



CITY COUNCIL

February 3, 2014

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. Consent Agenda - Adoption of a proposed resolution that would confirm approval of the following:
 - (a) January 20, 2014 regular session and January 27, 2014 special session City Council meeting minutes
 - (b) Acknowledge receipt of a report concerning certain administrative transactions since January 20, 2014
5. Miscellaneous Public Comments
6. City Manager Updates
7. New Business
 - (a) Adoption of a proposed resolution that would change the annual Board of Review dates
 - (b) Discussion of General Fund revenue options
8. City Council Comments
9. Adjournment



City of Petoskey

Agenda Memo

BOARD: City Council

MEETING DATE: February 3, 2014

PREPARED: January 30, 2014

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 January 20, 2014 regular session and January 27, 2014 special session City Council meeting; and
- (2) Acknowledge receipt of a report from the City Manager concerning all checks that have been issued since January 20 for contract and vendor claims at \$723,573.84, intergovernmental claims at \$80,293.29, and the January 30 payroll at \$176,703.10 for a total of \$980,570.23.

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Enclosures



CITY COUNCIL

January 20, 2014

A regular meeting of the City of Petoskey City Council was held in the City Hall City Council Chambers, Petoskey, Michigan, on Monday, January 20, 2014. 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: William Fraser, Mayor
Kate Marshall, City Councilmember
John Murphy, City Councilmember
Grant Dittmar, City Councilmember
Jeremy Wills, City Councilmember

Absent: None

Also in attendance were City Manager Dan Ralley and Downtown Director Becky Goodman.

Brownfield TIF Presentation Concerning Mac McClelland, Otwell Mawby, and Emmet County
200 East Lake Street Property Brownfield Consultant, gave a presentation concerning Brownfield TIF as it may apply to the 200 East Lake Street property. Mr. McClelland gave an overview on opportunities, background information, Brownfield TIF, arrangements and next steps in moving forward with a project.

Mr. McClelland reviewed that development plans for 200 East Lake Street site are unclear; that it will likely need parking and then cost of underground parking makes it difficult to construct absent outside funding; that Brownfield can provide State funding for local infrastructure; that TIF is already in place; and that the site is an eligible Brownfield facility based on contamination from local dry cleaner.

Mr. McClelland also reviewed that the Brownfield program has changed significantly since inception in 1996; that it includes infrastructure as an eligible activity for Core Communities, not just environmental expenses; that Petoskey was a Core Community in 2010; that the Brownfield Plan for Petoskey was approved in 2006 and about \$23,000 in eligible expenses incurred as part of clean up on site and has been vacant since; that recent amendments to Act 381 allow Brownfield plans to be terminated and a new plan approved; and reviewed an infrastructure budget for future arrangements.

City Councilmembers inquired what state agency makes the approval decision and inquired about public availability of parking spaces. Mr. McClelland responded that MEDC makes the decisions and noted that most parking structures funded via Brownfield in other communities rely heavily on permit parking.

Mayor Fraser asked for public comment and heard inquiries on who Mr. McClelland worked for and if there was a cap on awards. Mr. McClelland responded that he works for Otwell Mawby and is a Brownfield Consultant for Emmet County; that there are no caps on awards; and noted that both parking decks in Traverse City were financed via Brownfield as well as a project in Marquette.

Resolution No. 18747-18748
Approve Consent Agenda Items

Following the introduction of the consent agenda for this meeting of January 20, 2014, City Councilmember Marshall moved that, seconded by City Councilmember Murphy to extract the contract authorization and adopt

the following resolution:

BE IT RESOLVED that the City Council does and hereby confirms that the draft minutes of the January 6, 2014 regular-session City Council meeting be and are hereby approved; and

BE IT FURTHER RESOLVED that receipt by the City Council of a report concerning all checks that had been issued since January 6 for contract and vendor claims at \$2,447,458.20, intergovernmental claims at \$59,756.70, and the January 2 and January 16 payrolls at \$371,237.31, for a total of \$2,878,452.21 be and is hereby acknowledged.

Said resolution was adopted by the following vote:

AYES: Marshall, Murphy, Dittmar, Wills, Fraser (5)
NAYS: None (0)

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

Resolution No. 18748

BE IT FURTHER RESOLVED that the City Council does and hereby authorizes to contract with Armond Cassil Railroad Construction Company, Inc., Warren, for the replacement of rail ties in the amount of \$61,498.

Said resolution was adopted by the following vote:

AYES: Marshall, Murphy, Dittmar, Wills, Fraser (5)
NAYS: None (0)

Resolution No. 18749
Confirm Appointments

Mayor Fraser then reviewed that City Council consider possible appointment to the District Library Board due to a vacancy after Dale Hull's resignation and disclosed that he was related to the applicant. City Councilmember

Wills moved that, seconded by City Councilmember Murphy, adoption of the following resolution:

BE IT RESOLVED that the City Council does and hereby approves the appointment of Jodi Adams, 819 East Mitchell Street, to the District Library Board, for a one-year term ending January 2015.

Said resolution was adopted by the following vote:

AYES: Marshall, Murphy, Dittmar, Wills, Fraser (5)
NAYS: None (0)

Hear Public Comment

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

Hear City Manager Updates

the City Hall Council Chambers with Council and City staff.

The City Manager reported on snow removal due to the excessive amounts thus far; and that there will be a 6:00 P.M., Monday, January 27, 2014 goal setting session in

Vacation Rental Properties Discussion

The City Manager next reviewed that at the January 6, 2014 Council meeting the issue of vacation rental properties was discussed and included in these discussions was the possible regulation of existing vacation rental properties, as well as zoning restrictions that could be implemented for new vacation rentals.

City staff requested additional direction on the type of regulation that City Council would like to consider, as well as whether Council wished to receive input from the Planning Commission on this issue if a zoning restriction was preferred.

The City Manager reviewed that the City Attorney advised that existing vacation rental units that are legally in existence at the time of regulation may be grandfathered. However, for all new vacation rental properties, City Council has several policy options in terms of frequency and location:

- *No regulation*
- *Limited Future Allowance.* If a limited number of vacation rental properties is seen as beneficial to the community, City Council could restrict by number or distance, or by limited the permitted use of vacation rentals to certain zoning districts. Possible zoning districts could include commercial areas and the transitional business district zoning currently in draft form with the Planning Commission.

The City currently restricts bed and breakfast establishments to one every 500 feet. However, the establishment of a vacation rental is significantly easier than the establishment of a new bed and breakfast property because a vacation rental property does not require owner occupancy.

- *Restriction by Zoning District.* A simple way to restrict future vacation rentals would be to define any structure used for transient lodging accommodations for 30 days or less as a hotel. This would effectively limit vacation rentals to commercial zoning districts within the City where hotels are permitted uses.

At the January 6 Council meeting, Councilmembers requested additional information about how other communities are regulating the frequency or number of vacation rental properties within their communities. City staff checked with several other communities that regulate vacation rental properties in some fashion and found none that limit or cap the number of vacation rentals. Instead, most communities identified, including Traverse City and Holland, regulate vacation rentals by limiting the zoning districts where they are permitted.

If Council elects to proceed, based on discussions at the January 6 meeting, it is City staff's understanding that safety inspections for compliance with the IPMC and IFC would be part of a draft ordinance for Council consideration. Bed and Breakfast establishments and hotels are already inspected on an annual basis by Public Safety personnel. Inspection of vacation rental properties would help ensure basic safety standards are being met in properties that are being rented for similarly short durations where persons may be less familiar with their surroundings and methods of egress in case of an emergency. Additionally, based on Council discussions, the required posting of basic noise, parking and trash disposal regulations, similar to St. Joseph, would be included in a draft ordinance pending direction on the overall regulation of vacation rentals.

City Councilmembers inquired if existing units would be permitted if they are commercial use; if Council could limit or place a minimum stay as part of the regulations; that vacation rentals change quality of life for residents; that licensing is presumed to be implemented; heard from those in favor of getting an impact from Planning Commission; that Petoskey is a resort community historically and perhaps that is changing; heard those in support of prohibiting in residential districts; and that regulation of time of stay is biggest way to control.

Mayor Fraser asked for public comments and heard from a citizen that a neighbor is financing property next door as vacation home by utilizing property as vacation rental.

City Councilmembers recommended direction from the Planning Commission concerning zoning districts and minimum length of stay.

Resolution No. 18750 – Approve MERS Retirement Plan Changes for Non-Union & DPW Employees

The City Manager reviewed that the City provides retirement benefits through the Municipal Employees' Retirement System (MERS), which has four separate divisions: nonunion, DPW union, Police union and Fire union. The collective bargaining agreement covering certain Department of Public Works employees for the period April 1, 2013 through March 31, 2016 includes provisions that require those employees to contribute towards their pension plan beginning April 1, 2014 at a rate of 1.5% of their wages increasing to 3% on April 1, 2015.

The City's nonunion employees will also begin contributing to their pension plan effective February 1, 2014 at a rate of 3% of their wage. This will put in place the process for all City fulltime staff that belong to the City's pension plan with the MERS individual contributions to the plan at a rate of 3%.

City Councilmember Murphy then moved that, seconded by City Councilmember Wills 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 within the City's Department of Public Works require changes to the City's current MMERS plan: and

WHEREAS, certain pension provisions for Nonunion City employees with the recommendation of the City Manager also 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 Works unionized personnel, referred to as City of Petoskey (2402), Division 01 – General Teamsters to include employee contribution rates of 1.5% beginning April 1, 2014, and 3.0% beginning April 1, 2015 and thereafter: and

BE IT FURTHER RESOLVED that the City of Petoskey City Council does and hereby elects to change current Michigan Municipal Employees' Retirement System (MMERS) benefits for Nonunion personnel, referred to as City of Petoskey (2402), Division 10 – General Nonunion to include employee contribution rates of 3.0% beginning February 1, 2014 and thereafter: and

BE IT FURTHER RESOLVED that the City of Petoskey City Council does and hereby authorizes the execution of the necessary agreements to enact the approved changes to the employee contribution rates within the City's pension plan with MMERS.

Said resolution was adopted by the following vote:

AYES: Marshall, Murphy, Dittmar, Wills, Fraser (5)

NAYS: None (0)

There being no further business to come before the City Council, this January 20, 2014, meeting of the City Council adjourned at 8:20 P.M.

W.J. Fraser, Mayor

Dan Ralley, Recording Secretary



CITY COUNCIL

January 27, 2014

A special-session meeting of the City of Petoskey City Council was held in the City Hall Council Chambers, Petoskey, Michigan, on Monday, January 27, 2014. The meeting was called to order at 6:00 P.M. and a roll call then determined that the following were

Present: William J. Fraser, Mayor
Kate Marshall, City Councilmember
John Murphy, City Councilmember
Grant Dittmar, City Councilmember
Jeremy Wills, City Councilmember

Also in attendance was City Manager Dan Ralley, City Clerk-Treasurer/Director of Finance Alan Terry; City Planner Amy Tweeten, Director of Parks and Recreation Allen Hansen, Director of Public Safety John Calabrese, Director of Public Works Michael Robbins, Lieutenant Matthew Breed and Public Safety Officer Daniel Smith.

Ryan Bentley, Petoskey News Review was also in attendance.

Public Safety Building Tour and Services Discussion

City Council and City staff toured the Public Safety Building/Fire Station to view building and fire equipment needs. Director John Calabrese, Lieutenant Breed and Public Safety Officer Dan

Smith led the tour and gave presentation.

Director Calabrese gave a presentation on public safety services and equipment. He reviewed statistics, staffing issues, Petoskey's ISO rating, and miscellaneous items pertaining to the department.

City Councilmembers and City staff discussed these matters and possible additional funding sources to maintain staffing, equipment and services at the existing levels.

Parks and Recreation and Building and Grounds Presentation

Director of Parks and Recreation Allen Hansen then gave a presentation on the Parks and Recreation Department and Buildings and Grounds. He reviewed priority maintenance

projects needed over the next several years, funds needed to complete those projects, staffing issues and concerns if funding is not obtained.

City Councilmembers and City staff further discussed the proposed maintenance of City facilities and funding possibilities.

Discuss Financial Overview & Options for Maintaining Service Levels

The Director of Finance gave an overview of funding options for maintaining service levels. He reviewed financial challenges and cutbacks that have been taken and proposed future

revenue options to maintain current level of services.

The Director of Finance noted potential revenue options such as Headlee Override, Property Tax Administration Fee, income tax and Public Safety millage and Special assessments.

City Councilmembers and City staff further discussed possible revenue options and discussed maintaining services.

There being no further business to come before the City Council, the meeting was adjourned at 9:10 P.M.

William J. Fraser, Mayor

Alan Terry, City Clerk-Treasurer

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GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
01/14	01/22/2014	61594	AIRGAS USA LLC	661-540-730.000	61.97
01/14	01/22/2014	61595	ALEXANDER CHEMICAL CORPORATION	592-691-663.000	9,321.72
01/14	01/22/2014	61595	ALEXANDER CHEMICAL CORPORATION	592-640-663.000	860.00
01/14	01/22/2014	61596	ASPLUNDH TREE EXPERT CO.	582-547-802.000	3,469.76
01/14	01/22/2014	61597	CHARLEVOIX-EMMET ISD	582-010-158.000	565.00
01/14	01/22/2014	61598	CITY OF PETOSKEY	582-010-158.000	160.00
01/14	01/22/2014	61599	CLASSIC FARM EQUIPMENT	661-540-931.000	99.90
01/14	01/22/2014	61600	GORDON FOOD SERVICE	101-345-775.000	30.46
01/14	01/22/2014	61600	GORDON FOOD SERVICE	101-770-963.100	2,188.17
01/14	01/22/2014	61601	GREENWELL MACHINE SHOP	592-698-775.000	7.24
01/14	01/22/2014	61602	INDUSTRIAL MARKETING	661-540-933.000	1,107.91
01/14	01/22/2014	61603	INGRAM LIBRARY SERVICES	271-540-748.000	29.12
01/14	01/22/2014	61604	KNIGHTS OF COLUMBUS	582-010-158.000	270.00
01/14	01/22/2014	61605	KRING CHEVROLET CADILLAC, DAVE	661-540-933.000	31.55
01/14	01/22/2014	61606	NORTHWEST DESIGN GROUP	101-010-158.000	476.00
01/14	01/22/2014	61607	PLUNKETT COONEY	101-209-802.000	1,174.70
01/14	01/22/2014	61607	PLUNKETT COONEY	101-210-802.000	4,483.10
01/14	01/22/2014	61608	REID, MICHAEL	101-228-727.000	32.77
01/14	01/22/2014	61608	REID, MICHAEL	101-228-956.000	27.49
01/14	01/22/2014	61608	REID, MICHAEL	101-228-850.000	89.09
01/14	01/22/2014	61609	STATE OF MI. DEPT. OF ENVIRON.	592-705-802.000	5,500.00
01/14	01/22/2014	61610	USA BLUE BOOK	592-705-779.000	150.00
01/14	01/22/2014	61611	VALLEY TRUCK PARTS INC.	661-540-933.000	59.65
01/14	01/22/2014	61612	VERIZON WIRELESS	582-010-158.000	128.00
01/14	01/22/2014	61612	VERIZON WIRELESS	582-010-158.000	604.61
01/14	01/22/2014	61613	ABDO-SPOTLIGHT-MAGIC WAGON	271-540-745.000	770.85
01/14	01/22/2014	61613	ABDO-SPOTLIGHT-MAGIC WAGON	271-540-748.000	267.40
01/14	01/22/2014	61614	AMERICAN WASTE	101-770-802.000	518.70
01/14	01/22/2014	61614	AMERICAN WASTE	101-730-802.000	156.30
01/14	01/22/2014	61614	AMERICAN WASTE	101-266-802.000	66.00
01/14	01/22/2014	61614	AMERICAN WASTE	101-265-802.000	57.00
01/14	01/22/2014	61614	AMERICAN WASTE	101-789-802.000	12.00
01/14	01/22/2014	61614	AMERICAN WASTE	101-773-931.000	30.00
01/14	01/22/2014	61614	AMERICAN WASTE	101-528-802.000	100.00
01/14	01/22/2014	61614	AMERICAN WASTE	582-597-932.000	436.50
01/14	01/22/2014	61614	AMERICAN WASTE	582-547-802.000	200.00
01/14	01/22/2014	61614	AMERICAN WASTE	582-580-775.000	100.00
01/14	01/22/2014	61614	AMERICAN WASTE	592-691-806.000	332.00
01/14	01/22/2014	61615	APPLE BOOKS	271-540-746.000	553.28
01/14	01/22/2014	61615	APPLE BOOKS	271-540-748.000	146.28
01/14	01/22/2014	61616	ATCHISON PAPER AND SUPPLY	271-540-725.000	97.20
01/14	01/22/2014	61617	BILLTRUST	101-208-803.000	519.17
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-172-719.000	1,657.62
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-201-719.000	4,315.24
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-208-719.000	994.57
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-209-719.000	414.41
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-215-719.000	2,072.03
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-228-719.000	1,243.21
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-400-719.000	414.41
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-441-719.000	7,181.24
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-345-719.000	17,126.77
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-265-719.000	198.91

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-266-719.000	857.82
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-730-719.000	62.16
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-770-719.000	5,516.99
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-773-719.000	298.37
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-774-719.000	2,561.01
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	101-789-719.000	870.25
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	204-481-719.000	5,082.42
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	271-540-719.000	3,978.28
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	518-539-719.000	994.57
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	582-595-719.000	2,632.05
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	592-705-719.000	1,657.63
01/14	01/22/2014	61618	BLUE CROSS\BLUE SHIELD - MICH.	592-685-719.000	7,042.15
01/14	01/22/2014	61619	BOOK FARM INC, THE	271-540-748.000	548.60
01/14	01/22/2014	61619	BOOK FARM INC, THE	271-540-958.000	76.90
01/14	01/22/2014	61619	BOOK FARM INC, THE	271-540-746.000	456.40
01/14	01/22/2014	61620	CENTER POINT LARGE PRINT	718-540-963.000	503.28
01/14	01/22/2014	61621	CHARLEVOIX-EMMET ISD	703-040-250.000	5,224.20
01/14	01/22/2014	61622	CITY TREAS. FOR GENERAL FUND	703-040-250.000	14,408.13
01/14	01/22/2014	61622	CITY TREAS. FOR GENERAL FUND	703-040-250.000	918.50
01/14	01/22/2014	61623	CITY TREAS. FOR LIBRARY FUND	703-040-250.000	3,407.48
01/14	01/22/2014	61624	CITY TREAS. FOR R.O.W.	703-040-250.000	7,246.60
01/14	01/22/2014	61625	CYNERGYCOMM.NET INC.	271-540-850.000	421.94
01/14	01/22/2014	61626	DAVIDSON TITLES INC.	271-540-746.000	762.42
01/14	01/22/2014	61626	DAVIDSON TITLES INC.	271-540-748.000	218.12
01/14	01/22/2014	61627	DEMCO	271-540-727.000	139.11
01/14	01/22/2014	61628	DERRER OIL CO.	661-540-751.000	6,632.29
01/14	01/22/2014	61629	DETROIT MEDIA PARTNERSHIP LP #1008	271-540-752.100	240.02
01/14	01/22/2014	61630	EMMET COUNTY TREASURER	703-040-250.000	939.17
01/14	01/22/2014	61630	EMMET COUNTY TREASURER	703-040-250.000	469.58
01/14	01/22/2014	61630	EMMET COUNTY TREASURER	703-040-250.000	9,109.91
01/14	01/22/2014	61631	ENGLEBRECHT, ROBERT	101-209-802.000	3,750.00
01/14	01/22/2014	61632	ENVIRONMENTAL RESOURCE ASSOC.	592-692-801.000	505.22
01/14	01/22/2014	61633	GARDNER MEDIA LLC	271-540-746.000	161.73
01/14	01/22/2014	61633	GARDNER MEDIA LLC	271-540-748.000	152.25
01/14	01/22/2014	61634	GIBBY'S GARAGE	661-540-931.000	877.50
01/14	01/22/2014	61634	GIBBY'S GARAGE	661-540-933.000	2,437.50
01/14	01/22/2014	61634	GIBBY'S GARAGE	101-770-802.000	97.50
01/14	01/22/2014	61635	GIBSON EXCAVATING LLC	592-675-802.000	1,245.00
01/14	01/22/2014	61636	GREAT LAKES ENERGY	592-634-920.000	159.54
01/14	01/22/2014	61636	GREAT LAKES ENERGY	592-699-920.000	124.94
01/14	01/22/2014	61636	GREAT LAKES ENERGY	101-345-920.100	519.61
01/14	01/22/2014	61636	GREAT LAKES ENERGY	592-634-920.000	345.56
01/14	01/22/2014	61637	GREENWOOD CEMETERY BOARD	703-040-250.000	882.82
01/14	01/22/2014	61638	INFOBASE PUBLISHING	271-540-746.000	25.45
01/14	01/22/2014	61638	INFOBASE PUBLISHING	271-540-748.000	34.45
01/14	01/22/2014	61639	INGRAM LIBRARY SERVICES	271-540-745.000	830.40
01/14	01/22/2014	61639	INGRAM LIBRARY SERVICES	271-540-749.000	180.56
01/14	01/22/2014	61639	INGRAM LIBRARY SERVICES	271-540-746.000	74.97
01/14	01/22/2014	61639	INGRAM LIBRARY SERVICES	271-540-748.000	11.83
01/14	01/22/2014	61639	INGRAM LIBRARY SERVICES	271-540-958.200	25.98
01/14	01/22/2014	61639	INGRAM LIBRARY SERVICES	718-540-963.000	129.25
01/14	01/22/2014	61640	INTERNATIONAL ASSOCIATION OF	101-345-957.000	120.00

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
01/14	01/22/2014	61641	K & J SEPTIC SERVICE LLC	592-693-802.000	500.00
01/14	01/22/2014	61642	LIBRARIANS' BOOK EXPRESS	271-540-748.000	163.98
01/14	01/22/2014	61643	LIBRARIANS' CHOICE	271-540-746.000	389.86
01/14	01/22/2014	61644	MCLEAN & EAKIN BOOKSELLERS	271-540-746.000	11.99
01/14	01/22/2014	61644	MCLEAN & EAKIN BOOKSELLERS	271-540-748.000	27.99
01/14	01/22/2014	61645	MICH. MUNICIPAL ELECTRIC ASSOC	582-595-957.000	11,830.00
01/14	01/22/2014	61646	MICH. PUBLIC POWER AGENCY	582-595-957.000	20,346.77
01/14	01/22/2014	61647	MICHIGAN OFFICE SOLUTIONS	271-540-802.000	75.00
01/14	01/22/2014	61648	MICHIGAN OFFICEWAYS	271-540-727.000	220.23
01/14	01/22/2014	61649	MICHIGAN STATE UNIVERSITY	101-172-957.000	550.00
01/14	01/22/2014	61650	NORTH CENTRAL MICH. COLLEGE	703-040-250.000	2,086.83
01/14	01/22/2014	61650	NORTH CENTRAL MICH. COLLEGE	703-040-250.000	1,874.76
01/14	01/22/2014	61650	NORTH CENTRAL MICH. COLLEGE	703-040-250.000	503.20
01/14	01/22/2014	61651	NORTHWEST MICHIGAN ASSESSORS	101-209-956.000	140.00
01/14	01/22/2014	61652	OCLC INC.	271-540-802.000	39.57
01/14	01/22/2014	61653	OLLIS BOOK CORP	271-540-746.000	825.78
01/14	01/22/2014	61654	PENWORTHY COMPANY, THE	271-540-748.000	1,000.00
01/14	01/22/2014	61655	PETOSKEY PUBLIC SCHOOLS	703-040-250.000	3,531.26
01/14	01/22/2014	61655	PETOSKEY PUBLIC SCHOOLS	703-040-250.000	2,478.08
01/14	01/22/2014	61655	PETOSKEY PUBLIC SCHOOLS	703-040-250.000	788.90
01/14	01/22/2014	61656	RANGE TELECOMMUNICATIONS	204-481-850.000	41.38
01/14	01/22/2014	61656	RANGE TELECOMMUNICATIONS	582-595-850.000	41.38
01/14	01/22/2014	61656	RANGE TELECOMMUNICATIONS	592-685-850.000	120.00
01/14	01/22/2014	61656	RANGE TELECOMMUNICATIONS	592-705-850.000	120.00
01/14	01/22/2014	61656	RANGE TELECOMMUNICATIONS	661-540-850.000	41.38
01/14	01/22/2014	61656	RANGE TELECOMMUNICATIONS	101-770-802.000	41.41
01/14	01/22/2014	61657	S.A.N.E. - STRAITS AREA	101-345-805.000	5,000.00
01/14	01/22/2014	61658	SCHOLASTIC BOOK FAIRS INC.	271-540-746.000	399.59
01/14	01/22/2014	61658	SCHOLASTIC BOOK FAIRS INC.	271-540-748.000	106.70
01/14	01/22/2014	61658	SCHOLASTIC BOOK FAIRS INC.	271-540-958.000	81.40
01/14	01/22/2014	61658	SCHOLASTIC BOOK FAIRS INC.	271-540-958.200	45.43
01/14	01/22/2014	61659	SWEEP SHOP, THE	271-540-725.000	65.85
01/14	01/22/2014	61660	TEI LANDMARK AUDIO	271-540-749.000	71.23
01/14	01/22/2014	61661	TROPHY CASE, THE	101-770-975.200	44.00
01/14	01/22/2014	61661	TROPHY CASE, THE	101-172-727.000	36.00
01/14	01/22/2014	61662	US TENNIS ASSOCIATION	101-774-957.000	35.00
01/14	01/22/2014	61663	WITTE, CHARLES	592-693-802.000	3,465.00
01/14	01/22/2014	61664	ZAREMBA EQUIPMENT INC.	661-540-933.000	992.04
01/14	01/29/2014	61666	ACCESS LOCKSMITHING INC.	592-630-802.000	160.00
01/14	01/29/2014	61666	ACCESS LOCKSMITHING INC.	592-705-779.000	801.00
01/14	01/29/2014	61666	ACCESS LOCKSMITHING INC.	592-685-779.000	570.00
01/14	01/29/2014	61667	ACH-CHILD SUPPORT	701-000-230.160	1,053.79
01/14	01/29/2014	61668	ACH-EFTPS	701-000-230.100	21,760.83
01/14	01/29/2014	61668	ACH-EFTPS	701-000-230.200	10,591.49
01/14	01/29/2014	61668	ACH-EFTPS	701-000-230.200	10,591.49
01/14	01/29/2014	61668	ACH-EFTPS	701-000-230.200	2,477.09
01/14	01/29/2014	61668	ACH-EFTPS	701-000-230.200	2,477.09
01/14	01/29/2014	61669	ACH-ICMA 457	701-000-230.700	4,754.04
01/14	01/29/2014	61670	AFLAC	701-000-230.180	475.33
01/14	01/29/2014	61671	ALPENA FIRE EQUIP. SALES & SER	101-345-805.000	262.00
01/14	01/29/2014	61672	AMERICAN MESSAGING	204-481-850.000	32.45
01/14	01/29/2014	61672	AMERICAN MESSAGING	582-595-850.000	32.45

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
01/14	01/29/2014	61672	AMERICAN MESSAGING	592-685-850.000	32.45
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01/14	01/29/2014	61672	AMERICAN MESSAGING	661-540-850.000	32.45
01/14	01/29/2014	61672	AMERICAN MESSAGING	101-770-850.000	32.48
01/14	01/29/2014	61673	AMERIGAS	661-540-931.000	65.34
01/14	01/29/2014	61674	AT&T	101-770-850.000	50.71
01/14	01/29/2014	61674	AT&T	592-634-850.000	329.98
01/14	01/29/2014	61675	BALLARD'S PLUMBING & HEATING	101-266-802.000	114.00
01/14	01/29/2014	61676	BENCHMARK ENGINEERING INC.	101-010-158.000	782.00
01/14	01/29/2014	61677	BICHINI BIA CONGO DANCE	271-540-958.100	800.00
01/14	01/29/2014	61678	CARTER'S IMAGEWEAR & AWARDS	101-770-935.000	120.00
01/14	01/29/2014	61679	CDW GOVERNMENT	101-228-775.000	3,914.64
01/14	01/29/2014	61679	CDW GOVERNMENT	101-345-727.000	1,039.44
01/14	01/29/2014	61680	CHAR-EM UNITED WAY	701-000-230.800	81.55
01/14	01/29/2014	61681	CHARLEVOIX-EMMET ISD	703-040-234.213	126,193.61
01/14	01/29/2014	61682	CHARTER COMMUNICATIONS	582-595-850.000	109.98
01/14	01/29/2014	61682	CHARTER COMMUNICATIONS	592-705-850.000	115.68
01/14	01/29/2014	61683	CINTAS CORPORATION	582-597-932.000	56.24
01/14	01/29/2014	61683	CINTAS CORPORATION	661-540-725.000	56.25
01/14	01/29/2014	61683	CINTAS CORPORATION	592-685-727.000	95.30
01/14	01/29/2014	61684	CITY TREAS. FOR GENERAL FUND	703-040-230.213	25,834.15
01/14	01/29/2014	61684	CITY TREAS. FOR GENERAL FUND	703-040-230.213	1,646.79
01/14	01/29/2014	61684	CITY TREAS. FOR GENERAL FUND	703-040-233.000	7,071.31
01/14	01/29/2014	61684	CITY TREAS. FOR GENERAL FUND	703-040-233.000	52.18
01/14	01/29/2014	61685	CITY TREAS. FOR LIBRARY FUND	703-040-231.213	6,109.62
01/14	01/29/2014	61685	CITY TREAS. FOR LIBRARY FUND	703-040-233.000	193.57
01/14	01/29/2014	61686	CITY TREAS. FOR R.O.W.	703-040-229.213	12,993.30
01/14	01/29/2014	61686	CITY TREAS. FOR R.O.W.	703-040-233.000	411.66
01/14	01/29/2014	61687	CONSUMERS ENERGY	592-699-920.000	101.95
01/14	01/29/2014	61687	CONSUMERS ENERGY	592-634-920.000	2,697.65
01/14	01/29/2014	61687	CONSUMERS ENERGY	592-699-920.000	125.21
01/14	01/29/2014	61687	CONSUMERS ENERGY	592-699-920.000	184.10
01/14	01/29/2014	61687	CONSUMERS ENERGY	592-699-920.000	246.46
01/14	01/29/2014	61687	CONSUMERS ENERGY	592-699-920.000	147.07
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01/14	01/29/2014	61687	CONSUMERS ENERGY	592-699-920.000	908.37
01/14	01/29/2014	61687	CONSUMERS ENERGY	592-699-920.000	520.22
01/14	01/29/2014	61687	CONSUMERS ENERGY	202-475-920.000	118.91
01/14	01/29/2014	61688	DECKA DIGITAL	101-345-727.000	70.00
01/14	01/29/2014	61689	DERRER OIL CO.	661-540-751.000	6,125.65
01/14	01/29/2014	61690	DUNKEL EXCAVATING, RON	518-539-802.000	2,672.50
01/14	01/29/2014	61690	DUNKEL EXCAVATING, RON	202-479-802.000	10,460.00
01/14	01/29/2014	61691	EMMET COUNTY TREASURER	703-040-222.213	16,334.30
01/14	01/29/2014	61691	EMMET COUNTY TREASURER	703-040-228.213	20,207.46
01/14	01/29/2014	61691	EMMET COUNTY TREASURER	703-040-222.213	22,685.45
01/14	01/29/2014	61691	EMMET COUNTY TREASURER	703-040-222.213	11,341.82
01/14	01/29/2014	61691	EMMET COUNTY TREASURER	703-040-233.000	517.45
01/14	01/29/2014	61691	EMMET COUNTY TREASURER	703-040-233.000	640.16
01/14	01/29/2014	61692	FERRAIUOLO, RALPH	661-020-142.000	535.00
01/14	01/29/2014	61693	FLYNN, JOHN	101-774-753.030	50.00
01/14	01/29/2014	61694	FOSTER, NELLIE	592-081-641.000	444.40

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
01/14	01/29/2014	61695	GALLEY GOURMET	101-101-860.000	180.00
01/14	01/29/2014	61696	GREENWOOD CEMETERY BOARD	703-040-238.213	21,323.59
01/14	01/29/2014	61697	HACH COMPANY	592-693-775.000	128.07
01/14	01/29/2014	61698	INFORMATION SYSTEMS	101-266-775.000	10.60
01/14	01/29/2014	61699	KASPAR WIRE WORKS INC.	101-730-802.000	696.54
01/14	01/29/2014	61700	KID'S REFERENCE COMPANY INC.	271-540-746.000	217.32
01/14	01/29/2014	61700	KID'S REFERENCE COMPANY INC.	271-540-748.000	227.46
01/14	01/29/2014	61701	KNIGHTS OF COLUMBUS BLDG ASSOC	101-191-802.000	2,000.00
01/14	01/29/2014	61702	KSS ENTERPRISES	101-266-775.000	49.48
01/14	01/29/2014	61702	KSS ENTERPRISES	101-770-775.000	318.60
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	101-789-719.000	33.46
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	101-345-719.000	777.92
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	101-101-719.000	11.81
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	101-201-719.000	338.49
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	101-770-719.000	165.29
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	101-774-719.000	70.84
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	101-441-719.000	26.02
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	582-597-719.000	161.29
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	592-685-719.000	77.16
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	592-705-719.000	77.16
01/14	01/29/2014	61703	MICH. MUNICIPAL LEAGUE WC FUND	204-481-719.000	230.56
01/14	01/29/2014	61704	MIILLER, BEN	101-774-753.030	200.00
01/14	01/29/2014	61705	NORTH CENTRAL LABORATORIES	592-692-775.000	358.11
01/14	01/29/2014	61706	NORTH CENTRAL MICH. COLLEGE	703-040-235.213	50,406.84
01/14	01/29/2014	61706	NORTH CENTRAL MICH. COLLEGE	703-040-235.213	45,284.90
01/14	01/29/2014	61706	NORTH CENTRAL MICH. COLLEGE	703-040-235.213	12,151.86
01/14	01/29/2014	61707	NORTHERN FIRE & SAFETY	101-266-802.000	490.00
01/14	01/29/2014	61707	NORTHERN FIRE & SAFETY	101-345-805.100	150.00
01/14	01/29/2014	61708	OTEC RADIO COMM. EQUIPMENT	661-020-142.000	1,469.00
01/14	01/29/2014	61709	OTIS ELEVATOR COMPANY	101-266-802.000	2,711.78
01/14	01/29/2014	61710	PETOSKEY PARTS PLUS	661-540-933.000	131.31
01/14	01/29/2014	61711	PETOSKEY PUBLIC SCHOOLS	703-040-236.213	59,043.86
01/14	01/29/2014	61711	PETOSKEY PUBLIC SCHOOLS	703-040-237.213	6,331.58
01/14	01/29/2014	61711	PETOSKEY PUBLIC SCHOOLS	703-040-237.213	4,443.16
01/14	01/29/2014	61711	PETOSKEY PUBLIC SCHOOLS	703-040-237.213	1,414.45
01/14	01/29/2014	61711	PETOSKEY PUBLIC SCHOOLS	703-040-233.000	1,785.08
01/14	01/29/2014	61711	PETOSKEY PUBLIC SCHOOLS	703-040-233.000	200.55
01/14	01/29/2014	61711	PETOSKEY PUBLIC SCHOOLS	703-040-233.000	140.76
01/14	01/29/2014	61711	PETOSKEY PUBLIC SCHOOLS	703-040-233.000	44.82
01/14	01/29/2014	61712	PETOSKEY REGIONAL CHAMBER	101-172-957.000	290.00
01/14	01/29/2014	61713	PETOSKEY ROTARY CLUB	101-345-957.000	251.00
01/14	01/29/2014	61714	REDLI'S PRINTER REPAIR	101-215-802.000	131.25
01/14	01/29/2014	61715	RESCO	582-010-111.000	2,990.50
01/14	01/29/2014	61716	S & S WELDING	101-345-805.000	315.00
01/14	01/29/2014	61716	S & S WELDING	101-266-802.000	797.30
01/14	01/29/2014	61716	S & S WELDING	202-479-802.000	175.00
01/14	01/29/2014	61716	S & S WELDING	204-449-802.000	9,030.00
01/14	01/29/2014	61716	S & S WELDING	271-540-801.000	117.25
01/14	01/29/2014	61716	S & S WELDING	518-539-802.000	1,172.50
01/14	01/29/2014	61716	S & S WELDING	582-597-932.000	257.95
01/14	01/29/2014	61717	SMITH, EDWARD J	101-774-956.000	78.40
01/14	01/29/2014	61717	SMITH, EDWARD J	101-774-753.030	200.00

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-172-719.000	76.98
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-201-719.000	99.19
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-208-719.000	24.94
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-228-719.000	34.58
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-209-719.000	36.69
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-215-719.000	84.49
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-400-719.000	42.92
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-441-719.000	138.69
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-345-719.000	574.11
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-265-719.000	43.29
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-266-719.000	19.29
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-730-719.000	3.04
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-770-719.000	117.48
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-773-719.000	9.70
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-774-719.000	62.37
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	101-789-719.000	15.22
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	204-481-719.000	898.85
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	271-540-719.000	162.90
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	582-595-719.000	244.79
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	592-705-719.000	126.58
01/14	01/29/2014	61718	SUN LIFE FINANCIAL	592-685-719.000	178.49
01/14	01/29/2014	61719	SURA, MATT	101-774-753.030	100.00
01/14	01/29/2014	61720	TELEDYNE INSTRUMENTS INC.	592-693-775.000	430.50
01/14	01/29/2014	61721	TETRA TECH INC	582-597-804.000	1,410.75
01/14	01/29/2014	61722	VRATANINA, BOB	101-774-753.030	50.00
01/14	01/29/2014	61723	WESTON, CHRIS	101-774-753.030	100.00
01/14	01/29/2014	61724	EMMET COUNTY TREASURER	101-215-727.000	4,253.31
Grand Totals:					<u><u>803,766.77</u></u>

Report Criteria:

Check.Date = 01/22/2014-01/29/2014

Check Number	Date	Name	GL Account	Amount
61665	01/22/2014	PETROWSKI, GWEN	582081643000	30.36
61725	01/29/2014	TRUDEAU, JON	101774753100	70.00
Grand Totals:				<u>100.36</u>



City of Petoskey

Agenda Memo

BOARD: City Council

MEETING DATE: February 3, 2014

PREPARED: January 29, 2014

AGENDA SUBJECT: Board of Review Date Changes

RECOMMENDATION: That City Council approve the proposed resolution

Summary. The attached resolution authorizes the Board of Review to move back, by one day, their initial meeting to the Tuesday following the second Monday in March. The Board of Review currently holds their initial meeting on the second Monday in March. Under the General Property Tax Act (Act 206 of 1893) City Council may authorize such a change by resolution.

Background. The Board of Review typically holds two daytime and one evening meeting in March in order to hear property tax appeals from community residents. At their December 2013 meeting, the Board of Review, in consultation with the City Assessor, recommended the scheduling change in order to provide scheduling flexibility for Board members and the Assessor. If adopted, the Board of Review's schedule in March 2014 would be as follows:

TUESDAY, MARCH 11, 2014

9:00 A.M. - 12:00 NOON

1:00 P.M. to 4:00 P.M.

WEDNESDAY, MARCH 12, 2014

6:00 P.M. to 9:00 P.M.

THURSDAY, MARCH 13, 2014

9:00 A.M. to 12:00 Noon

1:00 P.M. to 4:00 P.M.

sb
Enclosure



City of Petoskey

Resolution

WHEREAS, the City of Petoskey Board of Review typically holds their initial meeting on the second Monday in March, and

WHEREAS, Under the General Property Tax Act (Act 206 of 1893) the Petoskey City Council may authorize by adoption of a resolution alternative starting dates in March when the Board of Review shall initially meet, and

WHEREAS, by statute the alternative dates shall be the Tuesday or Wednesday following the second Monday of March; and

WHEREAS, the City Assessor, in consultation with the Board of Review, is recommending to City Council that the initial meeting date for the Board of Review be changed to the second Tuesday in March; and

NOW, THEREFORE BE IT RESOLVED that the City of Petoskey City Council does hereby authorize the Board of Review to change its initial meeting date as authorized by Act 206 of 1893:

BE IT FURTHER RESOLVED that the City Assessor is authorized to establish initial meeting dates for the Board of Review consistent with Act 206 of 1893.



BOARD: City Council

MEETING DATE: February 3, 2014 **PREPARED:** January 30, 2014

AGENDA SUBJECT: General Fund Revenue Options Discussion

RECOMMENDATION: That the City Council discuss this matter

Summary. On January 27, 2014 City Council met in special session to discuss the City’s General Fund finances. At that meeting staff presented information detailing staffing, buildings and equipment needs within Public Safety as well as deferred capital maintenance on buildings within the Parks Department. Revenue options, outlined in a report entitled *City of Petoskey Financial Overview & Options for Maintaining Services at Current Levels* (enclosed) were also discussed with follow-up discussion requested for the February 3, 2014 City Council meeting.

Revenue Options. A summary of revenue options detailed in the *Financial Overview* report is as follows:

Option	Mechanism	Notes	Revenue
Property Tax Administration Fee	Council Action. 1% of property tax bill towards costs of assessing, issuing and collecting property taxes.	Provide immediate funds to fill Public Safety Officer position and maintain full-time staffing at Bay Harbor station. Funding towards deferred Park maintenance items.	\$200,000
Headlee Override	Subject to voter approval, restores current millage rate of 7.6707 to charter authorized limit of 10.000 mills.	Council sets millage rates annually. If approved, full 10 mills does not have to be levied.	Additional millage of 2.3293 @ \$450,000,000 TXV produces \$1,048,185 in tax revenue.
Public Safety Millage	Subject to voter approval, provides a dedicated millage for Public Safety services, may include operating and/or capital expenditures.	Similar revenue to Headlee Override option. Less flexible, but possibly more politically acceptable. Council approval of annual levy.	1 Mill \$450,000 1.5 Mills \$675,000 2 Mills \$900,000
Income Tax	Subject to voter approval. City income tax assessed to all residents and any nonresident who works in the City. Income tax rate would be established at an amount not to exceed 1% for residents and .5% for nonresidents.	Will require research to determine estimated revenues from residents and non-residents. Could potentially allow the lowering of local property tax rates.	A payroll of \$200M city-wide with 50% residents and 50% non-residents at the rate of 1% resident and .5% non-resident would produce \$1,500,000 annually.
Accident Recovery Fee	Council Action. Amount billed non-resident’s insurance company for cost of Public Safety services incurred in response to accident scene.	Approximately half of crashes in City involve non-residents.	Estimated to be \$50,000 annually
Special Assessment – Public Safety Services	Council Action. Annual special assessment to property owners for public safety equipment and/or operations.	Tax-exempt parcels are exempt. May be difficult to administer annually, with 4,500 notices and invoices.	Similar to Public Safety Millage.

Recommendation. City Staff is recommending re-instituting the Property Tax Administration fee and requesting direction from City Council on additional long-term revenue options necessary to maintain current service levels. Revenue from the Property Tax Administration fee will return those revenues used to cover costs of assessing and administering property taxes on behalf of five other jurisdictions, allowing General Operating tax revenues to go towards filling a Public Safety Officer position vacated by a retirement in late 2013 and provide some funding towards deferred maintenance projects in the Parks Department. The additional Public Safety Officer will also enable the City to maintain full staffing of the Bay Harbor Public Safety Station.

sb
Enclosure



**CITY OF PETOSKEY
FINANCIAL OVERVIEW &
OPTIONS FOR
MAINTAINING SERVICES
AT CURRENT LEVELS**

Executive Summary

- The City of Petoskey is expected to experience a prolonged period of slow growth in property tax revenues due to the downturn in the economy and the continuing number of foreclosed properties within the City, as well as State legislative limits placed on increases in taxable values.
- Over \$10,000,000 in street reconstruction, building maintenance and equipment replacement are necessary, or will be necessary over the next 5 – 10 years, which cannot be met through existing sources of funding.
- Primary sources of revenue experiencing a shortfall are within the General Fund and Right of Way Fund. Activities financed through these two funds and impacted by this shortfall are Public Safety, Parks, Building and Grounds and Streets. These activities are accounted for in the General, Major Street, Local Street, General Street, and Motor Pool Funds.
- In order to maintain expected levels of service and preserve existing infrastructure, it is essential for the City to increase levels of existing revenue sources and/or provide additional sources of revenue to fund these activities.

Introduction

The purpose of this report is to document long-term financial challenges facing the City of Petoskey, and to present funding options necessary to maintain current levels of municipal services. This document is designed to provide City Council with an overview of financial challenges as they exist today, as well as those that the City is expected to face over the next decade mainly due to the decline in property tax revenue since 2010.

This report has been created by City Staff in response to concerns raised as part of the 2013 Action Plan adopted by City Council. Specifically, as part of the Action Plan the examination and discussion of new and additional long-term funding options was identified by City Council as a necessary step in order to maintain City service levels. This report provides City Council with a resource to be used in the evaluation of various options available in order to continue to provide municipal services at current levels to City residents, businesses, taxpayers and visitors.

Excluded from the report is information related to the City's enterprise funds consisting of the; Electric, Water and Sewer Funds, since revenues in business type funds based on user fees that are being more readily reviewed and adjusted to operate and maintain these services. The City is currently in the fourth and final year of annual utility rate increases for both of the enterprise funds, with the final water and sewer rate increase scheduled for January 1, 2014.

Based on separate studies by outside consultants, the utility rate increases also included a change in the rate structure, most notably the implementation of summer and winter electric rates to better account for the large cost differential between the two seasons. Future rate adjustments will be necessary, but are expected to be modest changes, while the overall rate making process will remain in place.

Need for Report

The City's financial position has been negatively impacted by a significant reduction in property tax revenue tied to declines in taxable value, cuts in revenue sharing payments from the State of Michigan, and continued increases in expenditures for health care coverage and pension plan contributions. In addition, personal property parcels with a taxable value of less than \$40,000 will be exempt from property tax beginning in 2014 along with all industrial personal property and there remains political backing in Lansing to eliminate all personal property taxes.

From 2010 through 2012 the City of Petoskey experienced nearly a 20% decline in total taxable values. There are signs that the decline in the local real estate market is leveling off with an increase of 0.80% in the City's 2013 taxable value. However, future annual increases in taxable value under Proposal A and the Headlee Act are limited to 5% or the rate of inflation, whichever is less. This means the recent three year decline in property taxable values will negatively impact the revenues of the City of Petoskey for years to come. While values declined by more than 10% a year, when they begin to increase in market value the City will be limited in the amount that can be recouped. The three year decline could reasonably be expected to take up to 10 years or more to recover assuming a modest annual increase in taxable values.

The City has met the challenges presented by this reduction in revenues, in the short-term, by reducing capital improvements, maintenance expenses and personnel costs. Staff positions vacated by retirement have been left vacant, wages have been frozen, health care plans were changed, a greater share of health care and retirement costs have been passed on to employees. These shifts in benefit costs have an impact on employee morale and as the economy improves, may impact the City's ability to attract and retain personnel.

Additionally, maintenance has been deferred on City infrastructure, particularly within those areas funded by General Operating revenues, such as parks and public safety, and the Right of Way millage, which funds street and sidewalk improvements, maintenance and repairs, along with forestry activity. Deferring this work cannot continue indefinitely: roofs fail, park infrastructure needs to be maintained and repaired, streets and sidewalks deteriorate and grow expensive to patch and repair, fire trucks wear out and need to be replaced and trees need to be trimmed, removed and replaced.

REVENUES

Taxable Value

The City's taxable value has increased dramatically since 1995 when the City of Petoskey and Resort Township entered into an agreement under Public Act 425 to transfer property from the Township to the City's jurisdiction, which included the Bay Harbor Development. The City's taxable value increased from \$142,103,604 in 1995 to a high of \$538,145,301 in 2009, with Bay Harbor accounting for 52% or \$285,158,100 of this amount.

Recent changes in economic conditions have negatively impacted the housing market and have had a direct impact on the City's taxable value. Taxable value declined by nearly 10% in 2010, 6% in 2011 and 4% in 2012. This year's taxable value is \$446,133,626 or \$92,011,675 less than the 2009 peak in taxable value. The current year's taxable value is slightly less than the 2002 level of \$448,967,406 of eleven years ago.

Even as the City sees a modest increase in taxable value of 0.80% for 2013, a large number of foreclosures are still restricting growth in the City's overall taxable value. All indications are that it will take several years until the foreclosure rate levels out and decreases to more historic levels. The high level of foreclosures tends to reduce the sales price of other homes, which are used in sales studies for valuing City properties, thereby reducing the value of other City properties.

Locally, what this means for the City of Petoskey is a prolonged period of nearly flat property tax revenues, with limited means of increasing revenues to offset variable costs and deferred capital maintenance that grows more expensive each year. Gross property tax revenues for the City were at an all-time high of \$7,322,005 in 2009 and in 2013 will total \$6,170,831 or \$1,151,174 less.

The following graphs detail the reduction in Taxable Valuations and Tax Revenue:

Year	Taxable Value	General	Tax Levy by Purpose			Total
			Right of Way	Library	Refuse	
2009	\$538,145,301	\$4,006,438	\$2,076,165	\$976,249	\$263,153	\$7,322,005
2010	489,333,583	3,753,531	1,887,849	887,700	239,284	6,768,364
2011	457,978,812	3,515,018	1,766,882	830,819	223,952	6,334,671
2012	442,604,567	3,395,087	1,707,568	802,929	216,434	6,122,018
2013	446,133,626	3,422,157	1,721,184	809,331	218,159	6,170,831

*Tax amounts are in total – TIFA captures and the Act 425 fee is not deducted.

It is also important to note that the City's millage rates are at or near their maximums with the exception of the millage for solid waste. Consequently, the City cannot currently increase millages or corresponding revenues for general operating or right of way expenses.

State Revenue Sharing

For more than a decade revenue sharing has come under attack at the State level with changes in methodology and formulas used in distributing the annual amount allocated to local units. Several years ago the distribution was changed and is now based solely on sales tax with two separate components. The first component is based on a formula approved by voters through a constitutional amendment and is therefore a guaranteed amount. This portion makes up the majority of the payment and is not subject to the discretion of legislators. The second portion is based on State statute and is debated annually as part of the State's overall budget and has been reduced from \$133,127 in 2006 to a projected \$48,546 in 2013.

In 2011 the legislature passed an omnibus budget bill that established criteria that local units must meet in order to qualify for 67.8% of the past amount of the statutory revenue sharing payment. In 2010 this change resulted in a reduction in statutory revenue from \$66,670 to \$45,200. This source of revenue has historically been increased based on inflation, but in recent years has been subject to annual declines and now comes with additional requirements that change yearly.

The criteria for the Economic Vitality Incentive Program (EVIP) include 1) A citizen's guide providing standardized information about the City, both financial and statistical. 2) Proposals for working with area communities to provide more effective and efficient services.

3) Regulations placed on employee fringe benefits to limit government employer costs for retirement and health care plans.

GENERAL FUND
REVENUE SHARING PAYMENTS
For Calendar Years 2006 through 2013

<u>Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>
2013	\$ 48,546	\$415,454	\$464,000
2012	\$ 52,399	\$407,905	\$460,304
2011	\$ 65,800	\$386,900	\$452,700
2010	\$ 66,669	\$387,895	\$454,564
2009	\$ 98,328	\$377,907	\$476,235
2008	\$115,843	\$421,404	\$537,247
2007	\$127,686	\$409,473	\$537,159
2006	\$133,127	\$414,647	\$547,774

Personal Property Tax

The City of Petoskey's taxable value for personal property tax is \$15,560,300 and the City currently collects \$215,227 in personal property taxes annually. In late 2012 the State passed legislation that would partially phase out Personal Property Tax pending the outcome of a statewide vote in November 2014. Separately, and not contingent upon this statewide vote, at the end of 2013 personal property parcels with a taxable value under \$40,000 will be exempt from taxation. For the City this change is expected to eliminate \$54,000, or approximately 25% of all personal property tax revenue, across the City's three tax supported funds.

Contingent upon a statewide vote would be an increase in the State use tax that would offer replacement revenue to municipalities affected by the portion of personal property tax exempted under the act. Under this proposal, entities whose total exempt personal property parcels over \$40,000 in taxable value exceeds 2.3% of their total taxable value for all properties, would be eligible to receive a partial reimbursement through a newly established State authority.

As proposed, the City of Petoskey would not meet this reimbursement threshold and would lose the entirety of the personal property tax revenue if the statewide measures are approved by voters. Without additional revenues to replace this loss of \$54,000 in personal property tax funding, services will need to be cut across most tax revenue supported funds.

EXPENSES

Health Care

Health care premiums have always been the single largest expense that is difficult to manage for the City of Petoskey. Due to the number of employees, the City is self-rated, which means premiums are based on the City's claims experience alone and not that of a larger group. This can be good or bad based on the amount of claims paid out over the two year study period. There are also unrelated factors such as administrative costs of the health care provider, Blue Cross Blue Shield, where are a separate line item in the rating process, along with legislated mandates.

To help address these uncontrolled expenses, in 2009 the City began to institute a high deductible health care plan to lower annual premiums and help develop employee awareness on health care coverage costs. The City funded the annual deductible in declining amounts for the first three years, 100% the first year, 90% the second year, and 80% the third year, with employees funding the entire amount thereafter. As of January 2013 all eligible city employees are covered by the same high deductible health care plan.

In addition, the State legislature adopted a “hard cap” in 2011 for health care premiums provided to public employees and the City adopted the cap for all employees. This law effectively caps the amount a governmental employer can pay for health care benefits, with inflationary adjustments made annually based on the Consumer Price Index for health care. Any premium amount above this hard cap threshold will be the employees’ responsibility.

The Health Care Reform Act of 2010 legislates additional benefits to the health care plan that were not previously provided. Two of these benefits are coverage for children up to age 26 and additional services provided under preventive care that were previously subject to the annual deductible first, but are now covered 100% by the insurance provider (e.g. colonoscopy). There are other changes in reporting for the insurance provider and coverage that will take effect in 2014 that will tax health care plans and increase premiums approximately 25% before any annual increases based on actual claims experience or administrative costs are factored into the premiums.

Blue Cross and Blue Shield of Michigan
Ten Year Summary of Premium Costs

Year	Non-Union	Public Safety	Teamsters	Total
2012	\$338,940	\$176,491	\$198,846	\$ 714,277
2011	529,995	250,115	221,381	1,001,491
2010	463,141	201,380	197,137	861,658
2009	408,487	182,361	208,954	799,802
2008	572,673	245,818	198,195	1,016,686
2007	492,711	202,346	175,229	870,286
2006	413,440	176,677	143,082	733,199
2005	425,015	171,656	136,208	732,879
2004	368,460	141,417	114,990	624,867
2003	341,832	126,970	98,540	567,342

Previously Reduced Expenditures

The City of Petoskey has taken the following steps to reduce expenditures:

- No employee raises for non-union and Public Safety employees since 2010 and Teamster employees’ wages are frozen for 2013.
- Implemented high-deductible health insurance plan for employees beginning in 2009, along with Health Savings Accounts.
- Health savings account contributions are now fully funded by employees.
- Implemented State “hard cap” limiting the City’s exposure to health care costs at levels establish by the State and placing responsibility for costs in excess of the cap amount on the employee.
- Public Safety unionized Officers now contribute 2% of their wage to their retirement account. Teamster unionized employees will begin contributing to their retirement plan beginning in 2014.
- Three (3) full-time employee positions were left unfilled following retirements.
- Eliminated seasonal Public Safety Cadet positions, which were partially reinstated in 2013 due to issues along waterfront and Parks.
- Deferred capital maintenance to the Public Safety Station #1
- Overtime was reduced in Public Safety through greater administrative control of time-off, changes to the collective bargaining agreement, and the creation of a detective’s position.

- Capital maintenance has been deferred on various park facilities, including roofs on several structures within Bay Front Park as well as the Sunset Park stair tower.

Community Survey and Preference for Existing Service Levels

The community survey undertaken in 2010 offered respondents several options for the reduction of City services. The majority of respondents, however, indicated satisfaction with existing services and preferred maintaining current service levels versus cutting expenses by paring back service levels.

Activities such as sidewalk snow removal, and weekly summer park maintenance were seen as important services that residents enjoy and would prefer to continue at current levels.

Additionally, the few service changes that the City has implemented, including bi-monthly brush pick-up instead of every other week, and spring and fall refuse clean-up for a total of four instead of six weeks, have occasionally been the source of public criticism.

NEEDS

The most critical financial needs lie within services supported by the City's General Operating millage including Public Safety and Parks and Recreation. In addition, the Department of Public Works street operations are primarily funded by the Right of Way millage, which is inadequate to meet current demands for maintenance and road reconstruction.

Public Safety Services

Expenditure reductions have impacted the Department of Public Safety staffing levels, forced the delay of necessary building repairs, and indefinitely delayed the replacement of much needed capital equipment.

Public Safety Personnel Needs

In 2010, following the retirement of a lieutenant, a full-time public safety officer position was left vacant to help address budget cuts necessary to make up for the unexpected loss in tax revenue. Additionally, several summer cadet positions used to patrol the waterfront and downtown areas were also eliminated as part of these same budget cuts.

Facing a loss in tax revenues of their own, the Public Schools of Petoskey, who jointly funded the position of School Liaison Officer, were forced to eliminate the position as part of their budget cuts. The loss of an on-site presence has hampered Officers' ability to deal with issues facing students and the administration on and off the campus. With the construction of the Public Safety Station West, the Department is now responsible for staffing an additional facility near Bay Harbor, which constrains the flexibility of the full-time staff.

These staffing issues come as the community is facing more serious drug enforcement issues with an increase in hard street drugs, like heroin, cocaine and methamphetamine being manufactured, distributed and used in the city. This increase in activity comes on top of an already serious prescription drug abuse problem.

The Department of Public Safety feels the most effective means to properly deal with this local drug problem is to assign an officer directly to drug enforcement matters. Whether an officer would be assigned specifically to SANE, or operate out of the Department of Public Safety and work with SANE on joint investigations, the need for one additional full-time position still exists.

The elimination of the cadet positions has also negatively impacted the City's law enforcement abilities. Last year we saw significant increases in problems at City parks, on and near the marina breakwall, and in other high traffic areas of the City including the downtown. The loss of these positions has impacted Public Safety's effectiveness in addressing these issues as they arise and before they become a normal occurrence. Therefore, this position was partially reinstated for 2013.

The City would also benefit from a more active and uniformly staffed fire prevention and building inspection program aimed at preventing fires and other public safety issues within City properties. There are many seasonal property maintenance issues that could be more effectively dealt with by assigning the duties to a single dedicated officer within Public Safety. Similarly, commercial structures in the community should be routinely inspected to prevent fires that could threaten many unique, older buildings and the character of Petoskey, many of which are in the downtown area.

Public Safety Equipment Needs

The original 2010-2015 Capital Improvement Plan (CIP) included funding in 2013 for the replacement of the current 100' aerial ladder. The current unit, Truck 4516, is 29 years old and does not meet present NFPA 1901 industry standards. While the unit does function as designed, this older technology poses a safety issue for Public Safety employees and the community. To maximize regional firefighting efforts and capabilities and to minimize the risk of serious injury, this apparatus requires replacement with more current features and up-to-date technology that meet present safety standards.

Due to the prohibitive cost to replace or refurbish the unit estimated at \$750,000 to \$1,000,000, this piece of equipment was removed from the 2013 Capital Improvement plan (CIP). The City's current funding woes would not allow for this type of expenditure in the foreseeable future.

Additionally, the planned replacement of three fire vehicles with a single multi-purpose apparatus capable of performing the same functions has been delayed indefinitely. These three vehicles include Truck 4501, a 1984 pumper with 1250 gallon per minute (GPM) capacity that does not meet NFPA 1901 standards and which is showing signs of significant body corrosion, Truck 4521 a 1992 pumper rated at 1,000 GPM and Truck 4522 a 1992 hose tender rated at 2,000 GPM. The cost for this multi-purpose vehicle is estimated at \$450,000.00.

Outside sources of funding have also been sought with limited success. A federal grant application was submitted this year for funding, but our application was denied. Local grants have been sought to assist in supplementing tax revenue losses, with \$25,000 received in 2011 and \$10,000 received in 2012.

These funds are dedicated to apparatus replacement and will be used to help defray the costs of replacement. However, relying on grant funding is unrealistic for apparatus replacement, due to the relatively small grant amounts that are available for such a large ticket item.

Parks, Buildings and Grounds

The City has approximately \$2,000,000 in building and park facility repairs that are either currently needed, or that will need to be addressed within the next five to ten years. With reductions in tax revenue, routine maintenance to properly maintain facilities and infrastructure has been postponed.

It is worth noting that during the 1980's; the City experienced a similar downturn in the economy where facility maintenance was deferred. The staff, in the late 1980's and early 1990's expended significant financial resources to bring facilities back into proper operational condition. Funding was available through significant annual increases in taxable value. The following is a list of necessary building and park facilities repair and maintenance items:

Public Safety Station 1

- A. Roof Replacement \$125,000
Public Safety Station #1 has a 25 year old roof that is failing. Over the last several years numerous leaks developed that have been addressed. The roof is the same vintage and style as the one at City Hall, which was replaced in 2010.

- B. Replacement of Glass Overhead Doors \$75,000
The existing glass doors are 25 years old and the seals on the glass panes are leaking and fill with moisture. Metal frames and panels are weakening, and window retainers are failing.

- C. Interior Renovations and Maintenance \$100,000
It has been twenty-five years since the building was renovated and windows, HVAC units, carpet and furniture all need to be replaced.

City Hall

- A. Interior Renovations and Maintenance \$260,000
City Hall was constructed in 1988, twenty-five years ago. Several HVAC units have been replaced but, 60% of the heating and air conditioning units remain, and wood window frames are deteriorating from moisture damage. In addition, much of the original furniture in the building along with carpeting on the second floor is in need of replacement. The first floor and basement carpeting have been replaced in the last few years.

Museum

- A. Roof Replacement \$60,000
The Museum's 3 in 1 asphalt shingled roof on the depot building is twenty three years old and is curling and lifting from the sheeting. The City has sought outside sources of funding for this replacement with no success.

Park Buildings & Facilities

- A. Ed White Field, Festival Shelter and Resource Buildings \$20,000
The roofs for these three Bayfront Park buildings, which are now twenty-five years old, are beyond their useful lives and need to be replaced.

- B. Winter Sports Park \$55,000
The Winter Sports Park roof will need to be replaced within the next ten years, along with the skate floor and exterior doors on the structure.

C. Little Traverse Wheelway Repaving

\$100,000

The City is responsible for the maintenance of approximately 7 miles of the Little Traverse Wheelway, the first segments of which were constructed in 1990. The asphalt varies in condition, with the worst segments between East Park and Townline Road. Surface replacement should be anticipated within the next five to ten years.

Streets

The City of Petoskey has 33.9 miles of City streets and expends approximately \$550,000 annually on the capital reconstruction of streets throughout the City.

For more than ten years the City has focused its roadway maintenance budget on the complete reconstruction of its streets, including asphalt, subsurface replacement, curbing, sidewalks as well as major utilities including water, sewer and electric. This comprehensive reconstruction strategy has allowed capital funding to be used more efficiently across funds and governmental service areas.

In recent years the City has been able to obtain outside sources of funding, both from the Bureau of Indian Affairs thru the Little Traverse Bay Bands of Odawa Indians and via Small Urban road repair funds obtained through Michigan Department of Transportation. In the last three years alone, nearly \$1.8 million dollars in additional outside funds have been secured toward the reconstruction and improvement of the City's local roadway system.

In rough numbers, the complete reconstruction of a street costs \$1,800,000 per mile without including expenses related to the underground utilities. Repaving, which is only beneficial when the subsurface is adequate and the curbing is in good shape, costs approximately \$475,000 per mile.

Asphalt can reasonably be expected to have a 15 to 20 year lifespan before significant maintenance is required. However, many City streets were last repaved – without full reconstruction - in 1988 following the passage of the City's Right of Way millage and a bond issue in 1994. These streets now contain asphalt that is 20-25 years old, and in many cases curbing that is inadequate, along with underground utilities that are in need of replacement.

In early 2013 the City completed a Pavement Surface Evaluation and Ratings (PASER) of city streets. The results were as follows:

PASER Rating	Length (Miles)
1 to 2 (poor)	4.3
3 to 4 (fair)	5.3
5 to 7 (good)	18.4
8 to 10 (very good)	5.9

The PASER street ratings were further analyzed to estimate the cost of street repairs that are currently needed:

Recommended Construction Scope	Length (Miles)	Total Cost
Reconstruction (includes full pavement structure, curb, sidewalk and storm	3.8	\$7.0M
Rehabilitation (includes milling between curbs, resurfacing and curb/storm repairs	5.8	\$2.2M - \$2.8M
Maintenance (Includes crack sealing and other minor repairs)	24.3	\$0.65 - \$1.3M

The City currently spends approximately \$550,000 annually on capital road maintenance and reconstruction. This funding is supplemented with State grants and other outside funding sources. However, it is clear from the PASER analysis and related cost estimates that road maintenance needs greatly exceed the City’s current funding.

Revenue Options

Headlee Override

In 1963 the Headlee Amendment to the Constitution of the State of Michigan of 1963 was adopted. Headlee requires a local unit of government to reduce its millage when annual growth on existing property is greater than the rate of inflation. As a consequence, the City’s millage rate is “rolled back” so that the resulting growth, excluding new construction, in property tax revenue, community-wide, is no more than the rate of inflation.

A “Headlee override” is a vote by the electors to return the millage to the amount originally authorized via charter, state statute, or a vote of the people, and is necessary to counteract the effects of the “Headlee Rollback.” This would be much like the school override placed on the ballot every few years.

Prior to 1994 when Proposal A was adopted, local governments were allowed to “roll up” their millage rates when growth on existing property was less than inflation. “Roll ups” were a self-correcting mechanism that allowed local governments to naturally recapture taxing authority lost due to Headlee rollbacks in prior years. A local government could only “roll up” its millage rate to the amount originally authorized by charter, state statute, or a vote of the people.

In short, increased value that is triggered by an uncapping event such as the sale of property, does not increase the City’s tax revenues because uncapped values are treated as inflationary growth on existing property and triggers Headlee rollbacks. Since the City of Petoskey levies millages at or near Headlee maximums, rolling back the maximum authorized millage rate reduces the revenue that would have been generated from these increased property values, since the City is unable to increase the millage rate.

The increase in the taxable value of property not transferred is capped at the lesser of inflation or 5 percent. Even though the taxable value of a particular piece of property increases at the rate of inflation, the millage rate for the entire community is “rolled back” as a result of the increase in the total taxable value of the community.

The following chart shows a list of the City’s millages as they currently stand and their original amount:

Purpose	Original Millage Rate	Maximum Allowable Millage Rate	Current Millage Rate
General Operating	10.0000	7.6707	7.6707
Solid Waste	2.0000	1.7282	0.4890
Library	2.0000	1.8141	1.8141
Right of Way	5.0000	3.9502	3.8580

To initiate a Headlee override, City Council would need to approve ballot language that would ask voters to consider a proposal that would restore the original millage rate in one or more of the City’s property tax millages. A sample ballot proposal from Lathrup Village reads:

SAMPLE BALLOT LANGUAGE:

CITY OF LATHRUP VILLAGE

Headlee Override Millage Proposal

Shall a “Headlee Override” be adopted so that the current limitation on the amount of City taxes that may be levied against all taxable property in the City of Lathrup Village, Oakland County, Michigan, be increased as follows:

- Up to 20 mills from approximately 16.081 mills (\$20 from approximately \$16.081 per \$1,000 of taxable value) for general operating expenses, and
- Up to 3 mills from approximately 1.6034 mills (\$3 from approximately \$1.6034 per \$1,000 of taxable value) for sanitation/rubbish.

If approved and levied in its entirety, this millage would raise an estimated maximum amount of \$3,060,142 for the City in 2010 by allowing the City to levy the maximum mills previously approved by the voters and authorized by the City Charter and State law which have been reduced as required by the Michigan Constitution of 1963.

- Pros: Would reinstate maximum property tax millages to their original levels and give City flexibility on future funding when annual millage rates are established. Frequently done by school districts around State. Would provide additional funding for General Fund services and road repairs.

- Cons: May be perceived as a tax increase. Would likely result in actual tax bills increasing as General Operating and Right of Way millages are adjusted.

Property Tax Administration Fee

The City of Petoskey is required to collect property taxes on behalf of five other taxing jurisdictions including Emmet County, Public Schools of Petoskey, Charlevoix-Emmet Intermediate School District, North Central Michigan College and Greenwood Cemetery. In addition to the administrative expenses associated with these assessing and collection duties, the City is responsible for defending each of these jurisdictions when tax appeals are filed.

The Michigan General Property Tax Law allows a local property tax collecting unit to add a property tax administration fee of not more than 1% of the total tax bill per parcel. A property tax administration fee is defined as a fee to offset costs incurred by a collecting unit in assessing property values, in collecting the property tax levies, and in the review and appeal processes. The fee is provided by State law as a revenue source to avoid placing an unfunded mandate on tax collecting units.

The City of Petoskey currently incurs annual expenses of approximately \$138,000 for assessing and \$65,000 for collection of taxes for all governmental entities that impose a millage on property within the City. In addition, the City has deferred the upgrading of software related to assessing and tax collection, an estimated \$15,000 expense.

City Council beginning in 2001 discontinued collection of the 1% property tax administration fee, which last year would have generated \$203,000 in 2012. Reinstating this fee would require a resolution of City Council.

- Pros: Additional funding to cover expense of tax collection services for other governmental units.
- Cons: May be perceived as a tax increase. Cost borne by property owner rather than governmental entities and explicitly listed on the property tax bill. Because fee was previously revoked by City Council there may be political debate about its re-implementation.

Public Safety Funding Options

Millage Option

Faced with a significant loss in tax revenue and cuts to public safety services and personnel, many downstate communities in Michigan have chosen to place special dedicated public safety millage requests on the ballot for resident consideration. This targeted millage request allows a dedicated source of revenue for public safety services, and effectively allows the public to choose the level of service they would like for their community.

- Pros:
 - Targeted request for Public Safety may be viewed more positively by public than general Headlee override request. Allows public to clearly see and choose the level of public safety services that they would like for the community.

- Cons:
 - May be perceived as a tax increase. Less flexible than Headlee override of General Operating Millage.

Special Assessment Option

Public Act 33 of 1951, Police and Fire Protection, is a State law that allows the creation of an ad valorem special assessment on real property for the purposes of operating and equipping Police and/or Fire Departments. This special assessment would be based on property values, and is an available resource for cities with a population under 10,000. The assessment may fund both equipment and operations. Essentially property owners benefiting from the service would be the ones bearing the cost of the assessment.

This option, if approved, would provide a dedicated public safety revenue and could be paired with a reduction in the General Operating millage. If utilized this option could allow the City to have a significant unlevied General Operating millage below the Headlee cap and the City would be able to establish the annual assessment amount as needed to fund all or a portion of the Department of Public Safety.

- Pros: Would provide an additional, stable funding source to the City for Public Safety services and equipment. Ability to annually adjust assessment provides funding stability independent from constraints of property tax variations and State revenue sharing. City Council can assess and adjust annually (not typically subject to vote).
- Cons: May be perceived as a tax increase. Assessment is subject to a vote if 10% of land owners petition the City Council. Could result in debate about funding levels for Public Safety services.

A similar special assessment option may be available to municipalities in 2015, but is contingent upon statewide voter approval of a use tax. This option was included as part of a reimbursement of revenues as part of personal property tax reforms. Under this option local governments would be granted the power to levy an essential services assessment to recover 100% of PPT loss associated with police, fire, ambulances and jails. This special assessment can be levied on industrial and commercial real property belonging to taxpayers who are claiming the eligible manufacturing exemption provided as part of personal property tax reforms.

It is likely that this proposed funding mechanism will be challenged legally if approved as part of the statewide vote. More importantly for Petoskey, this option would be applicable only on manufacturing facilities, of which the City has only a limited number making this funding mechanism inadequate to maintain current funding levels or anticipated future funding needs.

Income Tax

Under State law a City income tax can be levied, with voter approval, on all persons who work inside the corporate limits. For residents the levy is 1%, for non-residents the levy is 0.5%. A City income tax is fairly common in certain states, and effectively shifts a portion of the burden of financing City services to those who use those services, but do not pay property taxes.

Approximately 25% of the land area within the City of Petoskey is tax exempt, and some of the City's largest employers enjoy tax exempt status. Consequently, the City does not directly receive revenue for many of the businesses or their employees who live outside the City but work at facilities that are exempt from property taxes. These facilities still demand City services such as public safety and a transportation system and their employees enjoy many property tax supported services including City parks and recreation.

- Pros: Shifts a portion of taxing burden for City services to nonresidents who use City services rather than just property owners. May allow for reduction in operating millage. Typically only applied to earned income, meaning that most retirees are exempt from income tax.
- Cons: Despite opportunity to lower property taxes through a shift to income taxes, may be perceived as a tax increase. Overall tax burden to City residents that also work in City may be greater than additional millage levy or special assessment to fund Public Safety. Study would need to be done to determine estimated amount of income tax that could be collected.

Emergency Services Cost Recovery

A cost recovery program allows a municipality to bill and recover costs related to emergency services. A cost recovery program can be customized to fit the needs of a community and may cover a variety of emergency service costs, and can be as broad or narrow as desired. For example, a cost recovery program can exempt resident taxpayers. Typically the program structure will cover things like car accidents and allow the City to bill insurance companies for these services.

Although the City's resident population is approximately 6,000, the year-round daily service population for public safety services is estimated to be double the resident population, and the average daily traffic count on the State trunklines is estimated to be 35,000 cars per day. Seasonal fluctuations in population and traffic increase these numbers even further.

All of these non-residents place a demand on Public Safety services – services that are currently funded entirely by property owners and residents within the City of Petoskey.

Many municipalities around Michigan utilize a cost recovery program for public safety services. Allied EMS, for example, utilizes a program that bills insurance companies for ambulance services but does not impose costs on individuals if they are unable to pay or their insurance companies will not cover the full cost. Montrose, Ewart, Tawas and Otsego County all have cost recovery programs.

- Pros: Additional funding source that enhances revenues to pay for essential City services. Shifts some costs of public safety services to users who are not necessarily contributing toward the availability of public safety services thru the payment of property taxes. Provides awareness of the true cost of providing emergency response services.
- Cons: May be perceived as unwelcoming for an area that economically depends on visitors.

Conclusion

The delivery of any service is a balancing act between the level of service provided, the cost to deliver that service and the relative level of risk. The difficulty is in gauging the desires of the city and ultimately finding the correct balance between safety, service and affordability. Thru budget cuts and a re-examination of many City services over the last three years in order to balance the Annual Budget, efficiencies have been achieved.

However, in order to maintain current service levels, address public safety needs, and properly maintain parks, buildings and streets, additional revenues will be needed. Even with a modest improvement in the housing market, property tax revenues lag behind a broader economic recovery, meaning that it will take up to ten years to recover the revenue lost from the recent 20% decline in taxable value.

In the short-term, re-implementing the 1% property tax administration fee will close the gap to avoid cuts that would likely impact personnel. However, discussion of the long-term revenue needs, and potential funding sources, must occur in order to ensure that public safety issues in the community are being properly addressed, and capital maintenance is not deferred indefinitely. Decreases in State funding, and recent changes in State laws that could potentially eliminate personal property taxes, make the need for this discussion more urgent in order for the City to maintain its long-term fiscal health and current service levels.