



2019 Village of New Haven

Village to City Committee Report

Submitted to Village Council on 9/10/19





2019 Village to City Committee

Mario Pruccoli, Chairman, Trustee

Jessica Balanger, Trustee

Brian Churchill, Resident

Andy Rosick, Resident

Rachel Whitsett, Planning Commission

Lucy Nolan-Dilbert, Planning Commission

Village of New Haven

Council Board of Trustees

Chris Dilbert, Sr. – President
Mark Hasiak – Trustee, President Pro Tem
Ann Pridemore – Trustee
Jessica Belanger – Trustee
Brian Meissen – Trustee
Mario Pruccoli – Trustee
Tracy Bonkowski – Trustee
Heather Mitchell – Clerk
Jeffrey Rodzik – Treasurer

Planning Commission

Geneveive Rodzik – Chairperson
Robert Pannell – Vice-Chairperson
Steve Vihtelic
Lucy Nolan-Dilbert
Craig Simms
Rachel Whitsett
Tracy Bonkowski – Liason
Jeff Schroeder - Planner

Robert Brazee – Fire Chief
Daniel Stier – Asst. Fire Chief

Sandra Cazal – Office Manager/Accountant
Marcuz Dilbert – DPW Supervisor

Village of New Haven Offices

57775 Main Street

New Haven, Michigan 48048

Phone: (586) 749-5301

Fax: (586) 749-9055

Village to City Committee Recommendation to Council

PREAMBLE

On February 12th, 2019 at the regular monthly Village Council meeting, President Chris Dilbert Sr. announced the formation of a village to city committee for the purposes of exploring the feasibility, advantages, and disadvantages of the village incorporating into a city and to make a recommendation to council. The committee was to be composed of a mix of council members, planning commissioners, and residents of the community.

The committee was finalized at the April 9th Council meeting with the first Village to City Committee meeting being held the following night on April 10th, 2019. Over the course of the following 4 months the committee regularly met and researched the process of incorporation, invited representatives from the Michigan Municipal League (MML) to give a presentation on the facts, pros, and cons of incorporation, reviewed the financial information between the village and Lenox Township, and reached out to multiple municipalities that had incorporated into cities from villages in the past decade.

On August 7th, 2019, the committee came to the unanimous decision that given all the information gathered and deliberated on that, at this time, it was best to remain a village and not pursue incorporation as a city. This recommendation was voiced to council at the August 13th council meeting and this report submitted to council at the September 10th meeting.

GOALS OF THE COMMITTEE

The main objective of the committee was to determine whether or not the village should incorporate into a Home Rule City pursuant to Act 279 of 1909 and make that recommendation to village council. Additional goals and objectives to facilitate making that determination included:

- ❖ Develop a list of pros and cons of city incorporation and how will those specifically impact the Village of New Haven.
- ❖ Determine if a primary unit of government such as a city would qualify for more grant monies.
- ❖ Review the services Lenox Township currently offers the village and how those services would be impacted by city incorporation.
- ❖ Reach out to other communities that have gone through the process to see if there are any similarities between their situation and ours.
- ❖ Set basic parameters
 - There will be no external pressure to reach a conclusion (e.g. no impending deadlines)
 - There is no right or wrong answer

- There must be a compelling reason to change
- The scope of the committee must be specific
- ❖ Set specific topics for each committee meeting.
- ❖ If there is a recommendation to pursue incorporation, to facilitate that process.

FOUNDATIONAL RESEARCH

Public Act 279 of 1909 (Home Rule Cities Act) gives cities a broad set of rights and powers to be able to govern themselves, known as “Home Rule”. The number of villages becoming cities has steadily increased since the act became law. In 2003 there were 273 cities and 261 villages in the State of Michigan. As of January 2019, those figures have changed to 280 cities and 253 villages.

Requirements

Requirements for incorporation vary depending on what type of municipality is being sought after. For incorporation as a home rule village, a population of 150 is the minimum with a minimum density of 100/mi². For incorporation as a fifth-class home rule city, a population of between 750-2,000 is required. For incorporation as a home rule city, a population of at least 2,000 is required with a minimum density of 500/mi². The major difference between a fifth-class home rule city and a home rule city is that fifth class cities must hold their elections on an at-large basis.

Duties

Home rule cities (along with townships) are considered local primary units of government. That distinction carries with it a number of duties that government is responsible for. The legally required duties of home rule cities include:

- Assessing property as a basis for county and school taxes.
- Collecting taxes for the counties and schools.
- Conducting county, state, and national elections.

Villages are not primary local units of government because they do not perform the duties listed above (with the exception of collecting village taxes). Because of this, village territory remains part of the township(s) area; village citizens are also township voters and taxpayers; and the township government provides for residents of the village the legally required duties imposed by the state listed above. These are not the only duties and services but simply the only ones required by state law.

Advantages and disadvantages

The generalized potential advantages villages that incorporate into cities are listed as:

- Simplification of government. Current village residents have two governments (village and township) to deal with depending on the issue. Incorporation as a city eliminates the dual-government hassle into a single city government. This also pertains to elections.
- Eliminates dual taxation. Current residents pay village and township taxes. As a city, residents would no longer be subject to township taxes.
- Control over assessments. Currently the township is responsible for the assessment of village properties. As a city, the assessor would be appointed by the city and they would be answerable solely to the residents of the city. Likewise, the Board of Review would also be appointed by and answerable only to the city and its residents. There would be no possibility of the township assessing residential and commercial property at a higher ratio to value than agricultural properties which would cause village residents to pay a disproportionately higher share of schools, county, and township taxes.
- Permits a village to modernize its government. The village currently operates under the General Law Village Act (Act 3 of 1895). As a city, residents would no longer be constrained by the GLVA and can adopt its own customized charter and ordinances to better meet the needs of the community.
- Financial flexibility. Villages are restricted in what they can levy millages for and the maximum allowed for those services. Cities have greater flexibility by only having their millage capped at 20 mills with very little restrictions on what those funds can be used for and being allowed to levy an income tax if necessary.

The potential disadvantages are:

- Increase in time and expenses for an assessor & assessment duties, city, county, & state elections, the process of collecting county and school taxes, division of assets with the township upon separation, and consulting and processing fees, studies, and elections relating to city incorporation.
- Loss of services provided by the township.

The process

The process of changing from a village to a home rule city is a lengthy and time-consuming process that can take anywhere from 2 years to over 7 years depending on how prepared the municipality is, the level of opposition, and the amount of issues that are uncovered during the process.

As of the writing of this report, the State Boundary Commission (SBC) is updating the procedures for incorporation but the most up to date steps are as follows (*steps in italics are not required but are highly recommended by the State Boundary Commission and the Michigan Municipal League*):

- *Establish a committee or task force to conduct surveys, hold public forums, communicate with community groups to discuss the possibility of incorporating into a city.*
- *Give the committees recommendation to the village council who then decide whether or not to hire a consulting firm and/or acquire the necessary expertise to facilitate the process.*
- *Have the village engineer create a certified boundary survey (legal description) of the proposed village boundary to be attached to the circulating petition.*
- Circulate the petition for signatures. The number of signatures required are the greater of 100 or 5% of the population of the city to be incorporated (MCL 123.1007). The petition must have a certification by the village clerk (or township clerk if annexing additional land) of the number of residents living within the proposed area of incorporation.
- File the petition with the State Boundary Commission. The petition must include:
 - Signed statement of incorporation.
 - Certified map of the proposed incorporated area.
 - The petitions that were circulated for signatures.
 - Legal Description.
 - Reasons for incorporation – cover all criteria contained in the statute MCL 123.1009
- Office of Land Survey and Remonumentation (OLSR) notifies the village and affected township clerks that a petition has been filed.
- SBC reviews the petition for “Legal Sufficiency” and approves or denies.
- If approved, the SBC then holds public hearings in or near the area shown on the petition map within 220 days of filing for public to speak on the issue.
- Public and involved parties file written comments within 15 days of the public hearings and are allowed a rebuttal period specified by the SBC.
- SBC makes a recommendation to the director of Licensing and Regulatory Affairs (LARA).
- LARA Director approves, denies, or approves with revisions.
- If approved, the order is subject to a petition for referendum period of 45 days.
- If a referendum is filed the SBC will review and if valid, will recommend to the LARA director to order a referendum election to continue the process.
- *Include the election of the Charter Commission on this ballot.*
- If the LARA director orders the election, a proper election must be held and a majority of the registered voters in the area proposed to be incorporated must vote to continue the incorporation process.
- If approved, an election of a charter commission must be held (if not already done during the incorporation vote).
- The charter commission must draft a charter.
- The charter must be submitted to the Governor and the State Attorney General Office for conformance with law and returns it to the charter commission.
- The proposed draft of the city charter must be voted on and approved by the voters in the proposed city.

- If approved, the charter must be submitted to the Secretary of State and the city is created.

Financials

The committee looked into the financial relationship the Village of New Haven has with Lenox Township. The figures were provided by Lenox Township.

The total parcel count between the village and the township is 4,060 with 2,194 of those parcels located within Lenox Township (54.7%) and 1,841 (45.3%) within the Village of New Haven.

Cost of benefits the village receives

Assessing Services			
	<i>Current Contract:</i>		<i>\$99,900.00/year</i>
	Cost of assessing services paid for the village		\$45,841.10
	Wages to the Board of Review		\$1,000.00
	Board of Review secretary wages		\$400.00
	Assessing department supplies		\$2,892.00
	Tax tribunal legal fees		\$525.00
Total:			<u>\$50,071.70</u>

Elections			
	Avg. cost/election: \$3,000.00	3 elections/year	<u>\$9,000.00</u>

Tax Collection		1,841 bills	
	Postage		\$1,841.00
	Supplies		\$450.00
Total:			<u>\$2,291.00</u>

EMS Services	<i>Currently free as part of a township contract</i>	
	Cost for a separate village contract:	<u>\$60,000.00</u>

Township employee wages		
	Treasurer	\$34,151.96
	Deputy Treasurer	\$24,213.11
	Clerk	\$34,151.96
	Deputy Clerk/Election Specialist	<u>\$30,396.05</u>
		\$122,913.08
	Village service wage cost	45.3% <u>\$55,679.63</u>

Total cost of services		<u>\$177,042.43</u>
------------------------	--	----------------------------

Millage		
	<i>Rate to the township</i>	<i>.8 mills</i>
	Township receives in millage from the village	\$68,407.93
	Admin Fees	\$27,685.09
Total		<u>\$96,093.02</u>

Net benefit to village for services		<u>\$80,949.41</u>
--	--	---------------------------

Notes for the figures above:

- Tax collection costs include both summer and winter taxes.
- Wages have been adjusted to exclude insurance and deferred compensation.
- Clerical wages are based on current employee wages plus benefits.
- Costs listed above do not take into account any equipment needed to conduct business (i.e. computers, election equipment, copiers, etc...)

Cost per parcel

To break the figures down as a net benefit per parcel in the village, an average home value in the village is estimated at \$110,000.

	Avg. home value	
	In New Haven	\$110,000.00
	Taxable value	\$55,000.00
	Lenox Twp. Collects:	\$44.00 in millage \$14.00 in admin fees
Total tax paid to Lenox Township:		<u>\$58.00</u>
	Value of services	\$177,042.43
	Number of parcels	1,841
Value of services per parcel		<u>\$96.17</u>
Benefit per parcel		<u>\$38.17</u>

Given the estimated figures that were considered it does appear that the village maintains a healthy financial relationship with Lenox Township and should that be severed through the incorporation process, the additional costs of those services will have to either be funded by the city, have the services modified, or eliminated altogether if not required by state law.

Community Outreach

The final goal of the committee was to reach out to other communities that recently transitioned from villages to cities. The five cities the committee contacted were: Ovid (2015), Jonesville (2014), Dexter (2014), Caseville (2010), and Grosse Pointe Shores (2009). The committee met before reaching out to these communities to formulate a set of base questions we wanted answers to in order to look at these situations across the board. Along with general dialog the questions the committee selected were:

1. What was the main reason for wanting to transition from a village to a city?
2. Are you better off because of it? Explain.
3. What was the biggest gain from becoming a city? What was the biggest con?
4. Did the transition to a city reduce the cost burden of government to the residents?
5. What was the cost to go through the entire process?
6. Did you find it easier to qualify for grants as a city that you would not have qualified for as a village?
7. Did you have any shared services with your township(s)? What happened to those in the transition?
8. What would you do differently if you could do it over again?

By far the most common theme among the municipalities the committee found was that the villages either had a bad relationship with their townships (Jonesville, Ovid, Caseville) or had complicated relationships with multiple townships (Grosse Pointe Shores, Dexter). Those negative relationships are what appeared to precipitate the need to change their forms of government.

The disputes with the townships included: villages having lack of say in shared services control, little to no cooperation with the township over shared assets and township halls, and the townships having little interest in the concerns of the villages within their boundaries. The two villages that had portions of their community in multiple townships noted the complications both from a resident and from a government perspective. Residents were being charged different millage rates, having different election ballots and locations, differing township offices and personnel depending what township area they resided under and village staff had to keep multiple sets of books when reporting to each of their townships.

Not surprisingly, when asked if they were better off after incorporating into a city, all municipalities the committee questioned answered favorably owing to the separation from their respective townships.

When inquiring about the cost of living in the communities after their incorporation, all communities reported that the costs remained the same for the most part. One city (Grosse Pointe Shores) was hit particularly hard by caps in the Headlee Amendment so when they incorporated from a village to a city the millage rate was set to pre-downturn levels. Many of the services previously provided by the townships were continued by the cities with the costs passed through to the residents. Although there were some notable reductions in those costs such as the City of Ovid renegotiating their emergency services saving close to \$1 million per year.

When it came to grants, the committee asked if it was easier to receive grants that they would not have qualified for as a village. Every city but one said that becoming a city had no significant change on their ability to receive grants. The exception being the city of Ovid that received a \$250,000 matching grant for roadwork. Some did note that while the qualifications changed very little, the process was sometimes less complicated due to being able to bypass the township level of government.

We also inquired about the costs associated with incorporation. The range was between \$25,000-\$50,000. The costs included many one-time fees involved in the process such as legal fees, getting boundary surveys, consulting fees, division of assets, engineering services, costs associated with elections, city charter development, filing fees, etc. The time required to make the transition also varied. One of the fastest to complete the process was the City of Ovid at just over 2 years to 8 years for the City of Dexter. The wide range is due to the level of preparedness on the part of the committees established to facilitate the process, the level of resistance encountered throughout the process, the time frames when certain steps are completed in relation to when elections can be held, and if there was the assistance of an outside professional consulting firm to aid them through the process.

Conclusion

The Village to City Committee met for the final time on August 7th, 2019. During that meeting the committee felt it had gathered enough information to make a confident recommendation to council. The committee based its reasoning on four main criteria found in this report.

First was our current relationship with Lenox Township. Unlike many of the other communities that were contacted as part of the committee's research, we do not have any major disputes with the township or have any unnecessary or significant burdens or complications in dealing with them. Our rapport has been quite positive with the township that it is not uncommon for the village and the township to partner up with projects around the village (e.g. Rosell Rd. rehab) or to donate funds and services for mutual celebrations (e.g. Rocketfest fireworks).

Second was the financial relationship the village has with Lenox Township. Currently, village residents are levied 0.8 mills for the township. That along with the administration fees comes to a conservative estimate of around \$96,000 per year. Our portion of the services the township provides far exceeds that amount meaning our village benefits financially from our relationship with the township. It is also worth noting that in our research with other communities, the amount village residents pay to the township is less than what the communities we spoke to were being levied for their respective townships. The committee found that range to be from a low of 0.9 mills to a high of 3.5 mills.

Third was the availability of grant money. The question of grant availability was one of the initial reasons for the creation of the Village to City Committee. As such, we made sure to include that component when we contacted other communities to get "real world" input on how grants were affected by municipal status. The communities that were contacted have a combined total of 33 years of city status with the oldest incorporating 10 years ago and the most recent at 4 years ago. Choosing the most recent communities has the advantages of being able to readily see the differences in qualifying for the grants between villages and cities in modern times and at the same time having greater success in contacting people who were around and/or part of the process when those municipalities transitioned from villages to cities.

All but one of the communities reported no real change in qualifying for grants after they incorporated into cities. Two did note that the process was slightly easier and less complicated due in part to not having the township component to deal with and only one of the communities received a major matching grant that they would not have otherwise qualified for as a village.

Forth was a compelling reason to change. Each community the committee looked at had specific situations that they could look at and say this is why we need to change. We looked at the village and compared all of their situations to ours and found that there was little to no overlap. In looking for alternatives specific to New Haven, the committee could not identify any meaningful circumstance that would warrant incorporation. Even when we discussed the general advantages of city incorporation like greater municipal control by establishing our own charter to customize the way we run our local government, the committee again could not identify anything significant we would change from the General Law Village Act that would warrant the time and resources needed to dedicate to the incorporation process.

So, in conclusion, based on the findings provided in this report, the Village to City Committee recommends that at this time the Village of New Haven should not expend the time and resources to pursue city incorporation.

The members of the Village to City Committee request that this report be received and filed by the Village of New Haven on this tenth day of September, 2019.

