



CITY COUNCIL

May 6, 2019

1. Call to Order - 7:00 P.M. - City Hall Council Chambers
2. Recitation - Pledge of Allegiance to the Flag of the United States of America
3. Roll Call
4. Presentation – Hear presentation by representatives of Dennis, Gartland & Niergarth, Traverse City, concerning Financial Statements and Report of Independent Certified Public Accountants as the annual audit of the City's fiscal year ended December 31, 2018
5. Consent Agenda – Adoption of a proposed resolution that would confirm approval of the following:
 - (a) April 15, 2019 regular session City Council meeting minutes
 - (b) Acknowledge receipt of a report concerning certain administrative transactions since April 15, 2019
6. Miscellaneous Public Comments
7. City Manager Updates
8. Old Business – Second reading and possible adoption of a proposed ordinance that would amend Chapter 8 Businesses and Business Regulations creating a new Article VI prohibiting recreational marijuana
9. New Business
 - (a) Hear 2018 annual review of Economic Development Strategy as required by the Redevelopment Ready Communities program
 - (b) First reading of a proposed ordinance that would amend Section 201 and replace Section 1712 of Appendix A – Zoning Ordinance concerning fences
 - (c) Authorization to contract with R.B. Lyons, Inc., Charlevoix, for annual repairs due to ice damage at Bayfront Park Marina for \$57,400
 - (d) Discussion regarding the City Manager performance evaluation form
10. City Council Comments
11. Adjournment



City of Petoskey

Agenda Memo

BOARD: City Council

MEETING DATE: May 6, 2019

PREPARED: May 1, 2019

AGENDA SUBJECT: Audit Report Presentation

RECOMMENDATION: That the City Council hear this presentation

Representatives of Dennis, Gartland & Niegarth, Traverse City, will attend the May 6 City Council meeting to provide information and respond to questions about the Financial Statements and Report of Independent Certified Public Accountants (enclosed with agenda materials) as the annual audit for the City's fiscal year ended December 31, 2018.

The 2018 annual audit can be viewed on the City's website using the following link:
<https://www.petoskey.us/Departments/Finance/Documents/2018%20Audit.pdf>

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Enclosure

City of Petoskey

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2018

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Management's Discussion and Analysis

December 31, 2018

The City of Petoskey's financial statements consists of a series of financial reports. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and presents a longer-term view of the City's finances. Fund financial statements tell how the services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

Financial Highlights

The City's net position increased by \$2,062,136 or 3% in 2018 with the increase made up of the following:

- Governmental net position increased by \$1,011,383.
- Business-type net position increased by \$828,325.
- Component units net position increased by \$222,428.

Total revenues and transfers for the year are \$29.0 million and are made up of the following:

- Governmental activities \$11.7 million.
- Business-type activities \$15.2 million.
- Component units activities \$2.1 million.

Total expenses for the year are \$26.9 million and are made up of the following:

- Governmental activities \$10.7 million.
- Business-type activities \$14.3 million.
- Component units activities \$1.8 million.

The General Fund on a current financial resources basis experienced an increase of \$280,031 in fund balance resulting in a total fund balance at year-end of \$5,508,980.

Project Highlights

A portion of West Lake Street from Ingalls Avenue to Magnus Park was reconstructed and included; new water main, a 10-foot-wide non-motorized trail, street trees, along with street resurfacing and curb and gutter.

The City's Downtown Greenway Corridor was extended from Emmet Street to Mitchell Street along the railroad corridor, which was removed and replaced with a 10-foot-wide non-motorized trail including; lighting, landscaping, furnishings and electrical system upgrades.

For 2018, the City continued a street resurfacing program, which removes a thin layer of the streets' surface and adds a new layer of asphalt, along with some spot repairs in the downtown area in preparation for the Michigan Department of Transportation's realignment of US-31 in 2019. The City also performed a rehabilitation project on the Bridge Street Bridge that was primarily funded through a State grant. Projects for 2019 will be limited due to the State project on US-31 that will begin in March and end in October.

Phase three of the reconstruction of the Wastewater Treatment Plant began in 2017, with the issuance of \$5,000,000 in revenue bonds. Phase three included upgrades and rehabilitation of the following plant components; primary tank mechanisms, aeration tank-secondary process, administration building including the laboratory, digester building and drainage, and disinfection building improvements. This project was completed in 2018.

In 2013 the City applied to the Michigan Department of Environmental Quality for a grant through the Stormwater Asset Management and Wastewater Program, which began last year. 2018 was year third and final year of a State DEQ grant program, which involved GIS mapping of all storm water assets within the City of Petoskey.

Financial Statement Presentation - continued

Overview of Statements

The financial statements provide two views of the City's financial position. Government-wide statements are the top level which summarizes all City funds into two statements using the full accrual method of accounting. This method of accounting is similar to private sector for profit accounting.

Government-wide statements include the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes: assets, liabilities and the resulting difference between the two called net positions. Changes in net position can be reviewed to determine financial strength with increases to net position perceived as a sign of improving condition.

The Statement of Activities presents revenues and expenses (including depreciation) that are the underlying cause of changes in net position. Capital projects are excluded from this statement since they are included in the Statement of Net Position as additions to capital assets.

Fund financial statements under GASB Statement 34 separate funds into major and nonmajor categories. Major funds focus on funds with a large amount of financial activities which results in the inclusion of more detailed information. Governmental Funds for the City of Petoskey include the following major funds:

- General Fund
- Major Street Fund
- Local Street Fund
- Right of Way Fund

Non major funds are smaller funds with less activity and are consolidated into one column in the fund financial statements. Additional and more detailed information on nonmajor funds is presented after the notes to the financial statements.

Fund Type Statements

The City's funds are organized on the basis of individual funds with each fund having a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Funds are classified as governmental, proprietary or fiduciary in nature.

Governmental funds make up the funds included within the governmental activities column of the government-wide statements discussed above except for the internal service fund (Motor Pool) that is included in government-wide statements and is not a governmental fund. Governmental funds utilize a modified accrual basis of accounting that focuses on more available and spendable resources and expenses like debt payments and capital purchases. Long-term debt and depreciation are not recorded under the modified accrual basis of accounting.

This varies from the full accrual basis of accounting used in the government-wide statements that records the purchase of capital items as assets and depreciates them over time and records long-term debt as a liability reducing the principal portion from the liability when paid and only expensing interest. There are also other less significant differences between the two accounting methods.

Proprietary funds use the full accrual method of accounting for both government-wide and fund level financial statements. There are two types of proprietary funds: enterprise and internal service funds.

Financial Statement Presentation - continued

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where costs for goods and services provided to the general public are recovered primarily through user charges. The City's enterprise funds include the Electric, Water and Sewer, and Downtown Management Parking Funds, although the Downtown Management Parking Fund is included as a component unit.

Internal service funds are like enterprise funds except that they only provide goods or services to City departments and agencies. The City's internal service fund is the Motor Pool Fund. Internal service funds are consolidated into the governmental activities in the government-wide statements and are presented separately in the fund level statements.

Component units are separate legal entities for which the City has some level of financial accountability and oversight control. Component units are shown in a separate column of the government-wide financial statements. The City's component units include the Tax Increment Finance Authority, Library and Downtown Management Parking Funds. Separate financial statements for the component units are not required and none are issued.

Financial Analysis

Summary of Net Position December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 10,434,435	\$ 9,812,086	\$ 20,822,511	\$ 22,039,882	\$ 31,256,946	\$ 31,851,968
Capital assets	23,416,676	23,073,895	41,611,535	40,570,848	65,028,211	63,644,743
Total assets	33,851,111	32,885,981	62,434,046	62,610,730	96,285,157	95,496,711
Deferred outflows of resources	1,491,184	534,255	549,822	251,396	2,041,006	785,651
Total assets and deferred outflows of resources	35,342,295	33,420,236	62,983,868	62,862,126	98,326,163	96,282,362
Liabilities						
Current liabilities	501,464	392,259	1,684,691	1,980,613	2,186,155	2,372,872
Non-current liabilities	5,929,596	4,606,808	12,212,774	12,453,351	18,142,370	17,060,159
Total liabilities	6,431,060	4,999,067	13,897,465	14,433,964	20,328,525	19,433,031
Deferred inflows of resources	94,032	615,349	22,111	192,195	116,143	807,544
Net position						
Invested in capital assets, net of related debt	22,742,070	22,306,324	30,414,333	28,864,697	53,156,403	51,171,021
Restricted	3,609,951	3,288,342	3,139,139	5,250,895	6,749,090	8,539,237
Unrestricted	2,465,182	2,211,154	15,510,820	14,120,375	17,976,002	16,331,529
Total net position	28,817,203	27,805,820	49,064,292	48,235,967	77,881,495	76,041,787
Total liabilities, deferred inflows of resources and net position	\$ 35,342,295	\$ 33,420,236	\$ 62,983,868	\$ 62,862,126	\$ 98,326,163	\$ 96,282,362

Total net position of the City is \$77,881,495 which includes \$53,156,403 in capital assets net of debt. Capital assets are largely made up of electric, water, sewer and street systems assets.

The City used fund balance reserves during 2018 in the following governmental funds and amounts to cover anticipated expenditures that were included in the City's 2018 budget:

Right-of-Way	\$224,012
General Street	\$72,221
Downtown Management	\$19,914

Financial Analysis - continued

Common Effects to Net Position

There are a number of transactions in the normal course of business that will affect the comparability of the Summary of Net Position presentation.

The net result of business activities for the year will impact (increase/decrease) current assets and/or net position.

Borrowing capital will increase current assets and long-term debt.

Spending of borrowed proceeds on capital projects will reduce current assets and increase capital assets while having no impact on invested in capital assets, net of debt.

Spending non-borrowed current assets on capital projects will reduce current assets and increase capital assets while reducing unrestricted net position and increasing invested in capital assets net of debt.

Implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, will increase long-term liabilities, and related deferred outflows of resources, and reduce unrestricted net position.

Principal payment on debt will reduce current assets, long-term debt and unrestricted net position while increasing invested in capital assets, net of related debt.

The reduction of capital assets due to annual depreciation will reduce capital assets and invested in capital assets, net of debt.

Financial Analysis - continued

Changes in Net Position

December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 1,992,256	\$ 1,729,918	\$ 16,301,603	\$ 15,570,068	\$ 18,293,859	\$ 17,299,986
Operating grants and contributions	1,027,313	925,476	178,069	135,298	1,205,382	1,060,774
Capital grants and contributions	539,539	24,120	116,335	216,647	655,874	240,767
	<u>3,559,108</u>	<u>2,679,514</u>	<u>16,596,007</u>	<u>15,922,013</u>	<u>20,155,115</u>	<u>18,601,527</u>
General revenues:						
Property taxes	5,657,831	5,504,990	-	-	5,657,831	5,504,990
State shared revenue	535,035	548,525	-	-	535,035	548,525
Investment earnings	148,175	88,181	178,771	154,705	326,946	242,886
Unrealized gain (loss) on investments	(694)	(2,548)	(33,948)	(19,712)	(34,642)	(22,260)
	<u>6,340,347</u>	<u>6,139,148</u>	<u>144,823</u>	<u>134,993</u>	<u>6,485,170</u>	<u>6,274,141</u>
Total revenues	<u>9,899,455</u>	<u>8,818,662</u>	<u>16,740,830</u>	<u>16,057,006</u>	<u>26,640,285</u>	<u>24,875,668</u>
Expenses						
Program expenses						
Legislative	8,277	7,434	-	-	8,277	7,434
General government	1,627,625	1,308,093	-	-	1,627,625	1,308,093
Public safety	2,872,954	2,112,167	-	-	2,872,954	2,112,167
Public works	3,916,894	3,472,657	-	-	3,916,894	3,472,657
Health and social services	17,528	-	-	-	17,528	-
Recreation and cultural	1,937,687	1,569,791	-	-	1,937,687	1,569,791
Other	1,735	1,757	-	-	1,735	1,757
Interest on long-term debt	86,317	123,462	-	-	86,317	123,462
Unallocated depreciation	267,027	267,494	-	-	267,027	267,494
Water and sewer	-	-	4,461,681	4,376,511	4,461,681	4,376,511
Electric	-	-	9,883,552	9,570,883	9,883,552	9,570,883
Total expenses	<u>10,736,044</u>	<u>8,862,855</u>	<u>14,345,233</u>	<u>13,947,394</u>	<u>25,081,277</u>	<u>22,810,249</u>
Changes in net position before transfers	(836,589)	(44,193)	2,395,597	2,109,612	1,559,008	2,065,419
Transfers	<u>1,847,972</u>	<u>1,821,196</u>	<u>(1,567,272)</u>	<u>(1,541,396)</u>	<u>280,700</u>	<u>279,800</u>
Changes in net position	<u>1,011,383</u>	<u>1,777,003</u>	<u>828,325</u>	<u>568,216</u>	<u>1,839,708</u>	<u>2,345,219</u>
Net position - beginning of year	<u>27,805,820</u>	<u>26,028,817</u>	<u>48,235,967</u>	<u>47,667,751</u>	<u>76,041,787</u>	<u>73,696,568</u>
Net position - end of year	<u>\$ 28,817,203</u>	<u>\$ 27,805,820</u>	<u>\$ 49,064,292</u>	<u>\$ 48,235,967</u>	<u>\$ 77,881,495</u>	<u>\$ 76,041,787</u>

Total revenues of \$9,899,455 for governmental activities during 2018 were \$1,080,793 more than the \$8,818,662 during 2017. The operating grants and contributions in Governmental Activities totaled \$1,027,313 for 2018, an increase of \$101,837 from 2017's \$925,476. Capital grants and contributions increased by \$515,419 over 2017's \$24,120 to \$539,539 in 2018. Property tax totaled \$5,657,831 in 2018,

Financial Analysis - continued

up \$152,841 from 2017's total of \$5,504,990. The remaining change is due to an approximate increase of \$262,300 in charges for services, a decrease of approximately \$13,000 in state revenue sharing, and an increase of approximately \$60,000 in investment earnings.

The City implemented the Governmental Accounting Standards Board's Statement No.68 ("GASB 68") in 2015. GASB 68 requires employers to report net position benefits as a liability in the statement of net position, which amounts to \$6,768,289 city wide at year end 2018. Additional pension information required by GASB 68 may be found in Note L of the financial statements.

Charges for services in Business-type Activities totaled \$16,301,603 in 2018, an increase of \$731,535 from \$15,570,068 in 2017. Water and Sewer Fund monthly billing charges increased during the year by a total of \$234,845, while the Electric Fund monthly billing charges increased by \$496,690. Water usage realized a net increase of approximately 84,400 cubic feet in 2018 compared to 2017, while sewer usage realized a net increase of approximately 21,600 cubic feet. The increase in monthly billing charges to electric customers results from an increase in use of 5,569,307 kWhs from the previous year.

Revenues from all sources total \$26,640,285, of which \$9,899,455 is from governmental activities and \$16,740,830 from business-type activities. Total revenues from governmental activities include \$5,657,831 in property taxes accounting for 57% of the funds and \$1,992,256, or 20% from charges for services. Total revenue for business-type activity receives the vast majority of revenues through charges for services totaling \$16,301,603 during 2018.

Expenses under the full accrual basis of accounting for governmental activities totaled \$10,736,044 which includes depreciation on such items as buildings and infrastructure amounting to \$1,678,635. Total expense does not include capital asset items such as street and sidewalk improvements. Public safety accounts for \$2,872,954 or 27% of expenses while public works totals \$3,916,894 or 36%. Expenses for general government were \$1,627,625 or 15% of expenses and for recreation and cultural were \$1,937,687, or 18% of expenses.

Expenses for business-type activities total \$14,345,233 which consists of \$9,883,552 or 69% from the electric system and \$4,461,681 or 31% from the water and sewer systems. Within the electric system \$6,557,927 or 66% of the expense is for purchased power. Total water and sewer system costs of \$4,461,681 are broken down between the two at \$1,235,763 or 28% water and \$3,225,918 or 72% sewer.

General Fund Budgetary Highlights

Total General Fund revenues of \$6,261,768 were more than total budgeted revenues of \$6,031,900 by \$229,868 or 4%. Actual revenues increased from 2017 by \$409,296. Federal grants, contributions from local units and fines and forfeitures were over budget by \$13,915, under by \$115,700 and under budget by \$1,045, respectively.

Total General Fund expenditures of \$7,648,509 were \$424,291 lower than total budgeted expenditures of \$8,072,800 or 2%. Total expenditures for 2018 were higher than the 2017 total of \$7,074,627 by \$573,882 or 8%. The difference is due primarily to a 2018 increase in Recreation and Culture of \$217,455 and an increase in Capital Outlay of \$337,461 related to work complete for the Marina, Penn Park restrooms and City Hall brick work.

Capital Assets and Debt Administration

Capital Assets

As of year-end the City of Petoskey had \$65,028,211 invested in capital assets as reflected in the following schedule:

December 31, 2018 and 2017
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land and land rights	\$ 4,042,213	\$ 4,042,213	\$ -	\$ -	\$ 4,042,213	\$ 4,042,213
Land improvements	2,495,657	2,602,701	-	-	2,495,657	2,602,701
Buildings	2,631,012	2,412,342	-	-	2,631,012	2,412,342
Equipment	3,093,658	2,983,286	-	-	3,093,658	2,983,286
Streets and sidewalks	11,154,136	11,033,353	-	-	11,154,136	11,033,353
Electric system	-	-	14,604,205	15,108,725	14,604,205	15,108,725
Water System	-	-	11,088,314	10,921,808	11,088,314	10,921,808
Sewer system	-	-	15,919,016	14,540,315	15,919,016	14,540,315
Total capital assets	<u>\$ 23,416,676</u>	<u>\$ 23,073,895</u>	<u>\$ 41,611,535</u>	<u>\$ 40,570,848</u>	<u>\$ 65,028,211</u>	<u>\$ 63,644,743</u>

Capital Assets and Debt Administration - continued

Major capital asset additions for 2018 include:

Governmental Activities

Buildings	\$394,800
Street reconstruction projects	487,565
Sidewalks	571,808
Equipment	602,115

Business-Type Activities

Electric system improvement	\$ 647,687
Water system improvements	3,421,345

Bond Debt

The City had \$11,671,626 of face value in outstanding bond debt at year-end which is distributed in the following debt schedule:

Debt Schedule

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Governmental Activities		
General obligation bonds:		
Municipal facilities - marina	<u>\$ 641,626</u>	<u>\$ 729,094</u>
Business-Type Activities		
Revenue bonds:		
Sewer system improvements	4,025,000	4,410,000
Water system improvements	5,000,000	5,000,000
Sewer system improvements	<u>2,005,000</u>	<u>2,115,000</u>
Total	<u>11,030,000</u>	<u>11,525,000</u>
Total bond debt	<u><u>\$ 11,671,626</u></u>	<u><u>\$ 12,254,094</u></u>

Principal payments on bonds in the amount of \$87,468 for governmental activities and \$495,000 for business-type activities were made in 2018.

Economic Factors

The City of Petoskey's three largest sources of revenue include property taxes, revenues received from the State of Michigan and utility charges. The economic forecast for the community is dependent on these three revenue sources.

Due to a general decline in the real estate market, including a large volume of foreclosures within the City, the City's total taxable value decreased by 10% in 2010, 6.4% in 2011, and 3.4% in 2012. After three straight years of declining property tax values, the taxable values increased a total of 8.9% in the next five years and 2.8% in 2018 and 3.4% in 2019. The City has not been able to take full advantage of the increases due to the State's low inflation factor for recent years. However, the State's 2018 inflation rate of 2.1% did not require the City's millage rate to be rolled back, which resulted in a little larger increase in tax revenue than budgeted. However, the 2019 inflation factor, will again, require a rollback of millage rates. Property values are continuing to rise at a higher rate each year in the City as well as the State, which is a positive economic indicator. With growth in property taxes restricted by the State's rate of inflation, higher rates will help the City's overall financial condition.

Revenues received from the State, which include revenue sharing and transportation funds, are affected as well by current economic conditions along with allocation to local units established by the legislature. Revenue sharing amounts are dependent on the collection of sales tax, which tend to go down when the economy is slow with the reverse being true when the economy is good. Transportation funds are derived through gas taxes and while they are affected by the economy they are more affected by the price of oil and resulting gas prices that do not always follow certain economic conditions. Improvement in the State's economy has affected state revenue sharing as it is steadily increasing. State revenue sharing in the General Fund decreased in 2018 by 2% or \$13,490 compared to a 9.1% increase in 2017. Gas tax revenue in the Major and Local Street Funds increased by \$173,699 or 28% from the previous year and future years are expected to see larger increases as the State increased the gas tax on January 1, 2018.

Utility charges for electric, water and sewer services tend to fluctuate based on weather conditions more so than any other factor. For 2018 the City saw increased usage in all three utility systems. The increase is due to the hotter the usual temperatures last summer, along with very dry conditions. Revenues are correspondingly up due to the increase in usage. Utility rates were last increased for all services in 2014 and there are utility rate changes scheduled for 2019, for all three utilities based on separate rate studies.

Wholesale electric power purchases increased for several years, but continued efforts in purchasing long term power contracts, has resulted in declining costs and customers are realizing a savings as reduced purchased power costs are passed on to the customers. Variances in wholesale power costs, either increases or decreases are passed on to the customer in the way of a power cost adjustment on their monthly utility bill. Federal and State regulations tend to affect power costs most often, usually due to new regulations on emissions at coal fired plants or by way of state regulations such as, requiring certain levels of renewable energy sources by electric utilities.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions regarding this report or need additional information, contact the Director of Finance at 101 E. Lake Street, Petoskey, MI 49770.

Thomas E. Gartland, Retired
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA
Trina B. Edwards, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Members of City Council and City Manager
City of Petoskey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund and the aggregate remaining fund information of the **City of Petoskey** (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Petoskey as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *x*, and the required supplementary information on pages 48 - 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Combining Financial Statements

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dennis, Gartland & Niergarth

April 25, 2019

City of Petoskey

STATEMENT OF NET POSITION

December 31, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	TIFA	Library	Downtown Management Parking
ASSETS						
Current assets						
Cash and equivalents	\$ 9,109,389	\$ 6,346,591	\$ 15,455,980	\$ 1,059,644	\$ 844,461	\$ 840,683
Investments	561,752	6,380,442	6,942,194	199,398	-	-
Receivables						
Special assessments	7,600	-	7,600	-	-	-
Accounts receivable	7,970	2,059,388	2,067,358	57,186	526	-
Due from fiduciary funds	391,633	-	391,633	-	50,437	-
Due from other governments	182,684	-	182,684	-	-	-
Inventory	173,407	1,349,244	1,522,651	-	-	-
Total current assets	<u>10,434,435</u>	<u>16,135,665</u>	<u>26,570,100</u>	<u>1,316,228</u>	<u>895,424</u>	<u>840,683</u>
Non-current assets						
Restricted cash and investments						
Customer deposits	-	229,328	229,328	-	-	-
Sewage service covenants	-	770,923	770,923	-	-	-
Revenue bond covenants	-	2,773,277	2,773,277	-	-	-
MPPA energy restrictions	-	453,319	453,319	-	-	-
MPPA working capital advance	-	459,999	459,999	-	-	-
Capital assets	50,072,093	81,739,454	131,811,547	3,715,591	7,522,028	-
Less accumulated depreciation	(26,655,417)	(40,127,919)	(66,783,336)	(1,638,522)	(3,666,828)	-
Total non-current assets	<u>23,416,676</u>	<u>46,298,381</u>	<u>69,715,057</u>	<u>2,077,069</u>	<u>3,855,200</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on debt refunding	2,585	111,382	113,967	8,940	53,242	-
Deferred outflows for pension obligation	<u>1,488,599</u>	<u>438,440</u>	<u>1,927,039</u>	<u>-</u>	<u>18,228</u>	<u>-</u>
Total deferred outflows of resources	<u>1,491,184</u>	<u>549,822</u>	<u>2,041,006</u>	<u>8,940</u>	<u>71,470</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 35,342,295</u>	<u>\$ 62,983,868</u>	<u>\$ 98,326,163</u>	<u>\$ 3,402,237</u>	<u>\$ 4,822,094</u>	<u>\$ 840,683</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF NET POSITION- Continued

December 31, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	TIFA	Library	Downtown Management Parking
LIABILITIES						
Current liabilities						
Accounts payable	\$ 294,442	\$ 775,181	\$ 1,069,623	\$ -	\$ 14,179	\$ 16,981
Accrued expenses	103,358	51,130	154,488	-	13,251	-
Accrued interest	4,103	-	4,103	18,051	17,517	-
Payable from restricted assets						
Current portion of revenue bonds	-	675,000	675,000	-	-	-
Accrued interest	-	183,380	183,380	-	-	-
Bonds payable, due within one year	99,561	-	99,561	160,439	210,000	-
Total current liabilities	501,464	1,684,691	2,186,155	178,490	254,947	16,981
Noncurrent liabilities						
Payable from restricted assets						
Customer deposits	-	108,090	108,090	-	-	-
Long-term accrued expenses	37,460	-	37,460	-	-	-
Estimated liability for landfill post-closure care costs	85,000	-	85,000	-	-	-
Net pension obligation	5,229,506	1,471,100	6,700,606	-	67,683	-
Bonds payable, net	577,630	10,633,584	11,211,214	2,070,985	2,214,134	-
Total noncurrent liabilities	5,929,596	12,212,774	18,142,370	2,070,985	2,281,817	-
Total liabilities	6,431,060	13,897,465	20,328,525	2,249,475	2,536,764	16,981
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows for pension obligation	94,032	22,111	116,143	-	2,502	-
NET POSITION						
Invested in capital assets, net of debt	22,742,070	30,414,333	53,156,403	(145,415)	1,484,308	-
Restricted						
Refuse collection	261,417	-	261,417	-	-	-
Marina	786,394	-	786,394	-	-	-
Streets and improvements	2,459,423	-	2,459,423	-	-	-
Downtown programs and services	102,717	-	102,717	-	-	-
Debt service	-	-	-	-	273,000	-
Sewage service covenants	-	770,923	770,923	-	-	-
Revenue bond indentures	-	1,914,897	1,914,897	-	-	-
MPPA energy expenses	-	453,319	453,319	-	-	-
TIFA expenses	-	-	-	1,298,177	-	-
Library	-	-	-	-	525,520	-
Unrestricted	2,465,182	15,510,820	17,976,002	-	-	823,702
Total net position	28,817,203	49,064,292	77,881,495	1,152,762	2,282,828	823,702
Total liabilities, deferred inflows of resources and net position	\$ 35,342,295	\$ 62,983,868	\$ 98,326,163	\$ 3,402,237	\$ 4,822,094	\$ 840,683

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

Functions/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	TIFA	Library	Downtown Management Parking
Primary Government										
Governmental activities										
Legislative	\$ 8,277	\$ -	\$ -	\$ -	\$ (8,277)	\$ -	\$ (8,277)	\$ -	\$ -	\$ -
General government	1,627,625	124,831	-	-	(1,502,794)	-	(1,502,794)	-	-	-
Public safety	2,872,954	9,878	35,601	32,915	(2,794,560)	-	(2,794,560)	-	-	-
Public works	3,916,894	454,196	922,766	506,624	(2,033,308)	-	(2,033,308)	-	-	-
Health and social services	17,528	-	-	-	(17,528)	-	(17,528)	-	-	-
Recreation and cultural	1,937,687	1,403,351	68,946	-	(465,390)	-	(465,390)	-	-	-
Other	1,735	-	-	-	(1,735)	-	(1,735)	-	-	-
Interest on long-term debt	86,317	-	-	-	(86,317)	-	(86,317)	-	-	-
Unallocated depreciation	267,027	-	-	-	(267,027)	-	(267,027)	-	-	-
Total governmental activities	<u>10,736,044</u>	<u>1,992,256</u>	<u>1,027,313</u>	<u>539,539</u>	<u>(7,176,936)</u>	<u>-</u>	<u>(7,176,936)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities										
Water and sewer	4,461,681	5,349,412	178,069	116,335	-	1,182,135	1,182,135	-	-	-
Electric	9,883,552	10,952,191	-	-	-	1,068,639	1,068,639	-	-	-
Total business-type activities	<u>14,345,233</u>	<u>16,301,603</u>	<u>178,069</u>	<u>116,335</u>	<u>-</u>	<u>2,250,774</u>	<u>2,250,774</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 25,081,277</u>	<u>\$ 18,293,859</u>	<u>\$ 1,205,382</u>	<u>\$ 655,874</u>	<u>(7,176,936)</u>	<u>2,250,774</u>	<u>(4,926,162)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units										
TIFA	\$ 60,542	\$ -	\$ -	\$ -	-	-	-	(60,542)	-	-
Library	1,381,464	157,939	427,013	-	-	-	-	-	(796,512)	-
Downtown Management Parking	393,943	556,546	-	-	-	-	-	-	-	162,603
Total component units	<u>\$ 1,835,949</u>	<u>\$ 714,485</u>	<u>\$ 427,013</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,542)</u>	<u>(796,512)</u>	<u>162,603</u>
General revenues										
Property taxes					5,657,831	-	5,657,831	370,018	807,428	-
State shared revenue					535,035	-	535,035	-	-	-
Unrestricted interest and investment earnings					148,175	178,771	326,946	6,866	10,680	2,259
Unrealized gain (loss) on investments					(694)	(33,948)	(34,642)	827	(499)	-
Transfers					1,847,972	(1,567,272)	280,700	(260,000)	-	(20,700)
Total general revenues and transfers					<u>8,188,319</u>	<u>(1,422,449)</u>	<u>6,765,870</u>	<u>117,711</u>	<u>817,609</u>	<u>(18,441)</u>
Change in net position					1,011,383	828,325	1,839,708	57,169	21,097	144,162
Net position, beginning of year					27,805,820	48,235,967	76,041,787	1,095,593	2,261,731	679,540
Net position, end of year					<u>\$ 28,817,203</u>	<u>\$ 49,064,292</u>	<u>\$ 77,881,495</u>	<u>\$ 1,152,762</u>	<u>\$ 2,282,828</u>	<u>\$ 823,702</u>

City of Petoskey

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2018

	General Fund	Major Street Fund	Local Street Fund	Right-of-Way Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and equivalents	\$ 4,995,453	\$ 1,283,992	\$ 630,898	\$ 389,249	\$ 796,400	\$ 8,095,992
Investments	561,752	-	-	-	-	561,752
Receivables						
Special assessments	-	-	-	-	7,600	7,600
Accounts receivable	5,624	778	370	45	422	7,239
Due from other funds	279,616	-	-	109,312	2,705	391,633
Due from other governments	-	46,119	10,326	-	126,239	182,684
Inventory	-	-	-	-	151,594	151,594
Total assets	<u>\$ 5,842,445</u>	<u>\$ 1,330,889</u>	<u>\$ 641,594</u>	<u>\$ 498,606</u>	<u>\$ 1,084,960</u>	<u>\$ 9,398,494</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 242,435	\$ 3,085	\$ 431	\$ -	\$ 39,217	\$ 285,168
Accrued expenditures	91,030	4,810	3,340	-	3,746	102,926
Total liabilities	<u>333,465</u>	<u>7,895</u>	<u>3,771</u>	<u>-</u>	<u>42,963</u>	<u>388,094</u>
FUND BALANCES						
Non-spendable						
Inventory	-	-	-	-	151,594	151,594
Restricted	1,047,811	1,322,994	637,823	498,606	102,717	3,609,951
Committed	-	-	-	-	787,686	787,686
Unassigned	4,461,169	-	-	-	-	4,461,169
Total fund balances	<u>5,508,980</u>	<u>1,322,994</u>	<u>637,823</u>	<u>498,606</u>	<u>1,041,997</u>	<u>9,010,400</u>
Total liabilities and fund balances	<u>\$ 5,842,445</u>	<u>\$ 1,330,889</u>	<u>\$ 641,594</u>	<u>\$ 498,606</u>	<u>\$ 1,084,960</u>	<u>\$ 9,398,494</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

December 31, 2018

Total Fund Balance - Governmental Funds \$ 9,010,400

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position, these assets are capitalized and depreciated over their useful lives.

Governmental capital assets	42,929,961
Accumulated depreciation	(22,504,304)

Governmental funds report interest when due, whereas in the statement of net position, interest is accrued on outstanding bonds. (4,103)

Compensated absences (vacations and sick leave) are not due and payable in the current period and therefore, are not reported in the governmental funds' balance sheets. (37,460)

Long-term liabilities, including net pension obligation and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Net pension obligation	(5,229,506)
Deferred outflows of resources for net pension obligation	1,488,599
Deferred inflows of resources for net pension obligation	(94,032)
Governmental bonds payable, net	(674,606)
Landfill post-closure costs	(85,000)

Internal service funds are used to charge costs of certain activities, such as insurance and motor vehicle usage, to various departments within the City. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 4,017,254

Net Position of Governmental Activities \$ 28,817,203

City of Petoskey

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Year ended December 31, 2018

	General Fund	Major Street Fund	Local Street Fund	Right-of-Way Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 3,934,894	\$ -	\$ -	\$ 1,722,937	\$ -	\$ 5,657,831
Special assessments	-	-	-	-	90,354	90,354
Licenses and permits	17,974	-	-	-	-	17,974
Federal grants	32,915	-	-	-	-	32,915
State grants	570,636	689,537	233,229	-	506,624	2,000,026
Contributions from local units	68,946	-	-	-	-	68,946
Charges for services	1,403,351	-	-	-	-	1,403,351
Fines and forfeits	8,455	-	-	-	-	8,455
Interest and investment earnings	116,317	7,954	3,781	4,789	6,826	139,667
Other	108,280	36,828	757	-	44,650	190,515
	<u>6,261,768</u>	<u>734,319</u>	<u>237,767</u>	<u>1,727,726</u>	<u>648,454</u>	<u>9,610,034</u>
Total revenues						
EXPENDITURES						
Current						
Legislative	8,277	-	-	-	-	8,277
General government	1,606,988	-	-	-	-	1,606,988
Public safety	3,091,824	-	-	-	-	3,091,824
Public works	590,533	431,351	256,789	-	1,239,835	2,518,508
Health and welfare	19,304	-	-	-	-	19,304
Recreational and cultural	1,902,857	-	-	-	-	1,902,857
Other	-	-	-	1,738	-	1,738
Capital outlay	428,726	382,384	105,181	-	579,829	1,496,120
Debt service						
Principal	-	-	-	-	215,000	215,000
Interest and fiscal charges	-	-	-	-	92,750	92,750
	<u>7,648,509</u>	<u>813,735</u>	<u>361,970</u>	<u>1,738</u>	<u>2,127,414</u>	<u>10,953,366</u>
Total expenditures						
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,386,741)</u>	<u>(79,416)</u>	<u>(124,203)</u>	<u>1,725,988</u>	<u>(1,478,960)</u>	<u>(1,343,332)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	2,212,500	500,000	300,000	-	1,603,500	4,616,000
Operating transfers out	(566,428)	-	-	(1,950,000)	(415,800)	(2,932,228)
Transfers from component units	20,700	-	-	-	260,000	280,700
	<u>1,666,772</u>	<u>500,000</u>	<u>300,000</u>	<u>(1,950,000)</u>	<u>1,447,700</u>	<u>1,964,472</u>
Total other financing sources (uses)						
NET CHANGE IN FUND BALANCES	280,031	420,584	175,797	(224,012)	(31,260)	621,140
Fund balance, beginning of year	<u>5,228,949</u>	<u>902,410</u>	<u>462,026</u>	<u>722,618</u>	<u>1,073,257</u>	<u>8,389,260</u>
Fund balance, end of year	<u>\$ 5,508,980</u>	<u>\$ 1,322,994</u>	<u>\$ 637,823</u>	<u>\$ 498,606</u>	<u>\$ 1,041,997</u>	<u>\$ 9,010,400</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

Year ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 621,140
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation.

Expenditures for capital assets	1,454,175
Current year depreciation	(1,239,307)

Net change in the pension obligation and related deferred outflows and inflows of resources.	58,276
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Bonds proceeds are shown as other financing sources in the funds, but are shown as a long-term liability in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments	87,468
Amortization of bond premium and deferred loss on refunding	5,498

Interest on long-term debt is recognized as an expenditure when it is due in the governmental funds. However, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	936
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In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time paid was less than the amounts earned.	(7,879)
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Internal service funds are used to charge costs of certain activities, such as insurance and motor vehicle usage, to various departments within the City. The net revenue (expense) of the internal service funds is included in governmental activities in the statement of activities.	31,076
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Change in Net Position of Governmental Activities	\$ 1,011,383
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City of Petoskey

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2018

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	Electric	Water and		Activities -
	<u>System</u>	<u>Sewer</u>	<u>Totals</u>	<u>Internal</u>
		<u>System</u>		<u>Service Fund</u>
ASSETS AND DEFERRED OUTFLOWS				
OF RESOURCES				
ASSETS				
Current assets				
Cash and equivalents	\$ 4,333,015	\$ 2,013,576	\$ 6,346,591	\$ 1,013,397
Investments	3,002,409	3,378,033	6,380,442	-
Accounts receivable	1,389,553	669,835	2,059,388	731
Inventory	<u>1,099,209</u>	<u>250,035</u>	<u>1,349,244</u>	<u>21,813</u>
Total current assets	<u>9,824,186</u>	<u>6,311,479</u>	<u>16,135,665</u>	<u>1,035,941</u>
Noncurrent assets				
Restricted cash and investments				
Customer deposits	218,428	10,900	229,328	-
Sewage service covenants	-	770,923	770,923	-
Revenue bond covenants	-	2,773,277	2,773,277	-
MPPA energy charges	453,319	-	453,319	-
MPPA working capital advance	459,999	-	459,999	-
Capital assets	34,385,605	47,353,849	81,739,454	7,142,132
Less accumulated depreciation	<u>(19,781,400)</u>	<u>(20,346,519)</u>	<u>(40,127,919)</u>	<u>(4,151,113)</u>
Total noncurrent assets	<u>15,735,951</u>	<u>30,562,430</u>	<u>46,298,381</u>	<u>2,991,019</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	-	111,382	111,382	-
Deferred outflows for pension obligation	<u>171,838</u>	<u>266,602</u>	<u>438,440</u>	<u>-</u>
Total deferred outflows of resources	<u>171,838</u>	<u>377,984</u>	<u>549,822</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 25,731,975</u>	<u>\$ 37,251,893</u>	<u>\$ 62,983,868</u>	<u>\$ 4,026,960</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF NET POSITION - PROPRIETARY FUNDS - Continued

December 31, 2018

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Electric</u>	<u>Water and</u>		<u>Activities -</u>
	<u>System</u>	<u>Sewer</u>	<u>Totals</u>	<u>Internal</u>
		<u>System</u>		<u>Service Fund</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 332,233	\$ 442,948	\$ 775,181	\$ 9,274
Accrued expenses	<u>36,631</u>	<u>14,499</u>	<u>51,130</u>	<u>432</u>
Total current liabilities	<u>368,864</u>	<u>457,447</u>	<u>826,311</u>	<u>9,706</u>
CURRENT LIABILITIES (payable from restricted assets)				
Current portion of revenue bonds	-	675,000	675,000	-
Accrued interest	<u>-</u>	<u>183,380</u>	<u>183,380</u>	<u>-</u>
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>858,380</u>	<u>858,380</u>	<u>-</u>
NONCURRENT LIABILITIES				
Payable from restricted assets				
Customer deposits	97,190	10,900	108,090	-
Net pension obligation	561,413	909,687	1,471,100	-
Revenue bonds (net current portion and unamortized premiums)	<u>-</u>	<u>10,633,584</u>	<u>10,633,584</u>	<u>-</u>
Total noncurrent liabilities	<u>658,603</u>	<u>11,554,171</u>	<u>12,212,774</u>	<u>-</u>
Total liabilities	<u>1,027,467</u>	<u>12,869,998</u>	<u>13,897,465</u>	<u>9,706</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows for pension obligation	<u>11,823</u>	<u>10,288</u>	<u>22,111</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of debt	14,604,205	15,810,128	30,414,333	2,991,019
Restricted for sewage service covenants	-	770,923	770,923	-
Restricted for revenue bond indentures	-	1,914,897	1,914,897	-
Restricted for MPPA energy expenses	453,319	-	453,319	-
Unrestricted	<u>9,635,161</u>	<u>5,875,659</u>	<u>15,510,820</u>	<u>1,026,235</u>
Total net position	<u>24,692,685</u>	<u>24,371,607</u>	<u>49,064,292</u>	<u>4,017,254</u>
Total liabilities, deferred inflows, and net position	<u>\$ 25,731,975</u>	<u>\$ 37,251,893</u>	<u>\$ 62,983,868</u>	<u>\$ 4,026,960</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

Year ended December 31, 2018

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Electric System</u>	<u>Water and Sewer System</u>	<u>Totals</u>	
Operating revenue				
Charges for services	\$ 10,452,366	\$ 5,349,412	\$ 15,801,778	\$ 1,053,991
Operating expenses				
Purchased power	6,557,927	-	6,557,927	-
Personnel services	1,193,119	1,013,435	2,206,554	15,989
Contractual services	529,878	788,291	1,318,169	330,150
Supplies	4,129	18,921	23,050	131,498
Materials	128,777	369,485	498,262	-
Heat, light and power	1,064	497,348	498,412	-
Depreciation	1,116,817	1,250,741	2,367,558	439,328
Rent	25,000	61,800	86,800	-
Total operating expenses	9,556,711	4,000,021	13,556,732	916,965
OPERATING INCOME	895,655	1,349,391	2,245,046	137,026
Nonoperating revenues				
Unrestricted interest and investment earnings	78,363	100,408	178,771	8,509
Unrealized gain (loss) from investments	(6,628)	(27,320)	(33,948)	(694)
Rent	119,100	-	119,100	-
Sewage service covenant	-	178,069	178,069	-
Construction	175,301	5,780	181,081	-
Miscellaneous	205,424	-	205,424	15,612
Total nonoperating revenues	571,560	256,937	828,497	23,427
Nonoperating expenses				
Personnel services	32,358	-	32,358	-
Contractual services	109,842	-	109,842	-
Supplies	13,459	-	13,459	-
Materials	107,226	-	107,226	-
Heat, light and power	28,568	-	28,568	-
Interest	-	444,723	444,723	-
Depreciation	35,388	-	35,388	-
Other expenses	-	16,937	16,937	12,877
Total nonoperating expenses	326,841	461,660	788,501	12,877
Net nonoperating revenues (expenses)	244,719	(204,723)	39,996	10,550
INCOME BEFORE OPERATING TRANSFERS	1,140,374	1,144,668	2,285,042	147,576
Other financing uses				
Operating transfers in	459,328	-	459,328	-
Operating transfers out	(1,068,100)	(958,500)	(2,026,600)	(116,500)
Total transfers	(608,772)	(958,500)	(1,567,272)	(116,500)
Capital contributions	-	110,555	110,555	-
CHANGE IN NET POSITION	531,602	296,723	828,325	31,076
Net position, beginning of year	24,161,083	24,074,884	48,235,967	3,986,178
Net position, end of year	\$ 24,692,685	\$ 24,371,607	\$ 49,064,292	\$ 4,017,254

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Electric System	Water and Sewer System	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 10,529,523	\$ 5,342,192	\$ 15,871,715	\$ 1,053,991
Cash payments to suppliers for goods and services	(7,364,275)	(2,106,150)	(9,470,425)	(466,538)
Cash payments to employees for services	(1,199,107)	(1,023,789)	(2,222,896)	(15,655)
Cash payments to other funds for services	(25,000)	(61,800)	(86,800)	-
Net cash from operating activities	<u>1,941,141</u>	<u>2,150,453</u>	<u>4,091,594</u>	<u>571,798</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES				
Operating transfers in/(out) to other funds	(608,772)	(958,500)	(1,567,272)	(116,500)
Increase/(Decrease) in customer deposits	(4,625)	3,500	(1,125)	-
Net cash provided by rental, construction and miscellaneous non-operating activities	<u>154,292</u>	<u>152,960</u>	<u>307,252</u>	<u>-</u>
Net cash from non-capital and related financing activities	<u>(459,105)</u>	<u>(802,040)</u>	<u>(1,261,145)</u>	<u>(116,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(647,687)	(2,795,948)	(3,443,635)	(602,115)
Proceeds from sale of fixed assets	-	-	-	50,485
Principal paid on revenue bonds and contracts payable	-	(495,000)	(495,000)	-
Interest paid on revenue bonds and contracts payable	-	(467,774)	(467,774)	-
Capital contributed by customers	<u>-</u>	<u>110,555</u>	<u>110,555</u>	<u>(12,877)</u>
Net cash from capital and related financing activities	<u>(647,687)</u>	<u>(3,648,167)</u>	<u>(4,295,854)</u>	<u>(564,507)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments, net	22,863	45,042	67,905	(694)
Interest received	<u>78,365</u>	<u>100,408</u>	<u>178,773</u>	<u>8,510</u>
Net cash from investing activities	<u>101,228</u>	<u>145,450</u>	<u>246,678</u>	<u>7,816</u>
NET CHANGE IN CASH	<u>935,577</u>	<u>(2,154,304)</u>	<u>(1,218,727)</u>	<u>(101,393)</u>
Cash, beginning of year	<u>3,615,866</u>	<u>6,751,810</u>	<u>10,367,676</u>	<u>1,114,790</u>
Cash, end of year	<u><u>\$ 4,551,443</u></u>	<u><u>\$ 4,597,506</u></u>	<u><u>\$ 9,148,949</u></u>	<u><u>\$ 1,013,397</u></u>
Current assets	\$ 4,333,015	\$ 2,013,576	\$ 6,346,591	\$ 1,013,397
Restricted assets	<u>218,428</u>	<u>2,583,930</u>	<u>2,802,358</u>	<u>-</u>
Totals	<u><u>\$ 4,551,443</u></u>	<u><u>\$ 4,597,506</u></u>	<u><u>\$ 9,148,949</u></u>	<u><u>\$ 1,013,397</u></u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS- Continued

Year ended December 31, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Electric System	Water and Sewer System	Totals	
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 895,655	\$ 1,349,391	\$ 2,245,046	\$ 137,026
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,152,205	1,250,741	2,402,946	439,328
(Increase) decrease in accounts receivable	77,157	(7,221)	69,936	-
(Increase) decrease in inventory	(147,946)	(6,508)	(154,454)	1,472
Increase in prepaid expenses	-	-	-	(55)
Increase (decrease) in accounts payable	(29,942)	(425,597)	(455,539)	(6,307)
Increase (decrease) in accrued expenses	1,865	808	2,673	334
Increase(decrease) in net pension obligation and related deferred outflows	(7,853)	(11,161)	(19,014)	-
Total adjustments	1,045,486	801,062	1,846,548	434,772
Net cash provided by operating activities	\$ 1,941,141	\$ 2,150,453	\$ 4,091,594	\$ 571,798

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2018

	Pension Trust Fund	Agency Funds
ASSETS		
Cash	\$ -	\$ 1,124,370
Investments	155,715	-
Receivables		
Taxes	-	3,083,243
Total assets	<u>\$ 155,715</u>	<u>\$ 4,207,613</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ -	\$ -
Due to other funds	-	391,633
Due to component unit	-	50,437
Due to other governmental units	-	3,765,543
Total liabilities	-	4,207,613
NET POSITION		
Held in trust for pension benefits and other purposes	<u>155,715</u>	<u>-</u>
Total liabilities and net position	<u>\$ 155,715</u>	<u>\$ 4,207,613</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended December 31, 2018

	<u>Pension Trust Fund</u>
ADDITIONS TO NET POSITION	
Contributions	
Employer	<u>\$ 16,025</u>
Net investment earnings	
Interest and unrealized gains (losses)	<u>(13,592)</u>
NET CHANGE IN NET POSITION	2,433
Net position, beginning of year	<u>153,282</u>
Net position, end of year	<u><u>\$ 155,715</u></u>

City of Petoskey

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The City of Petoskey (the "City") was incorporated November 4, 1924, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (streets and sanitation), health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Financial Reporting Entity

The City's financial statements include the accounts of all City operations. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, *The Financial Reporting Entity*, the City is financially accountable if it appoints a voting majority of an organization's governing board and (1) it is able to impose its will on the organization and (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based on this criteria, the City has identified the following blended and discretely presented component units requiring inclusion in the City's financial statements:

Blended Component Unit

City of Petoskey Building Authority - The City of Petoskey Building Authority is governed by a three-member board appointed by the City of Petoskey. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to provide financing for the construction of buildings, parking lots, recreational facilities and to acquire the necessary sites for such facilities for the City of Petoskey. Separate financial statements for the Building Authority are not required or issued.

Discretely Presented Component Units

Tax Increment Finance Authority ("TIFA") - The Tax Increment Finance Authority, which was established pursuant to the provisions of Public Act 450 of 1980, as amended, is governed by an eight-person board appointed by the City Council. The Finance Authority may issue debt subject to limitations set forth in the Act and is funded by a specified annual property tax capture of a portion of all units' levies which may only be used for activities within the tax increment finance district. Separate financial statements for the Tax Increment Finance Authority are not required or issued.

NOTES TO FINANCIAL STATEMENTS - Continued

Library - The Petoskey District Library, which was established in 2009 pursuant to the provisions of the District Library Establishment Act MCL 397.171 et seq, is governed by a five-person board appointed by the City. The Library may issue debt, but the tax levy is currently subject to approval by the City Council. Separate financial statements for the District Library are not required or issued.

Downtown Management Board (Downtown Management/Parking) - The Downtown Management Board was established in February of 1994 pursuant to the provisions of Public Act 120 of 1961. By a resolution dated February 1, 2000, responsibilities for operating and maintaining the City's downtown area parking system and facilities were transferred to the Downtown Management Board. Separate financial statements for the Downtown Management Board are not required or issued.

Government-Wide and Fund Financial Statements

The City of Petoskey's basic financial statements include both government-wide (reporting the City as a whole) and the fund financial statements (reporting the City's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from legally separate component units for which the primary government is financially accountable.

Government-Wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Internal service funds are consolidated into the governmental column when presented at the government-wide level. This is because the principal users of the internal service are the City's governmental activities. The net profit/loss in the internal service funds is allocated to the functional activity (public safety, public works, etc.) based upon usage.

In the government-wide statement of net position, both the governmental and business-type activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations, are recognized. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses and balances of resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The balance sheets; statements of revenues, expenditures/expenses and changes in fund balances/net position; and statements of cash flows (i.e., fund financial statements) for the City's governmental, proprietary and fiduciary funds display information about the major and aggregated non-major funds for the various fund types. Major funds are generally those that represent 10% or more of the respective fund types fixed assets, liabilities, revenues or expenses/expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City are prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). The City applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental funds use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the financial resources measurement focus, only current assets and current liabilities are generally included on governmental fund balance sheets. An exception to this general rule is long-term interfund advances payable. The governmental fund operating statements present a summary of sources and uses of available spendable resources. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally 60 days). Grants are recognized when grantor eligibility requirements are met. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

NOTES TO FINANCIAL STATEMENTS - Continued

The proprietary funds use the accrual basis of accounting and are accounted for on a cost-of-service or "capital maintenance" measurement focus. Under the capital maintenance measurement focus, all assets and liabilities associated with the fund's activities are included on its balance sheet. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they are incurred.

The fiduciary funds are generally maintained on the accrual basis which is consistent with the accounting measurement objectives of the funds.

Fund Types and Major Funds

Activities in Major Funds

Governmental Funds

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund. Revenues are primarily derived from property taxes and State shared revenue.

Major Street Fund - The Major Street Fund accounts for State gas and weight tax revenues and transfers from the Right-of-Way Fund that are restricted for expenditures related to maintaining and improving the City's major streets. Management has chosen to present this fund as a major fund even though it is not required to do so.

Local Street Fund - The Local Street Fund accounts for State gas and weight tax revenues and transfers from the Right-of-Way Fund that are restricted for expenditures related to maintaining and improving the City's local streets. Management has chosen to present this fund as a major fund even though it is not required to do so.

Right-of-Way Fund - The Right-of-Way Fund is used to account for the disposition of tax revenues restricted for right-of-way associated costs. Transfers are made to other funds, primarily street funds, to reimburse their costs.

Proprietary (Enterprise) Funds

Electric Fund - The Electric Fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing electricity to the general public are recovered through user charges.

Water and Sewer Fund - The Water and Sewer Fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges.

Activities in Non-Major Funds

Governmental Funds

Special Revenue Funds - These funds are used to account for specific revenue (other than general special assessments, expendable trusts or major capital projects) derived from State and Federal grants, restricted or committed to be used for specific purposes, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

NOTES TO FINANCIAL STATEMENTS - Continued

Debt Service Funds - These funds are used to record revenues which are restricted or otherwise provided for the payment of principal and interest on general long-term debt.

Proprietary Funds

Internal Service Fund - The Motor Vehicle and Equipment fund accounts for the cost of acquiring, maintaining and providing equipment and services for the benefit of other funds, generally on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - These funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Budgets and Budgetary Accounting

Budgets are adopted by the City Council for the primary government's General and Special Revenue Funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the functional level and control is exercised at the fund level.

The City does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Cash and Investments

The City pools financial resources of its various funds to facilitate the management of cash and investments. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in bank certificates of deposit and in various interest-bearing securities.

For the purpose of the statement of cash flows, the City considers all highly liquid investments, including all certificates of deposit and all restricted investments, with a maturity of 90 days or less, to be cash equivalents.

Cash deposits are reported at carrying amounts which reasonably estimates fair value. Short-term investments are reported at cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

Property Taxes

Property taxes are levied and become a lien on property as of July 1 on the State taxable valuation of property in the City as of the preceding December 31. The City bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property taxes are recognized as revenue in the year for which they are levied.

Taxes receivable are considered to be available to fund current operations, even if collection occurs beyond 60 days, if they are purchased by the Emmet County delinquent tax collection program.

NOTES TO FINANCIAL STATEMENTS - Continued

Interfund Transactions and Balances

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Due to/from other funds are short-term interfund balances that occur in the normal course of operations. Advances to/from other funds are long-term interfund financing arrangements. Outstanding balances on the government-wide statement of net position are captioned "internal balances."

Operating transfers in and out arise in the normal course of operations from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Governmental financing leases entered into between the building authority, as lessor, and the primary government and component units, as lessees, are not given effect in these financial statements. Rather, the bonded indebtedness secured by the leases are reported directly by the primary government activity or component unit lessee responsible for providing the funds to repay debt principal and interest.

Inventories

Inventory is valued at cost, which approximates market, using the first-in, first-out method. Inventory in the Special Revenue Funds consist of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased. Fund balance has been reserved for inventory in governmental funds.

Capital Assets

Property, plant and equipment used in proprietary funds are stated in a manner consistent with the presentation in the entity-wide financial statements. Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the City when the initial individual costs are equal to or greater than the following amounts:

<u>Asset Type</u>	<u>Amount</u>
Land	\$ 1
Equipment	5,000
Buildings	50,000
Infrastructure	100,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

NOTES TO FINANCIAL STATEMENTS - Continued

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	20 - 60 years
Building improvements	15 - 30 years
Land improvements	10 - 20 years
Water and sewer lines	50 - 75 years
Streets, curbs and gutters	10 - 30 years
Sidewalks	20 years
Vehicles	3 - 5 years
Furniture and equipment	10 - 20 years
Office equipment	5 - 7 years

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are expensed as incurred. Gains or losses on debt refunding are deferred and amortized over the life of the bonds, and shown as deferred outflows or inflows of resources, as applicable, in the government-wide and proprietary fund financial statements.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period in which the bonds were issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences (Personal, Vacation and Sick Time)

All employees are entitled to 56 hours of personal time starting on December 1. The City reimburses all employees for any unused portion, on an annual basis. Vacation days not used during the year may not be accumulated. Unpaid sick time accrued represents sick time accumulated before December 1, 1990 and payable to eligible employees on termination. Due to contract years differing from the City's fiscal year, unpaid vacation time represents earned but unused vacation time.

All vacation, sick pay and other employee benefit amounts accrue when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they become current.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the government-wide and proprietary fund statements of net position and governmental funds balance sheet will sometimes report separate sections for deferred outflows and deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City recognized unavailable receivables not received within 60 days of year-end and unavailable property taxes as deferred inflows of resources in the governmental fund financial statements. Deferred inflows and outflows of resources have been recognized concurrent with the City's pension obligation, and gains and losses on debt refunding.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Council through approval of resolutions. Assigned fund balances is a limitation imposed by the Director of Finance as a designee of the Council, or unrestricted and unclassified balances held in governmental funds other than the General Fund. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Spending Policy

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use the restricted fund balance first, then the unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System ("MERS") of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS - Continued

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B - BUDGETARY COMPLIANCE

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2018, the following functions incurred total expenditures in excess of amounts appropriated for expenditures:

<u>Fund</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Recreation and cultural	\$ 1,878,300	\$ 1,902,857	\$ 24,557
Operating transfers out	560,200	566,428	6,228

NOTE C - DEPOSITS AND INVESTMENTS

The funds of the City are deposited and invested as permitted under Act 20 P.A. 1943, as amended by Act 196 P.A. 1997. Pension trust funds are invested as permitted under Act 314 P.A. 1965, as amended.

At December 31, 2018, the City's cash and investments include the following:

	<u>Primary Government</u>		<u>Component Unit</u>		<u>Fiduciary Funds</u>	
	<u>Deposits</u>	<u>Investments</u>	<u>Deposits</u>	<u>Investments</u>	<u>Deposits</u>	<u>Investments</u>
Carrying amounts						
Cash and equivalents	\$ 10,055,790	\$ 5,400,190	\$ 2,744,788	\$ -	\$ 1,124,370	\$ -
Restricted cash and cash equivalents	2,802,357	-	-	-	-	-
Restricted investments	-	1,424,490	-	-	-	-
Investments	<u>500,000</u>	<u>6,442,194</u>	<u>-</u>	<u>199,398</u>	<u>-</u>	<u>155,715</u>
	<u><u>\$ 13,358,147</u></u>	<u><u>\$ 13,266,874</u></u>	<u><u>\$ 2,744,788</u></u>	<u><u>\$ 199,398</u></u>	<u><u>\$ 1,124,370</u></u>	<u><u>\$ 155,715</u></u>

Deposits

Michigan law permits the City to deposit in the accounts of Federally insured banks, credit unions and savings and loans associations located in Michigan.

NOTES TO FINANCIAL STATEMENTS - Continued

Custodial Credit Risk

In the event of bank failure, the City's uninsured deposits may not be returned to it. As of December 31, 2018, \$24,581,542 of the City's deposits (including certificates of deposit) were exposed to custodial credit risk because they were uninsured and uncollateralized.

Investments

Michigan law permits the City to invest in the following vehicles (except pension trust funds, which have much greater flexibility):

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit, savings, deposit and money market accounts.
3. Certain commercial paper.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain obligations of the State of Michigan or its political subdivisions.
7. Certain mutual funds.
8. Certain investment pools.

Investments are recorded at fair market value and money market funds are recorded at amortized cost.

At December 31, 2018, the City's investments consisted of the following:

Investment Type	Fair Market Value	Weighted Average Maturity (Years)	Standard and Poors Bond Ratings
Certificates of Deposit	\$ 501,797	1.30	N/A
Federal Farm Credit Bank Bonds	1,228,340	2.51	AA+
Federal Home Loan Bank Bonds	2,260,159	3.96	AA+
Federal National Mortgage Associations Bonds	1,179,313	3.18	AA+
Government National Mortgage Association Bonds	9,130	1.79	N/A
Chippewa Valley Schools Bonds	651,671	2.33	AA
Redford Redevelopment Authority Bonds	545,968	4.71	AA
Brandon School District Bonds	319,424	0.33	AA
City of Wyandotte Bonds	215,189	7.76	AA
Allendale Public Schools Bonds	249,595	1.33	AA
City of Sterling Heights Bonds	50,112	6.76	AA
City of Lansing Bonds	402,152	0.33	AA-
MPPA Investment Pools	453,231	5.33	N/A
Money Market Mutual Funds	5,555,906	-	N/A
Total portfolio	<u>\$ 13,621,987</u>	<u>1.87</u>	

Credit Risk and Custodial Credit Risk - Investments

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: Limiting investments to the type of securities allowed by law and pre-qualifying the financial institution, broker/dealers, intermediaries and advisors with which the City will do business.

NOTES TO FINANCIAL STATEMENTS - Continued

The City's policy does not further limit its investment choices. The certificates of deposit are insured by the FDIC for up to \$250,000 at each bank. The City's investment in money market mutual funds is uncategorized as to credit risk. There is no regulatory oversight of the MPPA Investment Pool and no overall credit quality rating of the pool.

As of December 31, 2018, \$5,400,190 of the City's investments were uninsured and uncollateralized, and \$5,900,190 were collateralized by securities held by the pledging financial institutions.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. As of December 31, 2018, the City held no investments not guaranteed by the U.S. Government and not invested in diversified mutual funds or external investment pools that represented more than 5% of the City's investments.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The City recognized an unrealized loss on investments of \$34,642 for the year ended December 31, 2018.

NOTE D - FAIR VALUE OF INVESTMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of December 31, 2018:

Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Debt securities				
Treasury bonds	\$ -	\$ 283,569	\$ -	\$ 283,569
Municipal bonds	-	2,436,109	-	2,436,109
U.S. Government Bonds	-	4,844,606	-	4,844,606
Money market funds	-	5,555,906	-	5,555,906
Total investments by fair market value	<u>\$ -</u>	<u>\$ 13,120,190</u>	<u>\$ -</u>	<u>\$ 13,120,190</u>

The City's investments in certificates of deposit and cash equivalents are not required to be classified by fair value.

NOTES TO FINANCIAL STATEMENTS - Continued

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

There have been no changes in the methodologies used at December 31, 2018.

U.S. government bonds, municipal bonds and corporate bonds: Valued at fair value using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Money Market Funds: Valued at amortized cost which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE E - PROPERTY TAXES

The City is permitted by charter to levy taxes, subject to State Headlee and Truth in Taxation provisions, up to \$10 per \$1,000 of taxable valuation for general governmental services and in unlimited amounts for the payment of principal and interest on general obligation long-term debt. The City is also permitted by charter to levy taxes up to \$5 per \$1,000 of taxable valuation for right-of-way related items. The City is permitted by State law to levy up to \$1 per \$1,000 of taxable valuation for the public library and \$2 per \$1,000 of taxable valuation for refuse collection. If approved by a majority of the voters, the City may increase the tax levied by an additional \$1 per \$1,000 of taxable valuation for the public library. The 2018 State taxable valuation of the City of Petoskey totaled \$495,869,362.

The tax rates for the year ended December 31, 2018 were as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>
General governmental services	7.5660 per \$1,000
Right-of-way	3.8962 per \$1,000
Library	0.8481 per \$1,000
Library (additional, approved by voters)	0.9409 per \$1,000
Refuse collection	0.4890 per \$1,000
Fire equipment	0.7459 per \$1,000

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F - TAX ABATEMENTS

The City had the following tax abatements for the year ended December 31, 2018:

Type	Tax Abated By	Property Owner	Gross Amount Abated
Payment in Lieu of Taxes Public Act 346 of 1966, as amended	City of Petoskey	Petoskey Riverview Ltd Dividend Housing	\$ 27,214
	City of Petoskey	Sheridan Ltd Dividend Housing Assoc.	9,202
	City of Petoskey	Crestview Ltd Dividend Housing Assoc.	9,515
	City of Petoskey	Keystone Management Group	(6,924)
Industrial Facilities Tax Exemption Public Act 198 of 1974	City of Petoskey	Cygnus Inc.	1,202
			<u>\$ 40,209</u>

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables within the primary government are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 279,616	\$ -
Right-of-Way Fund	109,312	-
Other Nonmajor Governmental Funds	2,705	-
Fiduciary Funds - Agency Funds	<u>-</u>	<u>391,633</u>
Total	<u>\$ 391,633</u>	<u>\$ 391,633</u>

The amounts of interfund receivables and payables between the primary government and the component units are as follows:

	Interfund Receivables	Interfund Payables
Library Component Unit	\$ 50,437	\$ -
Fiduciary Funds - Agency Funds	<u>-</u>	<u>50,437</u>
Total	<u>\$ 50,437</u>	<u>\$ 50,437</u>

The interfund balances are mainly for property taxes, material and inventory usage, building rent and equipment.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE H - INTERFUND TRANSFERS

Operating transfers within the primary government are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,212,500	\$ 566,428
Major Street Fund	500,000	-
Local Street Fund	300,000	-
Right-of-Way Fund	-	1,950,000
Electric Fund	459,328	1,068,100
Water and Sewer Fund	-	958,500
Other Nonmajor Governmental Funds	1,603,500	415,800
Internal Service Fund	<u>-</u>	<u>116,500</u>
Total	<u>\$ 5,075,328</u>	<u>\$ 5,075,328</u>

Operating transfers between the primary government and the component units are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
TIFA Component Unit	\$ -	\$ 260,000
Other Nonmajor Component Units	-	20,700
General Fund	20,700	-
Other Nonmajor Governmental Funds	<u>260,000</u>	<u>-</u>
Total	<u>\$ 280,700</u>	<u>\$ 280,700</u>

The operating transfers are mainly for right-of-way, debt service and general City operations.

Enterprise fund payments in lieu of taxes, classified as transfers to the General Fund above, were as follows:

Electric Fund	\$ 224,500
Water and Sewer Fund	<u>341,800</u>
	<u>\$ 566,300</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE I - CAPITAL ASSETS

Investment in capital assets changed as follows during the year ended December 31, 2018:

Governmental Activities

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Capital assets not being depreciated				
Land	\$ 4,042,213	\$ -	\$ -	\$ 4,042,213
Capital assets being depreciated				
Land improvements	3,750,997	-	-	3,750,997
Buildings	5,663,764	394,800	-	6,058,564
Equipment	7,754,686	602,115	(291,099)	8,065,702
Infrastructure	<u>27,095,244</u>	<u>1,059,373</u>	<u>-</u>	<u>28,154,617</u>
Subtotal	<u>44,264,691</u>	<u>2,056,288</u>	<u>(291,099)</u>	<u>46,029,880</u>
Less accumulated depreciation				
Land improvements	(1,148,296)	(107,044)	-	(1,255,340)
Buildings	(3,251,422)	(176,130)	-	(3,427,552)
Equipment	(4,771,400)	(456,871)	256,227	(4,972,044)
Infrastructure	<u>(16,061,891)</u>	<u>(938,590)</u>	<u>-</u>	<u>(17,000,481)</u>
Subtotal	<u>(25,233,009)</u>	<u>(1,678,635)</u>	<u>256,227</u>	<u>(26,655,417)</u>
Net capital assets being depreciated	<u>19,031,682</u>	<u>377,653</u>	<u>(34,872)</u>	<u>19,374,463</u>
Governmental activities net capital assets	<u>\$ 23,073,895</u>	<u>\$ 377,653</u>	<u>\$ (34,872)</u>	<u>\$ 23,416,676</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Business-Type Activities

	Beginning	Capital Acquisitions	Sales and Other Dispositions	Ending
Capital assets not being depreciated				
Land	\$ 896,856	\$ -	\$ -	\$ 896,856
Construction in progress	<u>625,399</u>	<u>-</u>	<u>(625,399)</u>	<u>-</u>
Subtotal	<u>1,522,255</u>	<u>-</u>	<u>(625,399)</u>	<u>896,856</u>
Capital assets being depreciated				
Land improvements	450,670	-	-	450,670
Buildings	26,058,053	1,904,052	-	27,962,105
Utility system improvements	49,470,142	2,164,980	-	51,635,122
Equipment	<u>794,700</u>	<u>-</u>	<u>-</u>	<u>794,700</u>
Subtotal	<u>76,773,565</u>	<u>4,069,032</u>	<u>-</u>	<u>80,842,597</u>
Less accumulated depreciation				
Land improvements	(83,455)	(10,432)	-	(93,887)
Buildings	(11,773,560)	(712,826)	-	(12,486,386)
Utility system improvements	(25,133,910)	(1,673,622)	-	(26,807,532)
Equipment	<u>(734,047)</u>	<u>(6,066)</u>	<u>-</u>	<u>(740,113)</u>
Subtotal	<u>(37,724,972)</u>	<u>(2,402,946)</u>	<u>-</u>	<u>(40,127,918)</u>
Net capital assets being depreciated	<u>39,048,593</u>	<u>1,666,086</u>	<u>-</u>	<u>40,714,679</u>
Business-type activities net capital assets	<u>\$ 40,570,848</u>	<u>\$ 1,666,086</u>	<u>\$ (625,399)</u>	<u>\$ 41,611,535</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

General government	\$ 2,993
Public safety	148,854
Public works	1,197,809
Recreation and cultural	61,952
Unallocated	<u>267,027</u>
Total governmental activities	<u>\$ 1,678,635</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Business-type activities

Electric	\$ 1,152,205
Water and sewer	<u>1,250,741</u>
Total business-type activities	<u><u>\$ 2,402,946</u></u>

Component Units

	Beginning	Capital Acquisitions	Sales and Other Dispositions	Ending
Capital assets being depreciated				
Land improvements	\$ 2,819,360	\$ -	\$ -	\$ 2,819,360
Buildings	6,416,166	-	-	6,416,166
Equipment	<u>2,006,411</u>	<u>46,682</u>	<u>(51,000)</u>	<u>2,002,093</u>
Subtotal	<u>11,241,937</u>	<u>46,682</u>	<u>(51,000)</u>	<u>11,237,619</u>
Less accumulated depreciation				
Land improvements	(1,020,907)	(140,968)	-	(1,161,875)
Buildings	(2,529,358)	(182,372)	-	(2,711,730)
Equipment	<u>(1,424,539)</u>	<u>(58,206)</u>	<u>51,000</u>	<u>(1,431,745)</u>
Subtotal	<u>(4,974,804)</u>	<u>(381,546)</u>	<u>51,000</u>	<u>(5,305,350)</u>
Component units' net capital assets	<u><u>\$ 6,267,133</u></u>	<u><u>\$ (334,864)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,932,269</u></u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE J - LONG-TERM DEBT

The following is a summary of the City's long-term debt transactions for the year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Refunded/ Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
PRIMARY GOVERNMENT					
Governmental activities					
General obligation debt	\$ 729,094	\$ -	\$ 87,468	\$ 641,626	\$ 99,561
Compensated absences	<u>29,581</u>	<u>7,879</u>	<u>-</u>	<u>37,460</u>	<u>-</u>
Total governmental activities	<u>\$ 758,675</u>	<u>\$ 7,879</u>	<u>\$ 87,468</u>	<u>\$ 679,086</u>	<u>\$ 99,561</u>
Business-type activities					
Revenue obligation debt	<u>\$ 11,525,000</u>	<u>\$ -</u>	<u>\$ 495,000</u>	<u>\$ 11,030,000</u>	<u>\$ 675,000</u>
COMPONENT UNIT					
General obligation debt	<u>\$ 4,825,906</u>	<u>\$ -</u>	<u>\$ 337,532</u>	<u>\$ 4,488,374</u>	<u>\$ 370,439</u>

Bonds payable at December 31, 2018 is composed of the following individual issues:

General Obligation (Governmental Activities)

\$1,000,000, 2010 City of Petoskey Building Authority Improvement bonds; \$750,000 refunded with \$730,323, 2017 City of Petoskey Building Authority Improvement bonds; remaining annual installments of \$98,331 to \$114,315 through April 2024; interest rate of 2.00% to 4.00%. Funds for repayment have been provided by the Marina Bond Debt Fund.	\$ 641,626
Unamortized premium	<u>35,565</u>
Total governmental activities general obligation bonds	<u>\$ 677,191</u>

Deferred Loss on Debt Refunding

Unaccreted loss on refunding - \$730,323, 2017 Building Authority Improvement Bonds.	<u>\$ 2,585</u>
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NOTES TO FINANCIAL STATEMENTS - Continued

Revenue Obligation (Business-type Activities)

\$6,330,000, 2011 Water and Sewer refunding bonds; remaining annual installments of \$380,000 to \$580,000 through February 2026; interest rate of 4.13% to 5.00%.	\$ 4,025,000
Unamortized premium	165,985
\$2,755,000, 2011 Water and Sewer bonds; remaining annual installments of \$115,000 to \$200,000 through February 2031; interest rate of 4.13% to 5.00%.	2,005,000
Unamortized premium	49,235
\$5,000,000, 2017 Water and Sewer bonds; remaining annual installments of \$180,000 to \$365,000 through December 2037; interest rate of 3.00% to 3.25%.	5,000,000
Unamortized premium	<u>63,364</u>
Total business-type activities revenue obligation debt	<u><u>\$ 11,308,584</u></u>

Deferred Loss on Debt Refunding

Unaccreted loss on refunding - \$6,330,000, 2011 Water and Sewer Refunding Bonds	<u><u>\$ 111,382</u></u>
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General Obligation (Component Unit)

\$2,900,000, 2010 Building Authority TIFA Bear River Valley Improvement bonds; \$2,300,000 refunded with \$2,239,677, 2017 Building Authority TIFA Bear River Valley Improvement bonds; remaining annual installments of \$156,669 to \$230,000 through December 2029; interest rate of 2.00% to 4.00%.	\$ 2,108,375
Unamortized premium	123,049
\$4,300,000, 2003 Building Authority Library Improvement bonds; \$3,425,000 refunded with \$3,520,000, 2012 Building Authority Library Improvement bonds; remaining annual installments of \$205,000 to \$285,000 through October 2028; interest rate of 2.00% to 3.13%.	2,380,000
Unamortized net premium	<u>44,134</u>
Total component unit general obligation bonds	<u><u>\$ 4,655,558</u></u>

Deferred Loss on Debt Refunding

Unaccreted loss on refunding - \$3,520,000, 2012 Building Authority Library Improvement Bonds	<u><u>\$ 53,242</u></u>
Unaccreted loss on refunding - \$2,239,677, 2017 Building Authority TIFA Bear River Valley Improvement Bonds	<u><u>\$ 8,940</u></u>

NOTES TO FINANCIAL STATEMENTS - Continued

The annual requirements to amortize all general and revenue obligation bonds outstanding, as of December 31, 2018, are as follows:

Years Ending	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 99,561	\$ 17,405	\$ 675,000	\$ 425,037	\$ 370,439	\$ 140,663
2020	98,331	15,426	690,000	394,662	366,669	131,192
2021	103,249	12,894	800,000	361,262	376,751	120,749
2022	114,315	9,631	820,000	324,712	410,685	108,937
2023	113,085	6,220	930,000	285,112	451,915	96,673
2024-2028	113,085	2,262	3,715,000	867,397	2,286,915	266,450
2029-2033	-	-	2,020,000	369,794	225,000	4,500
2034-2037	-	-	1,380,000	89,676	-	-
	<u>\$ 641,626</u>	<u>\$ 63,838</u>	<u>\$ 11,030,000</u>	<u>\$ 3,117,652</u>	<u>\$ 4,488,374</u>	<u>\$ 869,164</u>

NOTE K - RESTRICTED FUND BALANCES/RESTRICTED NET POSITION

Fund balances and net position are classified as follows:

Governmental Funds	General Fund	Major Street Fund	Local Street Fund	Right-of-Way Fund	Other Non-Major Funds	Governmental Activities
Restricted for:						
Refuse collection	\$ 261,417	\$ -	\$ -	\$ -	\$ -	\$ 261,417
Marina	786,394	-	-	-	-	786,394
Streets and improvements	-	1,322,994	637,823	498,606	-	2,459,423
Downtown programs and services	-	-	-	-	102,717	102,717
	<u>\$ 1,047,811</u>	<u>\$ 1,322,994</u>	<u>\$ 637,823</u>	<u>\$ 498,606</u>	<u>\$ 102,717</u>	<u>\$ 3,609,951</u>
Enterprise Funds		Electric System Fund	Water and Sewer System Fund		Business-Type Activities	
Restricted for:						
Sewage service covenants		\$ -	\$ 770,923	\$ 770,923		
Revenue bond indentures		-	1,914,897	1,914,897		
MPPA energy expenses		<u>453,319</u>	<u>-</u>	<u>453,319</u>		
		<u>\$ 453,319</u>	<u>\$ 2,685,820</u>	<u>\$ 3,139,139</u>		

NOTES TO FINANCIAL STATEMENTS - Continued

<u>Fiduciary Funds</u>	<u>Employees Retirement Trust Fund</u>
Restricted for:	
Employee pension benefits	\$ <u>155,715</u>

Component Units

Restricted for Tax Increment Finance Authority ("TIFA") - The Tax Increment Finance Authority has \$1,298,177 restricted for use within the TIFA district.

The Library has \$273,000 restricted for debt service and \$525,520 restricted for Library operations.

NOTE L - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM

Municipal Employees Retirement Systems

General Information about the Pension Plan

The City's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City's plan covers the City and Library employees. The City participates in the Municipal Employees Retirement System ("MERS") of Michigan. MERS an agent multiple-employer, statewide public employees pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com

Benefits Provided

Benefits provided include plans with multipliers ranging from 2.0% to 2.5%.

Vesting periods range for 6 to 10 years.

Normal retirement age is 60 with early retirement at 55 with 15 years of service, or 50 with 25 years of service.

Final average compensation is calculated based on 3 years. Members contributions range from 0.0% to 3.0%.

Employees Covered by Benefit Terms

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>66</u>
Total covered employees	<u><u>154</u></u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 10.21% to 21.70% based on annual payroll for open divisions.

Defined Contribution Plan

Employer contributions to the system are dependent on the plan elected by the participant. There were no employer contributions to the MERS defined contribution plan for 2018.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term, plus a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases.

Investment rate of return: 7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3.0% to 4.0%.

NOTES TO FINANCIAL STATEMENTS - Continued

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	57.5 %	5.02 %
Global fixed income	20.0 %	2.18 %
Real assets	12.5 %	4.23 %
Diversifying strategies	10.0 %	6.56 %

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS - Continued

Changes in Net Pension Liability - City

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2017	<u>\$26,539,170</u>	<u>\$21,722,382</u>	<u>\$ 4,816,788</u>
Changes for the Year			
Service Cost	467,813	-	467,813
Interest on Total Pension Liability	2,087,596	-	2,087,596
Change in benefits	-	-	-
Difference between expected and actual experience	177,290	-	177,290
Changes in assumptions	-	-	-
Employer Contributions	-	1,621,597	(1,621,597)
Employee Contributions	-	118,342	(118,342)
Net investment income	-	(879,908)	879,908
Benefit payments, including employee refunds	(1,593,200)	(1,593,200)	-
Administrative expense	-	(42,942)	42,942
Other changes	<u>65,182</u>	<u>96,974</u>	<u>(31,792)</u>
Net changes	<u>1,204,681</u>	<u>(679,137)</u>	<u>1,883,818</u>
Balances as of December 31, 2018	<u><u>\$27,743,851</u></u>	<u><u>\$21,043,245</u></u>	<u><u>\$ 6,700,606</u></u>

Changes in Net Pension Liability - Library

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2017	<u>\$ 387,747</u>	<u>\$ 317,372</u>	<u>\$ 70,375</u>
Changes for the Year			
Service Cost	4,725	-	4,725
Interest on Total Pension Liability	21,087	-	21,087
Change in benefits	-	-	-
Difference between expected and actual experience	1,791	-	1,791
Changes in assumptions	-	-	-
Employer Contributions	-	16,380	(16,380)
Employee Contributions	-	1,195	(1,195)
Net investment income	-	(8,888)	8,888
Benefit payments, including employee refunds	(16,093)	(16,093)	-
Administrative expense	-	(434)	434
Other changes	<u>(119,016)</u>	<u>(96,974)</u>	<u>(22,042)</u>
Net changes	<u>(107,506)</u>	<u>(104,814)</u>	<u>(2,692)</u>
Balances as of December 31, 2018	<u><u>\$ 280,241</u></u>	<u><u>\$ 212,558</u></u>	<u><u>\$ 67,683</u></u>

NOTES TO FINANCIAL STATEMENTS - Continued

Sensitivity of Net Position Liability to Changes in the Discount Rate

The following presents the Net Pension Liability, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
City net pension liability	\$ 9,721,253	\$ 6,700,606	\$ 4,124,584
Library net pension liability	98,194	67,683	41,662

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the City recognized pension expense of \$1,523,625. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 116,143
Differences in assumptions	328,666	-
Excess investment returns	1,598,373	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 1,927,039</u>	<u>\$ 116,143</u>

For the year ended December 31, 2018, the Library recognized pension expense of \$15,390. The Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 2,502
Differences in assumptions	5,073	-
Excess investment returns	13,155	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 18,228</u>	<u>\$ 2,502</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>City</u>	<u>Library</u>
2019	\$ 846,612	\$ 8,552
2020	75,501	763
2021	360,320	3,640
2022	<u>528,463</u>	<u>2,771</u>
Total	<u>\$ 1,810,896</u>	<u>\$ 15,726</u>

NOTE M - DEFINED CONTRIBUTION RETIREMENT PLAN

The City provides pension benefits for management employees as designed by City Council through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Designated employees are eligible to participate from the date of employment. The City's contributions for each employee (and interest allocated to each employee's account) are fully vested immediately.

The City's contributions were calculated using the eligible base salary amount of \$110,000, as established by City Council and governed by Federal regulations. The City made the required 14.00% contribution for the year, which totaled \$16,025.

At December 31, 2018, the City had \$155,715 within the Employees Retirement Trust Fund.

NOTE N - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In complying with the amended Section 457 requirements, these assets are for the exclusive benefit of participants and not subject to the claims of the City's general creditors. As such, they are not included in an agency fund of the City.

NOTE O - COMMITMENTS AND CONTINGENCIES***Landfill Closure and Post-Closure Care Costs***

An agreement with the State of Michigan requires that the City of Petoskey perform monitoring functions at a former landfill site for 30 years after closure. A liability is being recognized based on the estimated future post-closure costs that will be incurred over the remaining term of the agreement, which runs through August 2022. The estimated total current cost of the landfill post-closure care of \$85,000 is based on the amount that would be paid if the services to monitor the landfill were acquired as of December 31, 2018. However, the actual cost of post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

Entitlement Commitments

Between 1979 and 2001, the Michigan Public Power Agency ("MPPA"), of which the City is a member, acquired ownership interests in the Detroit Edison Belle River Unit and other related assets, and the CT Project No. 1. The City's entitlement share of the Belle River Unit and CT Project No. 1 generating capacities are 4,137 (KW) and 4,392 (KW), respectively.

The entitlements specify minimum annual payments on a "take-or-pay" basis for the generation and transmission capabilities of the units as follows:

<u>Years Ending December 31,</u>	<u>CT Project No. 1</u>
2019	\$ 229,343
2020	229,701
2021	229,654
2022	229,200
2023	229,415
2024 - 2027	<u>688,579</u>
Total	<u>\$ 1,835,892</u>

There is a possibility of refunds or subsidy payments to the City due to past fuel overcharges. However, since the amounts are unknown at this time, there are no provisions made in the financial statements.

The City entered into an agreement with MPPA in August 2011, to purchase up to .8 mega-watt hours of power per hour at prices ranging from \$41 to \$68 per mega-watt hour from 2012 to 2023.

Revenue Bond Contingencies

The General Fund is contingently liable for the Water and Sewer System revenue bonds. The General Fund is obligated only if revenues of the Water and Sewer System Fund would be insufficient to meet its debt service requirements.

NOTE P - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has purchased commercial insurance for general liability and property, and participates in the Michigan Municipal League risk pool for claims relating to employee injuries/workers compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The City purchases commercial health care insurance from Blue Cross/Blue Shield of Michigan for all eligible and participating employees and retirees, and has no risk in excess of policy coverage.

The shared-risk pool in which the City participates operates a common risk-sharing management program for various municipalities throughout the State. Member premiums are used to purchase commercial insurance coverage and to pay member claims in excess of deductible amounts.

REQUIRED SUPPLEMENTARY INFORMATION

City of Petoskey

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year ended December 31, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Taxes	\$ 3,788,000	\$ 3,788,000	\$ 3,934,894	\$ -	\$ 146,894
Licenses and permits	14,100	14,100	17,974	-	3,874
Federal grants	19,000	19,000	32,915	-	13,915
State grants	795,400	795,400	570,636	-	(224,764)
Contributions from local units	58,500	58,500	68,946	-	10,446
Charges for services	1,218,600	1,218,600	1,403,351	-	184,751
Fines and forfeitures	9,500	9,500	8,455	-	(1,045)
Interest and investment earnings	115,000	115,000	116,317	-	1,317
Other	13,800	13,800	108,280	-	94,480
Total revenues	<u>6,031,900</u>	<u>6,031,900</u>	<u>6,261,768</u>	<u>-</u>	<u>229,868</u>
EXPENDITURES					
Legislative, general government, and health and welfare	1,749,400	1,743,200	1,634,569	6,200	108,631
Public safety	3,142,900	3,142,900	3,091,824	-	51,076
Public works	640,400	640,400	590,533	-	49,867
Recreation and cultural	1,763,300	1,878,300	1,902,857	(115,000)	(24,557)
Capital outlay	<u>558,000</u>	<u>668,000</u>	<u>428,726</u>	<u>(110,000)</u>	<u>239,274</u>
Total expenditures	<u>7,854,000</u>	<u>8,072,800</u>	<u>7,648,509</u>	<u>(218,800)</u>	<u>424,291</u>
REVENUES UNDER EXPENDITURES	<u>(1,822,100)</u>	<u>(2,040,900)</u>	<u>(1,386,741)</u>	<u>(218,800)</u>	<u>654,159</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,328,200	2,328,200	2,212,500	-	(115,700)
Operating transfers out	(560,200)	(560,200)	(566,428)	-	(6,228)
Transfers from component units	<u>6,000</u>	<u>6,000</u>	<u>20,700</u>	<u>-</u>	<u>14,700</u>
Total other financing sources	<u>1,774,000</u>	<u>1,774,000</u>	<u>1,666,772</u>	<u>-</u>	<u>(107,228)</u>
NET CHANGE IN FUND BALANCES	<u>(48,100)</u>	<u>(266,900)</u>	<u>280,031</u>	<u>(218,800)</u>	<u>546,931</u>
Fund balance, beginning of year	<u>5,228,949</u>	<u>5,228,949</u>	<u>5,228,949</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,180,849</u>	<u>\$ 4,962,049</u>	<u>\$ 5,508,980</u>	<u>\$ (218,800)</u>	<u>\$ 546,931</u>

City of Petoskey

BUDGETARY COMPARISON SCHEDULE FOR THE MAJOR STREET FUND

Year ended December 31, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
State grants	\$ 1,356,400	\$ 1,356,400	\$ 689,537	\$ -	\$ (666,863)
Interest and other	<u>700</u>	<u>700</u>	<u>44,782</u>	<u>-</u>	<u>44,082</u>
Total revenues	<u>1,357,100</u>	<u>1,357,100</u>	<u>734,319</u>	<u>-</u>	<u>(622,781)</u>
EXPENDITURES					
Public works					
Routine maintenance	249,300	249,300	156,241	-	93,059
Winter maintenance	303,700	303,700	253,164	-	50,536
Traffic services	26,200	26,200	21,946	-	4,254
Capital outlay	<u>1,277,300</u>	<u>1,277,300</u>	<u>382,384</u>	<u>-</u>	<u>894,916</u>
Total expenditures	<u>1,856,500</u>	<u>1,856,500</u>	<u>813,735</u>	<u>-</u>	<u>1,042,765</u>
REVENUES UNDER EXPENDITURES	(499,400)	(499,400)	(79,416)	-	419,984
OTHER FINANCING SOURCES					
Operating transfers in	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	600	600	420,584	-	419,984
Fund balance, beginning of year	<u>902,410</u>	<u>902,410</u>	<u>902,410</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 903,010</u>	<u>\$ 903,010</u>	<u>\$ 1,322,994</u>	<u>\$ -</u>	<u>\$ 419,984</u>

City of Petoskey

BUDGETARY COMPARISON SCHEDULE FOR THE LOCAL STREET FUND

Year ended December 31, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
State grants	\$ 181,000	\$ 181,000	\$ 233,229	\$ -	\$ 52,229
Interest	600	600	3,781	-	3,181
Other	-	-	757	-	757
Total revenues	<u>181,600</u>	<u>181,600</u>	<u>237,767</u>	<u>-</u>	<u>56,167</u>
EXPENDITURES					
Public works					
Routine maintenance	150,100	150,100	91,921	-	58,179
Winter maintenance	162,000	162,000	158,232	-	3,768
Traffic services	8,000	8,000	6,636	-	1,364
Capital outlay	<u>120,000</u>	<u>120,000</u>	<u>105,181</u>	<u>-</u>	<u>14,819</u>
Total expenditures	<u>440,100</u>	<u>440,100</u>	<u>361,970</u>	<u>-</u>	<u>78,130</u>
OTHER FINANCING SOURCES					
Operating transfers in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	41,500	41,500	175,797	-	134,297
Fund balance, beginning of year	<u>462,026</u>	<u>462,026</u>	<u>462,026</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 503,526</u>	<u>\$ 503,526</u>	<u>\$ 637,823</u>	<u>\$ -</u>	<u>\$ 134,297</u>

City of Petoskey

BUDGETARY COMPARISON SCHEDULE FOR THE RIGHT-OF-WAY FUND

Year ended December 31, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Property taxes	\$ 1,673,000	\$ 1,673,000	\$ 1,722,937	\$ -	\$ 49,937
Interest	<u>6,000</u>	<u>6,000</u>	<u>4,789</u>	<u>-</u>	<u>(1,211)</u>
Total revenue	1,679,000	1,679,000	1,727,726	-	48,726
EXPENDITURES					
Other					
Contracted services	<u>2,000</u>	<u>2,000</u>	<u>1,738</u>	<u>-</u>	<u>262</u>
REVENUES OVER EXPENDITURES	1,677,000	1,677,000	1,725,988	-	48,988
OTHER FINANCING USES					
Operating transfers out	<u>(1,950,000)</u>	<u>(1,950,000)</u>	<u>(1,950,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(273,000)	(273,000)	(224,012)	-	48,988
Fund balance, beginning of year	<u>722,618</u>	<u>722,618</u>	<u>722,618</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 449,618</u>	<u>\$ 449,618</u>	<u>\$ 498,606</u>	<u>\$ -</u>	<u>\$ 48,988</u>

City of Petoskey

SCHEDULE OF CHANGES IN THE CITY MERS NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Cost	\$ 467,813	\$ 502,133	\$ 507,633	\$ 482,076
Interest	2,087,596	2,174,753	2,017,084	1,933,518
Changes of Benefit Terms	-	(1,591,126)	(7,593)	-
Difference Between Expected and Actual Experience	177,290	(691,004)	384,444	-
Changes of Assumption	-	-	1,314,664	-
Benefit Payments Including Employee Refunds	(1,593,200)	(1,498,913)	(1,365,973)	(1,267,600)
Other	<u>65,182</u>	<u>(17,001)</u>	<u>(126,712)</u>	<u>(40,561)</u>
Net Change in Total Pension Liability	1,204,681	(1,121,158)	2,723,547	1,107,433
Total Pension Liability Beginning	<u>26,539,170</u>	<u>27,660,328</u>	<u>24,936,781</u>	<u>23,829,348</u>
Total Pension Liability Ending	<u><u>\$27,743,851</u></u>	<u><u>\$26,539,170</u></u>	<u><u>\$27,660,328</u></u>	<u><u>\$24,936,781</u></u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,621,597	\$ 1,686,087	\$ 700,936	\$ 691,061
Contributions - Employee	118,342	122,283	120,075	121,724
Net Investment Income	(879,908)	2,566,652	1,971,865	(271,928)
Benefit Payments Including Employee Refunds	(1,593,200)	(1,498,913)	(1,365,973)	(1,267,600)
Administrative Expense	(42,942)	(40,507)	(38,931)	(39,863)
Other Changes	<u>96,974</u>	<u>15,329</u>	<u>(40,832)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(679,137)	2,850,931	1,347,140	(766,606)
Plan Fiduciary Net Position Beginning	<u>21,722,382</u>	<u>18,871,451</u>	<u>17,524,311</u>	<u>18,290,917</u>
Plan Fiduciary Net Position Ending	<u><u>\$21,043,245</u></u>	<u><u>\$21,722,382</u></u>	<u><u>\$18,871,451</u></u>	<u><u>\$17,524,311</u></u>
Employer Net Pension Liability	<u><u>\$ 6,700,606</u></u>	<u><u>\$ 4,816,788</u></u>	<u><u>\$ 8,788,877</u></u>	<u><u>\$ 7,412,470</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76 %	82 %	68 %	70 %
Covered Employee Payroll	<u><u>\$ 3,920,256</u></u>	<u><u>\$ 3,994,976</u></u>	<u><u>\$ 3,978,932</u></u>	<u><u>\$ 4,078,153</u></u>
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	171 %	121 %	221 %	182 %

City of Petoskey

SCHEDULE OF CHANGES IN THE LIBRARY MERS NET PENSION LIABILITY AND RELATED RATIOS

Year ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Cost	\$ 4,725	\$ 7,336	\$ 7,835	\$ 6,300
Interest	21,087	31,774	31,133	25,268
Changes of Benefit Terms	-	(23,247)	(117)	-
Difference Between Expected and Actual Experience	1,791	(10,096)	5,934	-
Changes of Assumption	-	-	20,291	-
Benefit Payments Including Employee Refunds	(16,093)	(21,900)	(21,083)	(16,566)
Other	<u>(119,016)</u>	<u>(23,046)</u>	<u>57,045</u>	<u>(530)</u>
Net Change in Total Pension Liability	(107,506)	(39,179)	101,038	14,472
Total Pension Liability Beginning	<u>387,747</u>	<u>426,926</u>	<u>325,888</u>	<u>311,416</u>
Total Pension Liability Ending	<u><u>\$ 280,241</u></u>	<u><u>\$ 387,747</u></u>	<u><u>\$ 426,926</u></u>	<u><u>\$ 325,888</u></u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 16,380	\$ 24,634	\$ 10,819	\$ 9,031
Contributions - Employee	1,195	1,787	1,853	1,591
Net Investment Income	(8,888)	37,500	30,435	(3,554)
Benefit Payments Including Employee Refunds	(16,093)	(21,900)	(21,083)	(16,566)
Administrative Expense	(434)	(592)	(601)	(520)
Other Changes	<u>(96,974)</u>	<u>(15,330)</u>	<u>40,832</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(104,814)	26,099	62,255	(10,018)
Plan Fiduciary Net Position Beginning	<u>317,372</u>	<u>291,273</u>	<u>229,018</u>	<u>239,036</u>
Plan Fiduciary Net Position Ending	<u><u>\$ 212,558</u></u>	<u><u>\$ 317,372</u></u>	<u><u>\$ 291,273</u></u>	<u><u>\$ 229,018</u></u>
Employer Net Pension Liability	<u><u>\$ 67,683</u></u>	<u><u>\$ 70,375</u></u>	<u><u>\$ 135,653</u></u>	<u><u>\$ 96,870</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76 %	82 %	68 %	70 %
Covered Employee Payroll	<u><u>\$ 318,874</u></u>	<u><u>\$ 303,359</u></u>	<u><u>\$ 280,175</u></u>	<u><u>\$ 333,666</u></u>
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	21 %	23 %	48 %	29 %

City of Petoskey

SCHEDULE OF MERS EMPLOYER'S CONTRIBUTIONS

Years ended December 31,

	Actuarial Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
City:					
2009	601,850	541,665	60,185	4,066,000	13 %
2010	657,488	591,739	65,749	4,014,000	15 %
2011	669,786	596,110	73,676	3,888,000	15 %
2012	650,292	637,286	13,006	4,032,000	16 %
2013	697,426	683,477	13,949	4,408,000	16 %
2014	651,998	638,958	13,040	4,235,000	15 %
2015	691,061	691,061	-	4,075,153	17 %
2016	700,936	700,936	-	3,978,932	17 %
2017	686,087	1,686,087	(1,000,000)	3,994,976	42 %
2018	631,597	1,631,597	(1,000,000)	3,920,256	41 %
Library:					
2015	9,031	9,031	-	333,666	3 %
2016	10,819	10,819	-	280,175	4 %
2017	24,634	24,634	-	303,359	8 %
2018	6,380	6,380	-	318,874	2 %

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male RP-2014 Annuity Mortality Table

COMBINING FINANCIAL STATEMENTS

City of Petoskey

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

	Special Revenue Funds			Debt Service Funds			
	General Street	Downtown Management	Total Special Revenue	Building Authority Marina Bond Debt	Building Authority Bear River Valley Bond Debt	Total Debt Service	Total Non-Major Funds
ASSETS							
Current assets							
Cash	\$ 553,985	\$ 98,389	\$ 652,374	\$ 26,084	\$ 117,942	\$ 144,026	\$ 796,400
Receivables							
Special assessments	-	7,600	7,600	-	-	-	7,600
Accounts receivable	245	40	285	58	79	137	422
Due from other funds	-	2,705	2,705	-	-	-	2,705
Due from other governments	126,239	-	126,239	-	-	-	126,239
Inventory, at cost	151,594	-	151,594	-	-	-	151,594
Total assets	<u>\$ 832,063</u>	<u>\$ 108,734</u>	<u>\$ 940,797</u>	<u>\$ 26,142</u>	<u>\$ 118,021</u>	<u>\$ 144,163</u>	<u>\$ 1,084,960</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 33,200	\$ 6,017	\$ 39,217	\$ -	\$ -	\$ -	\$ 39,217
Accrued expenditures	3,746	-	3,746	-	-	-	3,746
Total liabilities	<u>36,946</u>	<u>6,017</u>	<u>42,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,963</u>
FUND BALANCES							
Non-spendable							
Inventory	151,594	-	151,594	-	-	-	151,594
Restricted							
Special revenue	-	102,717	102,717	-	-	-	102,717
Committed	643,523	-	643,523	26,142	118,021	144,163	787,686
Total fund balances	<u>795,117</u>	<u>102,717</u>	<u>897,834</u>	<u>26,142</u>	<u>118,021</u>	<u>144,163</u>	<u>1,041,997</u>
Total liabilities and fund balances	<u>\$ 832,063</u>	<u>\$ 108,734</u>	<u>\$ 940,797</u>	<u>\$ 26,142</u>	<u>\$ 118,021</u>	<u>\$ 144,163</u>	<u>\$ 1,084,960</u>

City of Petoskey

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

Year ended December 31, 2018

	Special Revenue Funds			Debt Service Funds			Total Other Non-Major Funds
	General Street	Downtown Management	Total	Building Authority Marina Bond Debt	Building Authority Bear River Valley Bond Debt	Total	
REVENUES							
State grants	\$ 506,624	\$ -	\$ 506,624	\$ -	\$ -	\$ -	\$ 506,624
Special assessments	-	90,354	90,354	-	-	-	90,354
Interest and investment earnings	2,480	2,821	5,301	693	832	1,525	6,826
Other	16,515	28,135	44,650	-	-	-	44,650
Total revenues	<u>525,619</u>	<u>121,310</u>	<u>646,929</u>	<u>693</u>	<u>832</u>	<u>1,525</u>	<u>648,454</u>
EXPENDITURES							
Current							
Public works	1,106,632	133,203	1,239,835	-	-	-	1,239,835
Capital outlay	571,808	8,021	579,829	-	-	-	579,829
Principal	-	-	-	87,468	127,532	215,000	215,000
Interest	-	-	-	19,275	73,475	92,750	92,750
Total expenditures	<u>1,678,440</u>	<u>141,224</u>	<u>1,819,664</u>	<u>106,743</u>	<u>201,007</u>	<u>307,750</u>	<u>2,127,414</u>
REVENUES UNDER EXPENDITURES	<u>(1,152,821)</u>	<u>(19,914)</u>	<u>(1,172,735)</u>	<u>(106,050)</u>	<u>(200,175)</u>	<u>(306,225)</u>	<u>(1,478,960)</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	1,496,400	-	1,496,400	107,100	-	107,100	1,603,500
Operating transfers out	(415,800)	-	(415,800)	-	-	-	(415,800)
Transfers from component units	-	-	-	-	260,000	260,000	260,000
Total other financing sources	<u>1,080,600</u>	<u>-</u>	<u>1,080,600</u>	<u>107,100</u>	<u>260,000</u>	<u>367,100</u>	<u>1,447,700</u>
NET CHANGE IN FUND BALANCE	<u>(72,221)</u>	<u>(19,914)</u>	<u>(92,135)</u>	<u>1,050</u>	<u>59,825</u>	<u>60,875</u>	<u>(31,260)</u>
Fund balance, beginning of year	<u>867,338</u>	<u>122,631</u>	<u>989,969</u>	<u>25,092</u>	<u>58,196</u>	<u>83,288</u>	<u>1,073,257</u>
Fund balance, end of year	<u><u>\$ 795,117</u></u>	<u><u>\$ 102,717</u></u>	<u><u>\$ 897,834</u></u>	<u><u>\$ 26,142</u></u>	<u><u>\$ 118,021</u></u>	<u><u>\$ 144,163</u></u>	<u><u>\$ 1,041,997</u></u>

City of Petoskey
BUILDING AUTHORITY
COMBINING COMPONENT UNIT BALANCE SHEET/STATEMENT
OF NET POSITION
December 31, 2018

	Debt Service Funds			Reconciliation of Fund Balance Sheets to Statement of Net Position			
	2017 Marina Bonds	2017 Bear River Valley Bonds	Library Improvement Bonds	Governmental Financing Leases	Governmental Bonds Payable	Accrued Interest	Statement of Net Position
ASSETS							
Current assets							
Cash	\$ 26,084	\$ 117,942	\$ -	\$ -	\$ -	\$ -	\$ 144,026
Accounts receivable	58	79	-	-	-	-	137
Interest receivable	-	-	-	39,670	-	-	39,670
Lease contract receivable, current	-	-	-	470,000	-	-	470,000
Total current assets	26,142	118,021	-	509,670	-	-	653,833
Non-current assets							
Deferred charges - bond premium and discounts	-	-	-	-	318,025	-	318,025
Lease contract receivable	-	-	-	5,030,440	-	-	5,030,440
DEFERRED OUTFLOWS OF RESOURCES							
Deferred loss on debt refunding	-	-	-	-	64,767	-	64,767
Total assets and deferred outflows of resources	<u>\$ 26,142</u>	<u>\$ 118,021</u>	<u>\$ -</u>	<u>\$ 5,540,110</u>	<u>\$ 382,792</u>	<u>\$ -</u>	<u>\$ 6,067,065</u>
LIABILITIES AND FUND BALANCES/NET POSITION							
LIABILITIES							
Current liabilities							
Accrued interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,670	\$ 39,670
Accounts payable	-	-	-	-	-	-	-
Bonds payable, current	-	-	-	-	470,000	-	470,000
Total current liabilities	-	-	-	-	470,000	39,670	509,670
Non-current liabilities							
Bonds payable, net	-	-	-	-	5,030,440	-	5,030,440
Total liabilities	-	-	-	-	5,500,440	39,670	5,540,110
FUND BALANCE/NET POSITION							
Committed	26,142	118,021	-	5,540,110	(5,117,648)	(39,670)	526,955
Total liabilities and fund balances	<u>\$ 26,142</u>	<u>\$ 118,021</u>	<u>\$ -</u>	<u>\$ 5,540,110</u>	<u>\$ 382,792</u>	<u>\$ -</u>	<u>\$ 6,067,065</u>

City of Petoskey
BUILDING AUTHORITY
COMBINING COMPONENT UNIT STATEMENT OF REVENUES
AND EXPENDITURES/STATEMENT OF ACTIVITIES

Year ended December 31, 2018

	Debt Service Funds			Reconciliation of Fund Statements of Revenues and Expenditures to the Statement of Activities			
	Marina Bonds	Bear River Valley Bonds	Library Improvement Bonds	Governmental Financing Lease	Debt Service	Interest Expense	Statement of Activities
Program revenues							
Lease income	\$ 107,100	\$ 260,000	\$ 284,794	\$ (210,652)	\$ -	\$ -	\$ 441,242
Expenditures/expenses							
Debt service	87,468	127,532	210,000	-	(425,000)	-	-
Interest and fees	19,275	73,475	74,794	-	(15,598)	(3,148)	148,798
Total expenditures/expenses	106,743	201,007	284,794	-	(440,598)	(3,148)	148,798
Net revenue	357	58,993	-	(210,652)	440,598	3,148	292,444
General revenues							
Interest and investment earnings	693	832	-	-	-	-	1,525
Revenues over (under) expenditures/ change in net position	1,050	59,825	-	(210,652)	440,598	3,148	293,969
Fund balance/net position, beginning of year	<u>25,092</u>	<u>58,196</u>	<u>-</u>	<u>5,750,762</u>	<u>(5,558,246)</u>	<u>(42,818)</u>	<u>232,986</u>
Fund balance/net position, end of year	<u>\$ 26,142</u>	<u>\$ 118,021</u>	<u>\$ -</u>	<u>\$ 5,540,110</u>	<u>\$ (5,117,648)</u>	<u>\$ (39,670)</u>	<u>\$ 526,955</u>



City of Petoskey

Agenda Memo

BOARD: City Council

MEETING DATE: May 6, 2019

PREPARED: May 2, 2019

AGENDA SUBJECT: Consent Agenda Resolution

RECOMMENDATION: That the City Council approve this proposed resolution

The City Council will be asked to adopt a resolution that would approve the following consent agenda items:

- (1) Draft minutes of the April 15, 2019 regular session City Council meeting; and
- (2) Acknowledge receipt of a report from the City Manager concerning all checks that have been issued since April 15, 2019 for contract and vendor claims at \$1,092,111.36, intergovernmental claims at \$0, and the April 18 and May 2 payrolls at \$390,192.62 for a total of \$1,482,303.98.

sb
Enclosures



CITY COUNCIL

April 15, 2019

A regular meeting of the City of Petoskey City Council was held in the City Hall Council Chambers, Petoskey, Michigan, on Monday, April 15, 2019. This meeting was called to order at 7:00 P.M.; then, after a recitation of the Pledge of Allegiance to the Flag of the United States of America, a roll call then determined that the following were

Present: John Murphy, Mayor
Grant Dittmar, City Councilmember
Lindsey Walker, City Councilmember

Absent: Kate Marshall, City Councilmember and Suzanne Shumway, City Councilmember

Also in attendance were City Manager Robert Straebel, Clerk-Treasurer Alan Terry, Public Works Director Michael Robbins, Parks and Recreation Director Kendall Klingelsmith, Downtown Director Becky Goodman and District Library Director Valerie Meyerson.

Hear Line 5 Pipeline For Love of Water (FLOW) Presentation

Leonard Page, a representative from For Love of Water (FLOW) gave a brief presentation concerning Enbridge's Line 5 Pipeline. Mr. Page reviewed that he was part of the Cheboygan Straits of Mackinac Alliance and presenting on behalf of FLOW located in Traverse City; reviewed history of pipeline and current actions; that the State Attorney General declared the tunnel plan invalid; reviewed construction and materials used for tunnel; that an emergency containment plan is being fought in a separate lawsuit; and that it is unknown where the State and Enbridge currently are in the matter but he believes they may be negotiating a new agreement.

City Councilmembers inquired if FLOW was asking for a resolution opposing Line 5; heard inquiries if the Governor and Attorney General were the sole decision makers; and inquired that some organizations are opposed to tunnel because Line 5 remains open during construction and if there are other reasons.

Mr. Page responded he would ask FLOW organization about a resolution; that the Governor and Attorney General are the decision makers within the waterway; and that the State controls the Straits and everything else is controlled by the Federal government.

Hear District Library Presentation

District Library Director Val Meyerson made a brief presentation concerning the Petoskey District Library and reviewed 2018 statistics and operations. Ms. Meyerson reviewed that there was a 7% increase in card holders; a 17% increase in circulation; that the Carnegie building received a new roof; that RFID technology was implemented for easy checkouts; and reviewed various outreach programs for children, adults and seniors.

City Councilmembers inquired how the Library utilizes the Carnegie building and what ages can participate in the tutoring programs.

Ms. Meyerson responded that the Carnegie building is used for meetings, programming and classes and reviewed tutoring for children between for 1st through 3rd grades.

Hear Earth Day Proclamation

Mayor Murphy read the following proclamation concerning Earth Day:

Earth Day 2019

WHEREAS, most scientific research, both here and abroad, informs us that our global community now faces extraordinary challenges such as increasingly numerous extreme weather events, environmental and climate changes, food and water shortages, and global health issues; and

WHEREAS, Earth Day was founded in 1970 as an American day of education and action regarding environmental issues, but which is now celebrated with a global focus on green issues of importance to all peoples, regardless of race, gender, income, or geography, who have a moral right to a healthy, sustainable environment; and

WHEREAS, it is understood that the citizens of our global community must step forward and take action to create positive environmental change to combat these global challenges; and

WHEREAS, a sustainable environment can be achieved on the individual level through educational efforts, public policy and consumer behavior changes; and

WHEREAS, it is necessary to broaden and diversify the environmental movement to achieve maximum success:

NOW, THEREFORE BE IT RESOLVED, that I, John Murphy, Mayor of the City of Petoskey, hereby pledge to use this Earth Day, April 22, 2019, as a reminder of our duty to serve the best interests of our constituents by supporting environmental initiatives in the City of Petoskey, and to encourage others to undertake similar actions.

Frank and Dottie Hawthorne, members of the Sierra Club, reported that there will be various Earth Day events open to the public from 5:00 – 8:00 P.M., Monday, April 22, at the Red Sky Stage.

Consent Agenda - Resolution No. 19286

Following introduction of the consent agenda for this meeting of April 15, 2019, City Councilmember Dittmar moved that, seconded by City Councilmember Walker adoption of the following resolution:

BE IT RESOLVED that the City Council does and hereby confirms that the draft minutes of the March 18, 2019 regular session City Council meeting be and are hereby approved; and

BE IT RESOLVED that receipt by the City Council of a report concerning all checks that had been issued since March 18, for contract and vendor claims at \$959,416.71 intergovernmental claims at \$0, and the March 21 and April 4 payrolls at \$385,765.47, for a total of \$1,345,182.18 be and is hereby acknowledged.

Said resolution was adopted by the following vote:

AYES: Dittmar, Walker, Murphy (3)

NAYS: None (0)

Hear Public Comment

Mayor Murphy asked for public comments and there were no comments.

Hear City Manager Updates

The City Manager reported that the City Planner received development plans for an expansion of Harbor Hall that includes two new buildings on the former Fabiano property, a clinic/treatment housing building and a multi-family apartment, and a conceptual review will be conducted at the April 18 Planning Commission meeting; that the City recently received confirmation that Petoskey is a Tree City U.S.A. community; that staff is working with MPPA on a renewable energy resolution with five-year benchmarks to set realistic percentages with a goal of being 100% renewable by 2040; reported that the structural components of the MDOT retaining wall in Bayfront Park is completed; that highway work is progressing with focus near Lake and Mitchell Street intersections; that the detour moved this afternoon to accommodate the next phase of highway work; that Howard Street between Lake and Mitchell will be closed tomorrow to install a new water line for the downtown bathrooms; reviewed that at the special April 11 Planning Commission meeting Commissioners discussed various issues regarding locating medical marijuana provisioning centers within the community; that Charlevoix, Antrim, Kalkaska and Emmet Conservation District (CAKE) will be hosting an invasive species presentation on April 24 from 6:00-7:00 P.M. to better educate property owners, especially along the Bear River Valley, about the importance to treat both swallow wort and knotweed; that brush chipping and disposal has begun and will be provided on the first and third Monday of each month beginning in April through November; and that the City will collect small yard waste weekly, every Thursday beginning April 4 through May 30 and reminded citizens not to place waste in streets.

City Councilmembers inquired if chipping was completed curbside, inquired on the spring cleanup dates and when street would be painted in downtown.

The Public Works Director responded that chipping is done curbside; that spring cleanup dates have been set for the week before and after Memorial Day and are available on the City's website; and that staff is anticipating painting crosswalks in three weeks after street sweeping.

Mayor Murphy asked for public comments and heard comments in favor and opposed to medical marijuana provisioning centers; a citizen commended the City for the positive Tree City community designation; heard inquiries on how the number of provisioning centers were decided; heard comments on why municipalities are opposed to use of medical marijuana and shared personal stories from Colorado with no issues; heard inquiries on why City would allow provisioning centers that don't fit family-friendly lifestyle and will be near children; heard from those opposed to allowing marijuana establishments downtown; that youth will be able to obtain marijuana more easily if allow provisioning centers, especially downtown; heard from those that think Petoskey is quaint and would hate to see marijuana establishments ruin the community feel; heard an inquiry on what the City Attorney's position is on matter; heard comments that medical marijuana provisioning centers negatively affect youth; heard from a citizen who is alarmed that the City is not opting out; and that it is a bait and switch with allowing medical marijuana and then recreational marijuana will follow later.

The City Manager responded that City Council decides on regulations of medical marijuana not the City Attorney.

Board of Review Appointments – Resolution No. 19287-19288

Mayor Murphy reviewed that City Council consider possible reappointments to the Board of Review.

City Councilmember Dittmar moved that, seconded by City Councilmember Walker adoption of the following resolution:

BE IT RESOLVED that the City Council does and hereby approves the reappointment of William Meengs, 724 Grove Street, to the Board of Review for a three-year term ending April 2022.

Said resolution was adopted by the following vote:

AYES: Dittmar, Walker, Murphy (3)

NAYS: None (0)

City Councilmember Walker moved that, seconded by City Councilmember Dittmar adoption of the following resolution:

BE IT RESOLVED that the City Council does and hereby approves the reappointment of Joel Wurster, 909 Spruce Street, to the Board of Review for a three-year term ending April 2022.

Said resolution was adopted by the following vote:

AYES: Dittmar, Walker, Murphy (3)

NAYS: None (0)

ZBA Appointment – Resolution No. 19289

Mayor Murphy reviewed that City Council consider a possible reappointment to the Zoning Board of Appeals.

City Councilmember Dittmar moved that, seconded by City Councilmember Walker adoption of the following resolution:

BE IT RESOLVED that the City Council does and hereby approves the reappointment of Robert S. Morrison, 740 Lockwood Avenue, to the Zoning Board of Appeals for a three-year term ending April 2022.

Said resolution was adopted by the following vote:

AYES: Dittmar, Walker, Murphy (3)

NAYS: None (0)

First Reading of a Proposed Ordinance Prohibiting Recreational Marijuana Establishments

The City Manager reviewed that City Council discussed both recreational and medical marijuana at their February 18, 2019 meeting and voted 4-1 to allow medical marijuana establishments, and requested the Planning Commission to research and recommend 3-4 provisioning centers in 1-2 locations and address signage and hours of operation. The City Manager further reviewed the Michigan Regulation and Taxation Marijuana Act (MRTMA) and that it legalizes at the State level (not federal) the recreational use and possession of marijuana; reviewed the regulatory process to permit and license certain types of marijuana establishments; that MRTMA requires a community adopt an ordinance opting out if the community wishes to prohibit the formation and operation of recreational marijuana establishments within the community; that if a community does not opt out then recreational marijuana establishments can be located and licensed by the State if an application is approved by the Department of Licensing and Regulatory Affairs (LARA); that LARA must begin accepting applications for licenses before December 6, 2019; reviewed that MRTMA states for the first 24 months after LARA begins accepting applications for marijuana establishment licenses, only those persons holding a medical marijuana license may apply for a retail, processor, class B or class C grower or secure transport license issued under the MRTMA; that the City could be in a bind if don't opt out since it would be lacking zoning and license regulations for recreational marijuana establishments; that staff and the City Attorney recommend opting out of recreational marijuana to maintain local control until the State establishes rules and regulations; and reviewed that nothing under the Act prohibits a city from opting in at a later date, even if the community initially decided to opt out.

City Councilmembers expressed support of the proposed ordinance and concurred that it is the responsible thing to do at this time in the process.

Mayor Murphy asked for public comments and heard from those in favor and opposed to the City opting out; heard comments that licensing fees are capped; that by allowing recreational marijuana establishments more customers and traffic will be in town; that LARA has a lot of issues that need to be finalized; and heard from a citizen complimenting staff for waiting until laws are written.

City Council will conduct a second reading of the proposed ordinance at the next regular scheduled meeting.

Authorize Tree Planting Contract – Resolution No. 19290

The City Manager reviewed that the 2019 Annual Budget included monies for planting of trees and shrubs within street green lawns and public spaces as new or replacement trees. The City Manager further reviewed that this tree planting initiative is part of the City's overall Forestry Program that includes trimming, maintenance and tree and stump removal of City owned trees.

Mayor Murphy asked for public comments and heard a comment on what type of trees will be planted on Rose Street and why nut or fruit bearing trees aren't included in the plantings.

City Councilmember Dittmar moved that, seconded by City Councilmember Walker to authorize to contract with David Hoffman Landscaping and Nursery, Inc., Petoskey, in the amount of \$22,165, for planting of trees throughout the City.

Said motion was adopted by the following vote:

AYES: Dittmar, Walker, Murphy (3)

NAYS: None (0)

Council Comments

Mayor Murphy thanked citizens for attending tonight's meeting.

Authorize Closed Session – Resolution No. 19291

City Council was being asked to adopt a resolution that would recess to a closed session pursuant to Section 8(c) of the Michigan Open Meetings Act, to consider strategy and negotiations of a collective bargaining agreement.

City Councilmember Walker moved that, seconded by City Councilmember Dittmar adoption of the following resolution:

WHEREAS, the City Manager has requested that the City Council recess to a closed session, pursuant to Section 8(c) of the Michigan Open Meetings Act, to consider strategy and negotiations of a collective bargaining agreement, following the conclusion of routine business at the City Council's regular meeting of April 15, 2019:

NOW, THEREFORE, BE IT RESOLVED that the City Council does and hereby authorizes to recess to a closed session, to consider negotiations of a collective bargaining agreement.

Said resolution was adopted by the following vote:

AYES: Dittmar, Walker, Murphy (3)

NAYS: None (0)

Recessed to closed session at 8:45 P.M.

Reconvened into open session at 9:05 P.M.

There being no further business to come before the City Council, this April 15, 2019, meeting of the City Council adjourned at 9:10 P.M.

John Murphy, Mayor

Alan Terry, Clerk-Treasurer

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
04/19	04/29/2019	84180	Dripworks	582-081-642.300	94.73- V
04/19	04/17/2019	84325	1000Bulbs	582-590-775.000	885.43
04/19	04/17/2019	84326	5H Irrigation & Maintenance	101-770-802.000	1,300.00
04/19	04/17/2019	84327	ACH-CHILD SUPPORT	701-000-230.160	160.23
04/19	04/17/2019	84328	ACH-EFTPS	701-000-230.100	19,280.89
04/19	04/17/2019	84328	ACH-EFTPS	701-000-230.200	11,889.22
04/19	04/17/2019	84328	ACH-EFTPS	701-000-230.200	11,889.22
04/19	04/17/2019	84328	ACH-EFTPS	701-000-230.200	2,780.58
04/19	04/17/2019	84328	ACH-EFTPS	701-000-230.200	2,780.58
04/19	04/17/2019	84329	ACH-ICMA 457	701-000-230.700	1,789.29
04/19	04/17/2019	84329	ACH-ICMA 457	701-000-230.700	4,924.23
04/19	04/17/2019	84330	Alliance Entertainment	271-790-761.000	230.93
04/19	04/17/2019	84330	Alliance Entertainment	271-790-761.000	250.47
04/19	04/17/2019	84330	Alliance Entertainment	271-790-761.100	53.74
04/19	04/17/2019	84331	AT & T MOBILITY	514-587-920.000	348.51
04/19	04/17/2019	84332	AT&T	582-593-850.000	126.64
04/19	04/17/2019	84332	AT&T	592-560-850.000	364.50
04/19	04/17/2019	84332	AT&T	592-558-920.000	178.87
04/19	04/17/2019	84333	Ballard's Plumbing & Heating	271-790-930.000	2,411.25
04/19	04/17/2019	84333	Ballard's Plumbing & Heating	101-268-802.000	646.31
04/19	04/17/2019	84334	Beigle, Taylor Grace	101-756-808.030	20.00
04/19	04/17/2019	84335	Bill & Carols's Inc.	101-770-771.000	12.00
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	101-201-724.000	2,906.30
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	101-208-724.000	181.64
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	101-265-724.000	155.21
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	101-268-724.000	620.85
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	101-345-724.000	4,795.39
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	101-441-724.000	1,453.15
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	204-481-724.000	2,688.33
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	271-790-724.000	2,851.98
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	592-549-724.000	1,271.51
04/19	04/17/2019	84336	BLUE CROSS\BLUE SHIELD - MICH.	592-560-724.000	363.29
04/19	04/17/2019	84337	BSN Sports Inc.	101-756-778.000	833.85
04/19	04/17/2019	84337	BSN Sports Inc.	101-756-808.120	1,731.56
04/19	04/17/2019	84338	Buchanan, Shelby	101-756-808.030	10.00
04/19	04/17/2019	84339	Carter's Imagewear & Awards	101-770-767.000	140.00
04/19	04/17/2019	84340	Char-Em United Way	701-000-230.800	91.75
04/19	04/17/2019	84341	CHARLEVOIX PUBLIC LIBRARY	271-790-955.000	20.00
04/19	04/17/2019	84342	Cintas Corp #729	101-268-802.000	14.79
04/19	04/17/2019	84342	Cintas Corp #729	592-554-802.000	43.28
04/19	04/17/2019	84343	Complete Paint & Supplies	582-586-775.000	8.70
04/19	04/17/2019	84344	CynergyComm.net Inc.	271-790-850.000	262.78
04/19	04/17/2019	84345	David L Hoffman Landscaping & Nursery	204-470-802.000	1,110.00
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	101-215-801.000	4,791.69
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	204-481-801.000	1,057.23
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	204-481-801.000	250.63
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	204-481-801.000	1,422.89
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	271-790-801.000	801.14
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	211-441-802.000	1,111.62
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	514-587-801.000	439.29
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	582-598-802.000	6,469.30
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	592-549-802.000	1,376.82

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04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	592-560-802.000	1,745.05
04/19	04/17/2019	84346	DENNIS GARTLAND & NIERGARTH	661-598-801.000	534.34
04/19	04/17/2019	84347	Derrer Oil Co.	661-598-759.000	1,832.34
04/19	04/17/2019	84348	Dunkel Excavating Services Inc.	202-479-802.000	77.00
04/19	04/17/2019	84348	Dunkel Excavating Services Inc.	101-268-802.000	347.82
04/19	04/17/2019	84348	Dunkel Excavating Services Inc.	271-790-801.000	51.15
04/19	04/17/2019	84348	Dunkel Excavating Services Inc.	582-593-802.000	112.53
04/19	04/17/2019	84348	Dunkel Excavating Services Inc.	514-587-802.000	511.50
04/19	04/17/2019	84348	Dunkel Excavating Services Inc.	203-479-802.000	146.25
04/19	04/17/2019	84348	Dunkel Excavating Services Inc.	101-345-802.100	180.00
04/19	04/17/2019	84349	Dunn's Business Solutions	204-481-751.000	19.66
04/19	04/17/2019	84349	Dunn's Business Solutions	582-593-751.000	19.66
04/19	04/17/2019	84349	Dunn's Business Solutions	582-588-751.000	19.66
04/19	04/17/2019	84349	Dunn's Business Solutions	592-549-751.000	19.66
04/19	04/17/2019	84349	Dunn's Business Solutions	592-560-751.000	19.66
04/19	04/17/2019	84349	Dunn's Business Solutions	661-598-751.000	19.70
04/19	04/17/2019	84350	Ellenberger, Regina	101-345-912.000	14.61
04/19	04/17/2019	84351	Englebrecht, Robert	101-257-802.100	3,750.00
04/19	04/17/2019	84352	FAR PRODUCTS INC.	101-789-775.000	160.50
04/19	04/17/2019	84353	Fastenal Company	661-598-785.000	164.12
04/19	04/17/2019	84354	Fineout, Kayla A.	101-756-808.030	80.00
04/19	04/17/2019	84355	FIVE STAR SCREEN PRINTING PLUS	101-756-808.110	730.00
04/19	04/17/2019	84356	Gale/Cengage Learning	271-790-760.000	49.38
04/19	04/17/2019	84356	Gale/Cengage Learning	271-790-760.000	106.96
04/19	04/17/2019	84357	Gibby's Garage	661-598-931.000	918.00
04/19	04/17/2019	84357	Gibby's Garage	661-598-932.000	816.00
04/19	04/17/2019	84357	Gibby's Garage	202-479-802.000	68.00
04/19	04/17/2019	84357	Gibby's Garage	101-770-802.000	68.00
04/19	04/17/2019	84357	Gibby's Garage	202-475-802.000	34.00
04/19	04/17/2019	84357	Gibby's Garage	582-593-930.000	102.00
04/19	04/17/2019	84357	Gibby's Garage	661-598-931.000	782.00
04/19	04/17/2019	84357	Gibby's Garage	661-598-931.000	442.00
04/19	04/17/2019	84357	Gibby's Garage	661-598-932.000	408.00
04/19	04/17/2019	84357	Gibby's Garage	582-593-930.000	136.00
04/19	04/17/2019	84358	GOVERNMENT FINANCE OFFICERS	101-215-915.000	170.00
04/19	04/17/2019	84359	Grand Traverse Mobile Communications	101-345-775.000	782.84
04/19	04/17/2019	84360	Great Lakes Energy	592-538-920.000	81.10
04/19	04/17/2019	84360	Great Lakes Energy	592-558-920.000	133.07
04/19	04/17/2019	84360	Great Lakes Energy	101-345-920.100	431.02
04/19	04/17/2019	84360	Great Lakes Energy	592-538-920.000	257.46
04/19	04/17/2019	84360	Great Lakes Energy	592-558-920.000	134.51
04/19	04/17/2019	84361	Hyde Services LLC	661-598-932.000	20.97
04/19	04/17/2019	84362	ICMA-ROTH	701-000-230.900	440.00
04/19	04/17/2019	84363	Integrity Business Solutions	204-481-751.000	58.64
04/19	04/17/2019	84363	Integrity Business Solutions	582-593-751.000	58.64
04/19	04/17/2019	84363	Integrity Business Solutions	582-588-751.000	58.64
04/19	04/17/2019	84363	Integrity Business Solutions	592-549-751.000	58.64
04/19	04/17/2019	84363	Integrity Business Solutions	592-560-751.000	58.64
04/19	04/17/2019	84363	Integrity Business Solutions	661-598-751.000	58.64
04/19	04/17/2019	84364	International Association of	101-345-915.000	190.00
04/19	04/17/2019	84365	Karr, Jamisyn	101-756-808.030	10.00
04/19	04/17/2019	84366	Kolp, Megan	101-756-808.030	50.00

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
04/19	04/17/2019	84367	Kring Chevrolet Cadillac, Dave	661-598-932.000	310.35
04/19	04/17/2019	84367	Kring Chevrolet Cadillac, Dave	661-598-932.000	49.35
04/19	04/17/2019	84367	Kring Chevrolet Cadillac, Dave	661-598-932.000	49.35
04/19	04/17/2019	84368	KSS Enterprises	101-265-775.000	347.73
04/19	04/17/2019	84368	KSS Enterprises	101-268-775.000	347.73
04/19	04/17/2019	84368	KSS Enterprises	101-754-775.000	347.73
04/19	04/17/2019	84368	KSS Enterprises	101-756-775.000	347.73
04/19	04/17/2019	84368	KSS Enterprises	101-773-775.000	347.73
04/19	04/17/2019	84368	KSS Enterprises	101-789-775.000	521.59
04/19	04/17/2019	84368	KSS Enterprises	582-593-930.000	347.73
04/19	04/17/2019	84368	KSS Enterprises	101-770-775.000	869.32
04/19	04/17/2019	84368	KSS Enterprises	101-265-775.000	75.40
04/19	04/17/2019	84368	KSS Enterprises	101-268-775.000	75.42
04/19	04/17/2019	84368	KSS Enterprises	101-754-775.000	75.42
04/19	04/17/2019	84368	KSS Enterprises	101-756-775.000	75.42
04/19	04/17/2019	84368	KSS Enterprises	101-770-775.000	188.54
04/19	04/17/2019	84368	KSS Enterprises	101-773-775.000	75.42
04/19	04/17/2019	84368	KSS Enterprises	101-789-775.000	113.12
04/19	04/17/2019	84368	KSS Enterprises	582-593-930.000	75.42
04/19	04/17/2019	84368	KSS Enterprises	101-265-775.000	546.09
04/19	04/17/2019	84368	KSS Enterprises	101-268-775.000	546.09
04/19	04/17/2019	84368	KSS Enterprises	101-754-775.000	546.09
04/19	04/17/2019	84368	KSS Enterprises	101-756-775.000	546.09
04/19	04/17/2019	84368	KSS Enterprises	101-770-775.000	1,365.24
04/19	04/17/2019	84368	KSS Enterprises	101-773-775.000	546.09
04/19	04/17/2019	84368	KSS Enterprises	101-789-775.000	819.14
04/19	04/17/2019	84368	KSS Enterprises	582-593-930.000	546.11
04/19	04/17/2019	84368	KSS Enterprises	101-265-775.000	130.94
04/19	04/17/2019	84368	KSS Enterprises	101-268-775.000	130.94
04/19	04/17/2019	84368	KSS Enterprises	101-754-775.000	130.96
04/19	04/17/2019	84368	KSS Enterprises	101-756-775.000	130.96
04/19	04/17/2019	84368	KSS Enterprises	101-770-775.000	327.40
04/19	04/17/2019	84368	KSS Enterprises	101-773-775.000	130.96
04/19	04/17/2019	84368	KSS Enterprises	101-789-775.000	196.46
04/19	04/17/2019	84368	KSS Enterprises	582-593-930.000	130.96
04/19	04/17/2019	84368	KSS Enterprises	101-265-775.000	73.60-
04/19	04/17/2019	84368	KSS Enterprises	101-268-775.000	73.61-
04/19	04/17/2019	84368	KSS Enterprises	101-754-775.000	73.61-
04/19	04/17/2019	84368	KSS Enterprises	101-756-775.000	73.61-
04/19	04/17/2019	84368	KSS Enterprises	101-770-775.000	184.03-
04/19	04/17/2019	84368	KSS Enterprises	101-773-775.000	73.61-
04/19	04/17/2019	84368	KSS Enterprises	101-789-775.000	110.42-
04/19	04/17/2019	84368	KSS Enterprises	582-593-930.000	73.61-
04/19	04/17/2019	84368	KSS Enterprises	101-265-775.000	90.90
04/19	04/17/2019	84368	KSS Enterprises	101-268-775.000	90.90
04/19	04/17/2019	84368	KSS Enterprises	101-754-775.000	90.90
04/19	04/17/2019	84368	KSS Enterprises	101-756-775.000	90.90
04/19	04/17/2019	84368	KSS Enterprises	101-770-775.000	227.25
04/19	04/17/2019	84368	KSS Enterprises	101-773-775.000	90.90
04/19	04/17/2019	84368	KSS Enterprises	101-789-775.000	136.35
04/19	04/17/2019	84368	KSS Enterprises	582-593-930.000	90.90
04/19	04/17/2019	84369	LENNEMANN, MARK	101-789-767.000	67.50

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04/19	04/17/2019	84370	LexisNexis Risk Data Management Inc.	101-208-802.000	50.00
04/19	04/17/2019	84371	LOWERY UNDERGROUND SERVICE	582-586-802.000	4,372.50
04/19	04/17/2019	84371	LOWERY UNDERGROUND SERVICE	582-020-360.000	3,387.00
04/19	04/17/2019	84371	LOWERY UNDERGROUND SERVICE	582-598-802.000	1,777.50
04/19	04/17/2019	84372	Mann, Sydney	101-756-808.030	40.00
04/19	04/17/2019	84373	Matthews, Eva	101-756-808.030	10.00
04/19	04/17/2019	84374	McCardel Culligan	101-770-802.000	8.00
04/19	04/17/2019	84375	MEYERSON, VALERIE	271-790-905.000	40.00
04/19	04/17/2019	84375	MEYERSON, VALERIE	271-790-802.000	20.00
04/19	04/17/2019	84375	MEYERSON, VALERIE	271-790-955.000	2.00
04/19	04/17/2019	84375	MEYERSON, VALERIE	271-790-958.100	13.25
04/19	04/17/2019	84375	MEYERSON, VALERIE	271-790-760.000	14.06
04/19	04/17/2019	84376	MICHIGAN ASSOCIATION OF	101-345-913.000	260.00
04/19	04/17/2019	84377	Michigan Officeways Inc.	101-201-751.000	5.98
04/19	04/17/2019	84378	Midwest Tape	271-790-761.100	23.99
04/19	04/17/2019	84379	Miller, Anne	101-756-808.030	50.00
04/19	04/17/2019	84380	Miller, Peyton	101-756-808.030	30.00
04/19	04/17/2019	84381	Northern Copy Express Inc.	101-770-751.000	45.00
04/19	04/17/2019	84382	NYE UNIFORM	101-345-775.000	59.99
04/19	04/17/2019	84382	NYE UNIFORM	101-345-775.000	189.98
04/19	04/17/2019	84383	Odenbach, Alexandra	101-756-808.030	70.00
04/19	04/17/2019	84384	OTEC Radio Comm. Equipment	661-598-932.000	445.00
04/19	04/17/2019	84385	PAC2	271-790-802.000	1,117.14
04/19	04/17/2019	84386	Peak-Ryzex Inc.	271-790-751.000	79.92
04/19	04/17/2019	84387	PENDO	271-790-752.000	161.84
04/19	04/17/2019	84388	Penguin Random House	271-790-761.000	30.00
04/19	04/17/2019	84389	Peninsula Fiber Network LLC	271-790-850.000	150.00
04/19	04/17/2019	84390	Petoskey Regional Chamber	101-172-860.000	30.00
04/19	04/17/2019	84390	Petoskey Regional Chamber	101-400-912.000	30.00
04/19	04/17/2019	84390	Petoskey Regional Chamber	101-215-912.000	30.00
04/19	04/17/2019	84390	Petoskey Regional Chamber	271-790-912.000	30.00
04/19	04/17/2019	84390	Petoskey Regional Chamber	514-587-912.000	30.00
04/19	04/17/2019	84390	Petoskey Regional Chamber	514-587-912.000	30.00
04/19	04/17/2019	84391	Pollion, Elizabeth Mae	101-756-808.030	50.00
04/19	04/17/2019	84392	Power Line Supply	582-586-775.000	509.14
04/19	04/17/2019	84392	Power Line Supply	582-010-111.000	2,400.00
04/19	04/17/2019	84393	Range Telecommunications	101-756-850.000	7.05
04/19	04/17/2019	84393	Range Telecommunications	204-481-850.000	80.00
04/19	04/17/2019	84393	Range Telecommunications	582-593-850.000	50.00
04/19	04/17/2019	84393	Range Telecommunications	592-549-850.000	80.00
04/19	04/17/2019	84393	Range Telecommunications	592-560-850.000	50.00
04/19	04/17/2019	84393	Range Telecommunications	661-598-850.000	7.05
04/19	04/17/2019	84394	Ratliff, Audrey L.	101-756-808.030	30.00
04/19	04/17/2019	84395	RECDESK SOFTWARE	101-756-751.000	2,350.00
04/19	04/17/2019	84396	RECORDED BOOKS INC	271-790-762.000	1,500.00
04/19	04/17/2019	84397	ROBINSON'S LANDSCAPING	204-470-802.000	1,120.00
04/19	04/17/2019	84398	Samson, Martha	271-790-964.000	19.25
04/19	04/17/2019	84398	Samson, Martha	271-790-958.000	26.68
04/19	04/17/2019	84399	Smith, Daniel	101-345-912.000	764.16
04/19	04/17/2019	84400	Smith, Josephine Clara	101-756-808.030	40.00
04/19	04/17/2019	84401	Staples Advantage	101-268-775.000	42.74
04/19	04/17/2019	84402	Starr Garter dba Techplex	271-790-802.000	680.85

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04/19	04/17/2019	84403	SWEEP SHOP, THE	271-790-752.000	234.60
04/19	04/17/2019	84404	Thompson, William S.	514-587-802.100	760.97
04/19	04/17/2019	84405	Truck & Trailer Specialties	661-020-140.000	8,896.20
04/19	04/17/2019	84406	Verizon Wireless	101-345-850.000	79.93
04/19	04/17/2019	84406	Verizon Wireless	592-538-850.000	80.06
04/19	04/17/2019	84406	Verizon Wireless	592-538-920.000	280.07
04/19	04/17/2019	84406	Verizon Wireless	101-345-850.000	55.83
04/19	04/17/2019	84406	Verizon Wireless	592-549-850.000	1.04
04/19	04/17/2019	84406	Verizon Wireless	582-588-850.000	10.10
04/19	04/17/2019	84406	Verizon Wireless	101-345-850.000	36.01
04/19	04/17/2019	84406	Verizon Wireless	101-770-850.000	36.01
04/19	04/17/2019	84407	Michigan Public Power Agency	582-576-920.000	260,851.09
04/19	04/17/2019	84408	AMERICAN WATER WORKS ASSOC.	592-549-915.000	218.00
04/19	04/24/2019	84409	Aflac	701-000-230.180	588.53
04/19	04/24/2019	84410	Airgas USA LLC	661-598-785.000	52.36
04/19	04/24/2019	84410	Airgas USA LLC	661-598-785.000	27.05
04/19	04/24/2019	84411	Amazon Credit Plan	592-554-775.000	3,130.58
04/19	04/24/2019	84411	Amazon Credit Plan	101-228-775.000	919.96
04/19	04/24/2019	84412	American Waste	582-593-802.000	170.00
04/19	04/24/2019	84412	American Waste	592-551-806.000	325.00
04/19	04/24/2019	84412	American Waste	101-770-802.000	360.00
04/19	04/24/2019	84412	American Waste	101-770-802.000	165.00
04/19	04/24/2019	84412	American Waste	101-770-802.000	138.60
04/19	04/24/2019	84412	American Waste	101-756-802.000	56.70
04/19	04/24/2019	84412	American Waste	101-789-802.000	63.00
04/19	04/24/2019	84412	American Waste	101-754-802.000	144.90
04/19	04/24/2019	84412	American Waste	101-268-802.000	88.20
04/19	04/24/2019	84412	American Waste	101-265-802.000	138.60
04/19	04/24/2019	84413	AT&T	592-538-850.000	186.58
04/19	04/24/2019	84414	AT&T LONG DISTANCE	101-345-850.000	37.71
04/19	04/24/2019	84415	Automotive Vision	661-598-932.000	220.00
04/19	04/24/2019	84416	Beckett & Raeder Inc.	582-588-802.000	1,160.00
04/19	04/24/2019	84417	Bek, Sarah	101-101-751.000	20.30
04/19	04/24/2019	84418	Benchmark Engineering Inc.	582-593-802.000	1,527.50
04/19	04/24/2019	84418	Benchmark Engineering Inc.	592-549-802.000	1,527.50
04/19	04/24/2019	84418	Benchmark Engineering Inc.	592-560-802.000	1,527.50
04/19	04/24/2019	84418	Benchmark Engineering Inc.	204-481-802.000	1,528.00
04/19	04/24/2019	84419	BILLER PRESS	101-789-775.000	332.44
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-172-724.000	1,171.68
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-201-724.000	1,033.84
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-208-724.000	516.92
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-215-724.000	344.61
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-265-724.000	310.15
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-268-724.000	361.84
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-345-724.000	12,061.46
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-400-724.000	551.38
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-441-724.000	1,447.38
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-754-724.000	465.23
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-756-724.000	1,514.61
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-770-724.000	2,422.87
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-773-724.000	351.50
04/19	04/24/2019	84420	BLUE CARE NETWORK	101-789-724.000	716.79

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04/19	04/24/2019	84420	BLUE CARE NETWORK	271-790-724.000	2,205.52
04/19	04/24/2019	84420	BLUE CARE NETWORK	514-587-724.000	344.61
04/19	04/24/2019	84420	BLUE CARE NETWORK	582-588-724.000	3,928.58
04/19	04/24/2019	84420	BLUE CARE NETWORK	592-549-724.000	2,929.21
04/19	04/24/2019	84420	BLUE CARE NETWORK	592-560-724.000	1,033.84
04/19	04/24/2019	84421	Cintas Corp #729	204-481-767.000	54.52
04/19	04/24/2019	84421	Cintas Corp #729	582-588-767.000	45.94
04/19	04/24/2019	84421	Cintas Corp #729	592-560-767.000	28.09
04/19	04/24/2019	84421	Cintas Corp #729	592-549-767.000	28.09
04/19	04/24/2019	84421	Cintas Corp #729	582-593-802.000	29.77
04/19	04/24/2019	84421	Cintas Corp #729	204-481-767.000	54.52
04/19	04/24/2019	84421	Cintas Corp #729	582-588-767.000	45.94
04/19	04/24/2019	84421	Cintas Corp #729	592-560-767.000	28.09
04/19	04/24/2019	84421	Cintas Corp #729	592-549-767.000	28.09
04/19	04/24/2019	84421	Cintas Corp #729	582-593-802.000	42.51
04/19	04/24/2019	84421	Cintas Corp #729	661-598-767.000	42.50
04/19	04/24/2019	84422	Cintas Corporation	592-554-802.000	68.00
04/19	04/24/2019	84423	CNA SURETY	271-790-915.000	55.00
04/19	04/24/2019	84424	Consumers Energy	592-538-920.000	3,926.15
04/19	04/24/2019	84424	Consumers Energy	592-558-920.000	502.28
04/19	04/24/2019	84424	Consumers Energy	592-558-920.000	144.94
04/19	04/24/2019	84424	Consumers Energy	592-558-920.000	155.05
04/19	04/24/2019	84424	Consumers Energy	592-558-920.000	172.35
04/19	04/24/2019	84424	Consumers Energy	592-558-920.000	236.45
04/19	04/24/2019	84424	Consumers Energy	592-558-920.000	217.14
04/19	04/24/2019	84424	Consumers Energy	592-558-920.000	186.96
04/19	04/24/2019	84424	Consumers Energy	592-558-920.000	128.18
04/19	04/24/2019	84424	Consumers Energy	202-475-920.000	82.72
04/19	04/24/2019	84424	Consumers Energy	592-558-920.000	700.39
04/19	04/24/2019	84425	Contractors Supply Inc.	101-268-775.000	94.15
04/19	04/24/2019	84426	David L Hoffman Landscaping & Nursery	204-470-802.000	1,542.00
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	701-000-230.190	1,952.61
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-172-724.000	19.16
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-201-724.000	44.89
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-208-724.000	21.35
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-215-724.000	21.35
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-265-724.000	4.79
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-268-724.000	11.98
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-345-724.000	523.33
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-400-724.000	11.50
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-441-724.000	32.57
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-754-724.000	5.27
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-756-724.000	18.20
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-770-724.000	43.11
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-773-724.000	5.75
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	101-789-724.000	10.54
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	204-481-724.000	68.43
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	271-790-724.000	75.48
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	514-587-724.000	15.81
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	582-588-724.000	63.71
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	592-549-724.000	59.67
04/19	04/24/2019	84427	Dearborn National Life Insurance Co	592-560-724.000	19.16

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
04/19	04/24/2019	84428	Decka Digital LLC	592-560-751.000	57.48
04/19	04/24/2019	84429	Delta Dental	101-172-724.000	49.38
04/19	04/24/2019	84429	Delta Dental	101-201-724.000	237.08
04/19	04/24/2019	84429	Delta Dental	101-208-724.000	40.29
04/19	04/24/2019	84429	Delta Dental	101-215-724.000	1.02
04/19	04/24/2019	84429	Delta Dental	101-265-724.000	23.52
04/19	04/24/2019	84429	Delta Dental	101-268-724.000	47.29
04/19	04/24/2019	84429	Delta Dental	101-345-724.000	857.89
04/19	04/24/2019	84429	Delta Dental	101-400-724.000	31.47
04/19	04/24/2019	84429	Delta Dental	101-441-724.000	181.06
04/19	04/24/2019	84429	Delta Dental	101-754-724.000	24.59
04/19	04/24/2019	84429	Delta Dental	101-756-724.000	76.98
04/19	04/24/2019	84429	Delta Dental	101-770-724.000	135.41
04/19	04/24/2019	84429	Delta Dental	101-773-724.000	15.81
04/19	04/24/2019	84429	Delta Dental	101-789-724.000	31.65
04/19	04/24/2019	84429	Delta Dental	204-481-724.000	129.95
04/19	04/24/2019	84429	Delta Dental	271-790-724.000	247.00
04/19	04/24/2019	84429	Delta Dental	514-587-724.000	17.45
04/19	04/24/2019	84429	Delta Dental	582-588-724.000	197.06
04/19	04/24/2019	84429	Delta Dental	592-549-724.000	230.70
04/19	04/24/2019	84429	Delta Dental	592-560-724.000	74.12
04/19	04/24/2019	84429	Delta Dental	701-000-230.110	1,366.64
04/19	04/24/2019	84430	Demco	271-790-958.000	486.76
04/19	04/24/2019	84430	Demco	271-790-958.200	150.00
04/19	04/24/2019	84430	Demco	271-790-751.000	168.81
04/19	04/24/2019	84431	Derrer Oil Co.	661-598-759.000	2,154.53
04/19	04/24/2019	84432	Dornbos Sign Inc.	202-475-775.000	123.58
04/19	04/24/2019	84432	Dornbos Sign Inc.	203-475-775.000	123.57
04/19	04/24/2019	84433	DTE Energy	592-538-920.000	72.46
04/19	04/24/2019	84433	DTE Energy	101-265-924.000	536.16
04/19	04/24/2019	84433	DTE Energy	582-593-924.000	1,532.63
04/19	04/24/2019	84433	DTE Energy	101-773-924.000	32.81
04/19	04/24/2019	84433	DTE Energy	101-265-924.000	251.55
04/19	04/24/2019	84433	DTE Energy	592-538-920.000	89.09
04/19	04/24/2019	84433	DTE Energy	271-790-924.000	722.93
04/19	04/24/2019	84433	DTE Energy	101-268-924.000	2,612.88
04/19	04/24/2019	84433	DTE Energy	101-770-924.000	259.87
04/19	04/24/2019	84433	DTE Energy	514-587-802.100	111.48
04/19	04/24/2019	84433	DTE Energy	592-538-920.000	165.84
04/19	04/24/2019	84433	DTE Energy	101-345-920.000	1,015.85
04/19	04/24/2019	84433	DTE Energy	592-551-920.000	3,177.63
04/19	04/24/2019	84433	DTE Energy	592-551-920.000	2,863.59
04/19	04/24/2019	84433	DTE Energy	271-790-924.000	346.20
04/19	04/24/2019	84433	DTE Energy	592-555-920.000	37.27
04/19	04/24/2019	84434	Dunkel Excavating Services Inc.	592-545-802.000	3,625.30
04/19	04/24/2019	84435	Emmet County Treasurer	101-081-445.000	305.27
04/19	04/24/2019	84436	Environmental Resource Assoc.	592-553-801.000	806.95
04/19	04/24/2019	84437	Fastenal Company	202-475-775.000	55.00
04/19	04/24/2019	84437	Fastenal Company	203-475-775.000	54.81
04/19	04/24/2019	84438	Gopher Sign Company	202-475-775.000	827.05
04/19	04/24/2019	84438	Gopher Sign Company	203-475-775.000	827.05
04/19	04/24/2019	84439	Gordon Food Service	101-268-775.000	22.49

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04/19	04/24/2019	84440	Great Lakes Pipe & Supply	592-558-775.000	3.73
04/19	04/24/2019	84440	Great Lakes Pipe & Supply	592-558-775.000	4.85
04/19	04/24/2019	84441	GSK Enterprises LLC	101-789-912.000	525.00
04/19	04/24/2019	84442	Haley's Plumbing & Heating	592-547-802.000	120.00
04/19	04/24/2019	84443	HARBOR HOUSE PUBLISHERS	271-790-905.000	275.00
04/19	04/24/2019	84444	Haviland Products Company	592-540-783.000	2,400.93
04/19	04/24/2019	84445	Hubbell Roth & Clark Inc.	592-025-343.000	4,053.28
04/19	04/24/2019	84445	Hubbell Roth & Clark Inc.	592-560-802.000	423.40
04/19	04/24/2019	84445	Hubbell Roth & Clark Inc.	592-549-802.000	730.80
04/19	04/24/2019	84445	Hubbell Roth & Clark Inc.	592-560-802.000	4,728.03
04/19	04/24/2019	84446	Hyde Services LLC	101-754-802.000	1,840.30
04/19	04/24/2019	84447	Jerry's Garage	661-598-932.000	62.00
04/19	04/24/2019	84447	Jerry's Garage	661-598-932.000	62.00
04/19	04/24/2019	84447	Jerry's Garage	661-598-932.000	62.00
04/19	04/24/2019	84448	Mead & Hunt	592-556-802.000	700.00
04/19	04/24/2019	84449	MICHIGAN ASSOCIATION OF PLANNING	101-400-915.000	875.00
04/19	04/24/2019	84450	NEOPOST USA INC.	101-268-775.000	3,000.00
04/19	04/24/2019	84451	North Central Laboratories	592-553-775.000	37.81
04/19	04/24/2019	84451	North Central Laboratories	592-553-775.000	2,541.49
04/19	04/24/2019	84452	North Country IT	271-790-802.000	386.00
04/19	04/24/2019	84453	NORTHERN A-1 SERVICES KALKASKA	592-556-802.000	8,772.50
04/19	04/24/2019	84453	NORTHERN A-1 SERVICES KALKASKA	592-554-802.000	1,076.63
04/19	04/24/2019	84453	NORTHERN A-1 SERVICES KALKASKA	582-586-802.000	1,076.62
04/19	04/24/2019	84454	Northern Michigan MedCenter	582-588-802.000	162.00
04/19	04/24/2019	84455	NORTHERN SAFETY CO. INC.	101-770-775.000	455.48
04/19	04/24/2019	84456	ORIENTAL TRADING COMPANY	271-790-958.000	42.20
04/19	04/24/2019	84457	Penchura L.L.C.	101-770-985.000	3,585.00
04/19	04/24/2019	84458	PENDO	271-790-752.000	204.87
04/19	04/24/2019	84459	Penguin Random House	271-790-761.000	30.00
04/19	04/24/2019	84459	Penguin Random House	271-790-761.000	97.50
04/19	04/24/2019	84460	PIONEER MANUFACTURING COMPANY	101-770-775.000	160.75
04/19	04/24/2019	84461	Proclean North	592-554-802.000	786.50
04/19	04/24/2019	84462	SiteOne Landscape Supply	101-754-775.000	2,869.80
04/19	04/24/2019	84463	Solutions Electric Inc.	101-228-802.000	1,610.00
04/19	04/24/2019	84464	SPARTAN DISTRIBUTORS INC.	661-598-931.000	409.85
04/19	04/24/2019	84464	SPARTAN DISTRIBUTORS INC.	661-598-931.000	87.32
04/19	04/24/2019	84465	Spectrum Business	101-770-850.000	154.47
04/19	04/24/2019	84465	Spectrum Business	101-172-850.000	126.46
04/19	04/24/2019	84465	Spectrum Business	101-201-850.000	67.44
04/19	04/24/2019	84465	Spectrum Business	101-208-850.000	42.15
04/19	04/24/2019	84465	Spectrum Business	101-257-850.000	42.15
04/19	04/24/2019	84465	Spectrum Business	101-215-850.000	33.72
04/19	04/24/2019	84465	Spectrum Business	101-345-850.000	92.76
04/19	04/24/2019	84465	Spectrum Business	101-400-850.000	42.15
04/19	04/24/2019	84465	Spectrum Business	101-441-850.000	75.87
04/19	04/24/2019	84465	Spectrum Business	101-756-850.000	50.58
04/19	04/24/2019	84465	Spectrum Business	204-481-850.000	25.29
04/19	04/24/2019	84465	Spectrum Business	204-481-850.000	25.29
04/19	04/24/2019	84465	Spectrum Business	582-588-850.000	84.30
04/19	04/24/2019	84465	Spectrum Business	582-593-850.000	33.72
04/19	04/24/2019	84465	Spectrum Business	592-549-850.000	50.58
04/19	04/24/2019	84465	Spectrum Business	592-560-850.000	50.58

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
04/19	04/24/2019	84465	Spectrum Business	101-345-850.000	59.48
04/19	04/24/2019	84465	Spectrum Business	514-587-802.100	110.27
04/19	04/24/2019	84465	Spectrum Business	101-345-850.100	162.09
04/19	04/24/2019	84466	Spok	204-481-850.000	2.78
04/19	04/24/2019	84466	Spok	582-588-850.000	2.78
04/19	04/24/2019	84466	Spok	592-560-850.000	2.78
04/19	04/24/2019	84466	Spok	661-598-850.000	2.78
04/19	04/24/2019	84466	Spok	592-549-850.000	2.78
04/19	04/24/2019	84467	Standard Electric Company	101-268-775.000	28.84
04/19	04/24/2019	84468	Temperature Control Inc.	592-554-802.000	2,485.82
04/19	04/24/2019	84469	Tetra Tech Inc	592-554-802.000	460.00
04/19	04/24/2019	84470	Valley City Linen	271-790-752.000	25.00
04/19	04/24/2019	84470	Valley City Linen	271-790-752.000	25.00
04/19	04/24/2019	84470	Valley City Linen	271-790-752.000	25.00
04/19	04/24/2019	84470	Valley City Linen	271-790-752.000	25.00
04/19	04/24/2019	84471	WATER SOLUTIONS UNLIMITED INC.	592-540-783.000	8,578.85
05/19	05/01/2019	84488	5H Irrigation & Maintenance	101-528-802.000	2,380.00
05/19	05/01/2019	84488	5H Irrigation & Maintenance	101-789-802.000	6,300.00
05/19	05/01/2019	84488	5H Irrigation & Maintenance	514-587-970.000	2,230.09
05/19	05/01/2019	84489	ACH-CHILD SUPPORT	701-000-230.160	160.23
05/19	05/01/2019	84490	ACH-EFTPS	701-000-230.100	19,082.46
05/19	05/01/2019	84490	ACH-EFTPS	701-000-230.200	11,852.57
05/19	05/01/2019	84490	ACH-EFTPS	701-000-230.200	11,852.57
05/19	05/01/2019	84490	ACH-EFTPS	701-000-230.200	2,771.96
05/19	05/01/2019	84490	ACH-EFTPS	701-000-230.200	2,771.96
05/19	05/01/2019	84491	ACH-ICMA 457	701-000-230.700	1,970.11
05/19	05/01/2019	84491	ACH-ICMA 457	701-000-230.700	4,764.23
05/19	05/01/2019	84492	All-Phase Electric Supply	101-268-930.000	49.23
05/19	05/01/2019	84492	All-Phase Electric Supply	101-268-930.000	3.57
05/19	05/01/2019	84492	All-Phase Electric Supply	101-770-775.000	226.50
05/19	05/01/2019	84492	All-Phase Electric Supply	582-593-785.000	95.00
05/19	05/01/2019	84492	All-Phase Electric Supply	582-590-775.000	198.32
05/19	05/01/2019	84492	All-Phase Electric Supply	101-770-775.000	267.38
05/19	05/01/2019	84492	All-Phase Electric Supply	582-593-785.000	45.31
05/19	05/01/2019	84493	Amazon Credit Plan	271-790-760.200	83.80
05/19	05/01/2019	84493	Amazon Credit Plan	271-790-958.200	111.94
05/19	05/01/2019	84493	Amazon Credit Plan	271-790-752.000	32.94
05/19	05/01/2019	84493	Amazon Credit Plan	271-790-958.000	85.37
05/19	05/01/2019	84494	AMERIGAS	661-598-931.000	85.67
05/19	05/01/2019	84495	APX INC.	582-588-915.000	435.17
05/19	05/01/2019	84496	Ballard's Plumbing & Heating	271-790-930.000	106.24
05/19	05/01/2019	84496	Ballard's Plumbing & Heating	271-790-930.000	549.75
05/19	05/01/2019	84496	Ballard's Plumbing & Heating	271-790-930.000	98.12
05/19	05/01/2019	84496	Ballard's Plumbing & Heating	101-789-775.000	32.19
05/19	05/01/2019	84497	Beckett & Raeder Inc.	247-751-802.000	3,088.00
05/19	05/01/2019	84497	Beckett & Raeder Inc.	101-770-802.000	840.00
05/19	05/01/2019	84498	Bobcat of Lansing	661-598-931.000	226.62
05/19	05/01/2019	84498	Bobcat of Lansing	661-598-931.000	40.14
05/19	05/01/2019	84499	Capstone Press Inc.	271-790-958.000	1.21
05/19	05/01/2019	84500	Carlson, Benjamin	101-345-775.000	36.51
05/19	05/01/2019	84501	Carter's Imagewear & Awards	101-789-767.000	30.00
05/19	05/01/2019	84502	CCP Industries Inc.	204-481-767.000	55.00

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05/19	05/01/2019	84502	CCP Industries Inc.	661-598-767.000	27.48
05/19	05/01/2019	84502	CCP Industries Inc.	592-560-767.000	27.48
05/19	05/01/2019	84502	CCP Industries Inc.	204-481-767.000	54.65
05/19	05/01/2019	84502	CCP Industries Inc.	661-598-767.000	27.33
05/19	05/01/2019	84502	CCP Industries Inc.	592-560-767.000	27.33
05/19	05/01/2019	84503	CDW Government	582-584-802.000	1,743.23
05/19	05/01/2019	84503	CDW Government	101-773-802.000	488.95
05/19	05/01/2019	84504	Char-Em United Way	701-000-230.800	91.75
05/19	05/01/2019	84505	Chemco Products Inc.	592-551-783.000	8,860.20
05/19	05/01/2019	84506	Cintas Corp #729	204-481-767.000	54.81
05/19	05/01/2019	84506	Cintas Corp #729	582-588-767.000	50.20
05/19	05/01/2019	84506	Cintas Corp #729	592-560-767.000	28.23
05/19	05/01/2019	84506	Cintas Corp #729	592-549-767.000	28.24
05/19	05/01/2019	84506	Cintas Corp #729	582-593-802.000	29.77
05/19	05/01/2019	84506	Cintas Corp #729	204-481-767.000	55.14
05/19	05/01/2019	84506	Cintas Corp #729	582-588-767.000	55.37
05/19	05/01/2019	84506	Cintas Corp #729	592-560-767.000	28.40
05/19	05/01/2019	84506	Cintas Corp #729	592-549-767.000	28.40
05/19	05/01/2019	84506	Cintas Corp #729	101-268-802.000	14.79
05/19	05/01/2019	84506	Cintas Corp #729	592-554-802.000	43.28
05/19	05/01/2019	84506	Cintas Corp #729	204-481-767.000	54.14
05/19	05/01/2019	84506	Cintas Corp #729	582-588-767.000	56.37
05/19	05/01/2019	84506	Cintas Corp #729	592-560-767.000	28.40
05/19	05/01/2019	84506	Cintas Corp #729	592-549-767.000	28.40
05/19	05/01/2019	84506	Cintas Corp #729	582-584-802.000	361.82
05/19	05/01/2019	84506	Cintas Corp #729	582-593-802.000	548.92
05/19	05/01/2019	84507	Complete Paint & Supplies	101-770-775.000	34.99
05/19	05/01/2019	84507	Complete Paint & Supplies	101-770-775.000	114.28
05/19	05/01/2019	84507	Complete Paint & Supplies	101-754-775.000	34.30
05/19	05/01/2019	84508	Consort Display Group	101-770-775.000	1,531.33
05/19	05/01/2019	84509	Decka Digital LLC	204-481-751.000	51.20
05/19	05/01/2019	84509	Decka Digital LLC	582-593-751.000	51.20
05/19	05/01/2019	84509	Decka Digital LLC	582-588-751.000	51.20
05/19	05/01/2019	84509	Decka Digital LLC	592-549-751.000	51.20
05/19	05/01/2019	84509	Decka Digital LLC	592-560-751.000	51.20
05/19	05/01/2019	84509	Decka Digital LLC	661-598-751.000	51.20
05/19	05/01/2019	84510	Denoyer, Alexis	248-739-880.900	2,040.00
05/19	05/01/2019	84511	Derrer Oil Co.	661-598-759.000	2,323.34
05/19	05/01/2019	84512	Dinges Fire Company	101-345-775.000	71.96
05/19	05/01/2019	84512	Dinges Fire Company	101-345-775.000	56.49
05/19	05/01/2019	84513	Drost Landscape	101-770-802.000	252.56
05/19	05/01/2019	84513	Drost Landscape	204-470-802.000	4,393.66
05/19	05/01/2019	84513	Drost Landscape	101-770-802.000	1,321.25
05/19	05/01/2019	84514	DTE Energy	101-345-920.100	741.46
05/19	05/01/2019	84514	DTE Energy	592-558-920.000	33.45
05/19	05/01/2019	84514	DTE Energy	592-538-920.000	66.07
05/19	05/01/2019	84515	Dunkel Excavating Services Inc.	101-265-970.000	2,490.00
05/19	05/01/2019	84515	Dunkel Excavating Services Inc.	101-773-802.000	5,000.00
05/19	05/01/2019	84515	Dunkel Excavating Services Inc.	101-773-931.000	180.00
05/19	05/01/2019	84515	Dunkel Excavating Services Inc.	202-469-802.000	340.00
05/19	05/01/2019	84516	Englebrecht, Robert	101-257-802.100	3,750.00
05/19	05/01/2019	84517	Fastenal Company	202-475-775.000	32.32

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
05/19	05/01/2019	84517	Fastenal Company	661-598-931.000	53.46
05/19	05/01/2019	84517	Fastenal Company	204-481-767.000	44.97
05/19	05/01/2019	84517	Fastenal Company	661-598-785.000	22.50
05/19	05/01/2019	84517	Fastenal Company	592-556-775.000	23.19
05/19	05/01/2019	84518	FETTIG'S	101-770-802.000	1,352.00
05/19	05/01/2019	84519	FLETCH'S INC.	661-598-932.000	337.50
05/19	05/01/2019	84520	Flynn, Martin	592-549-915.000	315.03
05/19	05/01/2019	84521	Foster's Points North LLC	101-789-775.000	135.00
05/19	05/01/2019	84522	Fraternal Order of Police	701-000-230.400	877.00
05/19	05/01/2019	84523	FROMUTH	101-756-985.000	1,505.20
05/19	05/01/2019	84523	FROMUTH	101-756-778.000	33.55
05/19	05/01/2019	84524	Gibby's Garage	582-593-930.000	68.00
05/19	05/01/2019	84524	Gibby's Garage	202-475-802.000	204.00
05/19	05/01/2019	84524	Gibby's Garage	661-598-931.000	136.00
05/19	05/01/2019	84524	Gibby's Garage	661-598-932.000	612.00
05/19	05/01/2019	84524	Gibby's Garage	101-770-802.000	136.00
05/19	05/01/2019	84524	Gibby's Garage	582-593-930.000	102.00
05/19	05/01/2019	84524	Gibby's Garage	202-475-802.000	68.00
05/19	05/01/2019	84524	Gibby's Garage	661-598-931.000	544.00
05/19	05/01/2019	84524	Gibby's Garage	661-598-932.000	306.00
05/19	05/01/2019	84524	Gibby's Garage	661-598-931.000	782.00
05/19	05/01/2019	84524	Gibby's Garage	661-598-932.000	68.00
05/19	05/01/2019	84525	Gibson Excavating LLC	592-544-802.000	1,735.00
05/19	05/01/2019	84525	Gibson Excavating LLC	592-545-775.000	100.00
05/19	05/01/2019	84526	Goodman, Becky	514-587-802.100	25.00
05/19	05/01/2019	84526	Goodman, Becky	514-587-912.000	428.53
05/19	05/01/2019	84526	Goodman, Becky	248-739-880.200	97.01
05/19	05/01/2019	84527	Graham Construction Corp.	204-444-802.000	46,194.96
05/19	05/01/2019	84527	Graham Construction Corp.	204-470-802.000	17,293.31
05/19	05/01/2019	84527	Graham Construction Corp.	582-020-360.000	13,933.43
05/19	05/01/2019	84528	Great Lakes Pipe & Supply	101-773-931.000	181.29
05/19	05/01/2019	84528	Great Lakes Pipe & Supply	582-593-775.000	3.27
05/19	05/01/2019	84528	Great Lakes Pipe & Supply	101-770-775.000	10.88
05/19	05/01/2019	84528	Great Lakes Pipe & Supply	101-773-931.000	73.99
05/19	05/01/2019	84528	Great Lakes Pipe & Supply	101-773-775.000	3.25
05/19	05/01/2019	84528	Great Lakes Pipe & Supply	101-773-931.000	45.01
05/19	05/01/2019	84528	Great Lakes Pipe & Supply	592-551-775.000	2.97
05/19	05/01/2019	84528	Great Lakes Pipe & Supply	101-770-775.000	76.57
05/19	05/01/2019	84528	Great Lakes Pipe & Supply	101-770-775.000	108.98
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05/19	05/01/2019	84528	Great Lakes Pipe & Supply	592-554-775.000	13.96
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05/19	05/01/2019	84529	Greenwell Machine Shop	661-598-932.000	2.00
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05/19	05/01/2019	84530	GRP Engineering Inc.	582-588-802.000	745.00
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05/19	05/01/2019	84531	Haley's Plumbing & Heating	582-593-802.000	330.20
05/19	05/01/2019	84532	HARRELL'S LLC	101-754-775.000	109.10
05/19	05/01/2019	84532	HARRELL'S LLC	101-770-775.000	109.10

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
05/19	05/01/2019	84532	HARRELL'S LLC	101-756-775.000	109.10
05/19	05/01/2019	84532	HARRELL'S LLC	101-773-775.000	109.10
05/19	05/01/2019	84532	HARRELL'S LLC	101-789-775.000	109.10
05/19	05/01/2019	84532	HARRELL'S LLC	101-770-985.000	680.00
05/19	05/01/2019	84533	Hyde Services LLC	101-754-802.000	1,720.00
05/19	05/01/2019	84534	ICMA-ROTH	701-000-230.900	440.00
05/19	05/01/2019	84535	K & J Septic Service LLC	101-770-802.000	350.00
05/19	05/01/2019	84535	K & J Septic Service LLC	101-265-970.000	435.00
05/19	05/01/2019	84535	K & J Septic Service LLC	592-554-802.000	637.50
05/19	05/01/2019	84536	Keep It Real Social LLC	248-739-880.200	2,000.00
05/19	05/01/2019	84537	Kennedy Industries Inc.	592-555-775.000	460.00
05/19	05/01/2019	84538	LAPPAN'S OF GAYLORD INC.	661-598-931.000	175.71
05/19	05/01/2019	84539	LENNEMANN, MARK	101-000-004.000	100.00
05/19	05/01/2019	84539	LENNEMANN, MARK	101-000-003.000	200.00
05/19	05/01/2019	84540	LexisNexis Risk Data Management Inc.	101-208-802.000	57.25
05/19	05/01/2019	84541	LOWERY UNDERGROUND SERVICE	582-020-360.000	9,268.50
05/19	05/01/2019	84541	LOWERY UNDERGROUND SERVICE	582-598-802.000	6,414.00
05/19	05/01/2019	84541	LOWERY UNDERGROUND SERVICE	582-020-360.000	875.00
05/19	05/01/2019	84541	LOWERY UNDERGROUND SERVICE	582-586-802.000	3,600.00
05/19	05/01/2019	84541	LOWERY UNDERGROUND SERVICE	101-773-802.000	985.00
05/19	05/01/2019	84542	McLaren Northern Mich Hospital	101-345-802.000	60.00
05/19	05/01/2019	84543	MICHIGAN SECTION A.W.W.A.	592-549-915.000	120.00
05/19	05/01/2019	84543	MICHIGAN SECTION A.W.W.A.	592-549-915.000	120.00
05/19	05/01/2019	84543	MICHIGAN SECTION A.W.W.A.	592-549-915.000	120.00
05/19	05/01/2019	84543	MICHIGAN SECTION A.W.W.A.	592-549-915.000	120.00
05/19	05/01/2019	84544	Midwest Arborist Supplies	101-770-775.000	206.95
05/19	05/01/2019	84544	Midwest Arborist Supplies	101-754-775.000	206.95
05/19	05/01/2019	84545	MIDWEST SIDING & SALES INC.	101-773-931.000	805.55
05/19	05/01/2019	84546	Mountaintop Tree Company	204-470-802.000	100.00
05/19	05/01/2019	84546	Mountaintop Tree Company	101-770-802.000	75.00
05/19	05/01/2019	84546	Mountaintop Tree Company	101-770-802.000	250.00
05/19	05/01/2019	84546	Mountaintop Tree Company	204-470-802.000	45.00
05/19	05/01/2019	84547	Northern Electric	101-789-802.000	309.52
05/19	05/01/2019	84547	Northern Electric	101-773-802.000	411.10
05/19	05/01/2019	84548	NORTHERN MICHIGAN HARDWOODS	101-770-931.000	319.50
05/19	05/01/2019	84548	NORTHERN MICHIGAN HARDWOODS	101-754-775.000	319.50
05/19	05/01/2019	84549	OHM Advisors	202-473-802.000	280.00
05/19	05/01/2019	84550	OMNIPARK INC.	514-587-775.000	89.00
05/19	05/01/2019	84551	OTEC Radio Comm. Equipment	661-598-932.000	890.00
05/19	05/01/2019	84552	P.C. LAWN CARE	582-584-802.000	82.50
05/19	05/01/2019	84552	P.C. LAWN CARE	582-593-802.000	481.25
05/19	05/01/2019	84553	Performance Painting	101-268-802.000	1,770.00
05/19	05/01/2019	84554	PETOSKEY ROTARY CLUB	101-345-915.000	149.50
05/19	05/01/2019	84555	Power Line Supply	582-586-775.000	266.00
05/19	05/01/2019	84555	Power Line Supply	582-586-775.000	337.50
05/19	05/01/2019	84555	Power Line Supply	582-593-785.000	43.00
05/19	05/01/2019	84555	Power Line Supply	582-010-111.000	306.00
05/19	05/01/2019	84555	Power Line Supply	582-586-775.000	111.12
05/19	05/01/2019	84555	Power Line Supply	582-586-775.000	286.00
05/19	05/01/2019	84555	Power Line Supply	582-010-111.000	34.00
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05/19	05/01/2019	84555	Power Line Supply	582-010-111.000	2,086.68

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
05/19	05/01/2019	84556	Proclean North	582-593-930.000	1,463.00
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05/19	05/01/2019	84558	Ray, Robin	271-790-958.000	160.00
05/19	05/01/2019	84559	Rhea, Jordan	592-549-915.000	237.22
05/19	05/01/2019	84560	ROOT MECHANICAL LLC	592-558-802.000	5,400.00
05/19	05/01/2019	84560	ROOT MECHANICAL LLC	592-555-802.000	3,600.00
05/19	05/01/2019	84560	ROOT MECHANICAL LLC	592-558-802.000	2,303.00
05/19	05/01/2019	84561	ROYAL TIRE	661-598-932.000	20.00
05/19	05/01/2019	84561	ROYAL TIRE	661-598-931.000	113.33
05/19	05/01/2019	84561	ROYAL TIRE	661-598-932.000	763.20
05/19	05/01/2019	84562	SAFETY-KLEEN SYSTEMS INC.	661-598-785.000	309.70
05/19	05/01/2019	84563	Select Electric	101-789-970.000	120,998.90
05/19	05/01/2019	84564	Sign & Design	592-547-775.000	313.80
05/19	05/01/2019	84564	Sign & Design	592-553-775.000	225.00
05/19	05/01/2019	84565	SiteOne Landscape Supply	101-756-985.000	288.68
05/19	05/01/2019	84565	SiteOne Landscape Supply	101-756-985.000	902.32
05/19	05/01/2019	84565	SiteOne Landscape Supply	101-770-931.000	22.79
05/19	05/01/2019	84566	Slocum, Benjamin	101-345-783.000	70.00
05/19	05/01/2019	84567	Smith, Daniel	101-345-931.000	165.29
05/19	05/01/2019	84568	Solutions Electric Inc.	582-584-802.000	371.59
05/19	05/01/2019	84569	Spectrum Business	582-588-850.000	84.99
05/19	05/01/2019	84569	Spectrum Business	101-770-850.000	99.98
05/19	05/01/2019	84569	Spectrum Business	101-789-850.000	83.97
05/19	05/01/2019	84570	STAFFORD'S HOSPITALITY	514-587-885.000	161.40
05/19	05/01/2019	84571	STATE OF MICHIGAN DEPT OF TRANSP	592-020-342.000	2,189.90
05/19	05/01/2019	84571	STATE OF MICHIGAN DEPT OF TRANSP	592-025-343.000	2,495.47
05/19	05/01/2019	84571	STATE OF MICHIGAN DEPT OF TRANSP	582-020-360.000	407.43
05/19	05/01/2019	84572	SWEEP SHOP, THE	101-265-775.000	10.95
05/19	05/01/2019	84572	SWEEP SHOP, THE	101-268-775.000	33.90
05/19	05/01/2019	84573	TEAMSTERS LOCAL #214	701-000-230.400	1,044.00
05/19	05/01/2019	84574	Temperature Control Inc.	592-554-802.000	220.50
05/19	05/01/2019	84575	Thru Glass Window Cleaning	514-587-802.100	25.00
05/19	05/01/2019	84576	Top Line Electric LLC	592-558-802.000	1,953.63
05/19	05/01/2019	84577	Trace Analytics LLC	101-345-802.000	79.20
05/19	05/01/2019	84578	Traffic & Safety Control Systems Inc.	514-587-970.000	76,495.00
05/19	05/01/2019	84579	Transgard LLC	582-020-360.000	53,565.00
05/19	05/01/2019	84580	Up North Service LLC	514-587-802.000	525.00
05/19	05/01/2019	84581	VISUAL ENTITIES INC.	101-400-751.000	44.02
05/19	05/01/2019	84582	VSP	101-172-724.000	27.11
05/19	05/01/2019	84582	VSP	101-201-724.000	109.54
05/19	05/01/2019	84582	VSP	101-208-724.000	20.05
05/19	05/01/2019	84582	VSP	101-215-724.000	40.09
05/19	05/01/2019	84582	VSP	101-265-724.000	12.08
05/19	05/01/2019	84582	VSP	101-268-724.000	23.52
05/19	05/01/2019	84582	VSP	101-345-724.000	452.29
05/19	05/01/2019	84582	VSP	101-400-724.000	16.60
05/19	05/01/2019	84582	VSP	101-441-724.000	81.19
05/19	05/01/2019	84582	VSP	101-754-724.000	13.35
05/19	05/01/2019	84582	VSP	101-756-724.000	41.16
05/19	05/01/2019	84582	VSP	101-770-724.000	82.95
05/19	05/01/2019	84582	VSP	101-773-724.000	8.13
05/19	05/01/2019	84582	VSP	101-789-724.000	15.76

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
05/19	05/01/2019	84582	VSP	204-481-724.000	67.20
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05/19	05/01/2019	84582	VSP	582-588-724.000	107.29
05/19	05/01/2019	84582	VSP	592-549-724.000	118.86
05/19	05/01/2019	84582	VSP	592-560-724.000	40.09
05/19	05/01/2019	84583	Standard Electric Company	582-586-775.000	176.83
05/19	05/01/2019	84583	Standard Electric Company	582-586-775.000	142.95
05/19	05/01/2019	84583	Standard Electric Company	582-586-775.000	93.99
05/19	05/01/2019	84583	Standard Electric Company	582-586-775.000	179.76
05/19	05/01/2019	84583	Standard Electric Company	582-586-775.000	498.98
05/19	05/01/2019	84583	Standard Electric Company	101-773-931.000	584.40
Grand Totals:					1,092,111.36

Report Criteria:

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84319	04/17/2019	Blair, Lisa	582588803000	50.00
84320	04/17/2019	Lubinski, Kathleen	582040285000	24.70
84321	04/17/2019	Northgoods	582588803000	40.00
84322	04/17/2019	Walsh, Kayla	582040285000	33.66
84323	04/17/2019	Webster, Tim	101756808110	45.00
84324	04/17/2019	Young, John	101756808110	45.00
84472	04/24/2019	Alice Sherriff	582040285000	72.17
84473	04/24/2019	Allen, Constance	582040285000	18.83
84474	04/24/2019	Aur Homes	582040285000	44.33
84475	04/24/2019	Bachelor, Grace	582040285000	39.91
84476	04/24/2019	Crump, Monique	582040285000	10.95
84477	04/24/2019	Dunmar Holdings Inc	703040222218	893.59
84477	04/24/2019	Dunmar Holdings Inc	703040228218	957.90
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84477	04/24/2019	Dunmar Holdings Inc	703040231218	285.61
84477	04/24/2019	Dunmar Holdings Inc	703040232218	119.08
84477	04/24/2019	Dunmar Holdings Inc	703040234218	601.70
84477	04/24/2019	Dunmar Holdings Inc	703040235218	333.13
84477	04/24/2019	Dunmar Holdings Inc	703040236218	957.90
84477	04/24/2019	Dunmar Holdings Inc	703040237218	590.29
84477	04/24/2019	Dunmar Holdings Inc	703040238218	75.03
84477	04/24/2019	Dunmar Holdings Inc	703040233000	203.00
84478	04/24/2019	Hall, Courtney	101756808110	30.00
84479	05/01/2019	Dripworks	582081642300	94.73
84480	05/01/2019	Greenwalk, Keith	582588803000	20.00
84480	05/01/2019	Greenwalk, Keith	582588803000	20.00-
84481	05/01/2019	Kurzeja, Craig	582081642300	90.65
84482	05/01/2019	Mayer, Paul	582081642300	123.91
84483	05/01/2019	Palmer, Kaley	582040285000	53.31
84484	05/01/2019	Recker Electric LLC	582-588-803.000	2,007.52
84484	05/01/2019	Recker Electric LLC	582-588-803.000	168.00
84484	05/01/2019	Recker Electric LLC	582-588-803.000	2,007.52
84485	05/01/2019	Thieil, Kenneth	582081642300	32.49
84486	05/01/2019	Universal Credit Services	582040285000	52.73
84487	05/01/2019	Greenwald, Keith	582588803000	20.00
Grand Totals:				11,985.63



BOARD: City Council

MEETING DATE: May 6, 2019

PREPARED: May 2, 2019

AGENDA SUBJECT: Second Reading and possible adoption of an Ordinance to Prohibit Recreational Marijuana Establishments within the City of Petoskey

RECOMMENDATION: That the City Council adopt the proposed ordinance

Background On April 15, 2019, an ordinance to prohibit recreational marijuana facilities within the City of Petoskey was introduced. At that meeting no action was taken. This is the second reading of the proposed ordinance which can be now be approved by City Council.

The following is information that was included in the April 15th City Council meeting:

On February 18, 2019 City Council members discussed both recreational and medical marijuana. See enclosed minutes of that meeting. By a 4-1 vote Councilmembers voted to *“allow medical marijuana establishments and requested the Planning Commission to research and recommend 3-4 provisioning centers in 1-2 locations and addressing signage and hours of operation.”* At that meeting, City Council also directed staff to look into regulations pertaining to recreational marijuana. As the Planning Commission has initiated discussions regarding medical marijuana provisioning establishments, this agenda item specifically is in regards to recreational marijuana.

On November 6, 2018 voters approved the Michigan Regulation and Taxation Marijuana Act (MRTMA). In essence, the MRTMA legalizes at the state level (not federal) the recreational use and possession of marijuana. In addition, the MRTMA sets out a regulatory process to permit and license certain types of “marijuana establishments” (i.e. growers, safety compliance facilities, processors, microbusinesses, retailers and secure transporters). The MRTMA does not however replace those laws and regulations already in place in Michigan involving the medical use of marijuana under the Michigan Medical Marijuana (MMA) of 2008 or the Medical Marijuana Facilities Licensing Act (MMFLA) of 2016.

The MRTMA requires that if a community wishes to prohibit the formation and operation of recreation marijuana establishments within the community, the community must adopt an ordinance to this effect (i.e. the community must “opt out”). In other words, if a community does not “opt out” then recreation marijuana establishments can be located and licensed by the State within that community if an application is approved by the Department of Licensing and Regulatory Affairs (LARA). Unfortunately, it is unclear from the text of the MRTMA when precisely the State will begin accepting applications for licenses but it must do so before December 6, 2019. In a recent LARA presentation, a representative stated that their department is on track to meet this deadline and may be accepting applications well before the December 6, 2019 deadline date.

The Act also states that for the first 24 months after LARA begins accepting applications for marijuana establishment licenses, only those persons holding a MMFLA license may apply for a retail, processor, class B or class C grower, or secure transport license issued under the MRTMA.

Most cities, townships and villages are choosing to “opt out” for recreational marijuana establishments at this time to determine what communities may be buying into and determine the full policy implications of choosing whether to participate in the commercialization, licensing and taxation of recreational marijuana establishments. Nothing under the Act prohibits a city from “opting in” at a later date, even if the community initially decided to “opt out”.

Enclosed are the following documents that were provided in past agenda items:

- Legal opinion from City Attorney Jim Murray
- MRTMA law in its entirety
- MML Recreational Marijuana Proposition white paper
- MML Recreational Marijuana Q & A

For more information, there are several resources on the State website at www.Michigan.gov/BMR.

Action Because of the uncertainties of future MRTMA regulations that will be developed by LARA, both the City Attorney and City Manager recommend at this time that the City opt out of recreational marijuana. Keep in mind that because the City has taken no formal action at this time, the City has opted in on recreational marijuana.

There are many ambiguities and potential legal battles surrounding the MRTMA. Furthermore, LARA has not fully promulgated licensing criteria for recreational marijuana establishments. Because of this, most municipalities have opted out at this time regarding allowing recreational marijuana establishments. This “wait and see approach” may be the most prudent approach to take at this time.

Most importantly, by opting out a municipality would maintain local control of zoning and licensing regulations. If in the future, City Council desires to opt in on recreational marijuana, we would do so with full knowledge of what regulations LARA has promulgated and craft our local regulations accordingly. Once again, keep in mind that nothing under the Act prohibits a city from “opting in” at a later date, even if the community initially decided to “opt out”.

Regardless of how one views recreational marijuana, the critical issue at this point is to maintain local control of zoning and licensing issues and not allow LARA to dictate the locations and numbers of recreational marijuana establishments within our community.

If City Council wishes to maintain local control over the establishment of recreational marijuana facilities within our community, a motion could be made to *“adopt the enclosed ordinance prohibiting recreational marijuana establishments within the City of Petoskey.”*

rs
Enclosures

ORDINANCE NO. _____

**AN ORDINANCE TO AMEND CHAPTER 8 OF THE PETOSKEY CODE OF ORDINANCES,
BUSINESSES AND BUSINESS REGULATIONS, CREATING A NEW ARTICLE VI-
MARIJUANA ESTABLISHMENTS, WITHIN THE CITY OF PETOSKEY**

The City of Petoskey ordains:

1. SECTION 8-169 PROHIBITION OF RECREATIONAL MARIJUANA

Section 8-169 is added to Article VI of Chapter 8 of the Code of Ordinances to read as follows: prohibition of recreational marihuana establishments.

The Michigan Regulation and Taxation of Marihuana Act ("the Act") was initiated by the voters of the State of Michigan pursuant to Proposal 1, the Marijuana Legalization Initiative, on November 6, 2018. The Act authorizes cities, villages, and townships to completely prohibit recreational marihuana establishments within their boundaries. Pursuant to that authority, recreational marihuana establishments as defined in the Act are hereby prohibited within the City.

2. SECTION 8-170-199 RESERVED

All other provisions of the Code of Ordinances not specifically amended shall remain in full force and effect.

Nothing in this ordinance shall be construed to affect any suit or proceeding pending in any court, or any rights acquired, or liability incurred, or any cause or causes of action acquired or existing, under any act or ordinance hereby revised as cited in Section 8.169 of this ordinance; nor shall any just or legal right or remedy of any character be lost, impaired, or affected by this ordinance.

This ordinance shall take effect fifteen (15) days following its enactment and shall be published once within seven (7) days after its enactment as provided by Charter.

Adopted, enacted and ordained by the City of Petoskey City Council this _____ day of _____ 2019.

John Murphy
Its Mayor

Alan Terry
Its Clerk



CITY COUNCIL

February 18, 2019

A regular meeting of the City of Petoskey City Council was held in the City Hall Council Chambers, Petoskey, Michigan, on Monday, February 18, 2019. This meeting was called to order at 7:00 P.M.; then, after a recitation of the Pledge of Allegiance to the Flag of the United States of America, a roll call then determined that the following were

Present: John Murphy, Mayor
Kate Marshall, City Councilmember
Suzanne Shumway, City Councilmember
Grant Dittmar, City Councilmember
Lindsey Walker, City Councilmember

Absent: None

Also in attendance were City Manager Robert Straebel, Clerk-Treasurer Alan Terry, Public Works Director Michael Robbins, City Planner Amy Tweeten and Downtown Director Becky Goodman.

Hear Stormwater, Asset Management and Wastewater Presentation

Larry Fox, principal of C2AE, Gaylord, an engineering consultant, gave a brief presentation on Stormwater, Asset Management and Wastewater (SAW) grant program. Mr. Fox reviewed that he was the project manager for the MDEQ SAW grant over the last three years; reviewed costs associated with the program; reviewed that all manholes were studied and graded; sewers were televised, rated on maps and developed into CIP for future work on the worst rated; reviewed that a Stormwater Management Plan was developed and will be implemented into the CIP; that an ordinance should be implemented to provide enforcement; and that staff was trained in GIS and has tablets for field use.

City Councilmembers inquired if this plan would be incorporated in the Master Plan and if it will help the City's sustainability measures. The City Manager responded that the plan will be included.

Consent Agenda - Resolution No. 19267

Following introduction of the consent agenda for this meeting of February 18, 2019, City Councilmember Dittmar moved that, seconded by City Councilmember Marshall adoption of the following resolution:

BE IT RESOLVED that the City Council does and hereby confirms that the draft minutes of the January 28, 2019 special joint session and February 4, 2019 regular session City Council meetings be and are hereby approved; and

BE IT RESOLVED that receipt by the City Council of a report concerning all checks that had been issued since February 4, for contract and vendor claims at \$1,481,112.13 intergovernmental claims at \$0, and the February 7 payroll at \$199,123.89, for a total of \$1,680,236.02 be and is hereby acknowledged.

Said resolution was adopted by the following vote:

AYES: Marshall, Shumway, Dittmar, Walker, Murphy (5)

NAYS: None (0)

Hear Public Comment

Mayor Murphy asked for public comments and there were no comments.

Hear City Manager Updates

The City Manager reviewed that Bob Berg, owner of 200 East Lake Street, plans to provide a conceptual development plan to the Planning Commission at the March 21 meeting and is requesting Brownfield Tax Increment dollars to pay for underground parking; that with new Councilmembers, staff could schedule a review of the Brownfield process to familiarize City Council with the overall tax increment concept; that the Bayfront Park stair tower bids came in substantially higher than cost estimates by \$185,000 and that staff is working with project engineers to “value engineer” with a possible bid award at the next meeting; that Solanus Beach conceptual plans have been revised and the Parks and Recreation Commission endorsed the plans; that the owner of the 48-unit Harbor Village Apartments on Crestview Drive requested the City consider adoption of a payment in lieu of taxes (PILOT) ordinance establishing a service charge in lieu of property taxes; and that progress on the MDOT retaining wall work on Bayfront Park is slow due to extremely low temperatures.

Mayor Murphy asked for public comments and heard an inquiry if there will be a top on the stair tower and the City Manager responded that there will not be a cover.

Planning Commission Appointment – Resolution No. 19268

Mayor Murphy reviewed that City Council consider a possible appointment to the Planning Commission.

City Councilmember Dittmar moved that, seconded by City Councilmember Marshall adoption of the following resolution:

BE IT RESOLVED that the City Council does and hereby approves the appointment of Chad McDonald, 1412 Highland Drive, to the Planning Commission to fill a vacated term ending August 31, 2019.

Said resolution was adopted by the following vote:

AYES: Marshall, Shumway, Dittmar, Walker, Murphy (5)

NAYS: None (0)

Approve Medical Marijuana – Resolution No. 19269

The City Manager reviewed that City Council requested a discussion on both medical and recreational marijuana in light of the November 6, 2018 voter approved Michigan Regulation and Taxation Marijuana Act (MRTMA). The City Manager further reviewed that the MRTMA legalizes at the State level (not federal) the recreational use and possession of marijuana; that MRTMA sets out a regulatory process to permit and license certain types of “marijuana establishments” (i.e. growers, safety compliance facilities, processors, microbusinesses, retailers and secure transporters); and that MRTMA does not however replace those laws and regulations already in place in Michigan involving the medical marijuana under the Michigan Medical Marijuana (MMA) of 2008 or the Medical Marijuana Facilities Licensing Act (MMFLA) of 2016.

The City Manager reported that under MMFLA, in order to allow medical marijuana facilities to be established within a community, the community needs to adopt an ordinance “opting-in”; that MRTMA is different and requires that if a community wishes to prohibit the formation and operation of recreation marijuana establishments within the community, the community must adopt an ordinance “opting-out”; that if a community does not opt out, then recreation marijuana establishments can be located and licensed by the State within that community; that it is unclear of the law when precisely the State will begin accepting applications for licenses, but it must do so before December 6, 2019; that MRTMA is unclear, ambiguous and raises many legal questions that will need to be determined by courts, legislation and State regulators; reviewed guidelines for zoning such establishments; that for the first 24 months after LARA begins accepting applications for marijuana establishment licenses, only those persons holding a MMFLA may apply for a retail, processor, Class B or Class C grower or secure transport license issued under the MRTMA;

that most cities, townships and villages chose to “opt out” for recreational marijuana; reviewed that there is also a voter petition initiative language in the MRTMA that allows for a process whereby voters could allow or bar marijuana establishments in a community; and reviewed that at this point the City has opted out of allowing medical marijuana by simply taking no action and since the City has taken no action on recreational marijuana, the City technically has opted in at this point.

The City Attorney reviewed that Council received copies of the laws, guidelines, a document issued by the attorney relating to various issues relevant to consideration of medical and recreational marijuana and was available to answer any questions.

City Councilmembers discussed medical marijuana; heard from those in support of medical establishments; heard an inquiry on how many patients are in Michigan and how someone obtains a medical card; that there are 300,000 patients and applications are online; heard from those in support of locating an area to allow 3-4 establishments excluding downtown; and to allow provisional centers only.

City Councilmembers then discussed recreational marijuana and heard from those both opposed and in favor of allowing recreational establishments; that by allowing medical marijuana it is opening the door for recreational; that everything is legal except to purchase it; and that staff should begin looking at possible ordinances.

City Councilmember Shumway moved that, seconded by City Councilmember Walker to allow medical marijuana establishments and requested the Planning Commission to research and recommend 3-4 provisioning centers in 1-2 locations and addressing signage and hours of operation.

Said motion was adopted by the following vote:

AYES: Marshall, Shumway, Walker, Murphy (4)

NAYS: Dittmar (1)

Mayor Murphy asked for public comments and heard that there are high end users in downtown and it would be beneficial to provide testing centers; inquired if the City would have a fair licensing method; heard from a medical user and thanked Council for supporting comments; that Council should consider a laboratory; that this is great progressive action by Council and the City should take into account the downtown and that tourists will use establishments; that approval will bring in a lot of new opportunities; that Planning Commission should look at different licenses as there are underused areas of City that these establishments could be implemented; that other states have experienced an increased use by underage users, leading to negative effects in their behavior; that the free market will take care of downtown issue; that staff and all Boards and Commissions should want to preserve what is already in the community; and that all establishments should be considered not just provisional centers.

Approve Master Plan Consultant Agreement with LIAA – Resolution No. 19270

The City Manager reviewed that pursuant to the Michigan Planning Enabling Act, a Planning Commission is required to review its Master Plan every five years for possible updates; that the last major re-write of the plan was adopted in 2009, which was then reviewed and updated in 2014; that a major update is needed; that \$20,000 was budgeted in the Office of City Planner budget for consultant assistance; that \$6,000 was awarded to the City by the Mott Foundation from area community foundations to assist with public engagement; that City Council identified sustainability as a priority goal during its 2018 strategic planning process; and staff determined that incorporating sustainability and resiliency as an overarching framework of the plan would achieve broader implementation than creating a stand-alone sustainability plan. Staff requested a proposal from LIAA, a leader in community resiliency planning, and includes significant resources to maximize community engagement, including youth involvement.

City Councilmember Marshall moved that, seconded by City Councilmember Shumway to authorize contracting with Land Information Access Association (LIAA) for master plan consulting services.

Said motion was adopted by the following vote:

AYES: Marshall, Shumway, Dittmar, Walker, Murphy (5)

NAYS: None (0)

Approve FOPLC Lieutenants 2018-2020 Contract – Resolution No. 19271

The City Manager reviewed that after completing 312 Arbitration, the City's negotiation team along with representatives for the FOPLC Lieutenants division agreed to a three-year contract beginning on January 1, 2018 with an expiration date of December 31, 2020. The City Manager reviewed some of the contract highlights including use of part-time employees, vacation scheduling, uniforms, medical and hospitalization insurance, pension plan increases and wage increases.

City Councilmember Shumway moved that, seconded by City Councilmember Walker adoption of the following resolution:

WHEREAS, certain Department of Public Safety Lieutenants unionized staff members are represented by the Fraternal Order of Police Labor Council (FOPLC); and

WHEREAS, City and bargaining unit representatives negotiated provisions of a proposed agreement for the Lieutenants Division; and

WHEREAS, the City Manager now has reported that an agreement has been reached with the FOPLC Lieutenants Division for the period of January 1, 2018 – December 31, 2020:

NOW, THEREFORE, BE IT RESOLVED that the City Manager be and is hereby directed to execute on behalf of the City an employment agreement with the Department of Public Safety Lieutenants Division who are represented by the Fraternal Order of Police Labor Council.

Said resolution was adopted by the following vote:

AYES: Marshall, Shumway, Dittmar, Walker, Murphy (5)

NAYS: None (0)

Approve MERS Lieutenant Contribution Changes – Resolution No. 19272

The City Manager reviewed that the City provides defined contribution retirement benefits through MERS, which covers three separate groups of employees Nonunion, DPW Union and Public Safety Union. The newly approved collective bargaining agreement covering the Public Safety Lieutenant unionized employees for January 1, 2018 through December 31, 2020 includes provisions that requires annual increases in employee contributions for the next three years towards the Lieutenants pension plan. The City Manager reviewed that contribution rates will increase on January 1 of each year as follows: 2018 at 3.5%, 2019 at 4% and 2020 and thereafter, at a rate of 4.5%.

City Councilmember Marshall moved that, seconded by City Councilmember Shumway adoption of the following resolution:

WHEREAS, the City is a participating governmental unit in the Michigan Municipal Employees' Retirement System (MMERS) pension plan document of 1996; and

WHEREAS, in accordance with pension provisions of a renewed collective bargaining agreement with certain unionized employees for the City's Public Safety Lieutenants require changes to the City's current MMERS plan:

NOW, THEREFORE, BE IT RESOLVED that the City of Petoskey City Council does and hereby elects to change current Michigan Municipal Employees' Retirement System (MMERS) benefits for Department of Public Safety unionized personnel, referred to as City of Petoskey (2402), Division 11 – Public Safety Lieutenants Union, a defined benefit plan with employees contributing 4% beginning January 2019 and 4.5% beginning January 2020 as set forth in the plan adoption agreements for 2019 and 2020; and

BE IT FURTHER RESOLVED that the City of Petoskey City Council does and hereby authorizes the City Manager and Director of Finance to prepare and sign the Defined Benefit Plan Adoption Agreements with MMERS for Division 11 to make changes as set forth above to the existing defined benefit plan.

Said resolution was adopted by the following vote:

AYES: Marshall, Shumway, Dittmar, Walker, Murphy (5)

NAYS: None (0)

Hear State vs. Odawa Litigation Update

The City Attorney gave a brief update on the Odawa litigation; reviewed that City Council was provided two judgements that were issued and filed on January 31, 2019; and that the trial won't start until 2020.

Council Comments

Mayor Murphy reported that the Downtown Greenway Corridor Phase II project has received multiple awards.

There being no further business to come before the City Council, this February 18, 2019, meeting of the City Council adjourned at 9:05 P.M.

John Murphy, Mayor

Alan Terry, Clerk-Treasurer



TO: Jim Murray
FROM: Saulius Mikalonis
DATE: February 13, 2019
RE: Cannabis in Michigan
City of Petoskey

Jim:

The following is an outline of issues relevant to the City of Petoskey's consideration related to the questions that should be considered by the City Council when deciding to accept medical and/or recreational cannabis activities. It addresses all the relevant cannabis statutes in Michigan and how they relate to municipal governance and authority.

You may invite the Council as well as Staff, Zoning Board and members of the public to attend our webinar, titled "Growing Pains: Is Recreational Cannabis Right for Your Community" scheduled for February 28 from noon to 1 p.m. (EST). The Webinar will provide an overview about recreational cannabis in Michigan, review local government considerations and options and discuss lessons learned from the medical cannabis process. Details can be found at this link: <http://smartlink.qlapahead.com/SmartLinkDisplay.aspx?id=D644AA62-9028-E911-8F7D-001B2161D7E5>

- FEDERAL ISSUES RELATED TO MEDICAL/RECREATIONAL CANNABIS
 - Cannabis, whether recreational or medicinal, remains a Schedule 1 drug under the federal Controlled Substances Act. While there remain some protections at the federal level for use of cannabis for medicinal purposes, there are none for recreational purposes. A [recent statement](#) by the US Attorney's Office in Michigan indicated that that office will continue to prosecute activities illegal under federal law (but not low-level offenders), especially as it relates to "adverse effects of interstate trafficking of marijuana; the involvement of other illegal drugs or illegal activity; persons with criminal records; the presence of firearms or violence; criminal enterprises, gangs, and cartels; the bypassing of local laws and regulations; the potential for environmental contamination; and the risks to minors." That office's future efforts remain a question, although presently there has not been much in the way of federal prosecution in other states that have decriminalized recreational cannabis.

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- Congress has restricted the use of funding for the Department of Justice to use moneys in its budget to prosecute federal offenses for medical cannabis in states that have decriminalized it. This does not apply to recreational sales, however. As noted in the section above, the US Attorney's Office will not be prosecuting low-level offenders.
- There are numerous efforts underway in Congress towards full legalization or delisting cannabis as a Schedule I substance. In the past, passage of similar statutes was seen as unlikely. Presently ten states have legalized recreational use, and 33 allow medical use. It appears to be only a matter of time until Congress acts in favor of loosening restrictions.
- MEDICAL CANNABIS IN MICHIGAN
 - Medical cannabis in Michigan is governed by two statutes: the Michigan Medical Marihuana Act (MMMA), MCL § 333.26421 *et seq.*, or the Michigan Medical Marihuana Facilities Licensing Act (MMFLA), MCL § 333.27101, *et seq.*
 - By a 2008 ballot measure, Michigan voters approved the use of cannabis for medical use. It was named the MMMA. In this model, licensed caregivers provide medical cannabis to up to five registered medical patients with medical cannabis cards. Each patient (or a caregiver in behalf of a patient) is allowed up to 2.5 ounces of usable cannabis or 12 cannabis plants, which must be kept locked and secured. Municipalities cannot restrict a caregiver or a patient from owning or growing cannabis in a manner consistent with the MMMA, as the Michigan Supreme Court has ruled that the MMMA preempts local ordinances. *Ter Beek v City of Wyoming*, 495 Mich. 1 (2014). More recently, *Deruiter v Township of Byron* involves a local ordinance that sought to limit through a zoning ordinance the growing of medical cannabis under the MMMA to specifically zoned areas. The Michigan Court of Appeals, citing *Ter Beek*, ruled that the MMMA preempted the zoning ordinance and Byron Township is appealing the court of appeals decision to the Supreme Court. This ruling does not apply to facilities licensed under the MMFLA. Finally, the Court of Appeals also ruled that a municipality may not restrict a caregiver from growing medical cannabis in an outdoor facility in *York Charter Township v Miller*, which is also being appealed to the Michigan Supreme Court.

- In 2016, the Michigan legislature passed the MMFLA to establish some parameters for the growth, distribution and use of cannabis for medicinal purposes. The MMFLA establishes a Medical Marijuana Licensing Board (Board) within the Michigan Department of Licensing and Regulatory Affairs (LARA). The Board may grant five types of state operating licenses in the following categories: (1) Class A, B, or C grower; with Class A having a limit of 500 plants, Class B a limit of 1,000; (2) processor; (3) provisioning Center; (4) secure transporter; and (5) safety compliance facility. The MMFLA provides definitions for each license and specifies conditions for approval and prohibits certain conflicts of interest. Some examples include the following: to be eligible for a grower license, the grower and each investor in the operation cannot have an interest in a secure transporter or a safety compliance facility; and to be eligible for a secure transporter license, the transporter and each investor cannot have an interest in any other license authorized under the act and may not be a registered qualifying patient or a registered primary caregiver. Below is a description of each type of five available licenses:

- Grower License

- Grower cannot operate in an area unless zoned for industrial or agricultural uses or is unzoned and meets all local requirements.
- Class A is up to 500 plants, Class B is up to 1,000 plants, and Class 3 is up to 1,500 plants.
- Grower must have up to 2 years' experience as registered primary caregiver, or must have an employee with that experience.

- Processor License

- Must purchase the cannabis only from a licensed grower and will allow the sale of cannabis or cannabis-infused products to a provisioning center.
- Must track inventory into statewide monitoring system.

- Secure Transporter License

- Store and transport cannabis and money associated with purchase or sale of cannabis between licensed facilities. No direct transport to patients.

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- Vehicles required to have two-person crew and a route plan and manifest must be filed into statewide system before transport.
- Vehicles subject to inspection without warrant by law enforcement for compliance purposes.
- Provisioning Center License
 - Locations where qualifying patients or registered primary caregivers can purchase cannabis.
 - Can only sell cannabis after it has been tested and bears label required for retail sale.
 - Must enter all transactions into statewide monitoring system.
- Safety Compliance Facility License
 - Performs tests to certify cannabis is free of chemical residues, and determines THC levels.
 - Enters all transactions into statewide monitoring system.
 - Has secure laboratory with one staff member who has advanced degree in medical or laboratory science.
- LARA's rules under the MMFLA govern the growth, purchase and sale of medical cannabis, including the following parameters:
 - Set appropriate standards for cannabis facilities and associated equipment.
 - Provide for the levy and collection of fines for a violation of the MMFLA or rules promulgated pursuant to it.
 - Prescribe use of the statewide monitoring system to track all cannabis transfers, and provide a funding mechanism to support the system.
 - Operating regulations for each category of licensee.
 - Qualifications and restrictions for people participating in or involved with operating cannabis facilities.

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- Testing standards, procedures, and requirements for cannabis sold through provisioning centers.
 - Quality control standards, procedures, and requirements for cannabis facilities.
 - Chain of custody standards, procedures, and requirements for facilities.
 - Daily purchasing limits at provisioning centers for registered qualifying patients and registered primary caregivers to ensure compliance with the MMMA.
 - Marketing and advertising restrictions for cannabis products and facilities.
 - Maximum THC levels for cannabis and cannabis-infused products sold or transferred through provisioning centers.
 - Restrictions on edible cannabis-infused products to prohibit shapes that would appeal to minors.
 - Minimum levels of insurance that licensees must maintain.
 - Health standards to ensure the safe preparation of products containing cannabis that are intended for human consumption in a manner other than smoke inhalation.
 - Establish standards, procedures, and requirements for the cannabis waste product disposal and storage by facilities; chemical storage; the secure and safe transportation of cannabis between facilities; and storage of cannabis.
- In order for a facility to be licensed under the MMFLA, it must demonstrate that it has received approval to do so in a community that has opted into the MMFLA via valid ordinance. Unlike the MMMA, there is no right to operate any type of medical cannabis facility within a municipal jurisdiction's boundaries unless that municipality has opted in. Further, the municipality can decide which licenses it wants to make available and in what numbers. It can choose one or more of the five types of activities and decide how many approvals it wants to issue for each. Each municipality is free to decide the process by which approvals are obtained and where it wants the facility to operate within its jurisdiction, consistent with LARA's regulatory restrictions.

- RECREATIONAL CANNABIS IN MICHIGAN
 - The Michigan Regulation and Taxation of Marihuana Act (Initiated Law 1 of 2018) (MRTMA), MCL § 333.27951, *et seq.*, does not change either the MMMA or the MMFLA. Both statutes remain, unaltered.
 - The MRTMA provides significant power to regulate recreational cannabis to municipalities. Under the MMFLA, municipalities had to affirmatively opt in to allow state-licensed medical cannabis businesses within their borders. However, under the MRTMA, a municipality must affirmatively opt out if it does not want state-licensed recreational businesses operating in its jurisdiction. Like the MMFLA, the municipality may select the types of operations to exclude or include if it decides not to opt out. Some Michigan municipalities have already affirmatively opted out. Municipalities that have opted in for medical cannabis are not required to elect to participate in the recreational program. In addition to enacting ordinances not inconsistent with the MRTMA (more on that below), municipalities may adopt ordinances in the following manner:
 - To establish reasonable restrictions on public signs.
 - To regulate the time, place and manner of operation and the sale of accessories related to cannabis use.
 - To authorize the sale for consumption at establishments accessible only to persons over 21 years old or for special events and for a limited time.
 - To establish fines of not more than \$500 for civil infractions for violations of a municipality's ordinances.
 - To require a facility to obtain a municipal license, as long as the requirements for such license are not in conflict with state laws and regulations.
 - To charge an annual \$5,000 fee to defray the municipality's costs for applications, administration or enforcement.

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- The MRTMA gives the state regulating entity, the Department of Licensing and Regulatory Affairs (LARA) 12 months to promulgate regulations for licensing of recreational cannabis business in the following categories: microprocessor (grower with fewer than 150 plants), grower, processor, retailer, secure transporter, and safety compliance. So, this provides time for the municipality to make a measured decision to opt out or determine which and how many cannabis operations it would allow.
- If LARA does not promulgate regulations within 12 months, then applicants can submit their applications directly to a municipality that has opted in or not opted out. The municipality shall issue a decision within 90 days and notify LARA that it has issued a municipal license. It would have the same effect as a state license.
- In the event a municipal government decides to opt out, it does not necessarily bar state-licensed operations in that jurisdiction. The MRTMA allows citizen petitions to initiate an ordinance to allow cannabis operations, but also allows petitions to completely bar them, too. In determining whether or not to opt out, a municipality may want to consider the political temperature of its electorate, because whatever decision it makes may be altered through an initiative.
- Once 12 months has passed, interested market participants can apply for licenses for which LARA must make a licensing decision within 90 days. LARA must also provide a copy of the application to the relevant municipality. After that, there will be a procedure in place for the state to consider licenses per the regulations that LARA will promulgate. Even assuming that applications are submitted the day after the regulations are promulgated (unlikely, given that there will be significant documents for an applicant to collect before submitting an application), the earliest licenses would be issued 90 days after that. We conclude that because the current wait period for applications under medicinal cannabis is several months and we don't expect that it will necessarily be any faster for recreational applications.
- As to retail cannabis operations, for 24 months after accepting applications LARA can only accept applications for retail establishments "from persons holding a state operating license pursuant to the medical marihuana facilities licensing act . . . " MCL § 333.27959(6). That medical cannabis provisioning center must still obtain a separate license for recreational distribution in a manner consistent with the state and local requirements.

- One year after LARA begins accepting applications, it may accept applications from anyone, if LARA concludes that it is necessary to do so to stop black market activities, meet the demand for cannabis or to provide reasonable access to rural areas. *Id.* So, while it is true that the first licenses will be issued to existing medical cannabis facilities, in December 2021, license application will likely open to any non-medical cannabis operators in municipalities that have not opted out. Also note that there is no such requirement for class A growers, microbusinesses or safety compliance facilities. Medical cannabis retail activities will continue in conjunction with recreational sales. In other words, it will not be the case that the medical retailing would stop in lieu of recreational retailing. At least initially, the operator would need to hold a medical cannabis retail license in order to obtain the recreational retailing license. MCL § 333.27959(6).
- We understand that there is a question about a so-called “grandfather clause” as it relates to existing medical cannabis facilities and future recreational facilities. The MRTMA provides: “A municipality may not adopt an ordinance that . . . prohibits a marihuana grower, a marihuana processor, and a marihuana retailer from . . . operating at a location shared with a marihuana facility operating pursuant to the [MMFLA] . . . ” MCL § 333.27956(5). The provision by its plain terms provides that a municipality cannot restrict a medical facility from sharing a location with a recreational facility, but does not require approval of a recreational facility just because it would be sharing space with a medical facility. There may be other reasons that a recreational facility that has applied for a license may not be operating with a medical facility. For example, the municipality may have determined to issue a limited number of licenses in its community and all available licenses are already distributed, which prevents a medical facility from sharing its space. Or, the recreational applicant may not meet other municipal requirements not related to location of the operation. The onus is on the municipality to determine the number and types of licenses it wants to allow operating within its borders. This provision does not require that a municipality issue an approval just because a recreational facility wants to operate with a medical facility. Further, in drafting its requirements for medical facilities, it may wish to consider restrictions on the medical facility approvals with an eye to future recreational operations or delay opting in until the time passes for initial preferential consideration for MMFLA licensed facilities (two years).

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- Even if a municipality opts out, it will not be able to prevent its citizens from owning and using cannabis recreationally within its jurisdiction. This also includes anyone over the age of 21 to possess up to 2.5 ounces of cannabis on their person, up to ten ounces of cannabis in their residence (under lock) or up to 12 plants. Also, as long as it is not advertised, a person may transfer up to 2.5 ounces of cannabis to another person over the age of 21.
- A municipality that has decided not to opt out may adopt other ordinances that set reasonable restrictions on public signs related to licensed cannabis businesses, regulate the time, place and manner of operations, authorize the sale for consumption of cannabis in designated areas for legal consumers and establish an ordinance for civil infractions for violations of its ordinance, fines not to exceed \$500. It cannot restrict medical cannabis facilities and recreational facilities (if both are authorized by state and local laws) from sharing the same space. It also cannot restrict transportation of cannabis legally owned through its jurisdiction. If the municipality does not inform LARA that an applicant is not in compliance with its ordinance, the state will license the applicant. (Recall that the municipality will receive notice that an application for a license within its jurisdiction has been filed.)
- With respect to zoning, LARA will approve an application if “the property where the proposed marihuana establishment is to be located is not within an area zoned exclusively for residential use and is not within 1,000 feet of a pre-existing public or private school providing education in kindergarten or any of grades 1 through 12, **unless a municipality adopts an ordinance that reduces this distance requirement.**” MCL § 333.27959(3)(c). By negative implication, we believe that a municipality cannot make it more restrictive. There is nothing in the MRTMA that specifically preempts local governments from enacting zoning requirements that are not inconsistent with the MRTMA. Pursuant to the statute, “A municipality may adopt other ordinances that are not unreasonably impracticable and do not conflict with this act or with any rule promulgated pursuant to this act . . .” MCL § 333.27956(2). We believe that the municipality’s full regulatory scope remains in place to the extent it is not inconsistent with specific provisions of the statute.

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- With respect to revenues, a municipality may not charge more than \$5,000 per operation to defray the costs of processing an application or license or for enforcement. The state will collect moneys and deposit them in a “Marijuana Regulation Fund.” Some of the money is earmarked for specific purposes, but unallocated funds are to be distributed, including 15 percent to municipalities that have cannabis retail stores or microbusinesses (but not other licensed activities), allocated in proportion to the number of those operations within their jurisdictions.

MICHIGAN REGULATION AND TAXATION OF MARIHUANA ACT
Initiated Law 1 of 2018

An initiation of legislation to allow under state law the personal possession and use of marihuana by persons 21 years of age or older; to provide for the lawful cultivation and sale of marihuana and industrial hemp by persons 21 years of age or older; to permit the taxation of revenue derived from commercial marihuana facilities; to permit the promulgation of administrative rules; and to prescribe certain penalties for violations of this act. If not enacted by the Michigan State Legislature in accordance with the Michigan Constitution of 1963, the proposed legislation is to be voted on at the General Election, November 6, 2018.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

The People of the State of Michigan enact:

333.27951 Short title.

Sec. 1. This act shall be known and may be cited as the Michigan Regulation and Taxation of Marihuana Act.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

333.27952 Purpose and intent.

Sec. 2. The purpose of this act is to make marihuana legal under state and local law for adults 21 years of age or older, to make industrial hemp legal under state and local law, and to control the commercial production and distribution of marihuana under a system that licenses, regulates, and taxes the businesses involved. The intent is to prevent arrest and penalty for personal possession and cultivation of marihuana by adults 21 years of age or older; remove the commercial production and distribution of marihuana from the illicit market; prevent revenue generated from commerce in marihuana from going to criminal enterprises or gangs; prevent the distribution of marihuana to persons under 21 years of age; prevent the diversion of marihuana to illicit markets; ensure the safety of marihuana and marihuana-infused products; and ensure security of marihuana establishments. To the fullest extent possible, this act shall be interpreted in accordance with the purpose and intent set forth in this section.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

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333.27953 Definitions.

Sec. 3. As used in this act:

(a) "Cultivate" means to propagate, breed, grow, harvest, dry, cure, or separate parts of the marihuana plant by manual or mechanical means.

(b) "Department" means the department of licensing and regulatory affairs.

(c) "Industrial hemp" means a plant of the genus *cannabis* and any part of that plant, whether growing or not, with a delta-9 tetrahydrocannabinol concentration that does not exceed 0.3% on a dry-weight basis, or per volume or weight of marihuana-infused product, or the combined percent of delta-9-tetrahydrocannabinol and tetrahydrocannabinolic acid in any part of the plant of the genus *cannabis* regardless of moisture content.

(d) "Licensee" means a person holding a state license.

(e) "Marihuana" means all parts of the plant of the genus *cannabis*, growing or not; the seeds of the plant; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant or its seeds or resin, including marihuana concentrate and marihuana-infused products. For purposes of this act, marihuana does not include:

(1) the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks, except the resin extracted from those stalks, fiber, oil, or cake, or any sterilized seed of the plant that is incapable of

germination;

(2) industrial hemp; or

(3) any other ingredient combined with marihuana to prepare topical or oral administrations, food, drink, or other products.

(f) "Marihuana accessories" means any equipment, product, material, or combination of equipment, products, or materials, which is specifically designed for use in planting, propagating, cultivating, growing, harvesting, manufacturing, compounding, converting, producing, processing, preparing, testing, analyzing, packaging, repackaging, storing, containing, ingesting, inhaling, or otherwise introducing marihuana into the human body.

(g) "Marihuana concentrate" means the resin extracted from any part of the plant of the genus *cannabis*.

(h) "Marihuana establishment" means a marihuana grower, marihuana safety compliance facility, marihuana processor, marihuana microbusiness, marihuana retailer, marihuana secure transporter, or any other type of marihuana-related business licensed by the department.

(i) "Marihuana grower" means a person licensed to cultivate marihuana and sell or otherwise transfer marihuana to marihuana establishments.

(j) "Marihuana-infused product" means a topical formulation, tincture, beverage, edible substance, or similar product containing marihuana and other ingredients and that is intended for human consumption.

(k) "Marihuana microbusiness" means a person licensed to cultivate not more than 150 marihuana plants; process and package marihuana; and sell or otherwise transfer marihuana to individuals who are 21 years of age or older to a marihuana safety compliance facility, but not to other marihuana establishments.

(l) "Marihuana processor" means a person licensed to obtain marihuana from marihuana establishments; process and package marihuana; and sell or otherwise transfer marihuana to marihuana establishments.

(m) "Marihuana retailer" means a person licensed to obtain marihuana from marihuana establishments and to sell or otherwise transfer marihuana to marihuana establishments and to individuals who are 21 years of age or older.

(n) "Marihuana secure transporter" means a person licensed to obtain marihuana from marihuana establishments in order to transport marihuana to marihuana establishments.

(o) "Marihuana safety compliance facility" means a person licensed to test marihuana, including certification for potency and the presence of contaminants.

(p) "Municipal license" means a license issued by a municipality pursuant to section 16 of this act that allows a person to operate a marihuana establishment in that municipality.

(q) "Municipality" means a city, village, or township.

(r) "Person" means an individual, corporation, limited liability company, partnership of any type, trust, or other legal entity.

(s) "Process" or "Processing" means to separate or otherwise prepare parts of the marihuana plant and to compound, blend, extract, infuse, or otherwise make or prepare marihuana concentrate or marihuana-infused products.

(t) "State license" means a license issued by the department that allows a person to operate a marihuana establishment.

(u) "Unreasonably impracticable" means that the measures necessary to comply with the rules or ordinances adopted pursuant to this act subject licensees to unreasonable risk or require such a high investment of money, time, or any other resource or asset that a reasonably prudent businessperson would not operate the marihuana establishment.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

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333.27954 Scope of act; unauthorized activities with marihuana and marihuana accessories; limitations; application of privileges, rights, immunities, and defenses under other marihuana laws; employer rights; property owner rights.

Sec. 4. 1. This act does not authorize:

(a) operating, navigating, or being in physical control of any motor vehicle, aircraft, snowmobile, off-road recreational vehicle, or motorboat while under the influence of marihuana;

(b) transfer of marihuana or marihuana accessories to a person under the age of 21;

(c) any person under the age of 21 to possess, consume, purchase or otherwise obtain, cultivate, process, transport, or sell marihuana;

(d) separation of plant resin by butane extraction or another method that utilizes a substance with a flashpoint below 100 degrees Fahrenheit in any public place, motor vehicle, or within the curtilage of any residential structure;

(e) consuming marihuana in a public place or smoking marihuana where prohibited by the person who owns, occupies, or manages the property, except for purposes of this subdivision a public place does not include an area designated for consumption within a municipality that has authorized consumption in designated areas that are not accessible to persons under 21 years of age;

(f) cultivating marihuana plants if the plants are visible from a public place without the use of binoculars, aircraft, or other optical aids or outside of an enclosed area equipped with locks or other functioning security devices that restrict access to the area;

(g) consuming marihuana while operating, navigating, or being in physical control of any motor vehicle, aircraft, snowmobile, off-road recreational vehicle, or motorboat, or smoking marihuana within the passenger area of a vehicle upon a public way;

(h) possessing marihuana accessories or possessing or consuming marihuana on the grounds of a public or private school where children attend classes in preschool programs, kindergarten programs, or grades 1 through 12, in a school bus, or on the grounds of any correctional facility; or

(i) Possessing more than 2.5 ounces of marihuana within a person's place of residence unless the excess marihuana is stored in a container or area equipped with locks or other functioning security devices that restrict access to the contents of the container or area.

2. This act does not limit any privileges, rights, immunities, or defenses of a person as provided in the Michigan medical marihuana act, 2008 IL 1, MCL 333.26421 to 333.26430, the medical marihuana facilities licensing act, 2016 PA 281, MCL 333.27101 to 333.27801, or any other law of this state allowing for or regulating marihuana for medical use.

3. This act does not require an employer to permit or accommodate conduct otherwise allowed by this act in any workplace or on the employer's property. This act does not prohibit an employer from disciplining an employee for violation of a workplace drug policy or for working while under the influence of marihuana. This act does not prevent an employer from refusing to hire, discharging, disciplining, or otherwise taking an adverse employment action against a person with respect to hire, tenure, terms, conditions, or privileges of employment because of that person's violation of a workplace drug policy or because that person was working while under the influence of marihuana.

4. This act allows a person to prohibit or otherwise regulate the consumption, cultivation, distribution, processing, sale, or display of marihuana and marihuana accessories on property the person owns, occupies, or manages, except that a lease agreement may not prohibit a tenant from lawfully possessing and consuming marihuana by means other than smoking.

5. All other laws inconsistent with this act do not apply to conduct that is permitted by this act.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

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333.27955 Lawful activities by person 21 years of age or older; terms, conditions, limitations, and restrictions; denial of custody or visitation prohibited.

Sec. 5. 1. Notwithstanding any other law or provision of this act, and except as otherwise provided in section 4 of this act, the following acts by a person 21 years of age or older are not unlawful, are not an offense, are not grounds for seizing or forfeiting property, are not grounds for arrest, prosecution, or penalty in any manner, are not grounds for search or inspection, and are not grounds to deny any other right or privilege:

(a) except as permitted by subdivision (b), possessing, using or consuming, internally possessing, purchasing, transporting, or processing 2.5 ounces or less of marihuana, except that not more than 15 grams of marihuana may be in the form of marihuana concentrate;

(b) within the person's residence, possessing, storing, and processing not more than 10 ounces of marihuana and any marihuana produced by marihuana plants cultivated on the premises and cultivating not more than 12 marihuana plants for personal use, provided that no more than 12 marihuana plants are possessed, cultivated, or processed on the premises at once;

(c) assisting another person who is 21 years of age or older in any of the acts described in this section; and

(d) giving away or otherwise transferring without remuneration up to 2.5 ounces of marihuana, except that not more than 15 grams of marihuana may be in the form of marihuana concentrate, to a person 21 years of

age or older, as long as the transfer is not advertised or promoted to the public.

2. Notwithstanding any other law or provision of this act, except as otherwise provided in section 4 of this act, the use, manufacture, possession, and purchase of marihuana accessories by a person 21 years of age or older and the distribution or sale of marihuana accessories to a person 21 years of age or older is authorized, is not unlawful, is not an offense, is not grounds for seizing or forfeiting property, is not grounds for arrest, prosecution, or penalty in any manner, and is not grounds to deny any other right or privilege.

3. A person shall not be denied custody of or visitation with a minor for conduct that is permitted by this act, unless the person's behavior is such that it creates an unreasonable danger to the minor that can be clearly articulated and substantiated.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

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333.27956 Adoption or enforcement of ordinances by municipality; marihuana establishment local license; annual fee; restrictions on transportation or other facilities prohibited.

Sec. 6. 1. Except as provided in section 4, a municipality may completely prohibit or limit the number of marihuana establishments within its boundaries. Individuals may petition to initiate an ordinance to provide for the number of marihuana establishments allowed within a municipality or to completely prohibit marihuana establishments within a municipality, and such ordinance shall be submitted to the electors of the municipality at the next regular election when a petition is signed by qualified electors in the municipality in a number greater than 5% of the votes cast for governor by qualified electors in the municipality at the last gubernatorial election. A petition under this subsection is subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488.

2. A municipality may adopt other ordinances that are not unreasonably impracticable and do not conflict with this act or with any rule promulgated pursuant to this act and that:

- (a) establish reasonable restrictions on public signs related to marihuana establishments;
- (b) regulate the time, place, and manner of operation of marihuana establishments and of the production, manufacture, sale, or display of marihuana accessories;
- (c) authorize the sale of marihuana for consumption in designated areas that are not accessible to persons under 21 years of age, or at special events in limited areas and for a limited time; and
- (d) designate a violation of the ordinance and provide for a penalty for that violation by a marihuana establishment, provided that such violation is a civil infraction and such penalty is a civil fine of not more than \$500.

3. A municipality may adopt an ordinance requiring a marihuana establishment with a physical location within the municipality to obtain a municipal license, but may not impose qualifications for licensure that conflict with this act or rules promulgated by the department.

4. A municipality may charge an annual fee of not more than \$5,000 to defray application, administrative, and enforcement costs associated with the operation of the marihuana establishment in the municipality.

5. A municipality may not adopt an ordinance that restricts the transportation of marihuana through the municipality or prohibits a marihuana grower, a marihuana processor, and a marihuana retailer from operating within a single facility or from operating at a location shared with a marihuana facility operating pursuant to the medical marihuana facilities licensing act, 2016 PA 281, MCL 333.27101 to 333.27801.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

333.27957 Implementation, administration, and enforcement by department; powers; duties; public meetings; annual report.

Sec. 7. 1. The department is responsible for implementing this act and has the powers and duties necessary to control the commercial production and distribution of marihuana. The department shall employ personnel and may contract with advisors and consultants as necessary to adequately perform its duties. No person who is pecuniarily interested, directly or indirectly, in any marihuana establishment may be an employee, advisor, or consultant involved in the implementation, administration, or enforcement of this act. An employee, advisor, or consultant of the department may not be personally liable for any action at law for damages sustained by a person because of an action performed or done in the performance of their duties in the

implementation, administration, or enforcement of this act. The department of state police shall cooperate and assist the department in conducting background investigations of applicants. Responsibilities of the department include:

(a) promulgating rules pursuant to section 8 of this act that are necessary to implement, administer, and enforce this act;

(b) granting or denying each application for licensure and investigating each applicant to determine eligibility for licensure, including conducting a background investigation on each person holding an ownership interest in the applicant;

(c) ensuring compliance with this act and the rules promulgated thereunder by marihuana establishments by performing investigations of compliance and regular inspections of marihuana establishments and by taking appropriate disciplinary action against a licensee, including prescribing civil fines for violations of this act or rules and suspending, restricting, or revoking a state license;

(d) holding at least 4 public meetings each calendar year for the purpose of hearing complaints and receiving the views of the public with respect to administration of this act;

(e) collecting fees for licensure and fines for violations of this act or rules promulgated thereunder, depositing all fees collected in the marihuana regulation fund established by section 14 of this act, and remitting all fines collected to be deposited in the general fund; and

(f) submitting an annual report to the governor covering the previous year, which report shall include the number of state licenses of each class issued, demographic information on licensees, a description of enforcement and disciplinary actions taken against licensees, and a statement of revenues and expenses of the department related to the implementation, administration, and enforcement of this act.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

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333.27958 Rules; limitations.

Sec. 8. 1. The department shall promulgate rules to implement and administer this act pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to MCL 24.328, including:

(a) procedures for issuing a state license pursuant to section 9 of this act and for renewing, suspending, and revoking a state license;

(b) a schedule of fees in amounts not more than necessary to pay for implementation, administration, and enforcement costs of this act and that relate to the size of each licensee or the volume of business conducted by the licensee;

(c) qualifications for licensure that are directly and demonstrably related to the operation of a marihuana establishment, provided that a prior conviction solely for a marihuana-related offense does not disqualify an individual or otherwise affect eligibility for licensure, unless the offense involved distribution of a controlled substance to a minor;

(d) requirements and standards for safe cultivation, processing, and distribution of marihuana by marihuana establishments, including health standards to ensure the safe preparation of marihuana-infused products and prohibitions on pesticides that are not safe for use on marihuana;

(e) testing, packaging, and labeling standards, procedures, and requirements for marihuana, including a maximum tetrahydrocannabinol level for marihuana-infused products, a requirement that a representative sample of marihuana be tested by a marihuana safety compliance facility, and a requirement that the amount of marihuana or marihuana concentrate contained within a marihuana-infused product be specified on the product label;

(f) security requirements, including lighting, physical security, and alarm requirements, and requirements for securely transporting marihuana between marihuana establishments, provided that such requirements do not prohibit cultivation of marihuana outdoors or in greenhouses;

(g) record keeping requirements for marihuana establishments and monitoring requirements to track the transfer of marihuana by licensees;

(h) requirements for the operation of marihuana secure transporters to ensure that all marihuana establishments are properly serviced;

(i) reasonable restrictions on advertising, marketing, and display of marihuana and marihuana establishments;

(j) a plan to promote and encourage participation in the marihuana industry by people from communities that have been disproportionately impacted by marihuana prohibition and enforcement and to positively

impact those communities; and

(k) penalties for failure to comply with any rule promulgated pursuant to this section or for any violation of this act by a licensee, including civil fines and suspension, revocation, or restriction of a state license.

2. In furtherance of the intent of this act, the department may promulgate rules to:

(a) provide for the issuance of additional types or classes of state licenses to operate marihuana-related businesses, including licenses that authorize only limited cultivation, processing, transportation, delivery, storage, sale, or purchase of marihuana, licenses that authorize the consumption of marihuana within designated areas, licenses that authorize the consumption of marihuana at special events in limited areas and for a limited time, licenses that authorize cultivation for purposes of propagation, and licenses intended to facilitate scientific research or education; or

(b) regulate the cultivation, processing, distribution, and sale of industrial hemp.

3. The department may not promulgate a rule that:

(a) establishes a limit on the number of any type of state licenses that may be granted;

(b) requires a customer to provide a marihuana retailer with identifying information other than identification to determine the customer's age or requires the marihuana retailer to acquire or record personal information about customers other than information typically required in a retail transaction;

(c) prohibits a marihuana establishment from operating at a shared location of a marihuana facility operating pursuant to the medical marihuana facilities licensing act, 2016 PA 281, MCL 333.27101 to 333.27801, or prohibits a marihuana grower, marihuana processor, or marihuana retailer from operating within a single facility; or

(d) is unreasonably impracticable.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

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333.27959 License to operate a marihuana establishment; application; qualifications; issuance; disclosure.

Sec. 9. 1. Each application for a state license must be submitted to the department. Upon receipt of a complete application and application fee, the department shall forward a copy of the application to the municipality in which the marihuana establishment is to be located, determine whether the applicant and the premises qualify for the state license and comply with this act, and issue the appropriate state license or send the applicant a notice of rejection setting forth specific reasons why the department did not approve the state license application within 90 days.

2. The department shall issue the following state license types: marihuana retailer; marihuana safety compliance facility; marihuana secure transporter; marihuana processor; marihuana microbusiness; class A marihuana grower authorizing cultivation of not more than 100 marihuana plants; class B marihuana grower authorizing cultivation of not more than 500 marihuana plants; and class C marihuana grower authorizing cultivation of not more than 2,000 marihuana plants.

3. Except as otherwise provided in this section, the department shall approve a state license application and issue a state license if:

(a) the applicant has submitted an application in compliance with the rules promulgated by the department, is in compliance with this act and the rules, and has paid the required fee;

(b) the municipality in which the proposed marihuana establishment will be located does not notify the department that the proposed marihuana establishment is not in compliance with an ordinance consistent with section 6 of this act and in effect at the time of application;

(c) the property where the proposed marihuana establishment is to be located is not within an area zoned exclusively for residential use and is not within 1,000 feet of a pre-existing public or private school providing education in kindergarten or any of grades 1 through 12, unless a municipality adopts an ordinance that reduces this distance requirement;

(d) no person who holds an ownership interest in the marihuana establishment applicant:

(1) will hold an ownership interest in both a marihuana safety compliance facility or in a marihuana secure transporter and in a marihuana grower, a marihuana processor, a marihuana retailer, or a marihuana microbusiness;

(2) will hold an ownership interest in both a marihuana microbusiness and in a marihuana grower, a marihuana processor, a marihuana retailer, a marihuana safety compliance facility, or a marihuana secure transporter; and

(3) will hold an ownership interest in more than 5 marihuana growers or in more than 1 marihuana microbusiness, except that the department may approve a license application from a person who holds an ownership interest in more than 5 marihuana growers or more than 1 marihuana microbusiness if, after January 1, 2023, the department promulgates a rule authorizing an individual to hold an ownership interest in more than 5 marihuana growers or in more than 1 marihuana microbusiness.

4. If a municipality limits the number of marihuana establishments that may be licensed in the municipality pursuant to section 6 of this act and that limit prevents the department from issuing a state license to all applicants who meet the requirements of subsection 3 of this section, the municipality shall decide among competing applications by a competitive process intended to select applicants who are best suited to operate in compliance with this act within the municipality.

5. All state licenses are effective for 1 year, unless the department issues the state license for a longer term. A state license is renewed upon receipt of a complete renewal application and a renewal fee from any marihuana establishment in good standing.

6. The department shall begin accepting applications for marihuana establishments within 12 months after the effective date of this act. Except as otherwise provided in this section, for 24 months after the department begins to receive applications for marihuana establishments, the department may only accept applications for licensure: for a class A marihuana grower or for a marihuana microbusiness, from persons who are residents of Michigan; for a marihuana retailer, marihuana processor, class B marihuana grower, class C marihuana grower, or a marihuana secure transporter, from persons holding a state operating license pursuant to the medical marihuana facilities licensing act, 2016 PA 281, MCL 333.27101 to 333.27801; and for a marihuana safety compliance facility, from any applicant. One year after the department begins to accept applications pursuant to this section, the department shall begin accepting applications from any applicant if the department determines that additional state licenses are necessary to minimize the illegal market for marihuana in this state, to efficiently meet the demand for marihuana, or to provide for reasonable access to marihuana in rural areas.

7. Information obtained from an applicant related to licensure under this act is exempt from disclosure under the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018..

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333.27960 Lawful activities by marihuana grower, processor, transporter, or retailer; limitations; contracts related to operation of marihuana establishments.

Sec. 10. 1. Notwithstanding any other law or provision of this act, and except as otherwise provided in section 4 of this act or the rules promulgated thereunder, the following acts are not unlawful, are not an offense, are not grounds for seizing or forfeiting property, are not grounds for arrest, prosecution, or penalty in any manner, are not grounds for search or inspection except as authorized by this act, and are not grounds to deny any other right or privilege:

(a) a marihuana grower or an agent acting on behalf of a marihuana grower who is 21 years of age or older, cultivating not more than the number of marihuana plants authorized by the state license class; possessing, packaging, storing, or testing marihuana; acquiring marihuana seeds or seedlings from a person who is 21 years of age or older; selling or otherwise transferring, purchasing or otherwise obtaining, or transporting marihuana to or from a marihuana establishment; or receiving compensation for goods or services;

(b) a marihuana processor or agent acting on behalf of a marihuana processor who is 21 years of age or older, possessing, processing, packaging, storing, or testing marihuana; selling or otherwise transferring, purchasing or otherwise obtaining, or transporting marihuana to or from a marihuana establishment; or receiving compensation for goods or services;

(c) a marihuana secure transporter or an agent acting on behalf of a marihuana secure transporter who is 21 years of age or older, possessing or storing marihuana; transporting marihuana to or from a marihuana establishment; or receiving compensation for services;

(d) a marihuana safety compliance facility or an agent acting on behalf of a marihuana safety compliance facility who is 21 years of age or older, testing, possessing, repackaging, or storing marihuana; transferring, obtaining, or transporting marihuana to or from a marihuana establishment; or receiving compensation for services;

(e) a marihuana retailer or an agent acting on behalf of a marihuana retailer who is 21 years of age or older, possessing, storing, or testing marihuana; selling or otherwise transferring, purchasing or otherwise obtaining,

or transporting marihuana to or from a marihuana establishment; selling or otherwise transferring marihuana to a person 21 years of age or older; or receiving compensation for goods or services; or

(f) a marihuana microbusiness or an agent acting on behalf of a marihuana microbusiness who is 21 years of age or older, cultivating not more than 150 marihuana plants; possessing, processing, packaging, storing, or testing marihuana from marihuana plants cultivated on the premises; selling or otherwise transferring marihuana cultivated or processed on the premises to a person 21 years of age or older; or receiving compensation for goods or services.

(g) leasing or otherwise allowing the use of property owned, occupied, or managed for activities allowed under this act;

(h) enrolling or employing a person who engages in marihuana-related activities allowed under this act;

(i) possessing, cultivating, processing, obtaining, transferring, or transporting industrial hemp; or

(j) providing professional services to prospective or licensed marihuana establishments related to activity under this act.

2. A person acting as an agent of a marihuana retailer who sells or otherwise transfers marihuana or marihuana accessories to a person under 21 years of age is not subject to arrest, prosecution, forfeiture of property, disciplinary action by a professional licensing board, denial of any right or privilege, or penalty in any manner, if the person reasonably verified that the recipient appeared to be 21 years of age or older by means of government-issued photographic identification containing a date of birth, and the person complied with any rules promulgated pursuant to this act.

3. It is the public policy of this state that contracts related to the operation of marihuana establishments be enforceable.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

333.27961 Marihuana establishments; requirements; limitations.

Sec. 11. (a) A marihuana establishment may not allow cultivation, processing, sale, or display of marihuana or marihuana accessories to be visible from a public place outside of the marihuana establishment without the use of binoculars, aircraft, or other optical aids.

(b) A marihuana establishment may not cultivate, process, test, or store marihuana at any location other than a physical address approved by the department and within an enclosed area that is secured in a manner that prevents access by persons not permitted by the marihuana establishment to access the area.

(c) A marihuana establishment shall secure every entrance to the establishment so that access to areas containing marihuana is restricted to employees and other persons permitted by the marihuana establishment to access the area and to agents of the department or state and local law enforcement officers and emergency personnel and shall secure its inventory and equipment during and after operating hours to deter and prevent theft of marihuana and marihuana accessories.

(d) No marihuana establishment may refuse representatives of the department the right during the hours of operation to inspect the licensed premises or to audit the books and records of the marihuana establishment.

(e) No marihuana establishment may allow a person under 21 years of age to volunteer or work for the marihuana establishment.

(f) No marihuana establishment may sell or otherwise transfer marihuana that was not produced, distributed, and taxed in compliance with this act.

(g) A marihuana grower, marihuana retailer, marihuana processor, marihuana microbusiness, or marihuana testing facility or agents acting on their behalf may not transport more than 15 ounces of marihuana or more than 60 grams of marihuana concentrate at one time.

(h) A marihuana secure transporter may not hold title to marihuana.

(i) No marihuana processor may process and no marihuana retailer may sell edible marihuana-infused candy in shapes or packages that are attractive to children or that are easily confused with commercially sold candy that does not contain marihuana.

(j) No marihuana retailer may sell or otherwise transfer marihuana that is not contained in an opaque, resealable, child-resistant package designed to be significantly difficult for children under 5 years of age to open and not difficult for normal adults to use properly as defined by 16 C.F.R. 1700.20 (1995), unless the marihuana is transferred for consumption on the premises where sold.

(k) No marihuana establishment may sell or otherwise transfer tobacco.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

333.27962 Deduction of certain expenses from income.

Sec. 12. In computing net income for marihuana establishments, deductions from state taxes are allowed for all the ordinary and necessary expenses paid or incurred during the taxable year in carrying out a trade or business.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

333.27963 Imposition of excise tax.

Sec. 13. 1. In addition to all other taxes, an excise tax is imposed on each marihuana retailer and on each marihuana microbusiness at the rate of 10% of the sales price for marihuana sold or otherwise transferred to anyone other than a marihuana establishment.

2. Except as otherwise provided by a rule promulgated by the department of treasury, a product subject to the tax imposed by this section may not be bundled in a single transaction with a product or service that is not subject to the tax imposed by this section.

3. The department of treasury shall administer the taxes imposed under this act and may promulgate rules pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to MCL 24.328, that prescribe a method and manner for payment of the tax to ensure proper tax collection under this act.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

333.27964 Marihuana regulation fund; creation; administration; allocation of expenditures.

Sec. 14. 1. The marihuana regulation fund is created in the state treasury. The department of treasury shall deposit all money collected under section 13 of this act and the department shall deposit all fees collected in the fund. The state treasurer shall direct the investment of the fund and shall credit the fund interest and earnings from fund investments. The department shall administer the fund for auditing purposes. Money in the fund shall not lapse to the general fund.

2. Funds for the initial activities of the department to implement this act shall be appropriated from the general fund. The department shall repay any amount appropriated under this subsection from proceeds in the fund.

3. The department shall expend money in the fund first for the implementation, administration, and enforcement of this act, and second, until 2022 or for at least two years, to provide \$20 million annually to one or more clinical trials that are approved by the United States food and drug administration and sponsored by a non-profit organization or researcher within an academic institution researching the efficacy of marihuana in treating the medical conditions of United States armed services veterans and preventing veteran suicide. Upon appropriation, unexpended balances must be allocated as follows:

(a) 15% to municipalities in which a marihuana retail store or a marihuana microbusiness is located, allocated in proportion to the number of marihuana retail stores and marihuana microbusinesses within the municipality;

(b) 15% to counties in which a marihuana retail store or a marihuana microbusiness is located, allocated in proportion to the number of marihuana retail stores and marihuana microbusinesses within the county;

(c) 35% to the school aid fund to be used for K-12 education; and

(d) 35% to the Michigan transportation fund to be used for the repair and maintenance of roads and bridges.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

333.27965 Violations; penalties.

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Sec. 15. A person who commits any of the following acts, and is not otherwise authorized by this act to conduct such activities, may be punished only as provided in this section and is not subject to any other form of punishment or disqualification, unless the person consents to another disposition authorized by law:

1. Except for a person who engaged in conduct described in sections 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(d), 4(1)(g), or 4(1)(h), a person who possesses not more than the amount of marihuana allowed by section 5, cultivates not more than the amount of marihuana allowed by section 5, delivers without receiving any remuneration to a person who is at least 21 years of age not more than the amount of marihuana allowed by section 5, or possesses with intent to deliver not more than the amount of marihuana allowed by section 5, is responsible for a civil infraction and may be punished by a fine of not more than \$100 and forfeiture of the marihuana.

2. Except for a person who engaged in conduct described in section 4, a person who possesses not more than twice the amount of marihuana allowed by section 5, cultivates not more than twice the amount of marihuana allowed by section 5, delivers without receiving any remuneration to a person who is at least 21 years of age not more than twice the amount of marihuana allowed by section 5, or possesses with intent to deliver not more than twice the amount of marihuana allowed by section 5:

(a) for a first violation, is responsible for a civil infraction and may be punished by a fine of not more than \$500 and forfeiture of the marihuana;

(b) for a second violation, is responsible for a civil infraction and may be punished by a fine of not more than \$1,000 and forfeiture of the marihuana;

(c) for a third or subsequent violation, is guilty of a misdemeanor and may be punished by a fine of not more than \$2,000 and forfeiture of the marihuana.

3. Except for a person who engaged in conduct described by section 4(1)(a), 4(1)(d), or 4(1)(g), a person under 21 years of age who possesses not more than 2.5 ounces of marihuana or who cultivates not more than 12 marihuana plants:

(a) for a first violation, is responsible for a civil infraction and may be punished as follows:

(1) if the person is less than 18 years of age, by a fine of not more than \$100 or community service, forfeiture of the marihuana, and completion of 4 hours of drug education or counseling; or

(2) if the person is at least 18 years of age, by a fine of not more than \$100 and forfeiture of the marihuana.

(b) for a second violation, is responsible for a civil infraction and may be punished as follows:

(1) if the person is less than 18 years of age, by a fine of not more than \$500 or community service, forfeiture of the marihuana, and completion of 8 hours of drug education or counseling; or

(2) if the person is at least 18 years of age, by a fine of not more than \$500 and forfeiture of the marihuana.

4. Except for a person who engaged in conduct described in section 4, a person who possesses more than twice the amount of marihuana allowed by section 5, cultivates more than twice the amount of marihuana allowed by section 5, or delivers without receiving any remuneration to a person who is at least 21 years of age more than twice the amount of marihuana allowed by section 5, shall be responsible for a misdemeanor, but shall not be subject to imprisonment unless the violation was habitual, willful, and for a commercial purpose or the violation involved violence.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

333.27966 Failure to act by department; application to municipality.

Sec. 16. 1. If the department does not timely promulgate rules as required by section 8 of this act or accept or process applications in accordance with section 9 of this act, beginning one year after the effective date of this act, an applicant may submit an application for a marihuana establishment directly to the municipality where the marihuana establishment will be located.

2. If a marihuana establishment submits an application to a municipality under this section, the municipality shall issue a municipal license to the applicant within 90 days after receipt of the application unless the municipality finds and notifies the applicant that the applicant is not in compliance with an ordinance or rule adopted pursuant to this act.

3. If a municipality issues a municipal license pursuant to this section:

(a) the municipality shall notify the department that the municipal license has been issued;

(b) the municipal license has the same force and effect as a state license; and

(c) the holder of the municipal license is not subject to regulation or enforcement by the department during the municipal license term.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.

333.27967 Construction of act; effect of federal law; severability.

Sec. 17. This act shall be broadly construed to accomplish its intent as stated in section 2 of this act. Nothing in this act purports to supersede any applicable federal law, except where allowed by federal law. All provisions of this act are self-executing. Any section of this act that is found invalid as to any person or circumstances shall not affect the application of any other section of this act that can be given full effect without the invalid section or application.

History: 2018, Initiated Law 1, Eff. Dec. 6, 2018.

Compiler's note: This new act was proposed by initiative petition pursuant to Const. 1963, art 2, section 9. The proposed language was certified to the legislature on April 26, 2018 with the 40-day consideration period lapsing on June 5, 2018. The initiative petition was submitted to the voters as proposal 18-1 at the November 6, 2018 general election where it was approved 2,356,422 for and 1,859,675 against.



Recreational Marihuana Proposition



michigan municipal league

We love
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This paper is being provided by the
Michigan Municipal League (MML) to
assist its member communities.

The MML Legal Defense Fund authorized its preparation by Kalamazoo City Attorney Clyde Robinson. The document does not constitute legal advice and the material is provided as information only. All references should be independently confirmed.

The spelling of "marihuana" in this paper is the one used in the Michigan statutes and is the equivalent of "marijuana."

Other resources

The Michigan Municipal League has compiled numerous resource materials on medical marihuana and is building its resources on recreational marihuana. They are available via the MML web site at:
www.mml.org/resources/information/mi-med-marihuana.html

Introduction

This paper is intended to provide municipal attorneys and their clients an idea of what to expect and the issues to be addressed, given the adoption by Michigan voters of Initiated Law 1 of 2018 generally legalizing marihuana on November 6, 2018. The scope of this paper will outline the provisions of the initiated statute and address some of the practical consequences for municipalities while raising concerns that local governmental officials should be prepared to confront. It is assumed that the reader has a working knowledge of both the Michigan Medical Marihuana Act (MMMA), MCL 333.26421 *et seq.*, and in particular the Michigan Marihuana Facilities Licensing Act (MMFLA), MCL 333.27101 *et seq.*

While the initiated law, titled the Michigan Regulation and Taxation of Marihuana Act (MRTMA), uses some of the same terms found in the MMFLA, the language between the two Acts is not consistent. This circumstance alone, as well as other features of the initiated statute, requires a thoughtful and thorough review of the language adopted by Michigan voters and its potential impact at the local municipal level.

At its core, the MRTMA authorizes the possession and nonmedical use of marihuana by individuals 21 years of age and older, while establishing a regulatory framework to control the commercial production and distribution of marihuana outside of the medical context. While the regulatory scheme of the MRTMA is similar to that of the MMFLA, it also differs in significant ways.



When would the proposed law become effective if approved?

Under the provisions of Article II, § 9 of the Michigan Constitution, an initiated law takes effect 10 days after the official declaration of the vote. The State Board of Canvassers met on November 26 and certified the November 6 election results, so the effective date of the law will be December 6, 2018. The immediate effect of the law authorizes individuals age 21 and older to openly possess a small amount of marihuana and marihuana concentrate on their person, and possess and grow a larger amount of marihuana at their residence. Given the relatively short period to adjust to the change in the legal status of marihuana in Michigan, law enforcement officers should be provided training in advance of this change in the law so as to avoid claims of false arrest and allegations of Fourth Amendment unlawful search violations. This becomes particularly acute for law enforcement agencies that use drug-sniffing dogs that were trained to detect marihuana. Those animals will likely have to be retired from service as they cannot be relied upon to provide probable cause to support a search. Additionally, officers will have to deal with how to handle marihuana discovered in the course of a search incident to an arrest for another offense.

Another constitutional feature of a voter-initiated law is that it can only be amended by a vote of the electors or by $\frac{3}{4}$ vote of each house of the Legislature. This likely makes amending the statute difficult, but not impossible, as the MMMA has been amended at least twice since its adoption by the voters in 2008.

As for the actual licensure of businesses authorized to grow, process, and sell recreational marihuana, the Act requires that the Michigan Department of Licensing and Regulatory Affairs (LARA) begin accepting applications for state-issued licenses no later than a year after the effective date of the law and issue the appropriate license or notice of rejection within 90 days. (MRTMA § 9) Unlike the MMFLA, there is not a specific licensing board created to review and grant recreational marihuana establishment licenses. Given the deliberate speed of LARA and the Medical Marihuana Licensing Board in processing and authorizing licenses under the MMFLA, it is an open question whether the statutory deadline will be met. If it can't, then

the burden of licensing recreational marihuana establishments will fall to local municipalities, because the MRTMA specifically provides that if LARA does not timely promulgate rules or accept or process applications, "beginning one year after the effective date of this act," an applicant may seek licensure directly from the municipality where the marihuana business will be located. (MRTMA § 16)

Under this scenario, a municipality has 90 days after receipt of an application to issue a license or deny licensure. Grounds for denial of a license are limited to an applicant not being in compliance with an ordinance whose provisions are not "unreasonably impracticable," or a LARA rule issued pursuant to the MRTMA. If a municipality issues a license under these circumstances, it must notify LARA that a municipal license has been issued. The holder of a municipally-issued license is not subject to LARA regulation during the one-year term of the license; in other words, the municipality becomes the sole licensing and regulatory body for recreational marihuana businesses in the community in this circumstance. Any ordinance seeking to regulate recreational marihuana businesses should be drafted with the potential for this circumstance in mind.

What does the initiated statute seek to do?

The purposes actually stated in the MRTMA are many and varied. In addition to legalizing the recreational use of marihuana by persons 21 years and older, the statute 1) legalizes industrial hemp (cannabis with a THC concentration not exceeding 0.3 percent), and 2) licenses, regulates, and taxes the businesses involved in the commercial production and distribution of nonmedical marihuana. According to Section 2 of the statute, the intent of the law is to:

- prevent arrest and penalty for personal possession and cultivation of marihuana by adults 21 years of age and older;
- remove the commercial production and distribution of marihuana from the illicit market;
- prevent revenue generated from commerce and marihuana from going to criminal enterprises or gangs;
- prevent the distribution of marihuana to persons under 21 years of age;

- prevent the diversion of marihuana to illicit markets;
- ensure the safety of marihuana and marihuana infused products; and
- ensure the security of marihuana establishments.

Whether the MRTMA will actually live up to all of these intentions is open to question as many of the areas mentioned are not directly addressed in the law. For instance, since the establishments that will be authorized to grow, process, and sell recreational marihuana will not be licensed until early 2020, how is it that individuals can lawfully obtain and possess marihuana upon the effective date of the Act?

What the statute permits

Under Section 5 of the MRTMA, persons 21 years of age and older are specifically permitted to:

- possess, use, consume, purchase, transport, or process 2.5 ounces or less of marihuana, of which not more than 15 grams (0.53 oz.) may be in the form of marihuana concentrate;
- within a person's residence, possess, store, and process not more than a) 10 ounces of marihuana; b) any marihuana produced by marihuana plants cultivated on the premises; and c) for one's personal use, cultivate up to 12 plants at any one time, on one's premises;
- give away or otherwise transfer, without remuneration, up to 2.5 ounces of marihuana except that not more than 15 g of marihuana may be in the form of marihuana concentrate, to a person 21 years of age or older as long as the transfer is not advertised or promoted to the public (registered medical marihuana caregivers and patients will be able to "give away" marihuana to non-patients);
- assist another person who is 21 years of age or more in any of the acts described above; and
- use, manufacture, possess, and purchase marihuana accessories and distribute or sell marihuana accessories to persons who are 21 years of age and older.

Although not a direct concern of municipalities, law enforcement and social service agencies need to be cognizant that the Act specifically provides that "a person shall not be denied custody of or visitation with the minor for conduct that is permitted by the Act, unless the person's behavior such that it creates an unreasonable danger to the minor they can be clearly articulated and substantiated." MRTMA § 5. Exactly what this phrase means will likely be a source of litigation in the family division of the circuit courts.

The possession limits under the MRTMA are the most generous in the nation. Most other states that have legalized marihuana permit possession of only one ounce of usable marihuana, 3.5g to 7g of concentrate, limit the number of plants to six, and do not permit possession of an extra amount within one's residence. An additional concern arises as to how these limits will be applied. It will be asserted that the limits are per every individual age 21 or older who resides at the premises. So, the statutory permissible possessory amounts are ostensibly doubled for a married couple and quadrupled or more for a group of college students or an extended family sharing a residence. While this same concern is also present under the MMMA, the quantity of marihuana permitted to be possessed under the MMMA is significantly less than under the MRTMA, and lawful possessors (patients and caregivers) are required to be registered with the State.

What is "Not Authorized" under the statute

The initiated law does not set forth outright prohibitions, but instead cleverly explains what the "act does not authorize." Specifically, under the terms of Section 4 of the MRTMA, one is not authorized to:

- operate while under the influence of marihuana or consume marihuana while operating a motor vehicle, aircraft, snowmobile, off-road recreational vehicle, or motorboat, or smoke marihuana while in the passenger area of the vehicle on a public way;
- transfer marihuana or marihuana accessories to a person under the age of 21;

- process, consume, purchase, or otherwise obtain, cultivate, process, transport, or sell marihuana if under the age of 21;
- separate plant resin by butane extraction or other method that utilizes a substance with the flashpoint below 100° Fahrenheit in any public place motor vehicle or within the curtilage of any residential structure (This prohibition is broader than the one limited solely to butane extraction found in the MMMA.);
- consume marihuana in a public place or smoke marihuana where prohibited by a person who owns occupies or manages property; however, a public place does not include an area designated for consumption within the municipality that has authorized consumption in a designated area not accessible to persons under 21 years of age;
- cultivate marihuana plants if plants are visible from a public place without the use of binoculars, aircraft, or other optical aids; or; outside of an enclosed area equipped with locks or other functioning security devices that restrict access;
- possess marihuana accessories or possess or consume marihuana on the grounds of a public or private school where children attend preschool, kindergarten, or grades one through 12; in a school bus; or on the grounds of any correctional facility; and
- possess more than 2.5 ounces of marihuana within a person's place of residence unless any excess marihuana is stored in a container or area equipped with locks or other functioning security devices that restrict access to the contents of the container or area.

MRTMA § 4.5 then provides that “All other laws inconsistent with this act do not apply to conduct that is permitted by this act.” This general statement does not provide for a total repeal of existing marihuana laws, but its lack of specificity to other statutes being impacted, something that the Legislative Service Bureau helps the Legislature avoid, may portend problems in its application.

Differences in terminology between statutes addressing medical and recreational marihuana

The MRTMA does not neatly fit with the MMMA. It provides at Section 4.2 that it “does not limit any privileges, rights, immunities or defenses of a person as provided” by the MMMA. This raises the question whether registered patients and caregivers may lawfully possess marihuana exceeding the amounts permitted under the MMMA. However, this may become a moot point, since in all probability, once the commercial provisions of the MRTMA are fully in operation, the number of registered patients and caregivers under the MMMA could reasonably be expected to drop significantly, as its practical application would largely be limited to registered patients under the age of 21 and their caregivers.

Additionally, the MRTMA references the MMFLA at several places. In addition to the “does not limit” language referenced above, the statute at § 9.6 provides that for the first 24 months after LARA begins accepting applications for marihuana establishment licenses, only those persons holding a MMFLA license may apply for a retailer, processor, class B or class C grower, or secure transporter license issued under the MRTMA. And § 8.3(c), is broadly worded so as to preclude LARA from promulgating rules which prohibit a recreational marihuana establishment from operating at a shared location with a licensed medical marihuana facility.

The lack of consistency between the statute addressing medical marihuana and the recreational marihuana statute is reflected in the following chart.

Key Differences between Medical Marihuana and Proposed Recreational Marihuana Statutes

	MMFLA	MMMA	Proposed MRTMA
Grower Limits			
Class A	500 plant limit		100 plant limit (limited to Michigan residents for first two years)
Class B	1000 plant limit		500 plant limit
Class C	1500 plant limit; stackable		2000 plant limit; not clear if stackable
Microbusiness	-----		150 plant limit (limited to Michigan residents for first two years)
Secure Transporter	Required to move marihuana between licensed facilities; may move money		No specific requirement to use; no authority to transport money
Compliance with Marihuana Tracking Act	Required		No reference or requirement
Plant Resin Separation	-----	Butane extraction prohibited in a public place, motor vehicle, or inside a residence or within curtilage of a residential structure or in a reckless manner	Butane extraction or another method that utilizes a substance with a flashpoint below 100° F prohibited in a public place, motor vehicle, or within curtilage of any residential structure
Possession Limits			
Registered Patient (18 years and older, but can be less than 18)		2.5 oz. useable marihuana and 12 plants*	
Registered Caregiver (five patient limit)		2.5 oz. useable marihuana and 12 plants per patient*	

Key Differences between Medical Marihuana and Proposed Recreational Marihuana Statutes

	MMFLA	MMMA	Proposed MRTMA
Possession Limits			
Other Persons (21 years and older under MRTMA)		Not permitted	(a) 2.5 oz. of marihuana, of which not more than 15 grams may be concentrate; (b) 10 oz. secured within one's residence; (c) any amount produced by plants cultivated on the premises; and (d) 12 plants
Inconsistent Terms			
Licensed marihuana businesses	marihuana facility		marihuana establishment
Equipment to grow, process or use marihuana	paraphernalia		marihuana accessories
Business that sells marihuana	provisioning center		marihuana retailer
Certain parts of marihuana plant	Usable marihuana and usable marihuana equivalencies		Term not used
Marihuana-infused products	Excludes products consumed by smoking; exempts products from food law		Does not exclude products consumed by smoking or provide food law exemption
Enclosed, locked facility		Specifically defined to address a structure, an outdoor grow area, and motor vehicles	Container or area within a person's residence equipped with locks or other functioning security device that restricts access to the area or container's contents
Limitations on scope of local regulation	Purity, pricing or conflict with MMFLA or LARA rules		"Unreasonably Impracticable" or conflict with MRTMA or LARA rules

Key Differences between Medical Marihuana and Proposed Recreational Marihuana Statutes

	MMFLA	MMMA	Proposed MRTMA
Inconsistent Terms			
Property rights	License is a revocable privilege, not a property right; facilities subject to inspection and examination without a warrant		Not addressed
Zoning	Municipalities specifically authorized to zone, but growers limited to industrial, agricultural or unzoned areas	Municipalities may not limit caregiver operations to residential districts as a "home occupation" <i>Deruiter v Byron Twp.</i> (July 2018) and <i>Ypsilanti Twp. v. Pontius</i> (Oct. 2018)	Municipal regulation limited to: (a) reasonable sign restrictions; (b) time, place and manner of operation of marihuana establishments and the production, manufacture, sale and display of marihuana accessories; and (c) authorizing sale of marihuana for consumption in designated areas or at special events
License eligibility			
Elected officials and governmental employees	Not eligible		Not addressed
Felony or controlled substance felony within past 10 years or misdemeanor conviction for controlled substance violation or dishonesty theft or fraud within past five years	Not eligible		A prior conviction for a marihuana-related offense does not disqualify an individual unless offense involved distribution of a controlled substance to a minor
Taxation	3 percent on gross retail receipts of provisioning centers		10 percent on sales price for marihuana sold or transferred by marihuana retailers and micro businesses

*Under § 8 of the MMMA a patient and patient's caregiver may also collectively possess a quantity of marihuana that is not more than reasonably necessary to ensure an uninterrupted availability of marihuana for the purpose of treatment.

There also appears to be some inconsistency within the MRTMA itself. Section 6.1 permits a municipality to "completely prohibit or limit the number of (recreational) marihuana establishments within its boundaries." However, §6.5 provides that a municipality may not prohibit a recreational marihuana grower, processor, and retailer from: 1) operating within a single facility; or 2) "*operating at a location shared with a marihuana facility operating pursuant to the (MMFLA).*" (Emphasis supplied) The italicized phrase has been interpreted by some marihuana advocates as precluding a community that opted in to the MMFLA from opting out of the MRTMA since to do so would prevent recreational establishments from co-locating in a medical marihuana facility, which is prohibited. However, this argument overlooks the clear grant of authority at §6.1 permitting a municipality by either legislative action or initiative ballot from completely prohibiting recreational marihuana establishments. The real concern with §6 is for those communities that permit both recreational and medical marihuana businesses. The plain language at §6.5 seemingly permits the more intensive grower (which under the MMFLA is restricted to industrial, agricultural or unzoned areas) and processing operations to share a location with marihuana businesses more conducive to being located in commercial or office zoning districts. A legislative fix may be needed to clarify that only analogous medical and recreational marihuana businesses can be co-located.

What may a municipality do?

Unlike the MMFLA, where municipalities must "opt in," under the MRTMA, a municipality must "opt out." The proposed statute permits a municipality to "completely prohibit" or "limit the number of marihuana establishments." Given the language used in Section 6 of the MRTMA, a municipality should not rely upon prior ordinances or resolutions adopted in response to the MMFLA, but should affirmatively opt out of the MRTMA or limit the number of marihuana establishments by ordinance, not by resolution. Further, petitions containing the signatures of qualified electors of the municipality in an amount greater than five percent of votes cast for governor in the most recent gubernatorial election, may initiate an ordinance to completely prohibit or provide for the number of marihuana establishments within the municipality.

The initiative language in the MRTMA is problematic. Given the wording, it cannot be assumed that voters can initiate an ordinance to "opt in" should the local governing body choose to exempt the municipality from the Act. Rather, the initiative options are either to "completely prohibit" or "limit the number" of marihuana establishments. It is an open question whether the initiative authority to provide for the number of establishments could be an avenue for voters to override the local governing body's action to "opt out" of the statute. Additionally, the vague wording of the statute leaves it open to question as to whether an initiative providing for the number of marihuana establishments must (or should) set forth proposed numbers or limits for each separate type of marihuana establishment or whether the limit on establishments is collective in nature. Logic would favor the former, but the statute is not precise.

Not opting out of the recreational marihuana statute will impact existing medical marihuana facilities in a municipality because for the first 24 months of the Act, only persons holding a MMFLA license (in any community where such is permitted) may apply for a recreational retailer, class B or C grower, or secure transporter license under the MRTMA unless after the first 12 months of accepting applications LARA determines that additional recreational marihuana establishment licenses are needed. MRTMA §9.6.

A municipality choosing not to opt out of the MRTMA may adopt certain other ordinances addressing recreational marihuana and recreational marihuana establishments provided that they “are not unreasonably impractical” and do not conflict with the Act or any rule promulgated pursuant to the Act. The statutory definition of the redundant term “unreasonably impracticable,” found at Section 3(u), almost begs to be litigated. As defined by the initiated statute, the term means:

“that the measures necessary to comply with the rules or ordinances adopted pursuant to this act subject licensees to unreasonable risk or require such a high investment of money, time, or any other resource or asset that a reasonably prudent business person would not operate the marihuana establishment.”

Unfortunately, given that the possession, cultivation, processing, and sale of marihuana remains a crime under federal law, how does one assess an “unreasonable risk” or determine what constitutes such a high investment of time or money so as to deter a reasonably prudent business person from going forward? Further, does this definition remove the judicial deference and presumption of reasonableness that accompanies ordinances? The term “unreasonably impractical” was taken directly from Colorado law, and as of this writing, it does not appear to have been construed by an appellate court in that State. As an aside, would “reasonably impracticable” regulations be acceptable?

Specifically, an ordinance may establish reasonable restrictions on public signs related to marihuana establishments; regulate the time, place, and manner of operation of marihuana establishments, as well as the production, manufacture, sale, or display of marihuana accessories; and, authorize the sale of marihuana for consumption in designated areas that are not accessible to persons under 21 years of age or special events in limited areas and for a limited time. A violation of ordinances regulating marihuana establishments is limited to a civil fine of not more than \$500. MRTMA § 6.2.

However, some of these regulatory authorizations are problematic. For instance, the ability to establish reasonable restrictions on public signs related to recreational marihuana, being content-based, likely runs afoul of the holding in *Reed v. Town of Gilbert*, 135 S.Ct. 2218 (2015). Further, the MRTMA does not, unlike the MMFLA, specifically authorize a municipality to exercise its zoning powers to

regulate the location of marihuana establishments. Rather, the MRTMA authorizes ordinances that “regulate the time, place, and manner of operation of marihuana establishments.”

The use of the time, place, and manner First Amendment test on the ability of government to regulate speech is ill-suited and inappropriate to the licensure and regulation of local businesses. One cannot help but believe that the choice of the time, place, and manner language was an intentional effort so as to permit marihuana establishments to heavily borrow from established legal precedent that largely circumscribes the ability of governmental authorities to restrict speech. Specifically, valid time, place, and manner type of restrictions must:

1. be content neutral;
2. be narrowly tailored to serve a significant governmental interest; and
3. leave open ample alternative channels for communication.

Ward v. Rock Against Racism, 491 U.S. 781, 791 (1989) citing *Clark v. Community for Creative Non-Violence*, 468 U.S. 288, 293 (1984)

The above formulation is not consistent with Michigan zoning law doctrine, which, although subject to the due process and equal protection guarantees of the Fourteenth Amendment, generally requires that there be a reasonable governmental interest being advanced by the regulation. See *Charter Township of Delta v. Dinolfo*, 419 Mich 253, 268 (1984). To this end, the only clear reference to the zoning power in the MRTMA is the grant to municipalities to reduce the separation distance between marihuana establishments and pre-existing public and private schools providing K-12 education from 1000’ to a lesser distance.

A municipality’s ability to authorize designated areas and special events for the consumption marihuana holds the potential to give rise to specialty businesses such as in California where restaurants make marihuana-infused food and drinks available to diners.

Section 6.5 of the MRTMA specifically precludes a municipality from prohibiting the transportation of marihuana through the municipality, even though it has otherwise opted out.

If a municipality limits the number of establishments that may be licensed, and such limitation prevents LARA from issuing a state license to all applicants who otherwise meet the requirements for the issuance of a license, the MRTMA provides that “the municipality shall decide among the competing applications by competitive process intended to select applicants who are best suited to operate in compliance with the act within the municipality.” MRTMA § 9.4. This provision presents the Pandora’s Box which confronted municipalities that attempted to cap the number of licenses issued under the MMFLA. Any competitive process that seeks to determine who is “best suited” inherently has a subjective component that may expose the municipality to legal challenges based on alleged due process violations by the municipality from unsuccessful applicants asserting that the process employed was unfair on its face or unfairly administered. While there may be good reasons to limit the number of recreational marijuana establishments, any community that chooses to do so should be prepared to defend itself from challenges by unsuccessful applicants.

A municipality may adopt an ordinance requiring that marijuana establishments located within its boundaries obtain a municipally-issued marijuana establishment license; but, the annual fee for such a license is limited to \$5,000 and any qualifications for licensure may not conflict with the MRTMA or rules promulgated by LARA pursuant to the Act.

What limitations on the State are applicable to municipalities?

According to the statute, a State rule may not be unreasonably impracticable, or limit the number of any of the various types of license that may be granted, or require a customer to provide a retailer with identifying information other than to determine a customer’s age or acquire personal information other than that typically required in a retail transaction or preclude the co-location of a marijuana establishment with a licensed medical facility. MRTMA §8.3.

The State is required to issue a license under the Act if the municipality does not notify LARA that the proposed establishment is not in compliance with a local ordinance and if the proposed location is not within an area “zoned exclusively for residential use and not within 1000 feet of a pre-existing public or private school providing K-12 education.” A municipality is authorized to reduce the 1000’ separation from a school requirement. MRTMA §9.3.

Additionally, the grounds for disqualifying a license applicant based on a prior controlled substance conviction is much reduced under the MRTMA than under the MMFLA. An applicant for a medical marijuana facilities license is disqualified if they have any of the following:

- a felony conviction or release from incarceration for a felony within the past 10 years;
- a controlled substance-related felony conviction within the past 10 years; or
- a misdemeanor conviction involving a controlled substance, theft, dishonesty, or fraud within the past five years.

In contrast, under the MRTMA any prior conviction solely for a marijuana offense does not disqualify or affect eligibility for licensure unless the offense involved distribution to a minor. Thus, persons convicted of trafficking in large amounts of marijuana would be eligible for a municipal marijuana establishment license. MRTMA §8.1(c).

Additionally, LARA is precluded from issuing a rule and municipalities may not adopt an ordinance requiring a customer to provide a marijuana retailer with any information other than identification to determine the customer’s age. MRTMA §8.3(b). In this regard, the MRTMA provides an affirmative defense to marijuana retailers who sell or otherwise transfer marijuana to a person under 21 years of age if the retailer reasonably verified that the recipient appeared to be 21 years of age or older by means of government issued photographic identification containing a date of birth. MRTMA §10.2.

There are also limitations on holding ownership interests in different types of facilities. Owners of a safety compliance facility or secure transporter may not hold an ownership interest in a grower, or processor, or retailer, or microbusiness establishment. The owner of a microbusiness may not hold an interest in a grower, or processor, or retailer, safety compliance, or secure transporter

establishment. And a person may not hold an interest in more than five marihuana growers or more than one microbusiness, unless after January 1, 2023 LARA issues a rule permitting otherwise. MRTMA §9.3.

Finally, for the first 24 months after LARA begins accepting applications for licensure, only persons who are residents of Michigan may apply for a Class A grower or microbusiness license and to be eligible for all other licenses, persons must hold a State operating license pursuant to the MMFLA. MRTMA §9.6.

What if the State fails to act in a timely fashion?

If the State does not timely promulgate rules (despite the Act not providing when those must be issued) or accept or process applications within 12 months after the effective date of the Act, an applicant may submit an application for a recreational marihuana establishment directly to the municipality where the business will be located. MRTMA §16. A municipality must issue a license to the applicant within 90 days after receipt of the application unless the municipality determines that the applicant is not in compliance with an ordinance or rule adopted pursuant to the Act. If a municipality issues a license, it must notify the department that the license has been issued. That municipal license will have the same force and effect as a State license but the holder will not be subject to regulation or enforcement by the State during the municipal license term. It is unclear whether, if the State puts in place a licensing system during the term of a municipal license, the establishment can be required to seek State licensure or is merely required to renew the license with the municipality.

Municipality as an employer or landlord

The MRTMA does not require that an employer permit or accommodate conduct otherwise allowed by the Act in the workplace or on the employer's property. The Act does not prohibit an employer from disciplining an employee for violation of a workplace drug policy or for working while under the influence of marihuana. Nor does the Act prevent an employer from refusing to hire a person because of that person's violation of a workplace drug policy. MRTMA §4.3. In this regard, the statute appears to codify the holding of *Casias v. Wal-Mart Stores, Inc.*, 764 F Supp 2d 914 (WD Mich 2011) *aff'd*, 695 F3d 428 (6th Cir 2012) permitting a private employer to discharge an employee who as a registered patient under the MMMA used marihuana outside of work hours, was not under the influence while at work, but tested positive after suffering an injury while at work. However, note should be taken that in *Braska v. Challenge Manufacturing Co.*, 307 Mich App 340; 861 NW2d 289 (2014) the Court determined that under the terms of the MMMA, employees discharged from employment solely on the basis of positive drug tests for marihuana were not disqualified from receiving unemployment benefits.

In the event that a municipality has created a housing commission, or otherwise provides housing or otherwise leases property and therefore acts as a landlord, the MRTMA permits the lessor of property to prohibit or otherwise regulate the consumption, cultivation, distribution, processing, sale, or display of marihuana and marihuana accessories on leased property, except that a lease agreement may not prohibit a tenant from lawfully possessing and consuming marihuana by means other than smoking. MRTMA §4.4.



Municipal share of Marihuana Excise Tax Fund

Under the terms of the MMFLA, municipalities (cities, villages, and townships) in which a medical marihuana facility is located get a *pro rata* share of 25 percent of a medical marihuana excise fund created by the imposition of a 3 percent tax on gross retail sales at provisioning centers. However, under the terms of the MMFLA, if a law authorizing the recreational or nonmedical use of marihuana is enacted, the tax on medical marihuana sales sunsets 90 days following the effective date of the new law. MCL 333.27601. Thus by early March 2019, the excise tax just beginning to be collected by provisioning centers under the MMFLA will be repealed.

The MRTMA seeks to fill the gap created by the loss of the 3 percent excise tax under the MMFLA by creating marihuana regulation fund through the imposition of a 10 percent excise tax (which would be in addition to the 6 percent sales tax) on the sales price of marihuana sold or otherwise transferred by a marihuana retailer or microbusiness to anyone other than another marihuana establishment. However, the sale to be allocated to municipalities is reduced to 15 percent and before any money is provided to cities, villages, and townships in which a marihuana retail store or microbusiness is located, the State is made whole for its implementation, administration, and enforcement of the Act—and until 2022 or for at least two years, \$20 million from the fund must be annually provided to one or more clinical trials approved by the FDA that are researching the efficacy of marihuana in the treatment of U.S. armed services veterans and preventing veteran suicide. MRTMA §14.

The net effect for municipalities could result in more money under the MRTMA than under the MMFLA. This is because: a) the tax rate levied is over three times higher under the MRTMA (10 percent v. 3 percent); b) there is a larger pool of potential consumers (registered patients and caregivers v. all persons aged 21 and older); and c) the allocation to municipalities under the MRTMA is based on the number of marihuana retail stores and micro businesses as opposed to all types of marihuana facilities under the MMFLA. However, if a municipality does not permit recreational

marihuana retail establishments, it will not receive any revenue under the MRTMA, but will still have to deal with the social consequences of marihuana use.

The following table illustrates the differences between the two statutory approaches based on assumption of \$1 billion in annual gross sales, State regulatory expenses being recouped by applicable fees, and a municipality having one percent of the total number of medical marihuana facilities or recreational retail businesses.

	MMFLA	MRTMA
Annual Gross Retail Sales	\$1,000,000,000	\$1,000,000,000
Applicable Excise Tax Rate	3 percent	10 percent
Amount of Excise Tax Fund	\$30,000,000	\$100,000,000
Less Allocation for Veterans' Health Research until 2022	<div> <div>0</div> <div>\$30,000,000</div> </div>	<div> <div>-\$20,000,000</div> <div>\$80,000,000</div> </div>
Percentage Allocated to Municipalities	25 percent	15 percent
Amount Available for Municipalities	\$7,500,000	\$12,000,000
1 percent of facilities or retail establishments in municipality	\$75,000	\$120,000

Seemingly to convince voters to approve the MRTMA, 35 percent of the marihuana regulation fund will be allocated to the school aid fund for K-12 education and another 35 percent to the Michigan transportation fund for the repair and maintenance of roads and bridges. Unlike the MMFLA, which allocated 15 percent split equally (5 percent each) between county sheriffs where a marihuana facility was located, the Commission on Law Enforcement Standards for Officer Training, and to the State Police, there is no allocation directly to law enforcement purposes under the MRTMA.

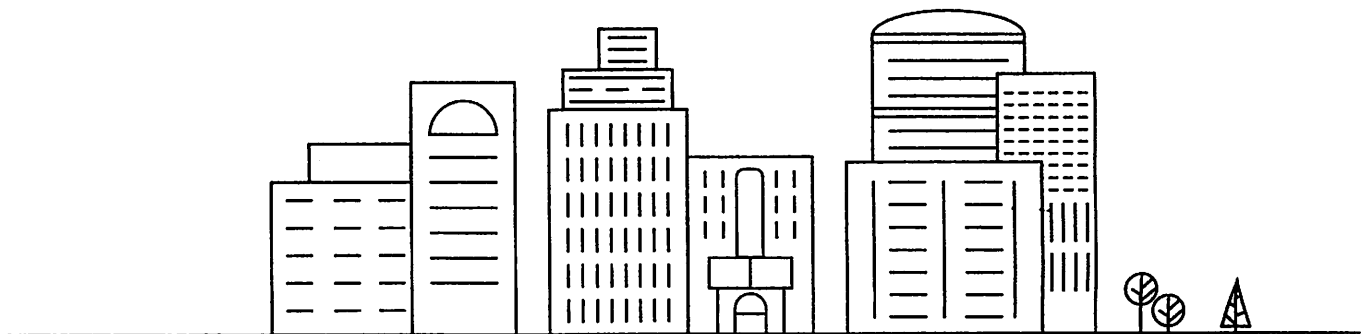
Conclusion

As challenging as it was for municipalities to come to grips with medical marihuana regulation under the MMFLA, the difficulties posed by the proposed MRTMA regarding recreational marihuana are likely to be significantly greater. Under the MMFLA, many municipalities took a “wait and see” position on the issue of broad commercialization of medical marihuana, which only required that the governing body of the municipality do nothing. And for those municipalities that chose to “opt in,” the MMFLA granted them a great deal of regulatory discretion, which some representatives of the marihuana industry have called “onerous” [Langwith, “Local Overreach”, 97 Mich B J 36, 37 (August 2018)], so as to reasonably safeguard the public safety, health, and welfare.

The MRTMA on the other hand, requires a municipality to affirmatively take legislative action to “opt out” of regulating recreational marihuana commercial enterprises. For those municipalities that choose to permit recreational marihuana establishments to exist in the community, the regulatory framework is much more circumscribed than under the MMFLA, and is certainly more likely to raise legal issues. Fortunately, commercialization of recreational marihuana is at least a year away, and by that time the State regulatory framework for medical marihuana will have been in place for nearly two years.

Apart from the commercialization of recreational marihuana, municipal law enforcement officials and officers will be required to know the new rules surrounding “legalized” marihuana within days of the election. At a minimum, county and municipal prosecutors should be ready to provide training on the law in early November. It is also likely that defendants who committed marihuana offenses prior to November 6 will seek dismissal of those charges given the approval of the ballot proposal. Several county prosecutors have been reported as being willing to dismiss pending marihuana possession charges issued before the election if the alleged conduct falls within the scope of the initiated law.

In the meantime, municipal attorneys would be well-advised to read through the initiated statute more than once and be prepared to advise their clients of the significant ramifications of legalized marihuana on local governmental and social services.





Recreational Marihuana Q&A



michigan municipal league

Updated February 5, 2019

MMMA –	Michigan Medical Marihuana Act, patient/caregiver model
MMFLA –	Medical Marihuana Facilities Licensing Act, medical facilities licensed by the State and located in municipalities that opt in
MRTMA –	Michigan Regulation and Taxation of Marihuana Act, recreational (non-medical) marihuana businesses to be licensed by the State and located in municipalities that do not opt out
LARA –	State of Michigan Department of Licensing and Regulatory Affairs, department responsible for rule making and licensing of marihuana

complete prohibition of recreational commercial establishments by voter initiative.

Q4: May municipalities opt out of the MRTMA now and opt in later? What about the reverse: opt in now and opt out later?

A. Yes, you can opt out now and opt in later. You can change your mind and later revise your ordinance. Opting out after opting in is likely more problematic. The licenses are for one year only, though. A lawfully licensed and established recreational marihuana business which is not in violation of any regulation might argue that it should be permitted to continue to operate as a non-conforming use, or that by prohibiting its continued operation that such amount to a unconstitutional regulatory taking. However, Federal courts would not likely recognize that form of “taking” in the context of marihuana due to it being an unlawful Schedule 1 substance, since one might have a recognizable “reasonable investment backed expectation” by trading in an unlawful substance.

Opting In/Opting Out

Q1: If a municipality chooses to do nothing in response to the new recreational MRTMA law, how will the law affect it?

A. If you do nothing, then you are effectively “opting in” to permit recreational marihuana commercial businesses.

Q2: What is the timeline for a municipality to opt out?

A. Applications for recreational marihuana business licenses will begin to be accepted on December 6, 2019. Under the terms of the MRTMA, LARA has one year from the date of the November 2018 election certification to prepare. However, there is word that Governor Whitmer would like the timing fast-tracked to perhaps as early as June 2019.

Q3: How does a municipality opt out?

A. Although the statute doesn’t provide language for municipalities opting out, nor how to do it, since ordinances are mentioned in the statute you are likely better protected if you opt out by ordinance rather than resolution. Additionally, the MRTMA permits the

Q5: Does a village have to opt out of both the MMFLA and MRTMA, or just recreational? We don't want either.

A: The MRTMA requires an opt out. The MMFLA does not—medical marihuana facilities can only locate in your municipality if you opt in.

Q6: Our municipality didn't do an ordinance to opt out but instead recently passed a Resolution setting a “moratorium” on recreational marihuana businesses in our community until December 31, 2019. We wanted time to do more research, let State of Michigan establish rules, regs, etc. Are we vulnerable to allowing marihuana businesses to come in since we didn't opt out?

A. While moratoria are generally not favored by courts, they are not unlawful either. It is recommended that a moratorium not last any longer than one year, and a six-month term, even if extended by another 6-month term is likely preferred, so long as the community is actively working on defining the issues and working on options as to how to best address the issues.

Q7: Can municipalities decide to allow only microbusinesses?

A. The statute isn't clear on this, but we think the answer may be a "qualified yes" since the language of the MRTMA permits a municipality to "provide for the number of marihuana establishments." Ostensibly, a community could solely provide for a certain number or perhaps an unlimited number of micro businesses but provide that no other types of recreational marihuana establishment be permitted. However, given the less than certain and vague language of the statute, final guidance will likely come from the courts or clarifying legislation.

Q8. Does "prohibit" mean all, or can the municipality pick and choose the businesses and only choose some?

A: The statute is less than clear on whether municipalities can pick and choose which type of establishments they will allow. However, there is an argument for doing so. If deciding to take this type of course of action, consult with your municipal attorney for guidance.

Q9: If a township opts out, does that mean a village within that township has opted out—and the inverse as well? If township opts in is the village allowed to opt out?

A: The statute doesn't mention counties—just cities, villages, and townships. Villages are governmental entities and pass their own ordinances separate from townships.

Q10. Does the 150-plant limitation for micro business mean 150 growing plants in addition to additional plants drying?

A. No. "Cultivate" means "to propagate, breed, grow, harvest, dry, cure, or separate parts of the marihuana plant by manual or mechanical means" under the MRTMA. Since cultivation includes both growing and drying, the 150-plant limitation at any one time would include both operations.

Q11. Does a general law village need to hold public hearings on MRTMA?

A. Our zoning person thinks it's a police action, and doesn't need a hearing. Licensing is the exercise of the police power; determining where a particular business may locate is a zoning issue subject the process set forth in the Michigan Zoning Enabling Act.

Interaction with other Marihuana Statutes – MMMA and MMFLA

Q12: Can a caregiver grow recreational marijuana for his own use?

A: Probably, yes. Being a registered caregiver does not preclude one from growing recreational marihuana for yourself. There's an argument for growing 24 plants on the premises—12 plants could be grown for medical, and 12 plants for recreational.

Q13. Where do caretakers fall? Can they sell directly to consumers?

A. Under the MMMA, the patient/caregiver act, caregivers can be compensated for the costs associated with assisting their patients in the use of medical marihuana. Under the MMFLA, provisioning centers may only sell to registered caregivers and patients. Under the MRTMA, only a micro business or a marihuana retailer may sell marihuana; individuals cannot sell recreational marihuana—it can only be "gifted," so long as the transfer is not advertised or promoted to the public.

Q14. What impact would opting out of medical marijuana have on caregivers using their homes for their businesses?

A. The MRTMA will not affect the MMMA. The patient/caregiver model will continue, the same as it was before the recreational proposal was passed. However, note should be taken that the Michigan court of Appeals has ruled that municipalities may not limit caregivers to being a "home occupation" under local zoning ordinances.

Q15. If a municipality opted in to MMFLA can it keep out recreational marihuana retailing centers?

A. This is not clear in the statute. There are two schools of thought. One approach argues that given the language in the MRTMA permitting municipalities to completely prohibit recreational marihuana establishments, that even though a community has opted to permit medical marihuana facilities, it need not permit recreational marihuana businesses. The

other approach argues that since the MRTMA prohibits a municipality from adopting an ordinance which prohibits a grower, processor or retailer from operating at a location shared with a facility operating pursuant to a MMFLA license, means that a community opting in to permit medical marihuana facilities may not prohibit recreational growers, processor or retailers. The final answer will likely come from the courts. Again, consult with your municipal attorney.

Q16: Could a municipality opt in to medical establishments, but out of recreational? If so, can this be in the same ordinance, or would it have to be in two separate ordinances?

A: See the answer to the question above, but arguably a community can say yes to opt in to medical and no to recreational. Two separate ordinances would seem to be a better approach, but there is nothing that legally requires it, so it might be done with a single ordinance.

Q17: If a business has been licensed as a medical facility, must it also be licensed as a recreational facility if it applies?

A: The business would have to separately qualify for a recreational license. For the first 24 months after the State begins to accept applications, applicants for a recreational retailer, process, class B or C grower, or transporter must be licensed under the MMFLA to engage in the medical marihuana business. For the first 24 months, LARA will only accept applications from Michigan residents for licensure as a class A grower or a microbusiness. However, after one year, LARA may accept applications from anyone, if it determines that additional licenses are needed to minimize the illegal marihuana market, to efficiently meet the demand for marihuana or to provide reasonable access to marihuana in rural areas of the State.

Q18: Has the \$5,000 municipal licensing fee (under the MMFLA) been challenged (if municipality is not even doing fire inspections, etc.)?

A: You must be able to demonstrate that the cost of enforcement and administering of the law is costing the local government approximately \$5,000. If those costs are substantially less than \$5000, the fee needs to be reduced to reflect the actual cost of those services.

* Kalamazoo requires an upfront application fee for its medical marihuana licenses but refunds a portion of the application fee for those who didn't get a license.

Licensing

Q19: When will LARA start issuing licenses?

A: Under the MRTMA, LARA has one year from the law's effective date of December 6, 2018 to put its regulatory framework in place and begin to accept applications. But indications are that Governor Whitmer would like LARA to start accepting applications as early as the summer of 2019. If the State isn't ready by December 2019, then municipalities are on the front line—businesses can come to your community and ask for a license. Your municipality becomes the regulatory agency for a year, not the State.

Q20: Can municipalities license and regulate businesses ahead of the State?

A: Only in the circumstances where the State does not begin accepting applications in December 2019. Otherwise the MRTMA says that a business needs a State license first. Once get State license then can get municipal license (if municipality wants to license, don't have to). It is ill-advised to regulate before a State license is issued. Municipalities will be the regulatory agency IF, after one year, the State hasn't put in a regulatory framework.

Q21: What are the pros and cons of a municipality deciding to license marihuana?

A: LARA will come up with rules but will not decide anything about zoning (where businesses can be located) and hours of operation, for instance. So, zoning needs to be addressed at the local level, regardless. Licensing at the local level may permit greater ability to inspect and monitor recreational marihuana businesses, but the ability for law enforcement inspections under the MRTMA is not as broad as under the MMFLA. Additionally, if the municipality seeks to limit the number of licensed recreational marihuana establishments, it must employ a "competitive process intended to select applicants who are best suited to operate in compliance with (the MRTMA) within the municipality." Unfortunately, the statute provides no other guidance as to what that process should look like so as to provide a safe harbor; as a result, this may

put municipalities at risk of lawsuits from applicants who do not receive a license.

Q22: Will LARA regulate how many licenses in one municipality, such as liquor licenses?

A: No.

Q23: Will a village with 10 empty buildings be forced to potentially allow 10 if they allow one?

A: It depends on whether the village chooses to limit the number of establishments and how its zoning ordinance is written regarding the applicable zones where the various types of marihuana establishment are permitted to operate, along with separation distances from schools and residential zones.

Q24: Can you charge an application fee along with the annual license—for example, a \$2,500 application fee? This is done in Colorado with many communities.

A: The statute is silent on this. The \$5,000 fee set forth in the MRTMA is for administration (and enforcement) costs—seems like processing an application would be included in this fee. Also, keep in mind that an administrative fee must approximate the actual cost of providing the service; otherwise it is an unlawful tax. It is also not a good idea to follow another state's process since the underlying statutory authority is likely to be different from that in the Michigan law.

Q25: Are the licensing restrictions applicable for the first 24 months after the effective date of the Act, or first 24 months after LARA's rules and regulations are released?

A: 24 months from effective the date of Act (December 6, 2019,)

Q26: If a municipality does have a license fee of up to \$5,000, what types of expenses CAN it go toward for enforcement? (Since the new law doesn't allow for inspections like officers do routinely for liquor).

A: Anything your municipal clerk, law enforcement agency, or inspections staff does to review the application, the applicant, or proposed site of the business. Then once the business is established, if you can demonstrate that that these businesses generate complaints or more calls for services so as to

demonstrate the need for increased resources, then those costs ought to be included as well so as to demonstrate the need to charge up to \$5,000 as a fee.

Q27: It seems this will cost villages a bit to get their lawyer/zoning official up to speed on this. Couldn't an argument be made that the \$5,000 is used to help recoup upfront costs?

A: Probably. Legal services associated with administration and enforcement would be part of a legitimate argument to support the amount of the fee.

Effects of Opting In

Q28: If a municipality opts in is it required to have 24-7 police support?

A: No. Police support is not required by this new Act.

Q29: If a municipality opts in, how will that effect eligibility for federal/State grants? If a municipality is getting federal grant money, won't the federal government deny it because you allow recreational marijuana?

A: You will have to look at the language of the grants—for instance, is there language on maintaining a drug free work place or anything like that. Certain municipal employees who are federally-grant funded, could be made subject to a zero-tolerance drug policy. Otherwise you are probably OK. If the grant language poses a problem, municipality might consider whether the federal government is co-opting local and State government to carry out federal drug policy? Several communities have successfully challenged law enforcement grants that require compliance with federal immigration law by the local municipality. The issue is currently in litigation in several federal courts.

Q30: May the municipality increase the distance from preexisting schools to further than 1,000 feet?

A: 1,000 feet is the limitation set forth in the MRTMA You would likely get challenged if you increased the distance. 1,000 feet is a standard under both Michigan and federal Drug-Free School Zone laws. It should be noted that the MRTMA permits a municipality to reduce the distance requirement.

Miscellaneous

Q.31: What can a city do if a citizen calls and says his neighbor is selling marihuana out of his home?

A. Not much. This would be very hard to prove. Marihuana has been decriminalized—now a civil infraction.

Q.32: Can home growers sell their marihuana?

A. No, the recreational statute says that it may be “gifted,” but not sold. Caregivers, under the MMMA, can get paid as recompense for the cost of providing the service/product.

Q.33: Since people can’t “sell” recreational marihuana, can they sell other things, such as t-shirts or \$75 and give a “gift” baggie of marihuana as a thank-you, like we’ve seen in other States?

A. A real possibility. That is already happening in Michigan—there is a company that is selling and delivering chocolate and the driver is giving away free pot to those that purchase chocolate. This practice will likely be challenged. It will be up for the courts to decide.

Q.34: Can you clarify if it is 12 plants per person per household or 12 plants per household?

A. 12 Plants per person over 21 in the household. That said, there may be argument to assert that it is a 12 plant per premises limit. The MRTMA at § 5.1 (b) says “provided that not more than 12 marihuana plants are possessed, cultivated, or processed on the premises at once,” leading to the assertion of a 12 plant per premises limit. However, the introductory language to §5.1 says “the following acts by a person 21 years of age or older are not unlawful”, and then subsection (b), begins with the phrase “within the person’s residence” before stating the 12-plant limit. Like other issues with the MRTMA, this issue of the proper interpretation of the language in question will likely be decided by the courts

Q.35: Can municipalities pass odor control ordinances?

A. This will depend on whether and to what extent LARA addresses the issue. Any local regulation may not be inconsistent with State administrative rules, but a

municipality could adopt a provision to require system to diffuse odors consistent with an applicable State rule or in the absence of a rule, look to see what the Stille DeRosset Construction Code allows you to do.

Q.36: Can tourists come to Michigan and purchase marihuana?

A. As long as they are 21 years of age or older.

Q.37: Can the DDA prohibit Marijuana establishments in the downtown district?

A: It is not likely that a DDA can do that—the municipality has authority for zoning, etc. not the DDA. A DDA is not really empowered regulate businesses. But ask your municipal attorney.

Q.38: How does CBD oil/products fit into all this? Is a store allowed to sell CBD oil if the municipality opts out?

A: CBD oil is considered a form of marihuana under the statute. To sell CBD oil, a business seeming would have to get a recreational marihuana license. However, in the lame duck session of the Legislature, several bills were adopted addressing hemp and hemp products which severely limited or prohibited local regulation. Thus, a definitive answer requires more research.

Q.39: On the subject of the taxes going toward municipalities, schools, etc. with a cash-based business, how can we be sure there is accurate reporting of the sale prices and actual income a business may have? Couldn’t they charge a steep price and only report a lesser price to avoid paying as much tax?

A: LARA (and the Michigan Department of Treasury) will probably address this issue in their rules. Most likely there will be a tracking system to track recreational seed to sale just like medical.

Q.40: Can a city charge a city sales tax on the sale of the recreational marijuana?

A. No. Michigan cities are not authorized to charge sales tax.

Q41: Has there been any input from the Michigan Building Codes Commissioner as far as ventilation requirements for odors, fire suppression requirements due to flammability concerns...can a municipality restrict an establishment based on building code issues?

A: LARA has addressed some of that in the rules for medical marihuana, so we expect similar standards will be applicable to recreational. As a municipality, you cannot be stricter than LARA rules.

Q42: It is my understanding that municipal governments cannot limit marijuana related accessory business? i.e.: hydroponic stores, smoking supplies.

A: Pipes and bongs can be used for tobacco and pipe tobacco—not specifically for marihuana. Soil and fertilizer aren't just for marihuana. The definition of "marihuana accessories" in the MRTMA states that the equipment, product, or material must be "specifically-designed" for marihuana. This language makes it very difficult for a municipality to somehow regulate or say someone violated a law because they are trading in marihuana accessories. It would have to be shown that it is exclusively designed for marihuana.

Q43: How effective is the testing of under the influence of marijuana in a motor vehicle?

A: This area is still under development. Tests can show if an individual has used marihuana, not necessarily that he or she is presently under the influence.

Q44: If a car is pulled over for speeding and the police find marihuana, what happens to the marihuana?

A: If possible, the driver can a) turn it over to person who is 21 years of age or older; or b) secure it in the motor vehicle. If those options are not available, and it is confiscated by police officers a municipality should consider requiring the individual to seek a court order for its return. Under the federal Controlled Substances Act, there is a law enforcement exception, but it is an open question whether returning marihuana in this circumstance falls within the exception. California courts say it does, while Colorado courts say that it doesn't. This issue will likely have to be decided by Michigan courts.

Q45: Are hemp products now legal in Michigan?

A: It appears so given that several pieces of recently adopted legislation addressed and legalized industrial hemp in Michigan. Consult with your municipal attorney to see how these new laws might impact your community.

Q46: Can a community pass an ordinance that the city is the only entity allowed to sell retail marijuana? A community in Oregon has done this.

A: Interesting question. More research is necessary to provide an answer.

Q47: Do you agree that a city-owned campground can prohibit recreational marijuana use inside their mobile homes?

A: The MRTMA permits a landlord to prohibit or regulate the consumption and cultivation of marihuana on rented premises, but a landlord may not prohibit a tenant from lawfully possessing or consuming marihuana other than smoking.



BOARD: City Council

MEETING DATE: May 6, 2019

PREPARED: May 1, 2019

AGENDA SUBJECT: Annual Review of Economic Development Strategy

RECOMMENDATION: That City Council hear report and provide direction to staff

Background The Economic Development Strategy was adopted by City Council on February 20, 2017 as one of the requirements of the Redevelopment Ready Communities® (RRC) certification process. The Council had identified in successive goal setting sessions that increasing tax base was the fastest way to gain back taxable values due to the Headlee Amendment and Proposal A, and the RRC program provided a framework for setting goals and defining where to encourage redevelopment.

An annual review of the Economic Development Strategy (enclosed) is an opportunity to see what progress has been made and whether new goals or strategies should be incorporated. It is also a requirement of the RRC Program.

Progress The Economic Development Strategy identifies certain metrics that will be tracked annually to evaluate progress toward established goals.

Stated primary goals of creating new private sector jobs and housing opportunities that will bring new wealth and drive economic growth in the community.

Goals accomplished by:

1. Continuing support for the City's first-class park system and downtown area that define the community's unique sense of place.
 - Parks and Recreation projects: South section of Downtown Greenway Corridor;
 - Adopted five-year Downtown Strategic Plan;
 - Downtown Streetscapes: Bay and Petoskey intersection improvements; and
 - Reconstruction of West Lake Street included a widening of sidewalk to a 10 foot multi-use path to complete the Little Traverse Wheelway link.
2. Working with developers on priority redevelopment sites to address needed housing and infrastructure such as a parking structure.
 - Number of developers/development teams staff worked with or provided information to during 2018 regarding **200 East Lake Street: 2 (New Owner in 2018)**;
 - Number of developers/development teams staff met with or provided information to during 2018 regarding **900 Emmet Street: 2**;
 - Number of developers/development teams staff met with or provided information to during 2018 regarding the **Darling Lot**: Predevelopment Assistance grant approved by MEDC/ MML.

3. Partnering with other units of government and non-profit organizations to improve our regional transportation system and address regional housing issues.
 - Emmet County created EMGO Ride and launched January, 2019;
 - Downtown Management Board expanded trolley service to Bay Harbor and Petoskey State Park;
 - Little Traverse Bay Housing Partnership held a business forum and a community dialogue on housing to provide information and obtain feedback on areas for partnership focus, including lack of supply, need for creative financing, and regulatory barriers;
 - City Council approved a PILOT to enable existing housing to remain affordable; and
 - Planning Commission reviewing possible language for accessory dwelling units to remove barriers for housing creation.

In addition, staff tracks data annually on home sales, building permits, business starts and closings, updated Census Data (American Community Survey) on population, income, poverty rates and housing data.

Action Staff is looking for input and direction from City Council on economic development goals and strategies moving forward.

at
Enclosures



City of Petoskey

Economic Development Strategic Plan

A Framework for
Creating
Businesses, Jobs
and Housing

February 20, 2017

Overview

This Economic Development Strategic Plan, hereafter referred to as the Strategy, is the result of the City of Petoskey's desire to better define and improve upon local economic conditions that affect the community and our overall economic development efforts. Stakeholder involvement in the development of this document included the Petoskey Regional Chamber of Commerce and the Downtown Management Board, as well as the Planning Commission and City Council.

The primary goal of the Strategy is the creation of new private sector jobs and housing opportunities that will bring new wealth and drive economic growth. The City will continue to vigorously pursue many economic development and redevelopment activities throughout the City. Because our economy is regional and not confined to our corporate limits we realize that there is much out of our control, but it is imperative that we leverage our strengths and capitalize on our unique opportunities to grow our piece of the economic pie. The City must also encourage, assist and partner with institutions and businesses, large and small, to achieve the same. And, while we recognize we may not have all the necessary resources to achieve every objective, we also realize we must undertake the implementation of this Strategy sooner than later.

An effective Economic Development Strategic plan should promote economic development and opportunity, foster effective transportation access, enhance and protect the environment, expand and diversify the housing stock, and balance the resources through sound management of development. The Strategy should take into account, and where appropriate, incorporate other planning efforts in the community. It should be useful as a guide for local decision making encouraging broad-based public engagement and commitment of partners.

More specifically, this Strategy will articulate a clear economic development direction providing five simple, but significant elements:

1. Articulating a vision/mission (Why do it?)
2. Defining strategy and tactics (What to do?)
3. Describing projects, initiatives, methods and means (How to do it?)
4. Identifying priorities (When to do it?)
5. Assignment of responsibility (Who will do it?)

Implementation of this Strategy will be integrated into daily operations of the City. The Strategy is supported and implemented by the active involvement of the entire City organization, including elected officials, management and all City departments. The City's employees understand the value of their contributions to the strategies and will align their work to support the City's economic growth. The City strongly recognizes the connection between an economic development strategy and a capital improvement. To this end, the City will identify capital improvement projects that are catalytic in the sense that they signal public sector support for private development in an area that may also link up with other initiatives. The City also recognizes that the high quality environment that is Petoskey takes the collective effort of the private and public sector through development processes and regulations that create a predictable expectation for excellence. Additionally, regional partners from business, education, labor, government and the community collectively play important roles in advancing the prosperity of the City.

The City of Petoskey and greater region have many economic strengths and opportunities. To fully succeed, the community must harness the City's resources and put competitive strengths to work while addressing any competitive disadvantages. With alignment, cooperation and clear direction we can fully realize our economic potential!

Economic Vision/Mission Statement

Petoskey has historically been and will continue to be a resort community. Our abundant natural resources and historically significant places are our greatest assets. We will continue to protect and enhance these assets to maintain our position as a place for economic opportunity. From traditional employment options to entrepreneurial endeavors and development opportunities, Petoskey will be a fully supportive partner in private efforts to create local and regional prosperity. Where necessary, Petoskey will take steps to help create the physical and social environment conducive to economic success and wealth creation.



Economic and Demographic Data

As a resort community within a larger regional economy, the basic demographic information provided by the U.S. Census only gives a partial picture of the Petoskey economy due to the amount of seasonal population and demand. Data from the recent City of Petoskey Master Plan update, as well as regional economic development strategies developed through Networks Northwest for the U.S. 131 Corridor Economic Development Strategy are provided here as a basic assessment of economic development related issues.

As indicated by the data below, the regional population growth is occurring outside the City limits. While the trend nationwide is for movement back to city centers, there is little new housing construction within the Petoskey city limits. A 2014 Target Market Analysis performed for Networks Northwest indicates that there is potential market demand for the “missing middle” housing type of around 348 housing units, 87% of which would be rental. Limited land availability in the City core means that new housing will likely be provided in multiple unit dwellings. The other area for future residential growth is Bay Harbor, but this will be high-end resort residential.

Population and Housing Trends

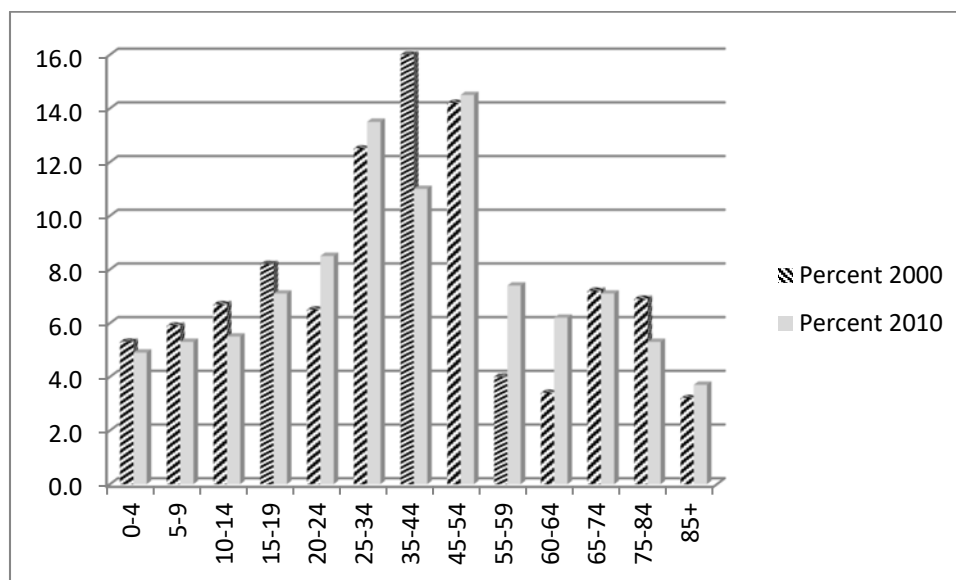
	Core Place¹	Growth and Investment Area²
Total Population	5,803	14,568
% Change from 2000	-7.3%	+5.4%
Total Housing Units	3,853	8,514
% Change from 2000	0.5%	13.1%
Total Households	2,597	6,130
% HH without children	71%	67%

Source: US Census 2010; based on the US 131 Corridor Economic Development Strategy by Networks Northwest

¹Core place includes the City of Petoskey and Bay View CDP Census Block Groups

²Growth and Investment Area includes the City of Petoskey, Resort Township, Bear Creek Township

National demographic changes are impacting the City and regional ability to maintain a workforce. As shown in the chart below the 55-64 age groups increased from 7.5% of the City's population in 2000 to 13.6% in 2010. The most current estimate (2011-2015 American Community Survey) puts this cohort at 14.8%.



Source: US Census

The comparison data below indicates that while the City has a higher median age than Emmet County and other area communities, its over-65 population is significantly less than other cities in the region. The City appears to have a competitive regional advantage for attracting an educated population as indicated by the table below, but also has a comparably low median household income. The scarcity of professional positions in the area has been identified as a challenge by large employers such as McClaren Northern Michigan that recruit employees of a dual professional household.

	Petoskey	Harbor Springs	Emmet County	Boyne City	City of Charlevoix
Population 65+	17.4%	40.4%	18.8%	15.9%	29.4%
Median Age	49	61	44.3	41.8	50.9
Percent Bachelor's Degree or higher	42.9%	37.2%	33.2%	24%	39.2%
Median HH income	\$37,556	\$45,000	\$51,018	\$43,226	\$32,060

Source: ACS Estimates 2011-2015

The 2011-2015 ACS estimates indicate an increase of employment over the 2008-2012 period with increases among private sector and self-employed workers.

Class of Worker

Class of Worker	Number	Percent
Private Wage and Salary	2,525	79.9
Government	337	10.7
Self-employed in Own Un-Incorporated Business	290	9.2
Unpaid Family Workers	9	0.3

Source: 2011-2015 American Community Survey 5-Year Estimates

Recent labor force statistics show an improving employment rate, however, the City has not yet reached pre-recession job numbers. North American Industry Classification System (NAICS) data indicate the retail and accommodation and food services as the top two job creating industries over the past four years. Health Care and Social Assistance remain the industries in the City with the largest number of jobs, but saw a decline from 2010-2014.

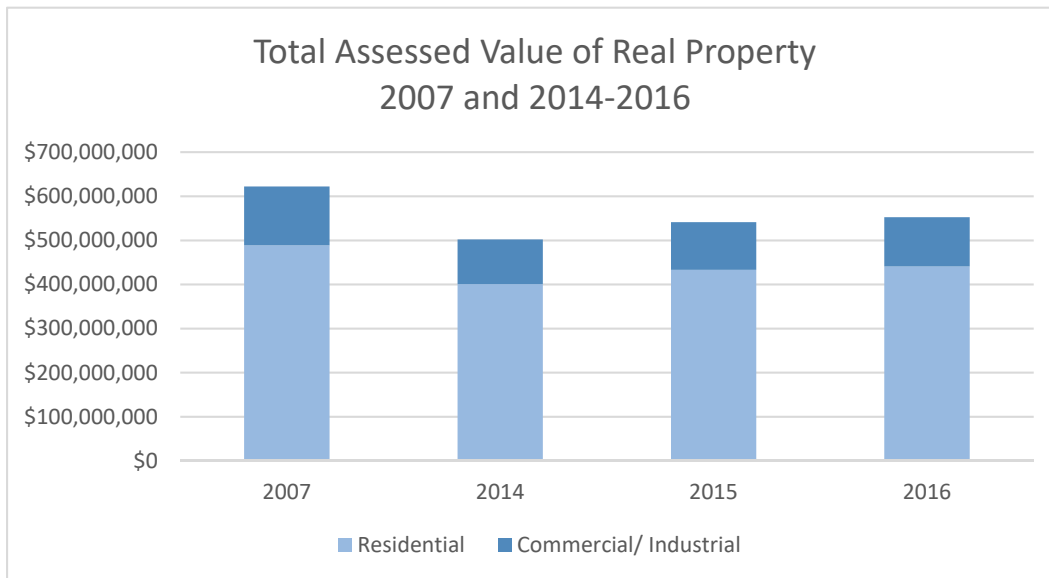
Employment Sectors

NAICS Sector	Largest Job Sectors 2014	2010-2014 Job Growth	2010-2014 Job Growth Rank
Health Care and Social Services	2901	-114	17
Accommodation and Food Services	1450	652	1
Retail Trade	1408	131	2
Education Services	493	-120	18
Administrative and Support and Waste Management and Remediation Services	359	-213	20

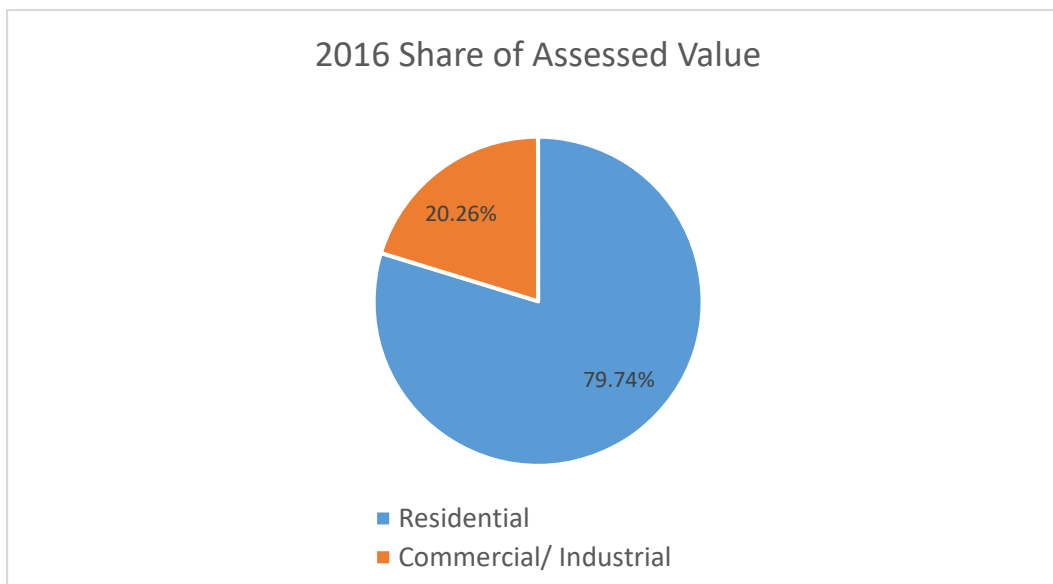
Source: Networks Northwest; US Census LEHD LODES V7.2 dataset

The strong growth in the hospitality industry is likely the reason for a 2.6% decrease in the Emmet County unemployment rate from 2014 to 2015 (492 persons) indicated by the most recent Benchmarks Northwest report. However, as these are low wage jobs, the issue of affordable housing is becoming more pronounced.

A common measurement of community economic condition is the total real property assessed value. The charts below illustrate the impact of the "Great Recession" on the value of Petoskey's real property, as well as the heavy reliance on residential development in a resort community. The City assessed value in 2016 is 11% less than it was at the height of the residential market around 2007, with a modest 4-7% increase over the past two years.



Source: City of Petoskey Assessor



Source: City of Petoskey Assessor

Opportunities

Given the strong showing of the hospitality industry, Petoskey has a wide variety of unique attributes and opportunities for which the City can collaboratively partner with the private sector to leverage a wealth of natural resources, historic downtown authenticity, high quality infrastructure and unique sense of place to continue to serve and grow the service economy.

One such asset is the Petoskey Downtown Historic District consisting of commercial properties occupying portions of ten blocks in the central business district. Taken together, the community's districts and properties on the National Register Historic District are critical resources that define the physical history and heritage of the community.

Conscious preservation efforts and adherence to the City-adopted International Property Management Code (IPMC) will continue to ensure these resources remain viable for future generations creating that unique sense of place for both residents and visitors to enjoy.

Petoskey's rich arts and cultural resources continue to grow with the construction of the Great Lakes Center for the Arts to open in 2018. The venue will add to the area's ability to draw national and international acts, and received public support through the approval of a brownfield tax increment financing plan.

Pristine natural resources and high quality recreational opportunities abound throughout the community. Bayfront Park, with its spectacular vistas of Little Traverse Bay, is easily accessible from the downtown area by a five minute walk. Bayfront Park offers many green open space areas, a City marina, softball diamonds, picnic areas and many walkable trails. The park trail system serves as a pedestrian/bicyclists hub connecting to the Little Traverse Wheelway, Downtown Greenway Corridor, Bear River Valley Recreation Area and the North Country National Scenic Trail. This comprehensive trail system contributes to the City designation as "highly walkable" through Walkscore®, a national rating system. Lastly, Pennsylvania Park is also situated in the central downtown area and offers a quiet, shaded place for respite, picnics or community events.



Transportation

Proximity to two major state highways, U.S. 131 and U.S. 31, is also a key economic driver for the community. On average, 27,900 motorists per day travel the U.S. 31 Highway adjacent to the downtown area.

There is growing interest in reestablishing passenger rail service from Ann Arbor to Traverse City, with an ancillary route to Cadillac and Petoskey. Though repairs to the tracks may be necessary, the tracks are already in place and owned by the State, which significantly reduces startup costs and increases the likelihood of the rail's success. There appears to be widespread public support for the conceptual passenger line and it is marked as a goal by State transportation plans. Although the rail service will not begin for many years, Petoskey could potentially leverage the current railroad tracks in the community catering to a future rail passenger service.

Capitalizing on Petoskey's strong railroading history, the current railroad network could be a springboard for future growth of manufacturing. An inexpensive option for freight, rail plays an important role for industries within the Petoskey region. Demand for rail access from industries that need to ship large volumes of product throughout the State and beyond puts a premium on industrial properties with railroad access. The existing Clarion Road Transfer Station is currently used only by Petoskey Plastics, but is available for future industrial needs.



For alternative forms of transportation, the City has been a leader in non-motorized trail development, with portions of the Little Traverse Wheelway through Bayfront Park reaching 25 years of age. As part of the U.S. 131 Corridor Economic Strategy, we will work with neighboring communities and organizations such as the North Country Trail Chapters to make connections to larger regional trail systems such as the Iron Belle and market our trail resources. The infrastructure is in place, the next step will be to increase use of the system for transportation as well as recreational purposes.

The City Master Plan also contemplates the creation of a Little Traverse Bay passenger ferry that could connect the City with Harbor Springs and Bay Harbor. Such a ferry could provide commuter service as well as another activity for area visitors.

Entrepreneurial Spirit

Petoskey is an entrepreneurial community. Many small businesses have started in Petoskey and grown to be national in scope (e.g., Kilwin's and American Spoon Foods, Petoskey Plastics), while others open a downtown storefront and stay for generations (Cutlers, Grandpa Shorters, Circus Shop, Reid Furniture). We believe that being accessible and responsive as a local government helps these types of businesses thrive and we will continue to work with the Chamber of Commerce and Northern Lakes Economic Alliance to support entrepreneurs. The Petoskey Area Chamber of Commerce is actively working to identify, nurture and promote businesses that follow the "Conscious Capitalism" business model and we have many area examples of businesses that value the "Triple-Bottom-Line" value system (measure of sustainability that includes, social, environmental and financial factors). From the public side, we will continue to strengthen those aspects of Petoskey that make a high-quality place, creating an environment where our place-based businesses can succeed and in turn reinvest in the community they value.

Education

In addition to a strong education network through our private and public schools, Petoskey is home to North Central Michigan College that adds educational, cultural and recreational facilities to the community. The college has been instrumental in identifying and training the workforce needed by area industry through its FabLab, as well as providing the University Center partnership program that allows students to complete the first two or three years of a bachelor degree program at substantial cost savings.

The City has worked with the school system, college and Emmet County Road Commission to improve access to these campuses.

Health Care

There are many changes occurring in the health care industry, but the Petoskey area is fortunate to have a regional referral center in McLaren Northern Michigan. With nearly 1,700 employees, the presence of a high quality medical center in a community of our size is a great economic asset. The City will support the efforts of McLaren Northern Michigan to update its facilities and grow its portion of the regional health care economy.

Public Utilities

With the exception of natural gas, the City is the local utility provider. The local ownership of the electric utility has enabled the City to convert almost half of the electric lines to underground, improving reliability. The City has an Insurance Services Office (ISO) 4 rating, which puts the City in the top 15% of communities nationally and helps residents and business receive lower insurance rates.

Local control of public utilities can also serve as an opportunity to provide incentives for desired economic development projects.

Challenges

Despite a vast array of natural resources, historic buildings, recreational amenities and strong sense of place, Downtown Petoskey, not unlike other Michigan communities, has its challenges. The seasonality of local economy is most likely the biggest impediment to further economic growth. Nevertheless, the Downtown Management Board, Chamber of Commerce and Petoskey Visitor's Bureau have mitigated some of the seasonal impacts by promoting the "shoulder seasons" as well as outdoor winter events, promotion of the City's Winter Sports Park and various marketing efforts to attract visitors to the downtown area during the winter months.

A shortage of housing-particularly rentals- that are affordable or available to all income levels is impacting the ability of businesses and industry to recruit skilled workers to the community. Petoskey's housing market is also heavily impacted by the seasonality of its economy whereby vacation rentals and seasonal housing take rentals and other housing stock off the year-round market. Even when seasonal homes are rented on a short-term lease basis during the winter months to families and the workforce, these homes come off the long-term rental market in the summer, as property owners move to the area for the summer and/or rent the property on a daily or weekly basis. This creates added pressure on the rental market, creating additional difficulties for those seeking affordable rental housing. Identifying locations for new housing development and working with potential developers is a role the City can play, as well as identifying possible incentive programs to develop affordable housing. However, affordable housing is an issue that truly needs to be addressed at the regional level given employee commuting patterns.

Public transportation is the other challenge identified by employers that goes hand-in-hand with the affordable housing crisis given the rural nature of the majority of Emmet County. There is an active effort underway to enhance the current system to address employment, shopping and service needs of residents. Such an endeavor would likely require a voter-approved transportation millage.

A challenge for downtown is lack of a covered public parking deck. Various parking studies cite a shortage of public parking for tourists in the busy summer months. Additionally, developers have anecdotally stated that a lack of covered parking in the wintertime is a main obstacle to investing in downtown housing opportunities. Construction of a covered parking deck would spur rehabilitation and investment in many now vacant or underutilized second and third-stories. Creating more year-around downtown housing options will stimulate the downtown economy and help to alleviate the seasonal nature of Downtown Petoskey, but structured parking is necessary both from a supply standpoint and a practical standpoint of covered parking in winter. A formal study has been commissioned to look at costs and initial designs of a parking deck at the Darling Lot on Michigan Street and the combined City and County lots on East Lake Street.

The City will continue to strongly invest in community-wide infrastructure to spur future business opportunities, job creation and local tax base expansion. Over the years, the City has invested millions of dollars in the road network, parking amenities, parklands and local utilities. Future planned infrastructure improvements downtown include an extension of the Greenway Corridor to connect downtown and the Old Town Emmet Neighborhood, construction of a parking deck, expansion and renovation of the public bathrooms and widening of the Park Avenue sidewalk in Pennsylvania Park to accommodate outdoor dining options.

Strategy and Tactics Summary

As the regional economic and cultural center, Petoskey has unique challenges and opportunities that economic development efforts need to address. Efforts in all areas will focus on promoting economic development that protects, enhances, and keeps relevant the community's natural, historic, social and cultural resources. These will include continuing support for our first-class park system and downtown area that define the community's unique sense of place, working with developers on priority redevelopment sites to address needed housing and infrastructure such as a parking structure, and partnering with other units of government to improve our regional transportation system. A summary of the many economic development tools the City has used in the past is attached as Appendix A, and the City is open to other programs as they present themselves.

The public sector will continue its investment in the downtown to create an appealing public realm. Public investments in physical improvements and other programmatic commitments are intended to set the stage for the high quality environment that defines Petoskey, providing opportunities for new private investments where there exists under-utilized or vacant land or buildings.

Future development will contribute to the unique sense of place, reflecting the culture and history of the community while promoting a wide array of mixed uses, quality pedestrian environments and scale of buildings. Redevelopment and in-fill development will be sensitive to their context relative to scale, character and placement and should have high community appeal and acceptance.

Redevelopment Priorities

Through public meetings with both the Planning Commission and City Council, City officials agreed to focus on three main geographical areas within the City for economic redevelopment efforts. These areas could enhance the area's ability to absorb future growth in the hospitality sector, allow for small scale manufacturing and create various levels of housing. The areas and specific priority sites are detailed further in Appendix B.

1. **Downtown Petoskey** – Downtown Petoskey is bounded by Michigan Street on the south, Emmet Street and U.S. 31 on the west, Rose Street on the North and Division and Waukazoo on the east. The following projects will be undertaken over the next six years as detailed in the 2017-2022 Capital Improvements Plan to entice further economic development activity. Additional projects may be identified during the update of the Downtown Strategic Plan in 2017.



The following projects will work to achieve our Strategy by enhancing downtown park and business amenities.

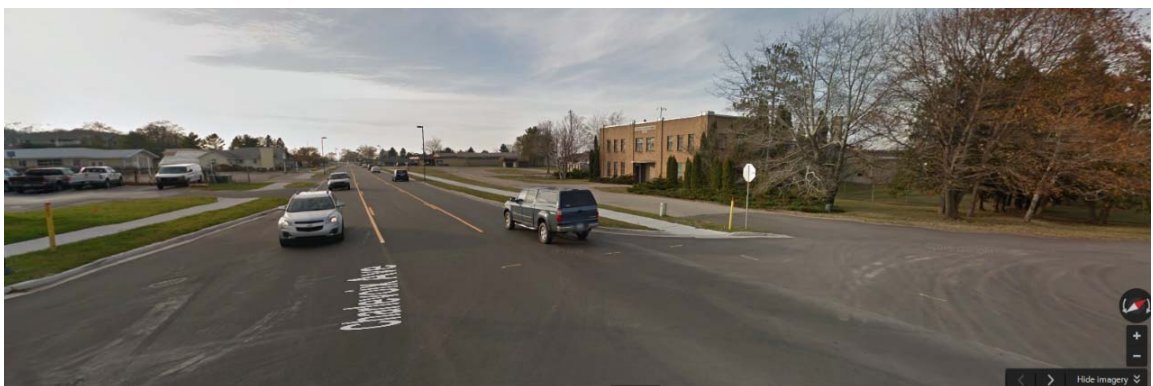
- Completion of the Downtown Greenway Corridor;
- Engineering and construction of a parking structure;
- Engineering and expansion of downtown restroom facilities;
- Repaving of East Lake Street, Petoskey Street and East Mitchell Street around 200 East Lake Street;
- Repaving of existing parking lots and installation of pay stations where appropriate;
- On the north end of downtown, U.S. 31 will be reconstructed by MDOT in 2019. As a critical entrance to downtown, the project will realign Lewis Street and create an improved access point for northbound traffic. The City will coordinate infrastructure work, as well as potential changes to Arlington Park and parking alignment.

2. **Old Town Emmet Neighborhood** – Generally bordered by Michigan Street on the north, Petoskey Street to the east, the Bear River to the west and Standish Avenue to the south. The neighborhood has a wide mix of uses from residential to industrial, and thus holds great potential for redevelopment. Projects discussed in the neighborhood plan and anticipated in future years include:

- Reconstruction of Emmet Street to improve pedestrian access and business parking (2017);
- Completion of the Downtown Greenway Corridor to connect the neighborhood to Downtown (2017);
- Improved access and amenities for Washington Park.



3. **US 31 and US 131 Corridor** – In recent years the City has worked closely with MDOT on implementation of an access management plan for the U.S. 31 Corridor that was created in collaboration with Emmet County, Bear Creek Township and MDOT. Reconstruction of Charlevoix Avenue, and West Mitchell Street have improved traffic flow while enhancing pedestrian.



Charlevoix Avenue/U.S. 31

The City is currently coordinating with MDOT on the 2019 reconstruction and realignment of U.S. 31 from East Mitchell Street to the east City Limit. Given the Average Annual Daily Traffic (AADT) of these principal arterials ranges between 12,000 and 20,000, they are attractive locations for commercial development and therefore potential redevelopment areas. The City will continue to encourage mixed-use environments when working with property owners in these areas.

Monitoring Progress

In addition to completing the projects identified, progress toward achieving the Strategy will be measured through collection of the following variables. Several of these are already tracked for the DDA District. The City Planner will coordinate collection of the information.

- Building permits – residential and commercial
- New and closing businesses
- Job creation and loss
- Home sales- number and values
- Demographics including population, income, poverty rates
- Public investment in parks, arts and culture

Monitoring efforts will be a critical component of evaluating the effectiveness of this Economic Development Strategy. Staff will track progress of the aforementioned variables throughout the year and develop a final progress report for City Council's review. Based upon overall yearly progress and completion of several capital improvements projects, the Economic Development Strategy may be updated in future years to focus efforts on other areas of the City.

APPENDIX A

ECONOMIC DEVELOPMENT TOOLS UTILIZED BY THE CITY OF PETOSKEY

<u>UTILIZED</u>	<u>YEAR</u>	<u>PROJECT</u>	<u>OUTCOME</u>
Downtown Streetscape	1995-1996 2007	Downtown Streetscape; East Mitchell Street islands	Continual efforts at improving pedestrian and biking amenities
Downtown Cooperative Advertising	1992		
Downtown Development Authority Created	1993		
Principal Shopping District/DMB Created	1994		Downtown Assessment created to fund activities
Downtown Wayfinding	2004		
Downtown Branding & Marketing	2008		
Tax Increment Finance Authority	1985 2004	Waterfront TIF; Downtown Parking Structures TIF	Redevelopment of Bayfront Park; Bear River Valley
Downtown Façade Grants	2009	Façade improvements throughout downtown	\$93,400 expended from Parking Fund to achieve \$382,900 in building improvements
Economic Enhancement Study and Downtown Plans	1997 2007 2013	Hyett Palma; Downtown Blueprint (Cool Cities designation); Downtown Strategic Plan	
PILOT (Payment in Lieu of Taxes)	1977 1991 2008	Riverview Terrace; Harbor Village Senior and Family; Little Traverse Woods	172 senior and 114 family affordable units
Brownfield TIF	2000 2004 2016	Petoskey Manufacturing site; Great Lakes Center for the Performing Arts	Superfund site reclamation into 17 condominium units. Beginning value \$97,000, current taxable value \$2.25M
Waterfront Redevelopment Grants; Brownfield Grants	2000 2016	200 West Lake Street Condos; Petoskey Pointe	See above
DDA Redevelopment Liquor License	2011		4 of 6 licenses issued
Rental Rehab	2014	Rehab existing housing units	7 rental units to be renovated
CDBG for Blight Elimination	2015	Grant Application for 316-318 East Lake Street – in process	Rehab vacant upper story to 6 units
Industrial Facilities Tax Exemptions (IFTs)	2007 2009	Cygnus, Demmer, Kilwins	Jobs retained/created
Personal Property Exemptions	2009	Kilwins	Jobs retained/created

<u>UTILIZED</u>	<u>YEAR</u>	<u>PROJECT</u>	<u>OUTCOME</u>
Site Conceptual Plans Developed	2007 2015	Blueprint Petoskey Charrett; Old Town Emmet Neighborhood Workshops	Conceptual plans developed for redevelopment sites
<i><u>Grants for Placemaking</u></i>			
Natural Resources Trust Fund		Little Traverse Wheelway; Downtown Greenway Corridor; Skyline Trail acquisition	
TEA Programs through MDOT		Little Traverse Wheelway; Waterfront Redevelopment including pedestrian tunnel	
Water and Land Conservation		Marina	
<i><u>Programs Explored but not enacted</u></i>			
Neighborhood Enterprise Zone	Discussed in 2011	To encourage new residential development downtown and in Old Town Emmet Neighborhood	
Main Street	2007	Declined invitation to be grandfathered in 2007	
Corridor Improvement District	2010	Discussed with Resort Township for US 31	
Local Historic Districts		Recommendation in Downtown Plans since 2007	

Appendix B

Priority Redevelopment Sites

Downtown Petoskey

There are two main focus areas for downtown redevelopment: 200 East Lake Street and the Michigan Street Parking Lot (Darling Lot). Although these two distinct sites both have unique challenges and opportunities, development on one of the sites may spur investment on the other. Both sites are critical to future economic development and growth in downtown Petoskey that may complement other current economic initiatives, including rehabilitation of upper story units for residential uses.

200 East Lake Street

Zoning:	PUD
Allowed uses:	Mixed residential, commercial
Adjacent uses:	Commercial
Approximate Size:	City block, just under 2 acres
Utilities:	All stubbed to property lines
Location attributes:	Anchor to Downtown Petoskey, located on US 31, views of Little Traverse Bay



This critical two-acre site serves as an important gateway to the downtown area and has been partially developed or vacant for many years before the Petoskey Pointe proposal was approved in 2004. It is the top development priority for both the Planning Commission and City Council. The City is open to a wide variety of uses consistent with the downtown area and may consider economic incentives to spur development based upon a mixed-use proposal. Some development ideas brought forward from City officials include mixed income housing, areas for public art, green infrastructure and underground public and private parking. Initial public parking needs are thought to be between 75-125 spaces.

A review of the site's history may be beneficial to prospective developers. Based upon a mixed-use development that was approved in 2004, a former developer excavated several thousand cubic yards in anticipation of constructing an underground parking facility to serve both the mixed-use development and some of downtown public parking needs. As a result of the 2008-09 recession, the developer's funding was lost and the project has been inactive ever since. The site is currently for sale. Water, sewer and electric utilities are adjacent to the site and ready for connection.

The City executed an agreement to utilize a DDA TIF Plan for the original development that would have dedicated tax increment dollars for the purchase of a level of underground public parking.

The site now also qualifies for a **Brownfield TIF** and the City may entertain tax increment financing to fund eligible activities including an underground parking deck. The number of needed parking spaces for both private and public uses will be dependent upon the overall development and cannot be fully determined at this time. The City may consider a variety of parking options that include private, public and possibly shared parking.

Michigan Economic Development Council (MEDC) representatives have stated there may be **Community Revitalization Program (CRP)** dollars available in the form of grants, loans, or other economic assistance. This State funding program promotes community revitalization that will accelerate private investment in areas of:

- Historical disinvestment;
- Contribute to job creation;
- Foster redevelopment of functionally obsolete or historic properties;
- Reduce blight and protect the natural resources of the State.

Eligible parties for CRP assistance include two or more individuals that may apply to the Michigan Strategic Fund for economic assistance. Loans are available up to \$10 million or grants up to \$1 million. The State considers many factors when reviewing applications such as job creation, private investment amount, need for a loan or grant, environmental contamination, promotion of mixed-uses and the importance of the project to the community.

Lastly, the City will continue to pursue **Redevelopment Ready Community** certification through the Michigan Economic Development Corporation. This program supports communities in efforts to become development ready and competitive. It encourages innovative redevelopment strategies and efficient processes which build confidence among businesses and developers. It provides assistance in establishing deliberate, fair and consistent development practices-making the City more attractive for investments that create desirable places.

Certification as a RRC community signals that a community has effective development practices in place, such as well-defined development procedures, a community-supported vision, an open and predictable review process, and compelling sites for developers to locate projects. The City has been working on the RRC certification for several months and hopes to be certified by early 2017.

The 200 East Lake Street property is the highest priority redevelopment site for the City with the City Manager, City Planner and DMB Director fully committed to working with developers in a cooperative manner to expedite development in this area.

Michigan Street Parking Lot (Darling Lot)

Zoning: B2 Central Business District
Allowed uses: Commercial, residential, parking
Adjacent uses: Commercial
Approximate Size: 1.1 acres
Utilities: All utilities available
Location attributes: Southern end of CBD, adjacent to Downtown Greenway Corridor



Also a priority site in the Downtown Development Area is the public parking lot at the corner of Michigan and Petoskey Streets. Plans to build a covered, structured parking lot on the site of the Michigan Street Parking Lot (Darling Lot) have also been on-going for many decades. The site is viewed as a strong catalyst for both downtown economic development/job creation and investment in second and third story downtown housing opportunities. The site was chosen because of its central location to the downtown and its size. There is some grade to the site that might help with parking structure design. The location could also help to spur redevelopment south of downtown along the Downtown Greenway Corridor.

Past surveys have shown that 64% of residents and 76% of businesses wanted to improve parking availability and that 62% of residents and 70% of business owners wanted to improve parking convenience. Additionally, a 2013 Downtown Strategic Plan states, *“The creation of additional parking is a much cited priority of stakeholders and may likely be a top priority over the next five years.”* The plan also places a high priority on developing upper story housing stating, *“That if upper floor housing is truly wanted, the main roadblock to residential development – available parking, preferably covered parking – has to be developed.”*

Recently, both the Downtown Management Board (DMB) and City Council commissioned a parking study with Walker Parking Consultants that was undertaken in the summer of 2016. The scope of work includes the creation of two separate conceptual plans: one for a basic parking structure, and another for a parking structure that includes housing options on the top floor. Geotechnical work has been completed on the site to determine structural loading capacities for a future parking deck. Soil studies were also completed showing the site contains contaminated soils that may qualify the land for **Brownfield Tax Increment Financing (TIF)**. Officially declaring the site a Brownfield will also make it eligible for State funding. An additional option may be to use tax increment financing from future development at the 200 East Lake Street site to fund parking improvements at the Michigan Lot. This option may or may not be pursued and is dependent upon future parking demands associated with development at 200 East Lake Street. Once the parking study has been completed, the City Council, DMB and City Staff will explore planning and possible funding options to construct a future parking deck.

The Michigan Street Parking Lot is also a high priority for redevelopment. Based upon the results of the aforementioned parking lot study, City Staff and DMB officials will actively pursue plans and a financing strategy to fund this critical downtown capital improvement.

Old Town Emmet Neighborhood

The area south of downtown, the Old Town Emmet Neighborhood is another area the City will encourage redevelopment. Historically, the Old Town Emmet Neighborhood held many industries that took advantage of the Bear River, including several mills and power generating plants. The area has ten properties currently listed on the National Register of Historic Places, with many others that meet the criteria to be placed on the register. Emmet Street bisects the neighborhood and was historically the main road into Petoskey from the south. As a major collector thoroughfare, the street continues to carry significant traffic with an average of 5,400 for daily traffic counts. The “four corners” of Emmet and Washington Streets is the commercial center of the neighborhood and has most recently been known for its cluster of resale shops. The corner also houses a convenience store.



Of specific interest for redevelopment in the next 2-5 years is the property at 900 Emmet Street that formerly housed Hankey Lumber Company and is now owned by Gruler's Pet Supplies.

900 Emmet Street (Gruler Property)

Zoning:	B-2B Mixed Use Corridor
Allowed uses:	Mixed residential, commercial
Adjacent uses:	Residential, commercial, industrial
Approximate Size:	~ 1.3 acres
Utilities:	All utilities available in adjacent streets
Location attributes:	Adjacent to high volume collector and rail; mixed-use site concept developed; potential for expansion of Downtown Greenway Corridor along tracks



The one block area has been the focus of economic development efforts for many years and is poised for private redevelopment. In 2013, the City developed, *"The Old Town Emmet Neighborhood Plan"* that addressed several challenges and opportunities for economic growth and creates a specific road map for private/public investments.

Building upon the momentum created through the 2013 Neighborhood Plan and follow-up public workshops to focus on the Emmet Street streetscape, the City will be undertaking major capital improvement projects in 2017 that will directly benefit the Old Town Neighborhood. The project will fully reconstruct the street, maintaining on-street parking for businesses while tying the neighborhood into the Downtown Greenway Corridor. Once constructed, the Downtown Greenway Corridor will connect the Emmet Street neighborhood with downtown Petoskey, Little Traverse Wheelway, Bear River Valley Recreation Area, and the North Country National Scenic Trail.



The City is fully committed to investing heavily in infrastructure improvements in this area in hopes of stimulating growth in the coming years for the Old Town Neighborhood. It is through public investment that the City can create unique public/private partnerships to spur future business and housing opportunities, job creation and building the local tax base.

The current zoning of Mixed Use Corridor aligns accurately with the overall concept of balancing future residential and commercial development that contributes to the unique sense of place while reflecting the culture and history of the neighborhood. Redevelopment should include a quality pedestrian environment with buildings built on a similar scale to the existing neighborhood that preserve the unique residential aspect of the Emmet Corridor. This current zoning district promotes commercial and retail businesses on the first floor with housing opportunities for second and third floor buildings. The City strongly encourages development of a wide range of housing-both type and price- to cater to diverse populations of future residents.



Incentive programs that may be available to property owners include the **Neighborhood Enterprise Zone (NEZ)** program which provides a tax incentive for the development and rehabilitation of residential housing to spur development and rehabilitation of residential housing where it may not otherwise occur. This program can reduce the taxes on property for up to 15 years in designated areas to promote the revitalization of those neighborhoods by creating a NEZ. The City would need to initially approve the NEZ District before any tax incentives are executed.

Further south and adjacent to the river is a large tract of former industrial land-the Poquette property and Continental Structural Plastics. It is currently home to several contractor businesses, but is seen as a longer-term redevelopment site given the success of the Bear River Valley Recreation Area across the river. It is a site that would likely have significant remediation costs and would therefore be a priority location for a Brownfield TIF.

The Old Town Emmet Neighborhood has many attributes to be built upon creating great potential to transform the neighborhood to a vibrant, pedestrian-friendly and diverse neighborhood where small shops and a wide array of housing opportunities exist side by side. The City will continue to prioritize this area to incent development through economic development initiatives and strong investment in public infrastructure. The Public Works Director, City Planner and City Manager are fully committed to seeing this area to its full potential.



Economic Development Strategy Annual Review

ECONOMIC DEVELOPMENT STRATEGY PROGRESS REPORT

Strategy adopted by City Council on February 20, 2017 with the **stated primary goals of creating new private sector jobs and housing opportunities** that will bring new wealth and drive economic growth in the community.

Goals accomplished by:

1. Continuing support for the City's first-class park system and downtown area that define the community's unique sense of place;
2. Working with developers on priority redevelopment sites to address needed housing and infrastructure such as a parking structure; and
3. Partnering with other units of government and non-profit organizations to improve our regional transportation system and address regional housing issues.

ECONOMIC DEVELOPMENT STRATEGY PROGRESS REPORT

1. Continue support for our first-class park system and downtown area that define the community's unique sense of place.

- Parks and Recreation projects; South section of Downtown Greenway Corridor; marina improvements;
- Adopted five-year Downtown Strategic Plan;
- Downtown Streetscapes: Bay and Petoskey intersection improvements; and
- Reconstruction of West Lake Street included a widening of sidewalk to a 10 foot multi-use path

ECONOMIC DEVELOPMENT STRATEGY PROGRESS REPORT

2. Work with developers on **priority redevelopment sites** to address needed housing and infrastructure such as a parking structure

➤ Number of developers/development teams staff met with or provided information to during 2018 regarding

200 East Lake Street: 2 (new owner 2018)

➤ Number of developers/development teams staff met with or provided information to during 2018 regarding

900 Emmet Street: 2

➤ Number of developers/development teams staff met with or provided information to during 2017 regarding the **Darling Lot: Predevelopment assistance grant through MEDC/ MML**

ECONOMIC DEVELOPMENT STRATEGY

PROGRESS REPORT

3. Partnering with other units of government and non-profit organizations to improve our regional transportation system and address regional housing issues.

- Emmet County created EMGO Ride and launched January, 2019;
- Downtown Management Board expanded trolley service to Bay Harbor and Petoskey State Park;
- Little Traverse Bay Housing Partnership held a business forum and a community dialogue on housing to provide information and obtain feedback on areas for partnership focus, including lack of supply, need for creative financing, and regulatory barriers;
- City Council approved a PILOT to enable existing housing to remain affordable; and
- Planning Commission reviewing possible ordinance language for accessory dwelling units to remove barriers for housing creation.

ECONOMIC DEVELOPMENT STRATEGY PROGRESS REPORT

Progress measurement variables

- ✓ Home sales – number and values
- ✓ Building permits – residential and commercial
- ✓ New and closing businesses
- ❖ Job creation and loss
- ✓ Demographics including population, income, poverty rates (Updated ACS 2013-2017)
- ✓ Public investment in parks, arts and culture (provided above)

HOME SALES 2014-2018

PETOSKEY CORE

Petoskey Core
Residential Sales 2014-2018

	Average price	Median price
2014	\$168,397	\$130,500
2015	\$194,895	\$160,000
2016	\$201,147	\$170,000
2017	\$203,520	\$175,000
2018	\$217,827	\$188,000
	*Eliminated vacant lot sales	



HOME SALES 2014-2018

BAY HARBOR

Bay Harbor Residential Sales 2014-2018



	Average price*	Median price*
2014	\$1.15 million	\$395,000
2015	\$684,883	\$450,000
2016	\$771,554	\$595,000
2017	\$951,530	\$489,500
2018	\$823,707	\$545,000
	*eliminated vacant lot sales	

BUILDING PERMITS

Building Permits			2018	2017
	Total Construction Value of Permits	\$	22.58M	21.8M
	Number of permits- Residential		229	244
	(includes, renovations, roofs, etc.)			
	New Residential Construction (Value and number of permits)	\$	3.8M (7)	4.1M (8)
	Number of permits - Commercial		41	54
	Value of permits- Commercial	\$	3.8M	5.2M
	Value of Tax Exempt Property permits		\$9M	\$8M

NEW RESIDENTIAL CONSTRUCTION

CITY WIDE 2009-2018

	Single Family	Construction	Multi-unit building	Construction
	# of Units	Value	# of units	Value
2009	4	\$1.5M		
2010	2	\$768,651		
2011	2	\$884,235		
2012	6	\$2.9M		
2013	8	\$4.3M	6	\$ 983,034
2014	3	\$1.4M		
2015	4	\$1.6M		
2016	3	\$975,959		
2017	8	\$4.1M		
2018	7	\$3.8M*		
TOTAL	47	\$22.2 M*	6	\$ 983,034
	*\$760,833 Captured by GLCA TIFA			

DEMOGRAPHICS

Demographics		2013-2017 ACS	
	Population 16 and over	4,877	
	Income		
	Median Family	\$64,722	
	Median earnings - male full-time, year round wage earner	\$36,964	
	Median earnings - female full-time, year round wage earner	\$32,212	
	Families below the poverty level	6.1%	
	Female Householder Families below the poverty level (children <18 present)	20%	

JOB CREATION AND LOSS

NAICS Sector	Largest Job Sectors 2014	2010-2014 Job Growth	2010-2014 Job Growth Rank
Health Care and Social Services	2901	-114	17
Accommodation and Food Services	1450	652	1
Retail Trade	1408	131	2
Education Services	493	-120	18
Administrative and Support and Waste Management and Remediation Services	359	-213	20

Source: Networks Northwest; US Census LEHD LODES V7.2 dataset

BUSINESSES OPENED AND CLOSED

2018*

	Opened	Closed
Downtown	16	9
Non-Downtown	8	2

*Estimates; data collected through sign permit and business license applications.



BOARD: City Council

MEETING DATE: May 6, 2019

PREPARED: April 26, 2019

AGENDA SUBJECT: First Reading of an Ordinance to Amend Section 201 and Replace Section 1712 of the Code of Ordinances, Appendix A Zoning

RECOMMENDATION: That the City Council conduct a first reading of proposed ordinance

Background The Planning Commission has been reviewing fence regulations for several months following a request for consideration of front-yard garden fencing. Based on the input received from the joint City Council-Commission meeting on January 28 (minutes enclosed), the language was further modified to only address corner-front yards.

Summary The language revises the language in Section 1712, moving existing definitions and adding new definitions to Section 201, and allowing decorative fences (as defined) in corner-front yards only. The illustration Figure 1712 is also updated.

New or modified definitions:

Corner-front yard: the secondary street-fronting yard of a corner lot not included in the property address.

Fence: A constructed barrier erected to enclose, screen, or separate parcels.

Fence, Decorative: A fence, no more than 3 ½ feet (42 inches) in height measured from the established grade to the top of the highest fence post, no less than 50% open, and intended primarily as an ornament or accent on a parcel such as a picket, wrought iron, split rail or similar material. Chain link (with or without vinyl covering), wire mesh, wood stockade, and snow fencing shall not be considered decorative fencing.

Fence, Living: A hedge or row of bushes planted with the purpose of screening a yard.

Fence, Privacy, Screening, Security: a fence no more than six (6) feet in height intended primarily to screen or provide security to property.

Recommendation Staff recommends that City Council conduct a first reading on the proposed ordinance.

at
Enclosures

ORDINANCE NO. _____

**AN ORDINANCE TO AMEND SECTION 201 AND REPLACE SECTION 1712 OF APPENDIX A,
ZONING ORDINANCE, OF THE PETOSKEY CODE OF ORDINANCES**

The City of Petoskey ordains:

1. **Section 201 of Appendix A to the Petoskey Code of Ordinances is hereby amended to add the following definitions:**

Corner Clearance: Any obstruction within the vision triangle that is more than two (2) feet higher than the street midpoint.

Corner-front yard: the secondary street-fronting yard of a corner lot not included in the property address.

Fence: A constructed barrier erected to enclose, screen, or separate parcels.

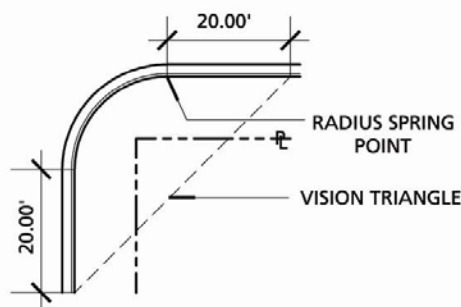
Fence, Decorative: A fence, no more than 3 ½ feet (42 inches) in height measured from the established grade to the top of the highest fence post, no less than 50% open, and intended primarily as an ornament or accent on a parcel such as a picket, wrought iron, split rail or similar material. Chain link (with or without vinyl covering), wire mesh, wood stockade, and snow fencing shall not be considered decorative fencing.

Fence, Living: A hedge or row of bushes planted with the purpose of screening a yard.

Fence, Privacy, Screening, Security: a fence no more than six (6) feet in height intended primarily to screen or provide security to property.

Vision Triangle: the area at an intersection formed by extending a straight line 20 feet along the back of each curb from its radius spring point and connecting these two points (See Figure 8).

FIGURE 8



2. **Section 1712 of Appendix A to the Petoskey Code of Ordinances is hereby repealed and replaced with the following:**

Sec. 1712. Fences (Single and two-family residential).

All fences shall require a zoning compliance permit issued by the Zoning Administrator and shall comply with the following regulations and requirements.

1. Location (see Figure 1712)

- a. Corner-Front Yard. Only decorative and living fences are allowed within a corner-front yard with a minimum setback of two (2) feet from the street-fronting property line.
- b. Side and Rear Yards. Fences may be placed up to a lot line in side and rear yards.
- c. Fences shall be located so as to not obstruct corner clearance or vision of motorists exiting driveways.
- d. No fence shall be placed within the City right-of-way and if so placed shall be removed at the owner's expense.
- e. Underground electric fences shall be set a minimum of five (5) feet from a front or corner-front property line.

2. Height and Design Restrictions.

- a. Side and rear-yard fences shall not exceed six (6) feet in height and shall not extend beyond the principal structure into a front yard.
- b. Corner-front yard decorative fences shall not exceed 3 ½ feet (42 inches) in height and shall not obstruct vision to an extent greater than fifty (50) percent of total area.
- c. Chain link fences are only allowed in rear and side yards.
- d. Living fences shall not exceed three (3) feet in height in a corner-front yard, shall be placed so that growth is kept at least two (2) feet from the property line, and shall not contain invasive species.
- e. Fences that enclose public or institutional parks, playgrounds, or public landscaped areas, situated within an area developed with recorded lots shall not exceed eight (8) feet in height, measured from the surface of the ground.
- f. Fences may be placed on retaining walls, berms or similar features with the fence height to be measured from the established grade.
- g. All fences shall have the finished side facing the adjacent property or public right-of-way.

3. Maintenance of nuisances

Fences shall be maintained so as not to endanger life or property. Any fence which, through lack of repair, type of construction, or otherwise, endangers life or property is hereby deemed a nuisance per Chapter 13 of the Petoskey Code of Ordinances.

3. **Conflicting Standards.**

If any of the standards set forth in this amendment conflict with any other standards of previous or further ordinances or amendments, the stricter standards shall apply.

4. **Repeal; Savings Clause.**

All ordinances, resolutions, or orders, or parts thereof, in conflict with the provisions of this ordinance are, to the extent of such conflict, repealed.

5. **Severability.**

The various parts, sections and clauses of this Ordinance are hereby declared to be severable. If any part, sentence, paragraph, section or clause is adjudged unconstitutional or invalid by a court of competent jurisdiction, the remainder of the Ordinance shall not be affected thereby.

6. **Effect.**

This ordinance shall take effect fifteen (15) days following its enactment and shall be published once within seven (7) days after its enactment as provided by Charter.

Adopted, enacted and ordained by the City of Petoskey City Council this ____ day of _____ 2019.

John Murphy
Its Mayor

Alan Terry
Its Clerk



PLANNING COMMISSION AND CITY COUNCIL

January 28, 2019

A special joint Planning Commission and City Council meeting was held in the City Hall Council Chambers, Petoskey, Michigan, on Thursday, January 28, 2019. Roll was called at 5:30 P.M. and the following were:

Present: John Murphy, Mayor
Kate Marshall
Suzanne Shumway
Grant Dittmar
Lindsey Walker

Emily Meyerson, Chairperson
Dana Andrews
Cynthia Linn Robson
Rick Neumann
Ted Pall
Eric Yetter

Absent: Betony Braddock
Dean Burns

Others: Jonathan Scheel, 506 N Division
Michael Shumway, 907 Lindell Ave

Staff: Rob Straebel, City Manager
Amy Tweeten, City Planner

Planning Commission Chairperson Meyerson provided background on why the Commission had requested the meeting, the role of the Planning Commission according to the Planning Enabling Act and Zoning Enabling Act, specifically in regard to holding public hearings on zoning ordinance amendments. She explained that the ways ordinance changes are initiated will vary from the City Council requesting a change, to the public bringing issues forward, to addressing community issues proactively.

Fence regulations

Chairperson Meyerson explained that the discussion stemmed from issues brought forward by residents regarding garden fences, but also the number of variance requests for front yard fences. The issue had been extensively discussed before and the Commission had reviewed the past minutes and background information provided, but given the issue of gardens and the ZBA direction to the variance applicant to approach the Planning Commission, the Commission took the issue up again, drafted language and held a public hearing. The Commission wanted to discuss the language with Council and hear concerns to make a better ordinance before making a recommendation.

Council members asked how many variance requests there had been, how the 50% open was calculated and its significance, how many people attended the public hearing, how fence maintenance would be enforced.

Staff responded that there had been at least two corner-front yard fence variance denied, but at least three approved. Fences pre-existing the ordinance as well as fences granted through variances add to the confusion. The 50% is calculated by amount of solid versus open area – if a picket fence had pickets the same width as the opening. There had been two people who spoke at the public hearing, both of whom had installed fencing for garden purposes.

Council members further commented that there is a concern with front yard fence aesthetics creating a disunity in the landscape; that if front yard fences are to be allowed they should be 6 feet all around and solid; that enforcement is an issue as there is no enforcement officer; that government should not be regulating aesthetics; that there is a concern with corner yards; that deer can jump a five foot fence and repellent is effective for gardens; that there is a community garden that can be used rather than fencing a front yard; and that the social media campaign regarding the garden fencing had been effective and the process of bringing issues forward had worked.

Commissioners commented a 42" fence is more welcoming than a six foot solid fence, that many ordinances had been looked at to come up with proposed language, that there are a lot of existing fences on Lockwood Avenue and they are maintained and attractive, that enforcement is an issue every time an ordinance is adopted because enforcement is complaint driven, that with all the research done there was not another community found that didn't allow front yard fences, that allowing corner front yard fences allows more use of property on a corner lot, that regulating fencing is important as it contributes to a community sense of place and openness.

Staff noted that while it is being addressed as a fencing issue, the Commission discussed the front yard gardens in the context of urban agriculture and whether it is something we want to encourage for community sustainability purposes.

At this time the meeting was opened to public comment. Jonathan Scheel, 506 N. Division Road, commented that he had a concern about front yard garden fences and did not support the use of chicken wire as an allowed material. Michael Shumway, 907 Lindell raised a concern about dogs enclosed in front yards and that there should be a greater setback for this reason.

Accessory Dwelling Units

Staff explained that this was a topic initiated by the Commission as one of many ways to allow the creating of housing, and that there was not consensus by the Commission which is why input of Council is wanted before continuing discussion.

Commissioners noted the concerns of ADUs becoming vacation rentals, particularly if state legislation passes that prohibits regulation of short-term rentals; that enforcement again becomes an issue and that there are incentives for people to not comply; that they allow an increase in density where people want to live and provide options; that while there is a need for housing, there is too much of a concern about them becoming vacation rentals; that given cost of construction there won't be a sudden increase in requests but that it is a tool that a lot of communities are using.

Council members asked about the current vacation rental regulations and whether a business can be put in an accessory building; stated that there is a cost to neighbors if another unit is put in a backyard; that young people are in favor of ADUs but there would be enforcement issues; that this is just a tool to address housing needs and not a complete solution and that the role of government

in the housing crisis is to eliminate barriers which allowing ADUs would accomplish; that it is an important issue and if the owner were on the premise it would be less likely to bring the neighborhood down; that a pilot program is an interesting idea; and that addressing the neighborhood character and enforcement is needed.

Commissioners commented that they had not discussed minimum lot size but that there may be a way to develop ordinance language that is sensitive to neighborhood character.

The public was invited to comment. Johnathan Scheel stated he was in support of ADUs and that Charlevoix has an enforcement officer to address the ordinance issues that were raised.

The consensus was that the Commission should continue its discussion of ADUs.

The meeting adjourned at 7:30 p.m.

Minutes reviewed by Dana Andrews, Vice Chair/Secretary



BOARD: City Council

MEETING DATE: May 6, 2019

PREPARED: May 1, 2019

AGENDA SUBJECT: Marina Ice Repairs to Pilings and Docks

RECOMMENDATION: That the City Council authorize contracting with R.B. Lyons, Inc., Charlevoix, for Marina Ice Damage Repairs

Background Routinely included within the City's annual budget are monies in the Municipal Marina Restricted Fund Balance as part of the General Fund, which are utilized for improvements, ice damage and emergency repairs to marina facilities. In 2019, the Annual Budget included \$50,000 for anticipated repairs due to ice damage. In early 2019 before ice damage occurred, staff placed more bubblers in the marina with additional attention given to areas with a history of repair. While the extra effort helped alleviate issues in some areas, other areas still will require repair. This year was another season of severe winter temperatures and heavy ice conditions, which resulted in damage to marina docks and pilings caused by ice lifting (jacking). Recognizing the unpredictable cost of the dock repair, City staff will be diligent in finding areas in the marina budget where cost savings can occur.

Proposals City staff prepared detailed bid specifications for the "Repair of Ice Damage" at the Petoskey Marina dated April 9, 2019; bids were advertised in the Petoskey News Review on April 11, 2019 and were also made available on the City's website. The City also mailed six packets to past bidders with follow up phone calls. Lastly there was a pre-bid walk through of the project on April 23. Bids were opened at 2:00 P.M., Tuesday, April 30, 2019 and one bid was received. Bid results are as follows:

<u>Bidder</u>	<u>Amount</u>
R.B. Lyons, Inc. Charlevoix	\$ 57,400

Review Staff reviewed the bid and is confident that the bid of \$57,400 is complete. The contractor has a proven track record with the City and is able to perform the work as specified. Last year, the Marina had similar damage due to heavy ice formation and repair costs were similar to this year's low bid and the work was performed by the same contractor.

Recommendation City staff recommends that City Council authorize contracting with R.B. Lyons, Inc., Charlevoix, for Ice Damage Repair in the amount of \$57,400. It should also be noted that R.B. Lyons was involved in the construction of the marina pier expansion project and has performed numerous marina repairs for the City over the years, including last year's dock repair.



City of Petoskey

Agenda Memo

BOARD: City Council

MEETING DATE: May 6, 2019

PREPARED: May 2, 2019

AGENDA SUBJECT: City Manager Performance Evaluation Form Discussion

RECOMMENDATION: That the City Council discuss and give direction on how to move forward

Background The Mayor has requested an agenda item to review the City Manager's Performance Evaluation form that has been used over the past several years. During last year's performance evaluation, City Council members discussed using a different evaluation form for 2019. See enclosed current evaluation form that was used in prior years. According to the City Manager's contract, the City Council is to complete a performance evaluation each year. This has occurred annually since the City Manager started in 2015. The last performance evaluation was completed in September, 2018.

Action There are a number of different performance evaluation forms that could be used to evaluate the City Manager. City Council should first discuss if they want to change the current performance evaluation form, and if so, identify the process on how this change should occur.

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Enclosure

**CITY MANAGER EVALUATION
CITY OF PETOSKEY**

City Manager: Rob Straebel
City Council: Members of City Council
Date of Evaluation: _____

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Factor I ADMINISTRATIVE SERVICES

() Satisfactory () Conditional () Unsatisfactory Duties:

1. Appoint, suspend or remove all city employees except as otherwise provided in City Charter.
2. Provide for the execution of laws, provisions of the City Charter, and acts of the city council.
3. Make such reports as the city council shall require regarding the operation of the City, its departments and agencies.
4. Appoint a city treasurer and a city clerk with the approval of the city council solely on the basis of administrative qualifications.
5. Maintains effective contact and cooperation with other local governmental units including townships, county, state and federal agencies. Informs Council of intergovernmental activities.

Comments:

Factor II BUDGET AND FINANCE

() Satisfactory () Conditional () Unsatisfactory Duties:

1. Prepare and submit the annual budget and capital improvement to city council.
2. Submit to the city council and make available to the public a complete report of finances and administrative activities at the end of each fiscal year.
3. Keep the city council fully advised as to the financial condition and future needs of the city and make recommendations as to courses of action.
4. Submit to the city council at its first regular meeting in November of each year a recommended budget that shall include:
 - a) Detailed estimates, with supporting explanations, of all proposed expenditures for each department and office of the City for the coming year, along with statements of expenditures for those items in the previous fiscal year and anticipated expenses for the current year.
 - b) Statements of the bonded and other indebtedness of the City, showing requirements of debt redemption and interest, debt authorized but not unissued, and the details of sinking funds.
 - c) Detail estimates of revenues anticipated by the City from sources other than taxes, with a comparative statement of amounts received in the previous fiscal year and anticipated revenues for the current year.
 - d) A statement of the anticipated balance or deficit for the current year.

- e) An estimate of the amount of money to be raised from current and delinquent taxes, and the amount to be raised from bonds issued in order to meet the proposed expenditures.
 - f) Such other supporting information as may be requested by the city council and required by state law.
5. Make an annual report to city council with budget and condition of the library.

Comment:

Factor III CITY COUNCIL RELATIONS

() Satisfactory () Conditional () Unsatisfactory Duties:

1. Attend all meetings of the city council with the right of voice, but not vote.
2. Perform the duties prescribed by the City Charter or required by the City Council
3. Designate by letter filed with the city clerk a qualified city administrative officer to serve as acting city manager in case of the city manager's absence or disability. Approved by council.
4. Responsible for submitting annual report of the state of the City including a financial report.
5. Council meeting agenda packet to be submitted to council members at least three calendar days prior to the meeting.

Comments:

() Satisfactory () Conditional () Unsatisfactory

Additional Comments:

CITY MANAGER CERTIFICATION

I hereby certify that I have had an opportunity to review this evaluation form and have received a copy of it. I understand that my signature does not necessarily mean that I agree with the rating.

Dated:

Comments: