

March 21, 2013

To: Mayor and City Council Members  
From: J. Duff

RE: Report on Budget Recommendation and Special Assessment District Establishment for Portion of Costs of Fire and Police Services

As attachments you will find the following items for your review.

1. Preliminary 2013/2014 Budget Preparation Report, February 22, 2013
2. Minutes of Future Planning Committee, February 27, 2013
3. Memorandum, City Attorney, March 19, 2013
4. Resolution, Creation of Special Assessment District and Levying Assessment to Defray Costs of City Police and Fire Departments and Services

Estimates previously reported in the 2013/2014 Budget Summary Report have been revised, as follows, based on the results of the 2013 Board of Review.

The Staff is estimating the following summary of losses for the next two year period.

2013/2014	2014/2015
Revenue Loss	Revenue Loss (Estimated)
\$75,000 – Loss from Decrease in Taxable Valuation (Post BOR Loss \$5,999,133)	\$90,915 (Estimated) – Loss from Decrease in Taxable Valuation, 5-yr Trend
\$48,000 – Tax Tribunal Settlements Outstanding	\$75,000 (Estimated) – Tax Tribunal Losses
\$50,000 – Tax Tribunal Settlements, New Filings	
\$25,000 – New Tax Tribunal Liability, Street Fund	
	\$73,755 (Estimated) – PPT Losses, from Reform
Total - \$198,000	Total - \$239,670

The Committee did review and recommended that the City work hard to preserve the services which we have done. The following "Preservation of Services" model was reviewed and recommended to be adhered to.

#### Preservation of Services

1. Increase in Solid Waste Millage amount from .3 to .6 mills to pay for associated costs  
– New Revenue \$44,500
2. Levy Public Safety Assessment Millage in the amount of 0.75 mills to keep Police Department at existing staff levels, generating new revenues of \$122,810 \$122,810
3. Transfer and utilize existing DPW employees to perform necessary work tasks in Wastewater Department. Work performed in this Department will result in anticipated savings to General Fund in the amount of \$12,000 \$12,000

4. Estimated Employment Agreement Savings	
• \$24,875 – Total HAS Funding Elimination, Savings to General Fund \$14,750	
• \$45,000 – Total Health Insurance Hard Cap Savings, Savings to General Fund \$25,634	<u>\$40,384</u>
Total Revenue Generated for Existing Services	\$219,694
5. <i>In Addition</i> – Utilize and appropriate funds from reserve accounts for Income Tax Study. Cost of study \$25,000 estimated and transferred into General Fund	<u>\$25,000</u>
Total Revenue Generated for Existing Services and New Study	\$244,694

Should the City proceed with items listed above we will have enough revenues to rehire the officers who are currently and soon to be retired. It will allow our Police Department to continue at the existing level of staffing where we have been from September to March of this year.

Without the critical revenue to be generated from the proposed Special Assessment the City will need to make further cuts to both services and personnel. Since 2007 the City has seen its fulltime employees go from 39 to 27. This is a 31% reduction in staffing over the last six (6) years.

This model also includes our employees receiving yet another wage freeze for 2013/2014 budget year. For over 75% of our employees this will be the fourth and fifth consecutive year where no increases in wages have been provided. Fully 100% of our employees have seen no increase in wages in three (3) of the last four (4) years. Employee benefits have also been reduced substantially over this same period of time.

The reasons for the shortfall can be attributed to several key factors. They are as follows.

1. continued decreases in taxable valuations of our City (16% over the last 5-years)
2. tax tribunal settlements settled and outstanding
3. new estimated tax tribunal filings
4. potential tax tribunal liability of Street Fund, which could become debt of City's General Fund

Future revenue losses anticipated in 2014/2015 will be the losses expected by the removal of Personal Property Tax by the State of Michigan along with continual decreases in taxable valuations and continued losses in tax tribunal settlements.

February 22, 2013

To: Mayor and City Council Members  
From: J. Duff and B. Curtis

RE: Preliminary 2013/14 Budget Preparation Report

**Preliminary Taxable Valuations for 2013/14, Tax Tribunals**

Included as an attachment, you will find a report titled "Not a Required State Report 2013, L-4022 TAXABLE" that details our assessor's preliminary taxable valuation for the 2013/14 fiscal year. The assessor indicates this report is confidential at this time. The numbers in the report reflect a preliminary decrease of \$8,692,828 or 5% less than last year's taxable valuation. This decrease reflects the very recent tax tribunal settlements of Lowe's (2012 - \$1,287,500 taxable value reduction) and Meijer's (2012 - \$2,882,000 taxable value reduction). A copy of Debbie's report detailing recent tax tribunal settlements has been included for your review.

We know that the preliminary taxable values will further decrease after Board of Review and estimate that the end result will be an overall decrease in taxable value somewhere between \$9-10,000,000. The following table details the reduction in General Fund revenue based on preliminary assessments and what we should anticipate after Board of Review.

Reduction in Taxable Value	General Fund Decrease in Revenue
\$8,692,828	\$100,723
9,000,000	104,282
9,500,000	110,076
10,000,000	115,869

We feel it is reasonable to anticipate a \$10,000,000 reduction in taxable value, **therefore a loss in General Fund revenue of about \$115,000 in the next fiscal year.** This would also mean a loss of revenue in the WWT Debt Fund (\$14,000), City Hall Fund (\$25,000) and Street Improvement Fund (\$41,513). We expect that it will be necessary to increase the millage rates in both the WWT Debt Fund and City Hall Fund to cover debt payments.

This fiscal year we have expended \$42,300 from General Fund for tax tribunals for tax years prior to 2012 and approximately \$32,981 from the 2012 tax collection. We were also just informed that Meijer's, Lowe's and O'Harrow Construction tribunal cases had been settled at almost 100% of what they had requested. This means we will soon write checks totaling a little over \$107,256 from General Fund to reimburse these three taxpayers. Tax tribunals have reduced General Fund revenue \$182,537 since the beginning of the fiscal year. We have still have \$4,212,363 in taxable value still being contested in tribunals = up to **another \$48,000 from General Fund.**

Tax tribunals have resulted in a loss of revenue in the WWT Fund of approximately \$24,000 in City Hall Fund of \$34,000 and Street Fund of \$62,880 in this fiscal year alone. It is guaranteed that both the WWT Fund and City Hall Fund millages will have to be increased in 2013 in order to make our debt payments. Also something we should keep in mind. We have one year of guaranteed Street Millage left. If voters choose not to renew the levy, we will have to keep in mind the tribunal cases still pending

as well as future filings, as it relates to the reimbursement of taxes paid to the Street Fund, which will become an additional liability of General Fund.

**So we estimate losing approximately \$115,000 in General Fund tax revenue in 2013/14 through reduction in taxable value and possibly another \$48,000 in tax tribunal settlements.** Therefore some decisions must be made how to budget for this loss in revenue. We anticipate losing at least one, maybe two police officers sometime in the next year due to retirement. The current salary and fringe benefit expense to General Fund for each officer is \$90,000 to \$100,000 annually, although this will vary in the next fiscal year due to caps on health insurance, and outcome of union negotiations. Although we all know the further reduction in personnel in the Police Department will create less effective public safety issues as well as some significant safety concerns for our employees and residents alike. The business community will also be significantly impacted. The ability for us to assist on retail fraud and shoplifting complaints will be diminished. As well as police presence on our streets, industrial parks and commercial business community.

In the current fiscal year we have a budgeted excess of \$90,000 in revenues over expenses in General Fund. Except for a few line items it appears most of our budgeted expenses are pretty much on track for where we are in the budget year, although we may not end up with \$90,000 at the end of the year. One decision that will have to be made this spring is the contracted portion of Spring Clean-Up. To date we have expended almost \$47,000 of the \$52,000 budgeted in this department with spring curbside recycling expenses yet to come. Therefore a Spring Clean-Up through American Waste will not be feasible this year. Should the Council raise the appropriate millage during the next fiscal year we can schedule it back in for the spring of 2014. An increase from the current levy of .3 mills to .6 mills will provide us with revenues necessary to continue the spring contracted clean-up, bags, and brush and leaf/grass collections. Council must remember that when our citizens were asked to comment on this program, more than 70% responded favorably to the continuation of this service.

**Public Safety Fund, Essential Services Special Assessment Levy**

The new Personal Property Tax (PPT) reform provides for the ability to impose a special assessment levy on properties who receive benefit from the tax reform, without right of referendum, to fund essential police and fire services. The problem with the reform is that we will begin to lose revenue in the 2014/15 fiscal year due to PPT assessment with a taxable value of \$40,000 or less being exempted and we would not be permitted to levy the assessment until fiscal year 2016/17. If our understanding of the law is correct. But at the time a levy is permitted and levied it could provide for payment of expenses and equipment used for "essential services", meaning police and fire. We have spoken with our auditors and obtained their approval to combine all police department and fire expenses into one department within the General Fund budget. This would include police vehicles, cameras and radios which are currently financed through the Equipment Fund, although the General Fund through the Police Fund budget pays \$50,000 each year to the Equipment Fund for equipment expenses. Except for insurance costs for police vehicles, the table below details Police Department equipment expenses funded by the Equipment Fund since 2009.

Year	Equipment Expenses
2009/10	\$56,027
2010/11	\$71,690 Includes new vehicle
2011/12	\$72,960 Includes new vehicle
2012/13	\$16,967 To date

The calculation to be used in the levy is a 3-part calculation that is very complex, although it uses 2012 expenses as a base year in the calculation for the assessment and number of General Fund mills used to finance essential services. In 2012 the combined expense for the Police Department, including equipment, and fire services totaled \$1,265,111 without adding in insurance expense for vehicles. A total of 7.24 mills of the 11.5869 levied in 2012 for General Fund was needed to finance state defined "essential services". Therefore the consolidation of the Fire and Police Department budgets at this time sets us up for the possible special assessment levy in 2016. Also to be included in such calculations will be a proportionate share of the City's general liability insurance cost and audit fees. Currently the Police and Fire Services Budget is \$1,097,423 or 43% of the General Fund Budget.

### **Personal Property Tax (PPT) Reform**

As we are all aware, PPT Reform will begin in fiscal year 2014/15. There is not much information out there to guide us, but through our research and as we understand the law, PPT assessments with a true cash value of \$80,000-\$40,000 taxable value or less will be exempt from paying PPT beginning in July 2014. The elimination of PPT for all other commercial and industrial taxpayers will begin in 2015/16 based on a schedule of when the property was purchased and classification. This PPT reform is conditioned upon voters approving a ballot issue in August 2014 authorizing municipalities to be reimbursed for revenue lost from the reform, up to 80%, from a "use tax". But the reimbursement is further conditioned on only if a municipality has a reduction of 2.3% in taxable value due to PPT reform and would not be distributed until 2015/16 or possibly 2016/17. The law is not clear. If the ballot issue is not approved by voters in August 2014, the PPT reform law will be repealed, although there is no mechanism for municipalities to recoup the revenue lost in 2014/15 due to the exemption that year.

Enclosed is a current listing of the pre Board of Review 2013/14 PPT roll, detailing current SEV and taxable values. Of the 18 pages, only 2 ½ pages of taxpayers will not be exempt in 2014/15. If PPT reform was effective this year instead of next, only \$16,569,350 in PPT taxable value would remain out of the original \$21,209,700 PPT roll after exempt properties were removed. Furthermore, PPT assessments has a history of depreciating at a rate of 10% annually, so it is highly likely by 2014/15 the taxable value of the nonexempt PPT properties would be reduced even further to \$14,912,415. This would decrease General Fund revenue from \$246,544 in 2013/14 to \$172,789 in 2014/15, a reduction of \$73,755, even if the PPT reform is repealed after the August election.

Our WWT and City Hall debt issues are partially financed by PPT, so to further complicate matters it is unclear how the loss of revenue will be made up from the time properties start to become exempt and loss of revenues is realized until it is determined if the PPT reform will be repealed or the City will start being reimbursed. And only partially reimbursed somewhere between 2015 and 2017. We assume we will have to increase debt millage levies, across the board, with a heavier reliance on residential properties to make up some of the difference, even though residential taxpayers do not receive a state approved tax exemption. Realize that as these millages increase they will do so because of actions and decisions made in Lansing by the State of Michigan.

The Michigan Municipal League has not yet scheduled training seminars on the PPT reform although they did forward a treasury worksheet that is supposed to assist in calculating the effect of the reform on our revenue stream. Needless to say, we have heard from the League the worksheet has created much confusion due to lack of specific instructions and effective timelines. Our email to Treasury for clarification has not yet been answered. A copy of the worksheet has been included for your review. The instructions detailed in #4 leads us to believe that reimbursement to municipalities at this time is

“currently estimated” to be at 80%, and would be based on the State total actual PPT loss, not the municipalities, and from “actual” use tax available.

We are anticipating even with the State reimbursement through “use tax” and essential services assessments that the City will still see a shortfall of approximately \$70,000 when this program is in full swing.

**Current Trend of Taxable Value Decreases**

The following table provides information relating to the decrease in taxable valuations since 2008 and reduction in General Fund revenue.

<b>July 1<sup>st</sup></b>	<b>Taxable Value</b>	<b>Decrease</b>	<b>% Decrease</b>	<b>Revenue Lost</b>
2008	\$201,149,490			
2009	200,134,723	1,014,767	0.05%	\$11,758
2010	190,905,529	9,229,194	4.61%	106,937
2011	180,948,904	9,956,625	5.22%	115,366
2012	175,346,373	5,602,531	3.10%	64,916
2013 - preliminary	166,653,545	8,692,828	5.00%	100,723
2013-expected	165,346,373	10,000,000	6.00%	115,000

The City has lost approximately \$35,803,117 in taxable value since 2008. The annual average decrease since 2010 is 4.73%. We have lost approximately \$413,977 in revenues due to reduction in taxable values, without factoring in decreases in State Shared revenues. Our full time non seasonal employee base on July 1, 2007 numbered 41, today it is at 28. This is over a 31% decrease in staffing for the City over the last 6 years. We have seen if 2013 expected decreases are correct, a decline of 17.48% in taxable valuation in the City over the last 5 years.

**Optional Revenue Sources**

We would like to review a couple possible revenue sources you may want to consider. These same options were referenced in the Financial Obligation Report submitted to City Council in 2012.

**1. Public Act 33 of 1951**

Public Act 33 of 1951, Police and Fire Protection is a state law that allows for 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 “qualified cities”, those being under 10,000 in population. This assessment would be in addition to the General Fund operating levy of 11.5869. The assessment may fund both equipment and operations and in essence, the property owners benefiting from the service are the ones bearing the costs.

- **Assumptions:** This alternative financing source assumes that the General Fund operating levy will be adjusted down when the assessment is put into place. Under this scenario City Council would have the ability to “choose” a revenue level it feels is appropriate to sustain desired City services. If utilized this could cause the City to have a significant unlevied operating millage below the Headlee cap and City Council would be able to establish the assessment levy annually as needed to fund the Department.
- **Service Level Impacts:** Implementation of this revenue source would allow the City to maintain whatever service level it desires. Assessments could be adjusted each year to meet the funding

needs of the Department. It is assumed that City Council would need to adjust the rate of the special assessment each year to meet rising costs of providing Police services. This is very similar to the annual inflationary adjustments for water and sewer rates made by many communities annually.

- **Pros:** Additional funding source available to City; stable funding source for Police services and equipment; annual adjustment frees funding from constraints of variation in tax base and revenue sharing; City Council can choose service and staffing levels; City Council can levy and adjust assessment annually (not typically subject to vote); not levied on personal property; can be levied to fund Fire Service costs budgeted annually
- **Cons:** May be perceived as a "tax" or "tax increase"; assessment is subject to vote if 10% of land owners petition City Council; not levied on personal property therefore real property owners shoulder the burden (smaller tax base to draw from); applies to Brownfield, DDA properties and significantly impacts DDA capture; may be very unpopular due to multiple law enforcement agencies in community; could spark debate about funding levels for these services during budgeting process.

## 2. Voted Millage

**Based on the decrease in taxable valuation, tax tribunal settlements outstanding and new tax tribunals (estimated \$50,000), together with potential liability in the Street Fund, if a millage is not renewed (estimated \$25,000), the City will see itself underfunded by an estimated total amount of \$238,000 in General Fund for the 2013/14 Budget year.**

A voted millage of 1.5 mills would generate approximately \$240,000 after the TIF capture is factored in. For a residential home valued at \$100,000 a 1.5 mill levy would increase their tax bill by \$76.50.

This increase however would only take care of the needs of the City for the 2013/14 Budget year. Knowing that a deficit due to PPT reform is ahead of us with a shortfall of \$73,755 is expected; that the average taxable valuation losses over the last 5 years is 4.73% and that further tax tribunal cases will continue. We would encourage if a millage is sought that a minimum amount of 5.0 mills are placed on a ballot issue. A 5.0 millage levy would generate approximately \$830,000 in funding. With continuing declines in property valuations, PPT reform and tax tribunal losses it seems prudent to attain an amount that can be levied for future anticipated shortfalls. Should conditions improve only the amount necessary to fund the City can therefore be levied and determined on an annual basis. The cost to a taxpayer with a home valued at \$100,000 would be \$250 annually.

- Pros – This levy would allow the City to keep the Police Department, Administrative Staff and DPW at current staffing levels. It would build some security in for future losses experienced by the PPT removal and secure the City for the immediate future.
- Cons - Could jeopardize renewal of the Street millage levy set to expire this year. Two requests for millage levies would be difficult to achieve.

## 3. Income Tax

A City income tax can be levied on all persons who work inside the corporate limits. For residents the levy is 1%, for nonresidents the levy is 0.5%. Studies can be completed that estimate the amount of revenue that can be generated. A City income tax is fairly common in certain states, and what it does is

shifts the burden of financing City services (to some extent) to those that use those services, but do not pay property taxes. Today about 22 taxing entities ranging in size from Grayling to Detroit levy an income tax. While this is a relatively small number it covers approximately 2,000,000 residents in the state. Local income taxes would also apply to the net profits of businesses within the City limits and for those conducting business within the City. The only exception is those businesses within a Renaissance Zone. The corporate income tax rate is also set at 1%. A complete study would cost about \$25,000. Current cities conducting an income tax study include Sault Ste. Marie, Ypsilanti, Mount Pleasant and Hillsdale.

- **Pros:** May be able to reduce operating millage; nonresidents who use City services would help finance them by payment of income tax; is tax deductible
- **Cons:** Overall tax burden to employed City residents may be greater than additional millage levy or special assessment. It can be unpopular with both residents and nonresidents; viewed as additional tax

Those individuals on pensions and social security do not pay any form of income tax. Also unemployment compensation is exempt as well as the poor who are on State and Federal assistance programs.

What an income tax can do is spread the resources that are required to operate the infrastructure of a community. The greatest population growth in Otsego County is still occurring outside of the corporation limits of our City. Yet thousands of rural residents of the County utilize City services on a daily basis. Whether it is when they travel on our streets, shop in our stores, play in our parks or go to work.

The imposition of an Income Tax would be very controversial. It would also require a vote by the electors of the City before it could become effective.

#### **Essential Service Special Assessment Calculations, PPT**

We previously reported that if the City Council chooses to levy a special assessment in 2016 to fund essential services, there is a highly complex calculation to determine what the City can levy and on what services. A copy of the calculation, as received by the State Treasury Department is attached. We wanted to show you the calculation so that you understand it is not a simple, straightforward calculation. We are not sure, based on the calculation, if each property will have a different assessment, or we will be able to levy the same percentage or millage to each property subject to the levy or collect 100% of lost revenue. We are continuing to research this.

There is however one thing certain. The State's actions by the elimination of the PPT will increase taxation at the local level by Special Assessment and by increases to millage collections of voted millage due to decline in taxable valuation. Therefore the State has in fact shifted the burden of the PPT to each homeowner and property owner in the City. This in our opinion is shameful.

February 27, 2013

Minutes of a meeting of the Future Planning Committee, held at 9:30 a.m. on Wednesday, February 27, 2013, in the Conference Room of the Gaylord City Hall, 305 East Main Street, Gaylord, Michigan.

Present: City Manager Joseph Duff, City Clerk Becky Curtis, Mayor John Jenkins, Council Member Steve Johnson and Council Member Patrick Mankowski.

Two documents had been previously provided to the Committee for review and discussion, Budget Summary 2013-14 and 2013-14 Budget Recommendations. The documents detailed the estimated reduction in total taxable valuation and corresponding loss of revenue since 2008, including an estimate for fiscal year 2013-14. Also included were the following:

- Public Safety Fund and Essential Service Levy for Police and Fire, including recent historical costs of Police/Police Equipment and Fire Expenses;
- Personal property tax reform which will become effective in fiscal year 2014-15, and the estimate of additional revenue loss due to the reform;
- Alternative ways to generate additional revenue, including pros and cons;
- Recent tax tribunal settlements, expected trend of future filings and corresponding loss of revenues in General Fund, Street Fund and Debt Funds; and,
- Scenarios for funding which includes cuts in services or funding to provide for preservation of services.

City Manager Duff began review of the documents. A Committee member suggested eliminating the night patrol shift allowing the Police Department to operate with the reduction in officers after the two (2) anticipated retirements in spring 2013. Another Committee member countered that he felt if residents needed Police services in the middle of the night, it should be provided. Reductions in the Sheriff Department and MSP staffing levels, and impact on the City were discussed. The Committee inquired about the possibility of making nonunion administrative employee(s) part time in order to reduce costs. City Clerk Curtis mentioned there had been discussion how the administrative office could possibly be restructured including the establishment of a new employment package for new hires. It was discussed that the City Clerk, City Treasurer, Human Resource Manager and Assessor are all eligible to retire and the importance of developing a plan for the scheduled retirement of all administrative employees in order to have adequate time to hire/elect qualified individuals to fill positions. The possibility and reasoning behind amending the Charter to provide for the appointment, as opposed to the election, of Clerk and Treasurer positions was discussed. City Manager Duff continued review of the Budget Summary 2013-14. Tax tribunal filings, recent tribunal settlements as well as outstanding and anticipated new appeals were discussed at length. Including the tribunal's impact on debt retirement issues and the Street Improvement Fund. The question arose that although it is believed that the assessor is "following the book" as it relates to establishing taxable values, was there something that could be done to reduce the number of appeals? Duff explained his understanding of the process.

Duff informed the Committee that only \$6,000 was left in the Curbside Recycling Fund and that he did not think it possible to fund Spring Clean-Up (contractor portion) in 2013. Duff also informed the Committee that the levy would need to be increased in the next fiscal year from .3 to .6 mills in order to continue the Curbside Recycling and Spring Clean-Up programs. The Committee discussed the importance of the program and felt that it was important to hold Spring Clean-Up in May. There were concerns that if this program is not continued, it would harm the chances of the Street Millage Levy being renewed. The Committee discussed the timing of when the Street Millage renewal should be placed on the ballot.

Personal property tax reform that will begin in the 2014-15 fiscal year was discussed as it relates to the ability to establish an "Essential Service Special Assessment" levy to generate additional revenues to offset the loss in personal property tax revenue. Duff recommended that all costs associated with operation of the Police Department be combined into one account in the General Fund. Thereby preparing the way for an easy determination of "essential services" which the State desires municipalities to seek funding for through assessments and State revenue sources. Duff informed the Committee that all personal property tax statements with a total taxable value of \$40,000 or less would be exempt from taxation beginning in 2014-15. Voters would be asked on the August 2014 ballot if municipalities should be reimbursed from a State "use" tax. If the ballot issue was approved reimbursements would begin either in 2016 or 2017, if not approved then the reform would be withdrawn, although there would be no mechanism in place to capture the lost revenue from the properties that were exempt in 2014. It was discussed the City is expected to lose about \$73,755 in revenue in the 2014-15 fiscal year due to exempt properties. It was also discussed that even if approved by voters, the City still expects a reduction in revenue due to Personal Property Tax reform as reimbursement would not exceed 80% of lost revenue.

The Committee discussed the historical trend in the annual reduction of taxable valuation since 2008 and the likelihood that it may continue.

Duff explained alternative methods to generate additional revenue, including P.A. 33 which allows for a special assessment levy to fund Police and Fire services. Also discussed were income tax and direct millage levies, of which both would have to be approved by voters. Duff presented additional information about levying an income tax (i.e. need for study, administration and collection of, other communities that collect an income tax). The Committee asked if the City was current on their personal property tax collections, to which they were told no. The Committee asked what had been the track record on collection of personal property taxes over the last five (5) years. The Committee noted that personal property taxes uncollected is lost revenue to the City and needs to be collected. Duff indicated that during a recent conversation with the Treasurer the importance of collecting personal property taxes had been stressed.

Duff then presented the anticipated reduction in revenues in 2013-14 and 2014-15 as well as potential savings in employment agreements and alternate sources of revenues on hand. The shortfalls for 2013-14 are estimated at \$238,000. The 2014-15 estimates are expected to be nearly \$240,000. Duff then proceeded to detail two (2) scenarios. The first being a "cut and reassignment scenario" which included a reduction of one (1) police officer, savings in employment agreements, reassignment of DPW personnel to the WWT Plant, utilization of funds on hand and increase in curbside recycling millage to .6 mills. Duff then detailed the second scenario "preservation of services" which included a 1-mill special assessment as permitted under P.A. 33 in addition to savings in employment agreements, reassignment of DPW personnel to the WWT Plant, increase in curbside recycling millage to .6 mills and use of funds on hand to finance an Income Tax Study. The second scenario would allow the City to keep staffing levels at the Police Department at current levels and begin the Income Tax Study to determine the level of revenues that could be generated. The cut and reassignment scenario is expected to generate \$261,500 in net revenue and the preservation of services scenario is expected to generate \$332,500 in net revenue.

The Committee decided to recommend that City Council adopt the "preservation of services" scenario. The Committee asked Duff to explore options to restructure, streamline administrative tasks and plan for future retirements in the administrative office. The Committee was asked if a proposal could be presented with restructuring ideas, to which the Committee agreed.

The meeting was adjourned at 11:10 a.m.

Becky Curtis, City Clerk

# KIRKPATRICK & DUBOIS PLC

## ATTORNEYS

213 EAST MAIN, SECOND FLOOR  
GAYLORD, MICHIGAN 49735

TELEPHONE: (989) 732-2912  
FACSIMILE: (989) 732-8612

RONALD J. KIRKPATRICK  
STEVE R. DUBOIS

[ron@gaylordlaw.com](mailto:ron@gaylordlaw.com)  
[steve@gaylordlaw.com](mailto:steve@gaylordlaw.com)

---

### MEMORANDUM

TO: Joseph P. Duff  
City Manager  
  
Rebecca Curtis  
City Clerk

FROM: Steve R. DuBois

**RE: Special Assessments for Police and Fire Protection**

DATE: March 19, 2013

The pertinent statute is MCL 41.801. Pursuant to that statute, a municipality is permitted to purchase police and fire motor vehicles, apparatus, equipment and housing and for that purpose may provide by resolution for the appropriation of general or contingent funds. Furthermore, a municipality may provide annually by resolution for the appropriation of general or contingent funds for maintenance and operation of police and fire departments. The statute goes on to provide that a municipality may provide that the aforesaid sums for purchasing and housing equipment and for the operation of police and fire departments may be defrayed by special assessment on the lands and premises in the city that are to be benefited from the operation of the police and fire departments. The statute does provide, however, that lands and premises which are exempt from the collection of taxes under the General Property Tax Act are exempt from such special assessments.

The procedure to proceed with such special assessment is the following:

1. The City Council is to estimate those costs and expenses for both purchase of equipment and operation of the departments that are to be defrayed by special assessment.
2. City Council then sets a date for a public hearing on that estimate and on the question of creating the special assessment district and defraying the expenses of the special assessment district by special assessment on the property to be benefited.

3. The public hearing is to take place at a public meeting conducted in compliance with the Open Meetings Act.
4. Notice of the public hearing must be given by publication in the newspaper at least five days before the date of the public hearing.
5. At the public hearing the City Council would hear objections that may be offered against the estimate and the creation of the special assessment district.
6. After the public hearing, if the City Council determines to proceed, it would pass a resolution to create the special assessment district, determine the boundaries of the district, determine the amount of the special assessment levy, and direct the city manager or assessor to prepare a special assessment roll.
7. After the special assessment roll has been prepared, the City Council must hold an additional public hearing on the special assessment roll. Notice must be given in the same manner as for the first public hearing.
8. At that public hearing and after affording an opportunity for objections to be heard, the City Council would approve the special assessment roll and the special assessment would then be in place.

The special assessment is to become due and be collected at the same time as other city taxes are assessed, levied, and collected, and returned in the same manner for nonpayment. No more than 2 mils of any special assessment may be collected with the summer taxes.

On an annual basis, the City Council must hold a hearing, with notice as aforesaid, to determine the amount of the special assessment for the next ensuing year and to direct the preparation of the special assessment roll. There must then be a hearing held on the special assessment roll with notice as provided above.

Based upon our discussion we believe that the special assessment district would essentially be all property within the jurisdiction of the city. That is, except for those properties which are exemption from general property taxes. Therefore, I think the general description of the special assessment district court be:

"All real property within the geographic boundaries of the City of Gaylord and/or within the jurisdictional control of the City of Gaylord, including all properties that have come within the jurisdiction of the City of Gaylord through a contract pursuant to Public Act 425 of 1984, except property exempt from the collection of taxes under the general property tax act."

On an annual basis we would need to perhaps redetermine and redefine the boundaries of the special assessment district in the event that additional property has come into the City pursuant to an Act 425 Contract or through annexation during the preceding year.

I believe that the first resolution from the Council could be the following:

Pursuant to the authority of MCL 41.801, the City Council does hereby determine to create a special assessment district and to impose a special assessment upon all properties within the special assessment district except property exempt from the collection of taxes under the general property tax act. The purpose of said special assessment shall be to defray some or all of the cost of police or fire motor vehicles, apparatus, equipment and housing and the maintenance and operation of the city police and fire departments. The Council estimates that the amount of said special assessment shall be equal to \_\_\_\_\_ mils of the taxable value of each parcel subject to the special assessment. Council does further resolve that a public hearing shall be held on the \_\_\_\_ day of \_\_\_\_\_, 2013, on the foregoing estimate of costs and expenses and on the question of creating the aforesaid special assessment district and defraying the expenses as aforesaid by special assessment.

Notice of this public hearing shall be given as provided in MCL 41.801(4).

## Resolution to Establish Special Assessment District and Levy Special Assessment for Portion of Costs of Fire and Police Services

Pursuant to the authority of MCL 41.801, the City Council does hereby determine to create a special assessment district and to impose a special assessment upon all properties within the special assessment district except property exempt from the collection of taxes under the general property tax act. The purpose of said special assessment shall be to defray some or all of the cost of police or fire motor vehicles, apparatus, equipment and housing and the maintenance and operation of the city police and fire departments. The Council estimates that the amount of said special assessment shall be equal to 0.75 mills of the taxable value of each parcel subject to the special assessment. Council does further resolve that a public hearing shall be held on the 8th day of April, 2013, on the foregoing estimate of costs and expenses and on the question of creating the aforesaid special assessment district and defraying the expenses as aforesaid by special assessment.

Notice of this public hearing shall be given as provided in MCL 41.801(4).

The description of the special assessment district is as follows:

"All real property within the geographic boundaries of the City of Gaylord and/or within the jurisdictional control of the City of Gaylord, including all properties that have come within the jurisdiction of the City of Gaylord through a contract pursuant to Public Act 425 of 1984, except property exempt from the collection of taxes under the general property tax act."

Ayes:

Nays:

Abstained:

Absent:

**2013/2014 Estimate of Costs**  
**City Police Department and Fire Services**

**301 City Police Department**

***Operational Expenses***

Salaries	635,000
Fringe Benefits	335,000
Office Supplies	6,000
Operating Supplies	1,000
Weapons & Ammunition	9,000
Uniforms	8,000
Telephone/Communication Expense	8,000
Public Relations	1,000
Outside Maintenance	750
Miscellaneous	1,282
<u>Education &amp; Expenses</u>	<u>3,000</u>
<i>Subtotal Operational Expenses</i>	<i>\$1,008,032</i>

***Vehicle/Equipment Expenses***

Salaries	5,000
Fringe Benefits	2,500
Oil and Fuel	18,000
Equipment Maintenance	12,000
Repair Parts	3,500
<u>New Equipment (Net of Federal Proceeds)</u>	<u>30,000</u>
<i>Subtotal Vehicle/Equipment Expenses</i>	<i>\$71,000</i>

***Other Expenses***

Insurance, Police Professional & Liability	2,926
Insurance, Equipment	4,711
<u>Building Operations &amp; Maintenance (46%, 10,507/22,633)</u>	<u>33,051</u>
<i>Subtotal Other Expenses</i>	<i>\$40,688</i>

**Total Police Operations** **\$1,119,720**

**335 Fire Services**

<u>Contractual Services</u>	<u>63,227</u>
<b>Total Fire Services</b>	<b>\$63,227</b>

**Total Police Operations and Fire Services Expenses** **\$1,182,947**