

**ANNUAL REPORT
TREASURER'S OFFICE
FISCAL YEAR 2005-2006**

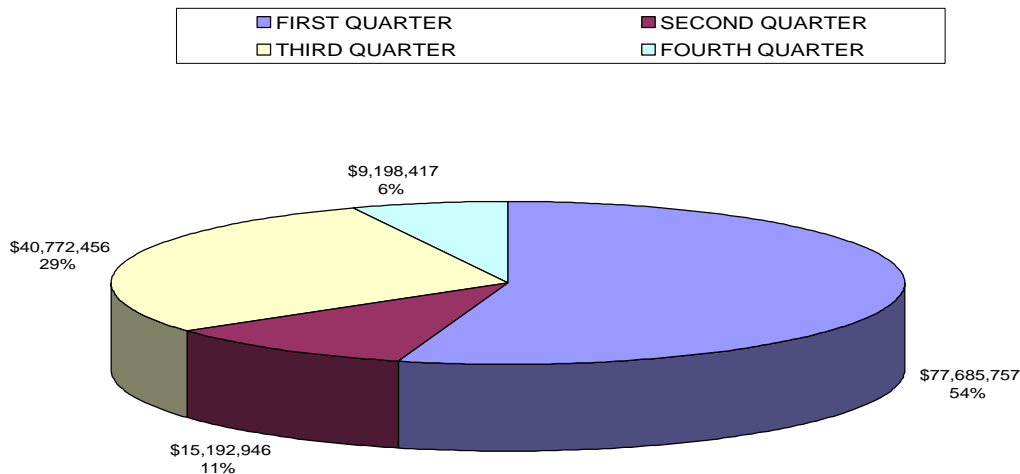
The major responsibility of the Treasurer's office is to act as the main collection point for monies owed the City, and for the collection and distribution of taxes owed other taxing entities within the jurisdiction of the City of Midland. The Treasurer's office continually strives to maintain efficient, expedient assistance in processing funds. A friendly and ethical attitude is displayed as the office ensures fair treatment within legal guidelines.

To provide increased customer convenience, the Treasurer's office expanded its hours for the summer 2005 and again for the summer 2006. Effective May 1, 2006 through September 30, 2006, the office hours were 7:00am to 5:30 pm.

Daily Deposits

During the 2005-06 fiscal year, the Treasurer's office processed 119,709 transactions that totaled over \$142,849,576 in collections. The chart below shows that 52% of the total dollars are collected in the first quarter. The summer tax bills are due and payable July 1 through September 15 without penalty, which accounts for the large percentage of income during the first quarter of the fiscal year. The winter tax bills are due and payable December 1 through February 14 without penalty. The majority of this activity is displayed in the third quarter of the fiscal year.

2005-2006 DEPOSITS PER QUARTER



Tax Collections

The City of Midland collects taxes for Midland Public Schools, Bullock Creek Schools, Bay City Schools, Delta College, Midland County Educational Service Agency, Bay/Arenac Intermediate Schools, Bay Metro Transit Services, Midland County, Bay County, Downtown Development Authority, and State of Michigan Education Tax. Per agreements with the taxing entities, the city does not charge the entities to collect their taxes and the city keeps any interest earned on the collections prior to distribution to the taxing entities. Per state tax laws, all taxes collected by the first and fifteenth of the month must be distributed to the taxing entities within ten business days.

A change in the state tax law is gradually shifting the collection of Midland County operating tax from the winter bill to the summer bill. In 2005, one-third of the Midland County operating tax was levied on the summer bill and two-thirds on the winter bill. In 2006, two-thirds will be levied on the summer bill and one-third on the winter and in 2007 the entire Midland County operating tax will be levied on the summer bill.

The City of Midland billed \$106,192,012 to residences, businesses and industries in its jurisdiction. From July 1, 2005 through February 28, 2006, the Treasurer's office collected and distributed \$104,862,443 in current taxes for a 98.74% collection rate. This tax amount is divided between the following:

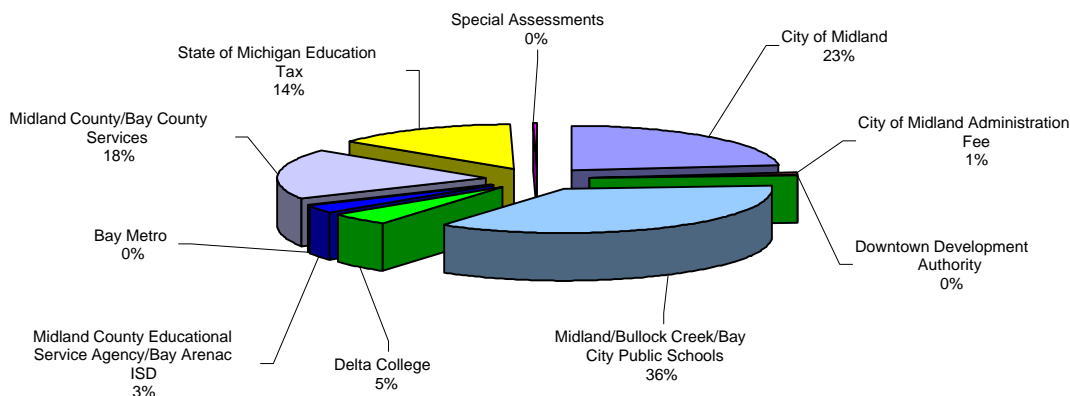
| | <u>AMOUNT BILLED</u> | <u>AMOUNT COLLECTED</u> | <u>COLLECTION RATE</u> |
|-----------------------|----------------------|-------------------------|------------------------|
| REAL PROPERTY | \$ 83,707,915 | \$ 82,500,419 | 98.56% |
| PERSONAL PROPERTY | \$ 18,001,529 | \$ 17,905,781 | 99.47% |
| INDUSTRIAL FACILITIES | \$ 3,225,577 | \$ 3,225,577 | 100.00% |
| ADMINISTRATION FEE | \$ 1,049,182 | \$ 1,036,194 | 98.76% |
| SPECIAL ASSESSMENTS | \$ 207,809 | \$ 194,472 | 93.58% |

Of the tax levy for all taxing entities, 80% was real property taxes, 17% was personal property taxes, and 3% was industrial facilities taxes.

2005 TAX LEVY BY TAXING ENTITY

| | |
|--|--------------|
| City of Midland | \$24,354,661 |
| City of Midland Administration Fee | \$ 1,049,182 |
| Downtown Development Authority | \$ 41,505 |
| Midland/Bullock Creek/Bay City Public Schools | \$37,929,575 |
| Delta College | \$ 5,080,410 |
| Midland County Educational Service Agency/Bay Arenac ISD | \$ 2,941,377 |
| Bay Metro | \$ 3,505 |
| Midland County/Bay County Services | \$19,474,051 |
| State of Michigan Education Tax | \$15,109,937 |
| Special Assessments | \$ 207,809 |

PERCENTAGE OF 2005 TAX LEVY



Tax Appeals

As a result of personal property audits, the Treasurer's office received over 100 State Commission Orders to revise personal property tax bills for 2003-2005. The treasurer was responsible for calculating revised 2003-2005 personal property tax bills, issuing refunds, and invoicing the taxing entities for their portion of the refund.

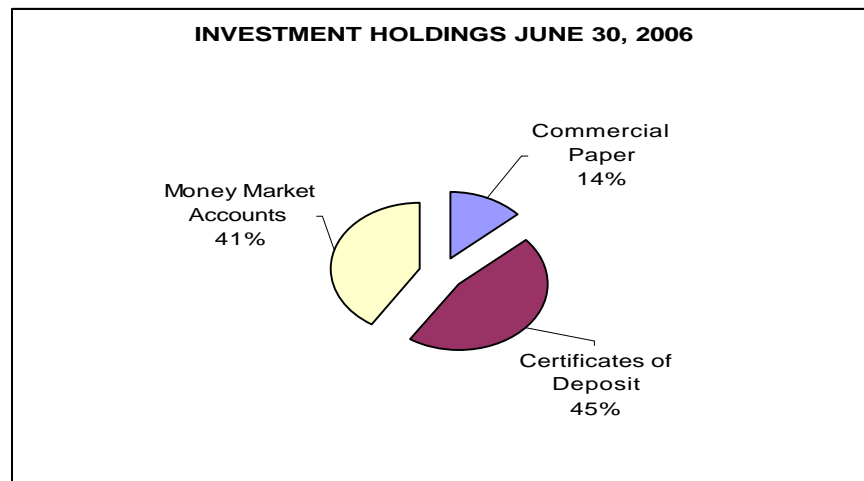
Delinquent Personal Property

Delinquent personal property taxes that remain unpaid from 2004 and prior years continue to be collected through efforts of the Treasurer's office. In 2005-2006 over \$325,000 in taxes, penalty, and interest charges were collected from delinquent personal property accounts.

With assistance from the City Attorney's office, legal action was taken against business owners who did not respond to other demands for payment of personal property taxes.

Investments

The City of Midland has a diversified portfolio which contains investments in Certificate of Deposits, Money Markets, Commercial Paper and Agencies. City of Midland Investment Policy pursuant to Public Act 20 of the State of Michigan governs the investment of public funds and authorizes the use of investment instruments. The Federal Reserve System continued to raise rates at a "measured" pace which had a positive effect on short term interest rates. The Federal Reserve interest rate was 5.25% on June 30, 2006. This rate has a significant effect on the interest rates the city can earn on its investments.



Parking Enforcement

Parking enforcement in the downtown area is a responsibility of the City of Midland Treasurer's office. The parking violations clerk patrols the downtown area for various parking violations which include, but are not limited to, overtime parking violations at \$5.00, prohibited zone parking at \$7.00, and obstructing traffic at \$15.00. All parking fines double if not paid within seven days. The Midland Police Department also issues tickets for parking violations throughout the city. The majority of Police Department parking tickets are issued for violation of no parking on city streets from 3:00 am to 6:00 am. The joint efforts of the Midland Police Department and the parking violations clerk created revenue of \$27,156 from 3376 paid parking tickets. With assistance from the City Attorney's office, legal action

was taken against individuals, with six or more unpaid parking tickets, who did not respond to other demands for payment of parking tickets.

Permit parking spaces in the downtown four city-owned lots are leased through this office. Permit parking spaces are leased on an annual basis and include 174 outside spaces leased for \$140.00 per space and 46 parking ramp spaces leased for \$284.62 per space.

Additional parking options downtown include two-hour free parking spaces, free handicap parking spaces and metered parking spaces. The 62 metered spaces allow up to ten hours of parking time at a cost of twenty cents per hour. During the 2005-06 fiscal year revenue collected from these meters totaled \$5,055.

Police and Fire Retirement System

The Midland Police and Fire Retirement System, set up under Act 345, P.A. 1937 as last amended, provides for the establishment, maintenance and administration of a system of pension and retirement benefits for the personnel of fire and police departments. A five-member pension board consists of the City Treasurer, a member of the Police Department, a member of the Fire Department, and two members appointed by the City Manager. Gerry Ladwig was elected to the Midland Police and Fire Retirement Board by the Police Department in December 2005, to fill the vacancy created when John Oswald retired. The other board members include David Keenan, Kenneth Powell, Richard Furlow, and Sandy Marshall.

The retirement system has 92 active members (47 police members and 45 fire members) and 103 individuals receive pension payments.

The Police and Fire Board of Trustees hired money managers with various styles to invest the funds for the system. A Smith-Barney representative remains as consultant to the Board.

Enhanced Treasurer's Pages on Web Site

The Treasurer's office presence on the City of Midland web site was enhanced in June 2006. Features include tax bill information, downtown parking information, answers to frequently asked questions, and the ability to print various forms. The ability to submit a parking violation appeals form online is also available on the Treasurer's pages of the City of Midland web site.

Personnel

The Treasurer's office staff consists of the City Treasurer, one full-time Account Clerk III, two full-time Office Assistants, one full-time Parking Violations Clerk and one full-time Account Clerk III who splits her time between the Treasurer's office and the Clerk's office. The parking violations clerk position was vacant for the first six months of the fiscal year due to a hiring freeze which delayed the hiring process. A new parking violations clerk started working in January 2006. One of the office assistant positions was vacant during May-June 2006 and filled in July 2006.

Goals for 2006-07

In the upcoming fiscal year the Treasurer's office goals include:

- ? Explore more efficient means to provide customers with current tax information
- ? Explore alternate payment options

Prepared by: Sandy Marshall
City Treasurer
October 12, 2006