was once home to a Kraft cheese processing facility. Over the last few years, remediation of this site was completed, and a new 3-story condominium project was constructed at the site, a significant improvement to the lakefront area. Due to poor economic conditions, the condominium units have not yet sold as quickly as anticipated.

Development Agreement Details

In accordance with the development agreement between Lakeside Development, Inc. and the Cadillac Brownfield Redevelopment Authority, tax increment financing (TIF) revenues captured from the Kraft Site (301 Lake Street) will fund burial and relocation of overhead utility lines and other minor public infrastructure improvements. The total allowable cost for these activities was \$368,000. However, the developer only incurred about \$90,000 in costs that are eligible for reimbursement under the plan. As TIF revenues are collected annually from this site, they will be transferred to Lakeside Development, Inc. up to the maximum allowable. It is anticipated TIF capture will be necessary through 2011 for this purpose. This transfer is also accounted for in the Contractual Services line item in an amount equal to the taxes captured on the property.

Project Spotlights

Chemical Bank Development

In early 2010, Chemical Bank moved into their new downtown banking facility which was made possible in part through the use of funding through the Brownfield Redevelopment Authority. The development was enabled by the cleanup of a prominent downtown brownfield site. An old mill on a contaminated site was demolished and the contamination remediated through a grant, and the developer was able to utilize the BRA to assist in funding some related activities as part of the development.



Development Agreement

Pursuant to the development agreement between Chemical Bank and the CBRA, tax increment financing (TIF) revenues captured from the site will be used to fund various public improvements initially paid for by the bank. Eligible activities for sidewalks, public parking, water, sanitary sewer, storm sewer, street repaving, and several small miscellaneous items were approved up to a maximum of \$255,750. These costs have been incurred and will now be reimbursed through tax captures on the developed property. It is expected to take about eleven (11) years to fully reimburse the costs to the developer.

Willow Mercantile

In August 2009, a development agreement was approved between the CBRA and Clam Lake Holdings, LLC to redevelop the property located at 924 S. Mitchell Street. This agreement enabled the developers to demolish the old structure on the site and to construct a new building and greenhouse for a retail operation that will offer fresh fruits, vegetables, nursery plants and related specialty items. The new facility opened in the spring of 2010.



Development Agreement

The development agreement between Clam Lake Holdings, LLC and the CBRA made TIF revenues available to reimburse the developer for eligible costs up to \$95,074. This included demolition of the old site and related lead/asbestos abatement, site preparation and other contingency costs, and some administrative costs related to the development of the work plan. It is expected to take approximately eight (8) years to fully reimburse the eligible costs to the developer. Additionally, the capture has been approved for an additional five (5) years to deposit in the CBRA's Local Site Remediation Revolving Fund as permitted by the BRA act.

What is the 5-Year Capital Improvement Program?

The information that follows represents the City of Cadillac's 5-Year Capital Improvement Program. In it, projects have been identified that need to be addressed over the next five fiscal years. The program serves as a crucial planning component within the City's overall operational management structure. Since its inception, the majority of projects undertaken within the City have come through this planning document. The program provides important information that aids in maintaining the City's critical infrastructure as well as the equipment needed to carry out the delivery of services to the community.

What is a Capital Project?

For the purposes of the Capital Improvement Program, a capital project has been identified by the city as any project that exceeds the City Council purchasing threshold of \$7,500 and has an estimated useful life of greater than one year. This includes items like police cars, fire trucks, streets and other construction projects, parks maintenance equipment, snow plows, street sweepers, etc. This program identifies those projects that meet the criteria above that will be addressed in the next five years.



Project Types:

- All projects requiring debt or borrowing;
- Any acquisition or leasing of land;
- Purchase of major equipment and vehicles valued in excess of \$7,500 with an estimated useful life of greater than one year;
- Construction of new buildings or facilities including engineering design and pre-construction costs;
- Major building improvements costing in excess of \$7,500 that are not routine expenses and that substantially enhance the value of the structure;
- Major equipment or furnishing valued in excess of \$7,500 and required to furnish new buildings or other projects; and
- Major studies costing in excess of \$7,500 and requiring the use of outside professional consultants.

How is the program developed?

The program is developed in the Financial Services Department using project information submitted by each department within the City. Once all project requests have been received, the requests are reviewed and added to the program where appropriate. Projects identified in previous programs remain in the current program unless a different priority or strategy makes it unnecessary to do so. Once a final proposed document has been completed, the program is distributed to the City Council and is also made available for the public to review. The Council holds work sessions to discuss the program, and citizen input is sought through both the work session and through a public hearing process. Once the public hearing has been completed, the program is finalized and adopted by Council usually in November of each year.

How are project priorities determined?

A wide range and variety of capital improvements could be included in the Capital Improvement Program. Listed below are several criteria that help determine the selection of projects:

- Relationship to overall community needs;
- Relationship to other projects;
- Distribution of projects throughout the City;
- Required to fulfill any federal or state judicial or administrative requirements;
- Impact on annual operating and maintenance costs;
- Relationship to other community plans;
- Relationship to source and availability of funds;
- Relationship to overall fiscal policy and capabilities; and
- Project's readiness for implementation.

Capital Budget vs. Capital Improvement Program

While the Capital Improvement Program looks out multiple years for capital projects, the first year of the Capital Improvement Program is integrated into the annual Capital Budget. The Capital Budget shows project priorities, cost estimates, financing methods, tax schedules, and estimated annual operating and maintenance costs. This Capital Budget is subsequently incorporated into the annual operating budget for appropriation of funds to carry out the project.

What are the advantages of a Capital Improvement Program?

An effective and ongoing Capital Improvement Program provides significant benefits to elected officials, staff, and the taxpayers within the City of Cadillac. Some of these benefits are:

- Coordination of the community's physical planning with its fiscal planning activities;
- Ensuring that public improvements are undertaken in the most desirable order of priority;
- Assisting in stabilization of the tax rate over a period of years;
- Producing savings in total project costs by promoting a "pay as you go" policy of capital financing, thereby eliminating additional interest and other financing charges;
- Providing adequate time for planning and engineering of proposed projects;
- Ensuring the maximum benefit of the monies expended for public improvements; and
- Permitting municipal construction activities to be coordinated with those of other public agencies within the community.

These are important benefits for the Cadillac community. Capital improvement programming and capital budgeting allow officials and citizens to set priorities for capital investment and accrue maximum physical benefit with a minimum of capital expenditures through an orderly process of project development, selection, scheduling, and implementation.

Program Summary

On a departmental basis, the 5-Year Capital Improvement Program includes the following request levels, presented by fiscal year:

Department	For the fiscal year ending June 30,					Total
	2012	2013	2014	2015	2016	
Complex/General Gov't.	18,000	51,500	0	30,000	196,000	295,500
Public Safety						
Police	34,800	34,100	35,900	30,700	33,900	169,400
Fire	16,000	12,000	0	38,000	385,000	451,000
Municipal Parks	8,500	32,500	95,000	47,500	68,500	252,000
Total General Fund	77,300	130,100	130,900	146,200	683,400	1,167,900
Major Streets	297,500	37,500	107,500	104,000	40,000	586,500
Local Streets	197,500	190,700	421,500	292,500	212,500	1,314,700
Cemetery Operating	27,500	16,000	40,000	8,500	50,000	142,000
Industrial Parks	0	0	0	0	525,000	525,000
Water and Wastewater	4,432,200	4,210,000	376,000	621,500	512,300	10,152,000
Stores and Garage	303,600	193,500	194,400	310,000	350,000	1,351,500
Information Technology	137,500	92,500	42,500	20,000	90,000	382,500
Totals	\$5,473,100	\$4,870,300	\$1,312,800	\$1,502,700	\$2,463,200	\$15,622,100

Source of Funds

It is also important to identify the sources of funding that will be used to fund each year's projects. This helps to determine the viability of each year's requests and serves as a critical planning tool for current and future operating budgets. For the current 5-year program, the following sources of funding have been identified by fiscal year:

Source of Funds	For the fiscal year ending June 30,					Total
	2012	2013	2014	2015	2016	
Current Property Tax Revenues	77,300	105,100	130,900	106,200	487,400	906,900
Donations						
Donations Received	0	0	0	0	0	0
Future Donations	0	25,000	0	40,000	50,000	115,000
Operating Revenues	1,146,100	1,112,000	652,900	960,000	1,110,400	4,981,400
MVHF	285,000	228,200	529,000	396,500	252,500	1,691,200
DWRF	3,754,700	3,400,000	0	0	0	7,154,700
Grants	210,000	0	0	0	366,900	576,900
Special Assessments	0	0	0	0	196,000	196,000
Totals	\$5,473,100	\$4,870,300	\$1,312,800	\$1,502,700	\$2,463,200	\$15,622,100

Projects by Fiscal Year

The following tables identify specific projects that have been requested in each of the five fiscal years included in the current program. The summary lists the department that is making the request, the name of the project, the estimated cost, and the impact on the Annual Operating Budget. The first year of the program will be used in the development of the Annual Operating Budget, a process which will begin shortly after final approval and adoption of the program.

Plan Fiscal Year: 2011-2012				
Department	Project	Funded Y/N	Cost	Budget Impact
General Gov't.	OFFICE FURNITURE REPLACEMENT	N	9,000	\$100
General Gov't.	CONFERENCE ROOM CHAIRS	Y	9,000	\$100
Public Safety	POLICE PATROL VEHICLE	Y	25,300	\$600
Public Safety	INTERVIEW ROOM RECORDING EQUIPMENT	Y	9,500	\$0
Public Safety	EXTRICATION EQUIPMENT	Y	7,500	\$0
Public Safety	THERMAL IMAGING CAMERA	Y	8,500	\$500
Parks	RIDING LAWN MOWER	Y	8,500	\$500
Major Streets	FARRAR STREET (RIVER TO SEVENTH)	Y	110,000	\$1,000
Major Streets	GUNN/SEVENTH STREET (MITCHELL TO THIRD AVE.)	Y	180,000	\$1,000
Major Streets	STREET SIGN REPLACEMENT	Y	7,500	\$500
Local Streets	LYNN STREET (HERSEY TO COBB)	N	120,000	\$1,000
Local Streets	AYER STREET (MITCHELL TO WHEELER)	Y	70,000	\$1,000
Local Streets	STREET SIGN REPLACEMENT	Y	7,500	\$500
Cemetery	TRUCK	N	19,000	\$800
Cemetery	RIDING LAWN MOWER	Y	8,500	\$500
Water/Wastewater	LYNN STREET (HERSEY TO COBB)	N	40,000	\$1,000
Water/Wastewater	AYER STREET (MITCHELL TO WHEELER)	Y	17,500	\$500
Water/Wastewater	GUNN/SEVENTH STREET (MITCHELL TO THIRD AVE.)	Y	20,000	\$1,000
Water/Wastewater	MITCHELL STREET	Y	600,000	\$500
Water/Wastewater	WATER SUPPLY IMPROVEMENTS	Y	3,754,700	\$10,000
Stores & Garage	UNDERBODY PLOW	Y	8,600	\$800
Stores & Garage	VACUUM STREET SWEEPER	N	185,000	\$1,500
Stores & Garage	WHEEL LOADER	N	110,000	\$1,000
IT	DATA STORAGE	N	15,000	\$500
IT	PRINTERS	Y	7,500	\$500
IT	COMPUTER REPLACEMENT	Y	20,000	\$1,000
IT	NETWORK DATA BACKUP	N	10,000	\$500
IT	NETWORK SERVERS	Y	70,000	\$1,000
IT	IT INFRASTRUCTURE	N	15,000	\$1,000
Total for FY 2011-2012			\$5,473,100	

Summary

Total Funded Projects	\$4,950,100 (90%)
Total Un-Funded Projects	\$523,000 (10%)

This fiscal year promises to be a challenging year in terms of financing capital projects. The funded projects above represent the FY2012 capital budget totaling \$4,950,100 and the projects have been included in the budget of the appropriate fund. A total of \$523,000 in projects were eliminated due to lack of funding. The operating budget impact for respective departments is addressed below.

General Government

General government projects are funded by general property tax revenues. Because of the recent economic environment, only minimal investment has been made in capital projects for the last several years. For FY2012, the current budget requests funds to replace the chairs in the conference room at the Municipal Complex. This is expected to have no impact on the operating budget.

Public Safety

After suspending the program in FY2011, the annual patrol vehicle replacement program was again funded for the FY2012 budget. Regular replacement of these important vehicles both enhances the safety and productivity of officers on the street and helps minimize annual maintenance costs. Additionally, installing video recording equipment in the interview room in the Police Department will assist the department in following best industry practices and will enhance the integrity of the interview process.

Parks

A riding lawnmower is scheduled for replacement in FY2012. This purchase was cancelled in the FY2011 budget but is scheduled for funding this year. This purchase helps keep Cadillac's beautiful parks system maintained and increases the productivity of the seasonal parks and recreation crew by eliminating downtime and maintenance costs of aged equipment.

Major and Local Streets

Funding for public infrastructure projects, like street reconstruction, is very difficult to secure. However, through the sale of a city-owned property in FY2009, the City was able to earmark the proceeds for infrastructure projects which has helped fund infrastructure projects for the last several years. Completing infrastructure projects typically has a positive impact on the operating budgets of the Major and Local Street Funds by reducing the amount of regular maintenance required on aged infrastructure.

As a result of additional funding challenges, however, the Lynn Street project has not been funded in this budget. Canceling this project does not eliminate the need for it but only defers the expense to later years when funds may or may not be available. The annual operating budget is negatively impacted each year when street projects are not able to be funded. Deteriorating streets require additional repair dollars just to remain drivable. Long term funding solutions need to be found in order to remain proactive on an ongoing basis and avoid significant future problems in the City's system of streets and roads.

Cemetery

The scheduled replacement of the maintenance vehicle used in cemetery operations was once again delayed in this fiscal year. This vehicle is beyond its useful life and in desperate need of replacement which will have to be undertaken as soon as funds are available. The operating budget will be negatively impacted by increased equipment maintenance costs until this replacement can be funded. A new mower is scheduled to be purchased in the proposed budget, which is expected to help reduce maintenance costs.

Water and Wastewater

Several streets will be replaced in FY2012, and the Water and Sewer Fund plans to replace the utilities infrastructure below these streets when they are torn up. Many of the underground pipes in these sections of streets are decades old and are in increasing need of repair. Repair and maintenance costs related to aging underground infrastructure place significant strain on the annual operating budget, so funding these projects helps maintain the integrity of the system. In addition, the City plans to begin a two-phase project to replace the system of wells that provide all the water for Cadillac utility customers. This project is expected to cost nearly \$7 million and should be completed over the next 3-4 years.

The purchase and upgrade of equipment remains scheduled in the FY2012 operating budget. Regular replacement of important maintenance equipment helps keep the department operating at maximum efficiency, which is critical given the reduction in staffing that has been experienced in the last couple of years. The upgrades also positively impact the operating budget by reducing maintenance expenditures required by aging equipment.

Stores and Garage

Replacement of several pieces of equipment was been delayed in the FY2012 budget. A street sweeper (\$185,000) and a wheel loader (\$110,000) were eliminated in the budget process due to funding constraints. This does not eliminate the need for these replacements, and will in fact place additional costs pressures on the equipment maintenance budget.

Information Technology

Investment in technology has been critical in enabling City staff to continue to provide services at a high level with reduced staff. To help staff continue to operate with a high level of efficiency and productivity, this investment will continue in FY2012. The City continues to explore new ways to leverage technology to enhance productivity in the delivery of important municipal services. Operating budget savings are primarily achieved by reducing ongoing maintenance costs related to the utilization of aged equipment.

Summary of Years 2-5 of Five Year Capital Improvement Program

Plan Fiscal Year: 2012-2013			
Department	Project	Cost	Budget Impact
General Gov't.	STAFF VEHICLE	19,000	\$500
General Gov't.	FLOOR COVERING	10,500	\$300
General Gov't.	CONCRETE APRON REPLACEMENTS	22,000	\$500
Public Safety	POLICE PATROL VEHICLE	26,600	\$600
Public Safety	INTERVIEW ROOM RENOVATION	7,500	\$500
Public Safety	RESCUE TOOLS	12,000	\$500
Parks	SHORELINE STABILIZATION	7,500	(\$1,000)
Parks	WALKWAY GAZEBO BRIDGE	25,000	(\$500)
Major Streets	CARMEL STREET (EAST DIVISION TO CHAPIN)	30,000	\$1,000
Major Streets	STREET SIGN REPLACEMENT	7,500	\$500
Local Streets	CEDAR STREET (EVART TO COBB)	13,200	\$1,000
Local Streets	EVART STREET (OAK TO LESTER)	70,000	\$1,000
Local Streets	HERSEY STREET (CEDAR TO OAK)	100,000	\$1,000
Local Streets	STREET SIGN REPLACEMENT	7,500	\$500
Cemetery	MAINTENANCE VEHICLE	7,500	\$500
Cemetery	RIDING LAWN MOWER	8,500	\$500
Water/Wastewater	CARMEL STREET (EAST DIVISION TO CHAPIN)	25,000	\$500
Water/Wastewater	EVART STREET (OAK TO LESTER)	50,000	\$500
Water/Wastewater	HERSEY STREET (CEDAR TO OAK)	35,000	\$500
Water/Wastewater	MITCHELL ALLEY	45,000	\$1,000
Water/Wastewater	SERVICE TRUCK	25,000	\$500
Water/Wastewater	TRACTOR BACKHOE	60,000	\$500
Water/Wastewater	SEWER VACUUM/JET TRUCK	220,000	\$2,500
Water/Wastewater	BOERSMA PROPERTY UTILITIES EXTENSION	350,000	(\$1,500)
Water/Wastewater	WATER SUPPLY IMPROVEMENTS	3,400,000	\$10,000
Stores & Garage	PICKUP TRUCK	19,500	\$2,500
Stores & Garage	UNDERBODY PLOW	9,000	\$800
Stores & Garage	1-TON DUMP TRUCK	30,000	\$1,000
Stores & Garage	UNDERBODY PLOW TRUCK	126,000	\$1,000
Stores & Garage	ONE-WAY PLOW	9,000	\$300
IT	COMPUTER REPLACEMENT	20,000	\$1,000
IT	NETWORK DATA BACKUP	7,500	\$500
IT	SOFTWARE: APPLICATIONS	15,000	\$500
IT	PHONE SYSTEM	50,000	\$500
Total for FY 2012-2013		\$4,870,300	

Plan Fiscal Year: 2013-2014

Department	Project	Cost	Budget Impact
Public Safety	POLICE PATROL VEHICLE	27,900	\$600
Public Safety	PORTABLE RADIOS	8,000	\$500
Parks	KENWOOD PARK PAVING	60,000	\$1,000
Parks	CHESTNUT STREET PARKING LOT	35,000	\$500
Major Streets	NORTH LAKE STREET (SOUTH TO CHAPIN)	100,000	\$1,000
Major Streets	STREET SIGN REPLACEMENT	7,500	\$500
Local Streets	WHEELER STREET (POWERS TO AYER)	90,000	\$1,000
Local Streets	CRIPPEN STREET (MITCHELL TO PARK)	105,000	\$1,000
Local Streets	HOLLY ROAD (BARBARA TO WREN)	99,000	\$1,000
Local Streets	EAST GARFIELD STREET (HOLBROOK TO HIGGINS)	120,000	\$1,000
Local Streets	STREET SIGN REPLACEMENT	7,500	\$500
Cemetery	STREET PAVING	40,000	\$500
Water/Wastewater	WHEELER STREET (POWERS TO AYER)	65,000	\$500
Water/Wastewater	CRIPPEN STREET (MITCHELL TO PARK)	58,000	\$500
Water/Wastewater	EAST GARFIELD STREET (HOLBROOK TO HIGGINS)	35,000	\$500
Water/Wastewater	GLOBAL POSITIONING SYSTEM (GPS) EQUIPMENT	8,000	\$200
Water/Wastewater	SEWER CAMERA	60,000	\$1,000
Water/Wastewater	SEWER JETTER	100,000	\$300
Water/Wastewater	TWO (2) PICKUP TRUCKS	50,000	\$2,000
Stores & Garage	PICKUP TRUCK	25,000	\$2,500
Stores & Garage	UNDERBODY PLOW TRUCK	135,000	\$1,000
Stores & Garage	UNDERBODY PLOW	9,000	\$800
Stores & Garage	ONE-WAY PLOW	9,400	\$300
Stores & Garage	BOSS TYPE V-PLOW	7,500	\$500
Stores & Garage	RIDING LAWN MOWER	8,500	\$500
IT	DATA STORAGE	15,000	\$500
IT	COMPUTER REPLACEMENT	20,000	\$1,000
IT	SOFTWARE: APPLICATIONS	7,500	\$500

Total for FY 2013-2014

\$1,312,800

Plan Fiscal Year: 2014-2015

Department	Project	Cost	Budget Impact
General Gov't.	UPGRADE COMPLEX RESTROOMS	30,000	\$600
Public Safety	POLICE PATROL VEHICLE	30,700	\$600
Public Safety	FIRE RESCUE VEHICLE	38,000	\$1,000
Parks	SKATE PARK EQUIPMENT	40,000	(\$500)
Parks	SHORELINE STABILIZATION	7,500	(\$1,000)
Major Streets	WEST DIVISION STREET (LEESON TO SENECA)	104,000	\$1,000
Local Streets	SELMA STREET (W. DIVISION TO WRIGHT)	100,000	\$1,000
Local Streets	SOUTH STREET (LAKE TO FOUR WINNS TEST CENTER)	50,000	\$1,000
Local Streets	ALDRICH STREET (BOND TO LINDEN)	60,000	\$1,000
Local Streets	MARBLE STREET (MITCHELL TO SUNNYSIDE)	75,000	\$1,000
Local Streets	STREET SIGN REPLACEMENT	7,500	\$500
Cemetery	RIDING LAWN MOWER	8,500	\$500
Water/Wastewater	SELMA STREET (W. DIVISION TO WRIGHT)	91,000	\$500
Water/Wastewater	SOUTH STREET (LAKE TO FOUR WINNS TEST CENTER)	35,000	\$500
Water/Wastewater	ALDRICH STREET (BOND TO LINDEN)	40,000	\$500
Water/Wastewater	R&D PUMP	10,000	\$500
Water/Wastewater	PICKUP TRUCK (HEAVY DUTY)	30,000	\$500

Water/Wastewater	PICKUP TRUCK (REGULAR DUTY)	20,000	\$500
Water/Wastewater	MANHOLE REHABILITATION	25,000	\$500
Water/Wastewater	LIFT STATION INFLUENT GATE VALVES	75,000	\$500
Water/Wastewater	LABORATORY STILL	30,000	\$500
Water/Wastewater	BIO-BUILDING ROOF REPLACEMENT	20,000	\$1,000
Water/Wastewater	13TH STREET STORM POND TRANSFORMER	10,000	\$500
Water/Wastewater	ULTRAVIOLET DISINFECTION EQUIPMENT	35,500	\$1,500
Water/Wastewater	COBB STREET	200,000	(\$2,000)
Stores & Garage	UNDERBODY PLOW TRUCK	135,000	\$2,000
Stores & Garage	REGENERATIVE AIR SWEEPER	175,000	\$2,500
IT	COMPUTER REPLACEMENT	20,000	\$1,000

Total for FY 2014-2015 \$1,502,700

Plan Fiscal Year: 2015-2016

Department	Project	Cost	Budget Impact
General Gov't.	COBB STREET SIDEWALK	100,000	(\$1,500)
General Gov't.	PEARL STREET SIDEWALK	96,000	(\$1,500)
Public Safety	POLICE PATROL VEHICLE	33,900	\$600
Public Safety	FIRE PUMPER	385,000	\$1,000
Parks	SPRINKLER SYSTEM REPLACEMENT	60,000	\$4,500
Parks	RIDING MOWER	8,500	\$500
Major Streets	WEST BREMER STREET (LAKE TO MITCHELL)	40,000	\$1,000
Local Streets	EAST BREMER STREET (MITCHELL TO PARK)	100,000	\$1,000
Local Streets	SMITH STREET (WHEELER TO BURLINGAME)	40,000	\$1,000
Local Streets	BLODGETT STREET (LINCOLN TO E. DIVISION)	65,000	\$1,000
Local Streets	STREET SIGN REPLACEMENT	7,500	\$500
Cemetery	ENTRANCE PILARS	50,000	\$500
Industrial Parks	JAMES E. POTVIN INDUSTRIAL PARK	525,000	(\$2,000)
Water/Wastewater	WEST BREMER STREET (LAKE TO MITCHELL)	38,000	\$500
Water/Wastewater	EAST BREMER STREET (MITCHELL TO PARK)	85,000	\$500
Water/Wastewater	BLODGETT STREET (LINCOLN TO E. DIVISION)	23,800	\$500
Water/Wastewater	MANHOLE REHABILITATION	25,000	\$1,000
Water/Wastewater	RAW/PRIMARY SAMPLER REPLACEMENT	7,500	\$1,000
Water/Wastewater	STAFF CAR	18,000	\$500
Water/Wastewater	WATER TOWER PAINTING	230,000	\$1,000
Water/Wastewater	DUMP TRUCK	75,000	\$500
Water/Wastewater	WASTEWATER FUME HOOD	10,000	\$0
Stores & Garage	UNDERBODY PLOW TRUCK	140,000	\$2,000
Stores & Garage	1-TON DUMP TRUCK	35,000	\$1,000
Stores & Garage	DOWNTOWN STREET SWEEPER	25,000	\$500
Stores & Garage	BUCKET TRUCK	150,000	\$1,000
IT	COMPUTER REPLACEMENT	20,000	\$1,000
IT	NETWORK SERVERS	70,000	\$1,000

Total for FY 2015-2016 \$2,463,200

5-Year Total Capital Improvement Program \$15,622,100

2011-2016 Five Year Capital Improvement Program

The 5-Year Capital Improvement Program has been published as a separate document. The document can be viewed in its entirety on the City of Cadillac's website at www.cadillac-mi.net, or can be obtained from the Financial Services Department.

2011-2012 Annual Budget Calendar

2010

December City Manager, Director of Finance have preliminary discussions regarding budget objectives and priorities.



2011

January 4 Staff meeting held to discuss the general guidelines for the 2011-2012 Annual Operating Budget preparation. Departments given access to Budget Maintenance in financial software as well as given a copy of 2010-2011 Personnel Summary.

January 21 Additional personnel requests, if any, are submitted to Human Resources.

January 31 Budget input completed by Department Heads and any related documentation submitted to Finance Department for review. Budget advanced to Director of Finance level for review.

February 28 Finance review completed. Information on balanced budget submitted to the City Manager for review and approval.

March 25 City Manager concludes review and preliminary budget is prepared.

April 1 Administrative budget is completed and in accordance with the City Charter is submitted to the City Council for their review.

April 4 City Council holds budget work session.

April 8 City Clerk makes public notice of public hearing on the budget.

April 18 Public hearing held on the preliminary budget.

May 16 Budget adoption and tax levy authorization.

June 17 City Clerk completes 2011 tax roll.

June 30 Tax bills mailed.

July 1 2011-2012 Annual Operating Budget takes effect.

Financial Policies

BUDGETARY POLICIES

1. The annual operating budget including proposed expenditures and the means of financing them, must be presented by the City Manager to the City Council on March 31st of each year.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to May 31st, the budget is legally enacted through the passage of a budget ordinance. Budgets are submitted on a line item basis but adopted by the City Council on a major function basis.
4. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by City Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental type funds may not exceed appropriations at the total fund level.
5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
6. Budgets are reviewed, monthly, and amended, if needed, quarterly. The budget is amended on a fund basis for all funds other than the general fund, which is amended on a departmental basis.

ACCOUNTING POLICIES

1. The accounts of the City of Cadillac are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.
2. The City of Cadillac has the following fund types:
 - A. **Governmental funds** are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, franchise taxes, license, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes.

The **Debt Service Funds** account for the servicing of general long-term debt not being financed by proprietary or non-expendable trust funds.

Permanent Funds account for assets of which the principal may not be spent.

B. **Proprietary Funds** are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board pronouncements in accounting and reporting for the proprietary operations. Proprietary funds include the following fund types:

The **Enterprise Funds** are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

C. **Fiduciary Funds** account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

The **Pension Trust Funds** are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the government's public safety employees' pension plan.

Fund Balance Policies

Fund balances will vary by each fund and fund type but as a general rule the State of Michigan has indicated in Public Act 2 the fund balance shall not be negative. In the General Fund, the Cadillac City Council has established a policy of striving to keep the reserve for working capital at 15% of the operating budget. This reserve is for unexpected decreases in revenues or increases in expenditures. A reserve account records a portion of the fund balance which must be segregated for some future use and which is, therefore, not available for further appropriation or expenditure. The City Council has identified several reserved accounts in the General Fund. These funds typically can be turned quickly into liquid assets. Fund balances are shown in all funds with the exception of proprietary funds which involves retained earnings. Retained earnings are not as liquid since often the assets are equipment or water lines or some other form of illiquid asset.

Basis of Budgeting

The City of Cadillac does not distinguish between Basis of Budgeting and Basis of Accounting. The principles set forth as the Basis of Accounting are strictly observed in the budgeting process. A fund's Basis of Budgeting and Basis of Accounting determines when a transaction or event is recognized within a fund's operating statement. The State of Michigan has indicated in Public Act 2 the fund balance shall not be negative.

- | | |
|--------------------------|------------------|
| • Governmental Funds | Modified Accrual |
| • Proprietary Funds | Full Accrual |
| • Internal Service Funds | Full Accrual |
| • Pension Trust Funds | Modified Accrual |

Policy: General Finance

Administrative Policy A-10

Dated: November 5, 1993

PURPOSE: Many financial policies may already exist in practice by need to be put in written form in a central location. This will allow City Council and management to view the present approach to financial management from an overall, long-range vantage point.

POLICY:

- 1) Generally Accepted Accounting Principles (GAAP) – The City of Cadillac will establish and maintain a high standard of accounting practices. Accounting standards will conform to generally accepted accounting principles as promulgated by the Government Accounting Standards Board.
- 2) Audit
 - a) An annual audit will be conducted by a properly licensed independent public accounting firm.
 - b) All general purpose, combined and individual fund and account group statements and schedules shall be subject to full scope audit.
 - c) Any employee will be prosecuted to the extent of the law in any instance where the employee is proven to have committed any illegal act such as theft.
- 3) Financial Statements
 - a) The finance office will prepare monthly financial reports for internal management purposes. These reports will be combined on or before ten (10) days following the end of the month.
 - b) Annually, the finance office will prepare a comprehensive annual financial report. This report shall be made available to the elected officials, bond rating agencies, creditors and citizens.
 - c) Annually, the City will submit its comprehensive annual financial reports to the GFOA to determine its eligibility to receive the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- 4) Budgets
 - a) The fund balance in the General Fund shall have a reserve set aside entitled Working Capital. The amount is equivalent to three months of capital needed to operate or 15% of the General Fund expenditures.
 - b) Format and balancing of budgets will be in accordance with the State of Michigan Public Act 2 of 1968.

Policy: Debt Management

Administrative Policy B-13

Dated: March 29, 1994

Reviewed: January 22, 2004

PURPOSE: Because of its conservative basis of accounting for tax revenues, the City of Cadillac is not required to borrow money for operations. When incurred, the City's long term general obligation and special assessment debt is handled through a debt service fund. The revenue bond requirements are handled through an Enterprise Fund. The following objectives are employed by the City of Cadillac in managing its debt:

POLICY:

- 1) Long term debt will be confined to capital improvements that cannot be financed from current revenues.
- 2) The payback period of the debt will not exceed the expected useful life of the project.
- 3) The total general obligation debt will not exceed ten percent of the assessed valuation to the taxable property.
- 4) Long term debt will not be used for operations.
- 5) The City of Cadillac will maintain good communications with the bond rating agencies about its financial condition and will follow a policy of full disclosure on every financial report and bond prospectus.

Policy: Bid Procedures

Administrative Policy E-5

Dated: November 3, 1993

PURPOSE: The following shall apply concerning the solicitation of competitive bids for transactions of material and/or services with an estimated unit price of over \$7,500.

POLICY:

- 1) The purchasing agent (Finance Director) has the responsibility for maintaining a uniform set of procedures and forms to serve the bid process.
- 2) The purchasing agent is responsible for obtaining bids on all materials and/or services.
- 3) Consulting engineers who send bids for major projects will inform and coordinate dates, times, costs and other items with purchasing.
- 4) Procedure
 - a. Bid requests should be typed using a standard form whenever possible and given to purchasing agent before bid process takes place. Complete information should be provided including, but not limited to, quantity, description, specifications, date information required, etc. If replies are to conform to a certain format, this should be spelled out. The department requesting the product must be thorough and attempt to remove all known variables.
 - b. A minimum of three suppliers is acceptable. If the department knows that more than one bid is not possible, a memorandum to the purchasing agent should indicate the reason.
 - c. Bids will be solicited only from vendors the department knows are qualified or can be qualified to meet all requirements and have the ability to perform.
 - d. All bids will be mailed and advertised in the local newspaper by the purchasing agent.
 - e. Bidders list will be furnished by the appropriate department.
 - f. Answers to technical questions arising during the bidding process should be provided by the appropriate department. The department must coordinate the reply and ensure all potential suppliers are provided the same information.
 - g. After all bids have been received and examined for completeness, a summary sheet is to be prepared noting all the pertinent data and discrepancies. Determination of the low bidder will be made by the department and/or purchasing agent after review of compliance to the specifications. The information gathered will be kept with the purchase file as backup documentation.
 - h. The bid tabulation will be reviewed by the purchasing committee with their recommendation being forwarded to the City Council for final approval.
 - i. All bidders will be notified by the purchasing agent of the City Council's decision. A purchase order will be sent to the successful bidder.

- j. Unless a specific exemption has been obtained from the City Manager, bids shall not be solicited from, nor any order placed with, any company that:
 - 1. Is owned, controlled, or actively influenced by any City employee or immediate relative of any employee.
 - 2. Employs in management, consulting or sales capacity any person who is a City employee.
 - 3. Employs in any capacity a City employee who is in a position to influence the selection of, or conduct business with, such supplier.
- k. When circumstances warrant the solicitation of competitive bids inappropriate, the department shall document the facts on a memorandum to the purchasing agent and obtain approval for waiving competitive bids.

Any problems of interpretation should be referred to the purchasing agent.

Policy: City of Cadillac Investment Policy

Administrative Policy B-5

Dated: March 17, 1980

Revised: January 7, 1985; February 17, 1986; April 6, 1998

Reviewed: January 22, 2004

(Last Approved by City Council October 16, 1998)
To Comply With Act 20 PA 1943, as amended.

PURPOSE - It is the policy of the City of Cadillac to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the City and comply with all state statutes governing the investment of public funds.

SCOPE - This investment policy applies to all financial assets of the City of Cadillac. These assets are accounted for in the various funds of the City and include the general fund, special revenue funds, debt service funds and capital project funds (unless bond ordinances and resolutions are more restrictive), enterprise funds, internal service funds, trust and agency funds and any new funds established by the City of Cadillac.

OBJECTIVES - The primary objectives, in priority order, of the City's investment activities shall be:

SAFETY - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

DIVERSIFICATION - The investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

LIQUIDITY - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

RETURN ON INVESTMENT - The investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

DELEGATION OF AUTHORITY TO MAKE INVESTMENTS - Authority to manage the investment program is derived from the following: The Cadillac City Council's most current resolution designating depositories and Section 7.4 of the Cadillac City Charter designates the City Treasurer to be the custodian of the City's funds. Management responsibility for the investment program is hereby delegated to the Director of Finance who shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, cash purchase or delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The Director of Finance is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Bankers' acceptance of United States banks.

- (e) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
- (f) Mutual funds registered under the investment company act of 1940, title 1 of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. The City may also include mutual funds whose net asset value may fluctuate on a periodic basis.
- (g) Investment pools through an inter-local agreement under the urban cooperation act of 1967. 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (h) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.129.111 to 129.118.
- (i) The City shall not deposit or invest funds in a financial institution that is not eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- (j) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investments of paragraphs a - i.

SAFEKEEPING AND CUSTODY - All security transactions, including financial institution deposits, entered into by the Director of Finance shall be on a delivery vs. payment basis. Securities may be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts.

DIVERSIFICATION - The City of Cadillac will diversify its investments by security type and institution. With exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS – The City of Cadillac finance department will maintain a list of financial institutions authorized to provide investment services in Michigan as well as their credit worthiness. No public deposit shall be made except in a qualified public depository as established by the State of Michigan. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City with certification of having read this investment policy.

MAXIMUM MATURITIES - To the extent possible, the City of Cadillac will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three years from the date of purchase. Reserve funds may be invested in securities exceeding three years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

REPORTING - The Director of Finance shall provide to the City Council quarterly investment reports which provide a clear picture of the status of the current investment portfolio. The management report should include comments of the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies. Schedules in the quarterly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category
- Average life and final maturity of all investments listed
- Coupon, discount or earnings rate
- Par value, amortized book value and market value
- Percentage of the portfolio represented by each investment category

PERFORMANCE STANDARDS - The investment portfolio shall be designated with the objective of obtaining a rate of return throughout the budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The City's investment strategy can be either active or passive depending on the fund and objectives. The basis to determine whether market yields are being achieved shall be the average daily FED fund rates and the six-month U.S. Treasury bill.

ETHICS AND CONFLICTS OF INTEREST - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interests in financial institutions that conduct business within the City, and shall further disclose any large personal financial/investment positions that could be related to the performance of the City, particularly with regard to the time of purchases and sales.

PRUDENCE - Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

INVESTMENT POLICY ADOPTION - This policy supersedes any previously adopted investment policies. The City of Cadillac's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually and any modifications will be approved by the City Council.

INVESTMENT POLICY GLOSSARY

AGENCIES: Federal agency securities.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the City of Cadillac. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and the delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

INVESTMENT POLICY GLOSSARY (Continued)

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000.00 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIE MAE): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

INVESTMENT POLICY GLOSSARY (Continued)

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase--reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state--the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

INVESTMENT POLICY GLOSSARY (Continued)

REPURCHASE AGREEMENT (RE OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Finance Provisions of the City Charter**ARTICLE 10****GENERAL FINANCE**

Section (10.1) **Fiscal Year.** The Fiscal Year of the city shall begin on the first day of July of each year and end on the thirtieth day of June of the following year.

FINANCE PROVISIONS OF THE CITY CHARTER (Continued)

Section (10.2) **Budget Procedures**. On or before the first day of April in each year, the City Clerk and the City Manager, acting upon recommendations submitted by the various department heads and the City Council, shall draw up the ensuing fiscal year, specifying in detail all proposed expenditures for the support of the various departments, and for every other purpose for which any money will be required to be paid from any of the several general funds of the city during the year; and also the estimated amount of revenue from all sources other than tax levy. The estimate thus made shall be called "The Annual City Budget" and filed with the City Clerk.

Section (10.3) **Budget Hearing**. A public hearing on the proposed budget shall be held before its final adoption, in the second half of the month of April as the City Council shall direct.

Notice of such public hearing, a summary of the proposed budget and notice that the proposed budget is on file in the office of the Clerk shall be published at least ten (10) days in advance of the hearing. The complete proposed budget shall be on file for public inspection during office hours at such office for a period of not less than ten (10) days prior to such public hearing.

Section (10.4) **Adoption of Budget**. Not before the 10th day of May, nor later than the last day in May in each year, the City Council shall by ordinance adopt a budget for the next fiscal year, shall appropriate the money needed for municipal purposes during the next fiscal year of the city and shall provide for a levy of the amount necessary to be raised by taxes upon real and personal property for municipal purposes, subject to the limitations contained in Section 1 (11).

Section (10.5) **Budget Control**. Except for expenditures which are to be financed by the issuance of bonds or by special assessment, or for other expenditures not chargeable to a budget appropriation, no money shall be drawn from the treasury of the city except in accordance with an appropriation thereof for such specific purposes, nor shall any obligation for the expenditure on money be incurred without an appropriation covering all payments which will be due under such obligation in the current fiscal year. The City Council by resolution may transfer any unencumbered appropriation balance or any portion thereof, from one account, department, fund, or agency to another.

The City Council may make additional appropriations during the fiscal year for unanticipated expenditures required of the city, but such additional appropriations shall not exceed the amount by which actual and anticipated revenues of the year are exceeding the revenues as estimated in the budget unless the appropriations are necessary to relieve an emergency endangering the public health, peace or safety. No expenditure may be charged directly to the contingency fund. Instead, the necessary part of the appropriation for the contingency fund or similar other fund shall be transferred to the appropriate account and the expenditure thus charged to such account.

At the beginning of each quarterly period during the fiscal year, and more often if required by the City Council, the City Treasurer shall submit to the City Council data showing the relationship between the estimated and actual revenues and expenditures to date; and if it shall appear that the revenues are less than anticipated, the City Council may reduce appropriations, except amounts required for debt and interest charges, to such a degree as may be necessary to keep expenditures within the revenues. Along with such reports, the City Treasurer shall report operating revenues and disbursements of cemetery funds with a copy furnished the Cemetery Board.

Section (10.6) **Depository**. The City Council shall designate the depository or depositories for the city funds, and shall provide for the regular deposit of all city monies.

Section (10.7) **Independent Audit**: An independent audit shall be made of all accounts including special and trust funds of the city government at least annually. Such audit shall be made as soon after the close of the fiscal year as possible by certified public accountants selected by the City Council.

COLLECTIVE BARGAINING AGREEMENTS

Command Officers Association of Michigan

Contract Expiration Date: June 30, 2010 (*Expired*)

Membership: 1

Police Captain

(*Expired contract currently in negotiations*)

Police Officers Association of Michigan

Contract Expiration Date: June 30, 2011

Membership: 14

Detective/Lieutenant

4 Sergeants

8 Patrol Officers

1 School Liaison Officer

International Association of Firefighters Local 704

Contract Expiration Date: June 30, 2012

Membership: 11

1 Fire Marshal

2 Lieutenants

2 Captains

6 Fire Fighters

United Steelworkers of America Local 14317

Contract Expiration Date: June 30, 2010 (*Expired*)

Membership: 20

5 Water Division Members

5 Sewer Division Members

1 Laboratory Division Member

9 Street Division Members

(*Expired contract currently in negotiations*)

* Each union contract is designed as a three-year agreement.

Cadillac, Michigan

Population:

2000 Census Population: 10,000
Wexford County Population: 31,553
(City represents 32% of county population)

Area within the City:

9 square miles
Large all-sports lake within City limits. Located approximately 100 miles north of Grand Rapids and 50 miles southeast of Traverse City.

Government:

Incorporated in 1877; Council/Manager form of government (one of the first in Michigan);
County Seat for Wexford County.

Major Industries:

Boat Manufacturer
Rubber Products
Medical Care
Vacuum Cleaner Manufacturer
Truck Parts and Commercial Freezers Manufacturer
Automobile Parts Manufacturer
Iron Foundry
Military Hardware
Tourism
Beverage Distributing



Employment Data:

2010 – 19,737 labor force in the Wexford/Missaukee Labor Market Area (LMA)
2010 - 16.6% unemployment rate in LMA

**Source: Michigan Department of Labor and Economic Growth; Retrieved from: www.milmi.org*

Other:

- Class 5 fire department rating.
- Three police agency headquarters, including City, Wexford County Sheriff and State Police.
- Cadillac is the County seat of Wexford County and as such, many legal and financial experts reside and practice here.
- 97 bed hospital.
- Several truck lines serve the area and railroad, bus line and airport further enhance the transportation network.

What's the Weather?

Local citizens like to say that if you don't like the weather, just wait a few hours.

A true four-seasons climate awaits you in Cadillac. Spring is exciting with its annual renewal of the lush foliage and flowers and the appearance of the much-awaited May mushrooms. Summer is pleasant with moderately warm temperatures and, for the most part, comfortable humidity levels. Fall, with nature's glorious color show, is a very special time of year. Winter provides abundant snow for a full range of winter activities.

CLIMATE as reported by weather station at Cadillac:

January Average Minimum:	10F./-12C.	Average Maximum:	24F./-4C.
July Average Minimum:	54F./ 12C.	Average Maximum:	79F./26C.
Growing Season:	100 days		
Days below 0F. or -18C:	23	Average Annual Rainfall:	31 in./79cm.
Days above 90F. or 32C:	5	Average Annual Snowfall:	71 in./180cm.

Did you Know?

The City was founded based on the lumbering of large tracts of pine timber.

The Shay Locomotive was invented in Cadillac by Ephraim Shay in 1878. The Shay Locomotive was one of the first to have the ability to haul logs on uneven terrain, sharp curves and up steep hills. Shay Locomotives were used throughout the United States between 1880 and 1945.

The canal between Lake Mitchell and Lake Cadillac is one of the man-made wonders of the world. It freezes before either of the lakes, thaws after the lakes have frozen, and does not freeze again for the rest of the winter.

In 1840, Wexford County was called "Kautawaubet" an Indian name supposedly meaning "broken tooth", after a chief of the Potawatami tribe that signed the Great Peace Treaty of 1825. In 1843, it was named Wexford after a county in Ireland.

Cadillac previously was known as the Village of Clam Lake until 1843, when it was renamed in honor of the French explorer, Antoine de la Mothe Cadillac.

Tourism became a major industry after World War II with the expansion of the Caberfae Ski Resort.

Famous "Humpty-Dumpty" folding egg crates were designed in Cadillac.

Cadillac was world renowned for its production process of maple and hardwood flooring.

Cadillac had its beginnings on the eastern shore of Lake Cadillac (then known as the Little Clam Lake). George Mitchell, Cadillac's founding father, is responsible for naming the first streets. Streets were named for the natural surroundings he encountered such as Lake, Pine, Beech and Spruce Streets. Mr. Mitchell named several of the streets after his friends and business associates. On the western boundary of the city, Mr. Mitchell established a park – now known as Mitchell State Park – surrounded by the lakes – now known as Lake Mitchell and Lake Cadillac – and a swamp. Sawdust and soil removed from the east side of Mitchell Street was used to fill in and elevate the park property. Leeson Avenue was named after Cadillac's first doctor, Dr. John Leeson. Cummer Street was named for Jacob Cummer, lumberman and pioneer in the manufacture of hardwood furniture, ladders and novelties. Our streets reflect our area and people who helped build this community we are part of today.

CITY OF CADILLAC, MICHIGAN

TAXABLE VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Real Property Valuation	Personal Property Valuation	Total Taxable Valuation	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value	Total Direct Tax Rate
2001	143,791,718	33,979,991	177,771,709	398,922,200	44.56%	14.0371
2002	153,053,692	35,377,232	188,430,924	429,828,200	43.84%	13.9907
2003	165,243,210	31,372,200	196,615,410	470,913,500	41.75%	13.9473
2004	168,351,258	43,240,100	211,591,358	508,916,600	41.58%	13.9473
2005	178,282,339	41,399,800	219,682,139	544,632,400	40.34%	13.9473
2006	184,439,086	44,135,005	228,574,091	572,365,010	39.94%	13.9473
2007	194,615,475	40,780,000	235,395,475	595,311,200	39.54%	13.9473
2008	206,863,302	40,257,800	247,121,102	609,799,600	40.52%	13.9473
2009	215,265,242	41,430,900	256,696,142	616,444,056	41.64%	13.9473
2010	220,244,714	41,262,800	261,507,514	608,556,400	42.97%	13.9473

Source: City of Cadillac Treasurer's Office

Note: Property in the City is reassessed each year. Property is assessed at 50% of estimated actual value. Due to State legislation, however, annual increases in taxable value are limited to 5% or a state-determined rate of inflation, whichever is less. When homes are sold, taxable values are then "uncapped" and brought up to their assessed value. Tax rates are per \$1,000 of taxable value. Valuations based on Ad Valorem Parcels.

CITY OF CADILLAC, MICHIGAN

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2010			2001		
	Taxable Value	Rank	Percentage of Total City Taxable Value ^a	Taxable Value	Rank	Percentage of Total City Taxable Value ^b
Cadillac Renewable Energy ^c	\$13,010,800	1	4.98%	\$17,094,712	1	7.95%
Cadillac Casting ^d	9,133,900	2	3.49%	16,157,910	2	7.52%
Consumers Energy	6,026,913	3	2.30%	4,114,339	7	1.91%
AAR Cadillac Manufacturing	5,527,800	4	2.11%	3,938,539	8	1.83%
Rexair, Inc.	5,217,275	5	2.00%	7,332,954	5	3.41%
Avon Automotive	4,713,800	6	1.80%			
FIAMM Technologies, Inc.	4,327,409	7	1.65%	7,508,509	4	3.49%
Paulstra CRC Corporation	3,930,374	8	1.50%			
Four Winns Boats, LLC	3,537,444	9	1.35%	3,726,724	10	1.73%
Zhongding Sealing Parts (USA) ^e	3,225,500	10	1.23%	4,990,593	6	2.32%
Cadillac Rubber & Plastics ^f				9,796,160	3	4.56%
Transpro Group, Inc.				3,893,931	9	1.81%
Totals	<u>\$58,651,215</u>		<u>22.43%</u>	<u>\$78,554,371</u>		<u>36.55%</u>

Source: City of Cadillac Treasurer's Office

^a Based on total taxable value of \$261,507,514

^b Based on total taxable value of \$214,914,100

^c Formerly Beaver MI Associates LTD Partnership.

^d Formerly CMI Cast Parts.

^e Formerly Michigan Rubber Products

^f Formerly AVON Rubber & Plastics

CITY OF CADILLAC, MICHIGAN

PROPERTY TAX LEVIES AND COLLECTIONSLAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal year of Levy		Collections in Subsequent Years	Total Collections to Date ^a	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$3,107,601	\$2,950,978	94.96%	\$156,623	\$3,107,601	100.00%
2002	3,167,040	3,029,463	95.66%	137,577	3,167,040	100.00%
2003	3,265,098	3,136,141	96.05%	128,957	3,265,098	100.00%
2004	3,481,675	3,364,230	96.63%	117,445	3,481,675	100.00%
2005	3,648,449	3,529,267	96.73%	119,182	3,648,449	100.00%
2006	3,803,126	3,691,936	97.08%	111,190	3,803,126	100.00%
2007	4,109,224	3,952,750	96.19%	156,474	4,109,224	100.00%
2008	4,329,051	4,163,604	96.18%	165,447	4,329,051	100.00%
2009	4,426,255	4,233,403	95.64%	192,852	4,426,255	100.00%
2010	4,500,222	4,267,823	94.84%	232,400	4,500,222	100.00%

Source: City of Cadillac Treasurer's Office

^a In 1977 the Wexford County Treasurer began pooling all delinquent taxes together and financing delinquencies through bond sales. The proceeds from the bond sale are paid to the City giving the effect of 100% tax collection in a given year. The responsibility for the collection of the delinquent tax is shifted to the county treasurer. Delinquent personal properties remain with the City, but these amounts are negligible.

CITY OF CADILLAC, MICHIGAN

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income (thousands)</u>	<u>Per Capita Personal Income²</u>	<u>School Enrollment³</u>	<u>Local Unemployment Percentage Rate⁴</u>	<u>State Unemployment Percentage Rate⁴</u>	<u>Civilian Labor Force⁴</u>
2001	10,000	211,310	21,131	3,514	9.4	5.2	21,836
2002	10,000	214,410	21,441	3,465	8.3	6.2	21,369
2003	10,000	217,400	21,740	3,639	9.8	7.1	21,298
2004	10,000	231,600	23,160	3,674	8.2	7.0	21,553
2005	10,000	237,690	23,769	3,614	7.3	6.7	21,707
2006	10,000	247,540	24,754	3,479	7.9	7.1	22,088
2007	10,000	246,900	24,690	3,460	8.1	7.7	21,648
2008	10,000	262,170	26,217	3,381	11.2	8.9	21,563
2009	10,000	N/A	N/A	3,376	17.3	15.3	20,138
2010	10,000	N/A	N/A	3,334	15.3	13.0	19,161

Data Sources:

¹ Bureau of the Census

² Bureau of Economic Analysis

³ School Districts

⁴ Michigan Department of Labor & Economic Growth (Local unemployment and civilian labor force based on Wexford-Missaukee Labor Market Area; Personal and Per Capita income based on Cadillac Micropolitan Statistical Area)

Note: Personal income information is a total for the year. Unemployment rate is a seasonally adjusted yearly average, when available. School enrollment is based on the school census at the start of the school year and includes public and private schools.

CITY OF CADILLAC, MICHIGAN

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
AAR Mobility Systems	613	1	3.59%	394	8	1.91%
Mercy Hospital Cadillac	580	2	3.40%	408	5	1.98%
Cadillac Area Public Schools	461	3	2.70%	450	7	2.18%
Rec Boat Holdings ³	440	4	2.58%	750	2	3.64%
Cadillac Castings ¹	401	5	2.35%			0.00%
Avon Automotive	400	6	2.34%			0.00%
Avon Protection Systems	299	7	1.75%			0.00%
Michigan Rubber Products	240	8	1.41%	700	3	3.40%
Rexair, Inc.	200	9	1.17%	450	6	2.18%
FIAMM Technologies, LLC	135	10	0.79%	240	9	1.16%
Avon Rubber and Plastics				802	1	3.89%
Hayes Lemmerz International, Inc.				540	4	2.62%
BorgWarner Cooling Systems ²				183	10	0.89%
	<u>3,769</u>		<u>22.07%</u>	<u>4,917</u>		<u>23.86%</u>

Source: Michigan Department of Labor & Economic Growth; Cadillac Area Chamber of Commerce

¹ Formerly known as CMI Cadillac.

² Formerly known as Kysor of Cadillac.

³ Formerly known as Four Winns Boats.

Note: Percentage of Total City Employment is based on total employment in the Wexford-Missaukee labor market area.

CITY OF CADILLAC, MICHIGAN

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police										
Traffic Citations	1,167	895	857	1,530	1,468	1,257	1,015	1,479	1,177	N/A ¹
Fire										
Number of Fire Inspections	30	50	50	57	129	370	376	260	262	N/A ¹
Number of Fires Reported	52	33	57	54	64	51	55	41	42	N/A ¹
Number of EMT Runs	463	949	1,347	1,414	1,322	1,119	1,171	1,242	1,295	N/A ¹
Building Inspection										
Number of Permits Issued	512	565	523	525	466	403	316	274	250	N/A ¹
Water										
Total Customers	3,414	3,407	3,456	3,487	3,520	3,524	3,517	3,544	3,496	3,474
Average Daily Consumption (thousands of gallons)	2,349	2,132	2,202	2,155	2,252	2,310	2,564	2,302	2,261	2,150
Wastewater										
Total Customers	3,504	3,493	3,526	3,544	3,569	3,573	3,564	3,592	3,541	3,527
Average Daily Treatment (thousands of gallons)	2,260	2,231	2,087	2,103	2,173	2,098	2,467	2,215	2,100	1,860

¹ Public Safety statistics are kept on a calendar year basis and are therefore not yet available for 2010.

Note: Indicators are not available for the general government function.

Source: Various government departments

CITY OF CADILLAC, MICHIGAN

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Mobile Units	7	9	9	9	9	9	9	9	9	10
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Mobile Units	7	6	6	6	6	6	6	6	6	7
Culture and Recreation										
Parks Acreage	117	117	117	117	117	117	117	117	117	117
Parks	4	4	4	4	4	4	4	4	4	4
Streets										
Streets (Miles)	66	68	68	68	68	68	68	68	68	68
Street Lights	570	571	573	574	574	574	574	587	578	578
Water										
Fire Hydrants	432	432	453	455	454	454	458	477	482	482
Miles of Water Mains	61	63	63	63	63	64	64	74	74	74
Water Mains Replaced (Feet)	7,200	6,330	4,700	3,450	3,185	200 ⁽¹⁾	2,360	620	1,900	1,070
Wastewater										
Miles of Sewer Mains	63	59	59	59	59	59	59	62	62	62
Feet of Sanitary Sewers										
Inspected with TV Cameras	2,805	4,600	3,670	2,949	3,380	1,900	1,350	2,550	810	690

(1) Water mains replaced were low in 2006, but the main projects through the year, including North Boulevard, Paluster Street and Kenwood Street were all projects where a total of one mile of new water mains were added.

Note: Capital asset statistics are not available for the general government function.

Source: Various City government departments

The Annual Budget contains specialized and technical terminology unique to public finance and budgeting. To assist the reader of the Annual Budget document in understanding these terms, a budget glossary has been included in the document.

ACCRUAL ACCOUNTING

A basis of accounting in which revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period in which they are incurred.

AGENCY FUND

A fund used to account for assets held by the city as an agent for individuals, private organizations, other governments and/or other funds.

ANNEXATION

The incorporation of a land area into an existing city or village with a resulting change in the boundaries of that unit of local government.

APPROVED BUDGET

The revenue and expenditure plan for the City for the fiscal year as reviewed and given final approval by the City Council.

ASSESSED VALUATION

The taxable value placed upon property as a basis for levying taxes, equal to 50% of market value, as required by state law.

AUTOMOBILE PARKING SYSTEM FUND

This fund accounts for Operations of the on-street and off-street parking facilities within the City.

AUDIT

A comprehensive review of the manner in which the government's resources were actually utilized. The main purpose of an audit is to issue an opinion over the presentation of financial statements and to test the controls over the safekeeping of assets while making any recommendations for improvements where necessary.

BALANCED BUDGET

A balanced budget is where the revenues and other financing sources match the expenditures and other financing uses or expenses.

BOND

A certificate or instrument certifying the existence of a debt. Local units of government only have those powers to borrow monies expressly granted by law. Municipal obligations are generally classified as either general obligation or special obligation bonds. A special obligation bond is payable from a specially identified source; general obligation bond is payable without reference to a specific source.

BONDED DEBT

That portion of indebtedness represented by outstanding bonds.

BUDGET ADJUSTMENT

Adjustment made to the budget during the fiscal year by the City Council to properly account for unanticipated changes which occur in revenues and/or expenditures and for programs initially approved during the fiscal year.

BUDGET

Under the Michigan Uniform Budgeting and Accounting Act (MCL 141.421 et seq.), budget means a plan of financial operation for a given period of time, including an estimate of all proposed expenditures from the funds of a local unit and the proposed means of financing the expenditures. It does not include a fund for which the local

unit acts as a trustee or agent, an intragovernmental service fund, an enterprise fund, a public improvement or building fund or a special assessment fund.

BUDGET CALENDAR

The schedule of key dates or milestones which the City departments follow in the preparation, adoption, and administration of the budget.

CAPPED VALUE

The capped value will be the previous year's final SEV minus losses increased by the consumer price index or 5%, whichever is less, plus additions. Loss is a component of property which is physically removed, for example the removal of a garage. Addition is a component of property which is physically added such as a family room or finishing a basement.

CALEA

Commission on Accreditation for Law Enforcement Agencies.

CAPITAL EXENDITURES

Tangible capital-type items should be capitalized if they have an estimated useful life of at least two years following the date of acquisition. Capitalization thresholds are best applied to individual items rather than to groups of similar items. Threshold is \$5,000 or greater of any individual item. Infrastructure assets are treated separately from other capital assets for purposes of establishing capitalization thresholds. As a general rule, capitalization thresholds for non-infrastructure items should be designed to encompass approximately 80 percent of a government's total non-infrastructure tangible capital-type items.

CAPITAL IMPROVEMENT PROGRAM

The first year of the CIP is the Capital Improvements Budget and funding for the improvements identified therein is contained in the proposed annual budget. The remaining four years of the CIP lists the capital projects identified for implementation and its estimated cost. Through placement in a year, the priority is indicated and each year, the list of projects is reviewed for need, cost and priority.

CAPITAL PROJECTS FUND

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust funds).

CAPITAL OUTLAY

Expenditures relating to the purchase of equipment, facility modifications, land, and other fixed assets.

CEMETERY OPERATING FUND

This fund records the financial activities of running the cemetery. Revenues from endowment funds supplement charges for services to finance these activities.

COMMUNITY DEVELOPMENT FUND

This is a revolving fund established with grant monies from H.U.D. to assist low and moderate income families to bring their homes up to the City building codes. Assistance is given through low-interest loans to qualifying individuals. As loans are repaid, money is made available for new loans.

COUNCIL

A legislative, executive, advisory or administrative governmental body, such as a city council or a citizen's advisory council, whose elected or appointed members are assigned certain duties and responsibilities by law.

CURRENT TAX COLLECTIONS

The City functions as the collection agent for the schools and county.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The accounting for this group of funds is the modified accrual method.

DEPRECIATION

The process of estimating and recording the expired useful life of a fixed asset which is distributed over its revenue-producing years.

DOWNTOWN DEVELOPMENT AUTHORITY FUND

This fund is designed to assist in the economic growth of the central business district from parking plans to mall development. A tax levy of two mills maximum can be levied by the board when needed.

ENTERPRISE FUNDS

Enterprise funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominantly self-supported by user charges. The significant characteristic of Enterprise Funds is that the accounting system must make it possible to show whether the activity is operated at a profit or loss, similar to comparable private enterprises. Thus, the reports of enterprise funds are self-contained and creditors, legislators or the general public can evaluate the performance of the municipal enterprise on the same basis as they can the performance of investor-owned enterprises in the same industry.

FIDUCIARY FUND

Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

FISCAL YEAR

The twelve month period designated as the operating year for an entity. The fiscal year for the City of Cadillac is July 1 – June 30.

FUND

An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

FUND BALANCE

The excess of the assets of an expendable fund, or of a nonexpendable trust fund, over its liabilities.

GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for the resources devoted to finance the services traditionally associated with local government, except those activities that are required to be accounted for in another fund. Transactions are recorded on the modified accrual basis.

GENERAL OBLIGATION BONDS

Bonds that finance a variety of public improvement projects which pledges the full faith and credit of the City.

HOME RULE

The authority of local government to frame, adopt or change their own charter and to manage their own affairs with minimal state interference.

INFRASTRUCTURE

The basic physical framework or foundation of the City, referring to its buildings, roads, bridges, sidewalks, water and sewer systems.

INVENTORY

A detailed listing of property currently held by the government.

INTERNAL SERVICE FUNDS

Internal Service funds are established to finance and account for services and/or commodities furnished by a designated program to other programs within the City. Since the services and commodities are supplied exclusively to programs under the City jurisdiction, they are distinguishable from those services which are rendered to the public in general and which are accounted for in general, special revenue or enterprise funds.

The City of Cadillac Central Stores and Municipal Garage Fund, Data Processing Fund and Self Insurance Fund make up the internal service fund category. The Central Stores and Municipal Garage Fund is the fund that operates the motor pool for the City. The Information Technology Fund provides data processing services in the various internal and external agencies that use the City's computer system. The Self Insurance Fund records hospitalization, dental, optical and similar insurance benefits.

LOCAL STREET FUND

Receives all local street money paid to the cities by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

LOCAL DEVELOPMENT FINANCE AUTHORITY (LDFA)

Financing authority used to capture taxes within a specific district. The board of directors is appointed by the City Council. The LDFA has the ability to bond for construction related projects and oversee the district.

LEGAL LEVEL OF CONTROL

The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions which alter the total expenditures of any fund or the transfer of funds between departments must be approved by the City Council.

MAJOR STREET FUND

Used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and the maintenance contract of the state trunklines.

MILL

A taxation unit equal to one dollar of tax obligation for every \$1,000 of assessed valuation of property.

MILLAGE

The total tax obligation per \$1,000 of assessed valuation of property.

MODIFIED ACCRUAL ACCOUNTING

A basis of accounting in which expenditures are accrued but revenues are accounted for when they become measurable and available.

NPDES

National Pollutant Discharge Elimination System. A permit issued by the State of Michigan for the wastewater treatment plant to discharge treated effluent in the State's waters.

OBJECTIVE

Objectives are the methods by which goals are to be obtained. More refined definition to the goal and a focused effort.

OPEB

Other Post Employment Benefits.

PERMANENT FUNDS

Governmental fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (i.e., for the benefit of the government of its citizenry).

POLICEMAN AND FIREMAN RETIREMENT SYSTEM

Maintained under the State of Michigan Act 345. This retirement fund is for police and fire personnel of the City.

PROPOSED BUDGET

City's revenue and expenditure plan for the fiscal year as prepared and recommended by the City Manager for the Mayor and the City Council's consideration.

PROPERTY TAX

A tax based on the assessed value of property, either real or personal. Tax liability falls on the owner of record as of tax day. Real property includes all lands, buildings and fixtures on the land. Personal property is generally movable and not affixed to land. It includes equipment, furniture, electric and gas transmission and distribution equipment and the like.

RISK MANAGEMENT

An organized attempt to protect a government's assets against accidental loss in the most economical method.

RESERVE

Funds designated to be allocated in order to meet potential liabilities during the fiscal year.

RESOLUTION

Official action of a legislative body, primarily administrative or ministerial in nature.

REVENUE BOND INDEBTEDNESS

Bonds of the City which are supported by the revenue generating capacity of the water and wastewater system.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specified revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

STATE EQUALIZED VALUATION (SEV)

The assessed valuation of property in the City as determined by the local assessor and then reviewed and adjusted, if necessary, by the county and state, to assure that it equals 50% of market value, as required by the State of Michigan.

SURPLUS

Prior years' earnings used to balance the current operating budget. An excess of the assets of a fund over its liabilities and reserves.

TAXABLE VALUE

Taxable value is simply the lesser of the assessed value or capped value.

TAX BASE

The total value of taxable property in the City.

TAX INCREMENT FINANCING

A tax incentive designed to attract business investment by the dedication of property tax revenue from the redevelopment of an area (tax increment district) to finance development related costs in that district. Tax increment financing divides tax revenue from the area into two categories: 1. taxes on the predevelopment value of the tax base that are kept by each taxing body; and 2. taxes from increased property values resulting from redevelopment that are deposited by some taxing entities in a tax increment fund and are used to finance public improvements in the redevelopment area. In Michigan, there are four different types of authorities with tax increment financing powers:

1. Tax increment finance authority (no longer an option for a new authority),
2. Downtown development authority,
3. Local development financing authority, and
4. Brownfield redevelopment authority.

TAX RATE

An amount levied on assessed property value, real and personal, within the City of Cadillac. The City Council establishes the tax rate each year at budget time in order to finance various funds.

TRANSFER OF FUNDS

A procedure established by the city charter used to revise a budgeted amount after the budget has been adopted by the city council.

UDAG

Initials for federal grant program issued by the U.S. Department of Housing and Urban Development. The funding of this program no longer exists at the federal level. Urban Development Action Grant (UDAG).

VARIANCE

Authorization for the construction of a structure or for the establishment of a use which is prohibited by a zoning ordinance. Generally, a variance may not be granted unless the literal enforcement of the zoning ordinance would cause a property owner "practical difficulties or unnecessary hardship."

WATER AND WASTEWATER DISPOSAL SYSTEM FUND

The customers of the City's tertiary treatment plant have the revenues and expenses of the system accounted for in this fund as well as the financial activity of the seven well water systems which provide water to the City.

WWTP

Initials for Wastewater Treatment Plant.

ZONING

Division of a municipality into districts, the regulation of structures according to their construction, nature, and extent of use and the regulation of land according to nature and use.



DISTINGUISHED BUDGET PRESENTATION AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Cadillac, Michigan for its annual budget for the fiscal year beginning July 1, 2010. In order to receive this award, a governmental unit must publish a budget document as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine if it is eligible for another award. The City of Cadillac has received twenty-three consecutive Distinguished Budget Presentation awards.

