

Ovid Township
Administrative offices
1015 Baese Court
Ovid, MI 48866

Supervisor—Greg Palen
Clerk—Michelle Robinson
Treasurer—Casey Chunko
Trustee—Nancy Hughson
Trustee—Randy Montague

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Township Board analysis of the option for the Village of Ovid to become a “home rule” city (thus legally separated from the Township of Ovid)

(I.) *Impact on township operating budget*

At the time of calculation of the 2013-14 Fiscal year budget for Ovid Township, it was estimated that village property provides approx. \$28,475.00 in taxes which is 1 mill collected for township operation. This millage is set by the tax allocation board of Clinton County, not voted.

In addition, the township treasurer collects a 1% administration fee, which is essentially the way salary for that office is covered. Over all taxes assessed on village property that are collected through the township treasurer’s responsibilities (county and school taxes) an additional \$4725 approx. in administration fees flows to the township. Approx 800 of the township’s 2000 plus tax parcels are within the village limits, requiring over a third of the treasurer’s time.

If the village becomes a city, township income is reduced somewhere above \$33,000 annually.

(II.) *How are the village’s township taxes spent?*

We contract with a state certified *assessor* to calculate the assessed and taxable values of all tax parcels in the village, to maintain an accurate map of village parcels and a legal description of each, with a publicly accessible file on each property maintained at the township offices.

We appoint and pay a trained *board of review*, three citizens who meet three times a year to hear questions and concerns on property taxation from residents, and recommend adjustments to tax assessments as needed to keep taxation as fair and equitable as is practical. One quarter of the cases we heard last spring involved village properties.

In the unlikely event a village taxpayer is unsatisfied with the conclusions of the Board of Review, we cover the cost of defending the township at the State *tax tribunal*. (Our current procedure is for the *assessor* and the *supervisor* to offer to sit down with the taxpayer and see if it is possible to negotiate an acceptable settlement to avoid being on the *tribunal’s* docket; otherwise attorney fees will accrue to the township for defense.)

The entire process of assessing and review is supervised by the elected *supervisor* who is also responsible for assisting property owners when any *division of land* is desired, resulting in new tax parcels, or *merging of contiguous parcels* is requested, thus cancelling older tax parcels. In this it is the supervisor who ultimately is responsible for all the coordination between *assessor*, any land *surveyors*, county *planning and zoning*, county *equalization department*, county *clerk*, county *drain commission* and county *road commission*, as it affects describing and reporting of tax parcel changes.

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The township's direct costs to provide assessing for the village are approx. \$12,800. Adding the indirect cost of the treasurer's office time makes it closer to \$17,000.

The township also is responsible for all *elections* affecting the village, other than its own election of trustees to village council. This means elections to national, state and county offices, county and state millage proposals, local township and school board offices, school board millages, etc. The supervision of elections is the responsibility of the township *clerk*, who hires and qualifies *election officials* according to state and national requirements relating to conduct of elections. As elections occur on a two year and four year cycle, there may not be election expenses every year—but as we saw in the recent special school district millage election, the township may be called upon to organize voting on the same issue a multiple of times.

The township estimates direct costs of elections prorated to the village population to average \$1,250. annually. Adding the indirect cost of the clerk's time makes it closer to \$2500.

Beyond legally required assessing, tax collection and election requirements, any additional use of moneys by the township that apply to the village are from *board discretion*, usually the result of a village officer requesting the township board to assist with funding of village programs. For the latest fiscal year, these involved:

- (a) \$3000 *donation to parks and recreation activities*
- (b) \$ 700 *donation to recycling program*
- (c) \$ 300 *per diem fees paid to appointees on local boards, eg, village library*

At this point, the township has spent \$23,500 of the \$33,000 collected from village taxpayers. It is the contention of the committee proposing "cityhood" for Ovid Village that the township is making a "profit" on the services it provides village residents. This overlooks two issues.

(III.) *Equity participation in the township hall and grounds*

Until 2007, the township rented space from the village for the storage of township records and housing of computers and the transaction of township business, such as board meetings and tax collections. Hindsight would say the township had a "sweetheart" deal with the village, given the operating expenses we now incur for a separate township hall.

It is pertinent to remind everyone that during two years of discussions in public meetings leading to the township hall construction, the village (as part of the township) did not object at any point to the township's investment in its own building. The net result cost over \$700,000 (before any costs of financing) and thus it is not inaccurate to say the village, as almost 30% of the township taxable value, has a \$200,000 construction "equity" in the township hall and grounds.

The township did not have all the funds on hand to construct this building, thus a \$350,000 loan for construction was incurred. The remaining balance of \$240,000 due on this loan, with 4.75% interest accruing, means the township has an obligation to annual payments exceeding \$33,000 (principal and interest) for another nine years. Again, as the village is roughly 30% of the township income, it has responsibility for roughly 30% of the annual debt service on this hall, or approx. \$10,000 annually.

Thus by this point, all the moneys the township collects on village parcels have been spent. The idea there is a "profit" in a city taking over township functions is not accurate.

Keep in mind that, if the village residents vote to become a city, Ovid remains liable for its share of the township hall debt, incurred when the village was integral to the township. However, as is stated in state statutes governing divisions of governmental entities, the city of Ovid would lose its "equity" in the township hall after "divorcing" itself from the township. Until the debt against the township hall is paid, the city of Ovid would be forking over money against that balance. This might result in the city incurring deficits its first ten years.

(IV.) *Stated reasons for the village to become a city*

Townships rarely face the loss of their village, if they even have one, to a city structure. The nearest home rule city to Ovid is Laingsburg, which incorporated as a city many years ago at a time when the township responsibilities had minimal cost and the transition had little affect.

The current township board, most of which are still in their first terms of office, does not feel it should attempt to influence the inclination of the village residents, if it is their will to obtain a "home rule" status. But it has been asking questions of those in favor of "cityhood" what the advantages of city status are, and what currently motivates this change.

As we have all been told at all levels of government, the retrenched economy has meant a loss of tax revenues at every level of government. Thus our local units (village and township) are not immune. The village has lost some tax revenue from the increasing disparity between assessed (state equalized) values and taxable (Headley act) values, because sales of houses have declined other than from foreclosure, and also from lower sale values on properties that do sell. We also face the phasing out of personal property taxes on commercial equipment by 2016.

Meanwhile, much of the village cost structure is subject to inflation. It has a police and public works department, plus a full time office, thus it has employees. It buys fuel for many vehicles. It pays utility bills for street lights and buildings. It provides a full range of services, including one of the better park systems among villages in our local counties.

The village council has had to lay off a couple employees in recent years due to the failure of tax income to cover the rising costs. Thus the argument arose "as a city we can provide assessing and elections cheaper than the township". The city would assess its residents the same 1 mill that has been flowing to the township, and hope for a meaningful savings. Thus it eventually dawns on everyone that one thing is clear—*Ovid becoming a city does not save village residents and property owners any taxes.*

Our concern as a township board is that as soon as the city council realizes that it does not gain enough money from divorcing the township to replace laid off employees, it will take the next step—and that is *annexation of parcels outside of but adjoining the village.* With this step, Ovid as a city becomes a *predator* government, reducing the tax base of Ovid and Middlebury townships in order to build up the city's tax base.

For the last three decades, the village of Ovid has been declining in population. Houses that once held families now just hold middle-aged parents or a widowed grandparent. The Village of Ovid "Downtown Development Authority", which collected tax increments from 1986 to 2001 in an effort to rebuild a declining commercial district, has loaned out and spent an amount exceeding one million dollars in this effort, and if you count empty doors on Main Street it is pretty much back to where we were in 1986.

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Business growth, which creates employment and increases property values, depends on a stable or growing consumer population. That has not been happening in Ovid—although the township board believes it can happen by focusing our sights on helping it to happen. Those paying the higher taxes of most cities will gradually move to the more affordable villages. We share in a few assets, like the Ovid-Elsie school system, that are attractive to families with children.

The township board is certainly willing to become a partner in economic development, and it only remains for the village to recognize the township could be a useful partner. It seems a better strategy for all of us is to work to “bake a bigger pie”, rather than to pursue the negative focus on cityhood which is carving up the pie that prior circumstances baked for us.

It is also stated that as a city, Ovid would have higher priority in the state funding structures to receive grants—primarily in the area of *recreation facilities*. As Ovid has an extensive parks infrastructure, enhancing the village, this does sound like a worthy reason.

However, grants that provide money for construction and equipment do not provide money for the operation and maintenance of buildings and equipment. Thus in a time when your income is restricted, it is not wise to spend your way to prosperity—it is necessary to prioritize all your expenses and seek economies. The majority of the existing park infrastructure was actually a result of local donation—for example, the “Gumaer Park” was property and trees donated in the 1940s by a local lumberman. The ball fields along the river were sold at donation prices to the village by two local entrepreneurs who spent time and money to turn swampland into a usable recreational expanse that also protects the Maple River watershed from infiltration.

The village has received over a million dollars for water, sewer and street system improvements and police equipment since 1990 that were enabled by DDA and Council efforts and by local demographics—it did not matter that Ovid was a village instead of a city. Thus spending money to recharter the village as a city, without significantly clear avenues to growth or other monetary advantages, seems an expense offering little return.

The township board recently voted to support the development of the Rails to Trails corridor with a one-time \$5000 donation. In the discussion it was clear that the township residents most in favor of Rails to Trails and most likely to take advantage of it are village residents. The era in which the township boards seemed to ignore the village in making decisions is over. Given our partnership with Middlebury township to provide emergency fire and ambulance services, this cooperating partnership spirit deserves to be nurtured. Whether the village becomes a city or not, it is the township’s goal that this partnership continue.