

Report and Recommendations of the Chelsea City Study Committee

To the Honorable
The Village President and Trustees
The Village of Chelsea, Michigan

Preamble

By resolution dated June 9 1992 the Chelsea Village Council established the Chelsea City Study Committee. The Council directed the Committee to study and report on the advantages and disadvantages of incorporating the Village as a Home Rule City, including the future needs and requirements of the municipality and the costs and effects of such a transition. Pursuant to the directive of the Village Council the Committee examined applicable state statutes, charters of newly formed cities, ordinances of the Village of Chelsea, the organizational structure of the Village government and administrative staff, tax records, assessments and election procedures of the Village and affected townships.

Sylvan Township Supervisor, Don Schoenberg, appeared at a meeting of the committee and addressed the concerns of Sylvan Township pertaining to the possible incorporation of Chelsea as a home rule city. Mr. David White, City Manager of Saline and former manager of the Village of Capac, addressed the committee and described the clear-cut operational advantages and broad controls afforded a home rule city compared to the status of a village.

By letter dated August 9, 1992, Lima Township Supervisor William W. VanRiper, expressed concerns pertaining to which form of government for Chelsea would best serve the western Washtenaw County area.

Additionally the Committee consulted with and received pertinent written information from representatives of the Michigan Municipal League, the State Boundary Commission and Lynn R. Harvey, Phd. Associate Professor, Michigan State University. Individual members of the Committee appointed by the Chairman reported on various issues involved in the transition of Chelsea from a General Law Village to a Home Rule City.

It is the recommendation of the committee that Chelsea pursue incorporation as a Home Rule City pursuant to Act 279 of 1909.

Submitted herewith are the findings and recommendations of the Committee.

Basic Structure of Home Rule Cities

The concept of home rule cities was established by the Michigan Constitution of 1908 and implemented by the enactment of the Home Rule Cities Act, being

Public Act 179 of 1909. The Act grants broad powers to all cities and allows each one the flexibility and latitude to accommodate its own local needs.

Becoming a home rule city affords the citizenry an opportunity to establish a modern governmental organization by the adoption of a Home Rule City Charter. The predominant advantage of home rule is that the local citizenry can best address the needs of the community and thereby formulate a government organization that will best establish economic efficiency and promote the specific needs of the community.

The Home Rule Cities Act requires that certain mandatory charter provisions must be provided for in a Home Rule City Charter. The most significant mandatory charter provisions include the following:

1. City government organization.
 - (a) The principal organizational forms of government used in Michigan are (1) weak Mayor, (2) strong Mayor, (3) Council-Manager.
 - (b) Election of mayor and legislative body. Mayor may be elected or selected by legislative body.
 - (c) May elect or appoint the following:
 1. Clerk
 2. Treasurer
 3. Assessor
 4. Board of Review
 5. Other necessary officers
 - (d) The charter may provide for partisan or non-partisan elections.
2. Election procedures.
3. Taxation powers and procedures. Subjects of taxation shall be the same as for state, county and schools.
4. The keeping of public records.
5. Annual appropriation of money for municipal purposes.
6. Levy, collection and return of state, county and school taxes.
7. Provide for public peace, health and safety.
8. The adoption, amendment, repeal and publication of ordinances.
9. Uniform system of accounts as required by law.

Permissible Charter Provisions include, but are not limited to the following:

1. Borrowing power.
2. Limitations on borrowing power. 10% of assessed valuation. Additional 5% if used for hospital facilities.
3. Zoning and condemnation.
4. Sewer
5. Lighting
6. Transportation
7. Street plans

8. Water courses
9. The acquisition, lease and sale of property.
10. Bonds
11. Voter referendums

Changing the status from a Village to a City results in new legal responsibilities formerly carried on by the township:

1. Assessing property - hire or contract for city assessing services.
2. Collecting county, school and special authorities taxes.
3. Conducting county, state and national elections.
 - (a) Maintain voter registration lists.
 - (b) Provide voting facilities and equipment.

Incorporation as a Home Rule City and the requisite adoption of a Home Rule Charter guarantees to the progeny of the citizenry the highest degree of self-determination and control of their own destiny.

Preservation of the Name and Character of "The Village of Chelsea"

Chelsea is a general law village pursuant to Act 3 of the Public Acts of 1895.

It is essential to understand that a general law village is not a primary unit of government in Michigan. The primary local units of government in Michigan are cities and townships. A village is not a primary unit of government, but is an incomplete government furnishing only local services. A village is part of a township and as such, is subject to township authority.

The identity, character and heritage of the Village of Chelsea would be enhanced by incorporation as a home rule city. There appears to be no legal impediment that would prevent the use of the name of "The Village of Chelsea", if Chelsea is incorporated as a home rule city.

The transition of Chelsea from a general law village to a home rule city would identify and establish the Village of Chelsea as an independent political entity, governed by its own charter according to the dictates of its own citizenry.

Population

The population of Chelsea is 3,772, as determined by the last decennial census. The Village satisfies the population requirements of the Home Rule Cities Act.

Population Density

The population density of Chelsea is in excess of 500 per square mile and satisfies the density requirements of the Home Rule Cities Act.

Boundaries, Land, Area and Uses

The incorporation petition must include the existing boundaries and any proposed new boundaries. The land area to be incorporated should be described and reference should be made to the amount of undeveloped lands and the zoning of such lands.

Assessments and Tax Ramifications

	Current Millage		City Maximum
	Actual	Maximum	
Village General Fund	10.94	12.50	20.0
Streets	00.00	05.00	n/a
Cemetery	00.00	02.50	n/a
Rubbish Collection	00.00	03.00	03.0
Township General Fund	01.00	01.00	00.0
TOTAL	11.94	24.00	23.00

Excludes approved bond debt service and library millage.

Assumes township maximum at 1.0 mills.

Cemetery maximum may be 2.5 mills, but none is being assessed presently.

The figures below show a reduction in Sylvan Township tax revenues by 48%. However, total revenues for Sylvan would remain above Lima's by \$27,000, or 48%. The property tax revenues in Sylvan would also remain higher on a per household and per resident basis.

Sylvan Township Tax Information			(1 mill levy)
Total SEV	163,115,700	or	\$163,116.00
Chelsea Part	<u>- 79,499,500</u>		<u>79,500.00</u>
SEV MINUS CHELSEA	83,616,200		\$ 83,616.00

Lima Township Tax Information			(1.0312 levy)
Total SEV	63,730,900	or	\$ 65,719.00
Chelsea Part	<u>- 9,104,500</u>		<u>9,389.00</u>
SEV MINUS CHELSEA	54,626,400		\$ 56,330.00

	Population	Housing
Chelsea Village	3,772	1,446
Sylvan Township	2,508	918
Lima Township	2,132	802

Sylvan Township tax dollar per person (including Chelsea SEV)	\$ 65.04
Sylvan Township tax dollar per person (excluding Chelsea SEV)	\$ 33.34
Sylvan Township tax dollar per household (including Chelsea SEV)	\$177.69
Sylvan Township tax dollar per household (excluding Chelsea SEV)	\$ 91.08
Lima Township tax dollar per person (including Chelsea SEV)	\$ 30.83
Lima Township tax dollar per person (excluding Chelsea SEV)	\$ 26.42
Lima Township tax dollar per household (including Chelsea SEV)	\$ 81.94
Lima Township tax dollar per household (excluding Chelsea SEV)	\$ 70.24

Incorporation as a Home Rule City eliminates any township taxes on the area incorporated. Township taxes are presently limited to one mill. The Headlee Amendment would not impact a new Home Rule City any differently than a General Law Village. Upon adoption of a Home Rule Charter the rate of taxation would be controlled by the tax limitation provision of that Charter instead of the tax limitations on a General Law Village. The Headlee Amendment provides that whenever the tax base increases beyond a Consumer Price Index promulgated by the State Tax Commission there must be a roll back to the former tax rate. Exceptions to this rule consist of tax base increases caused by new construction and improvements. The Charter may provide for tax limitation of less than 20 mills.

Elections

Additional responsibilities imposed on a newly incorporated city would be the conduct of county, state and national elections. It would be the obligation of the city to maintain voter registration lists and provide voting facilities and equipment. The following is a projection of election costs.

Approximately 1994 registered voter (changes regularly)	
Average cost of Village elections	\$ 2,400
No charge to Sylvan Twp for use of hall	
1 Village election yearly	\$ 2,400
1 Township election every 2 years	\$ 4,800
1 Primary election every 2 years	\$ 4,800
1 Presidential election every 4 years	<u>\$ 2,400</u>
Total Election Costs	\$14,400
4 years = Yearly Budget for elections	\$ 3,600
Voting machines cost \$317-\$350 per machine	\$ 2,499

By law must have 1 machine per 400 voters, plus a couple of extra machines. This does not include the cost of paper and materials for machines.

It is not anticipate that the additional election costs as a city would be appreciable.

Financial Implications of Incorporation

There is little evidence to indicate that the long term financial implications of incorporating as a home rule city would be appreciable.

Anticipated areas where additional costs would be incurred include the following:

1. Transaction Costs:
 - (a) Petition process
 - (b) State Boundary Commission Approval
 - (c) Public hearings
 - (d) Election costs
 - (e) Printing of Charter
2. Position on City Assessor:
State average salary if \$24,000.00, plus fringes of 20 to 25%. This position can be shared.
3. The establishment of the position of Building Inspector is discretionary.
4. Cost of collection of school and county taxes.
5. Cost of Elections: approximately \$3,600.00 per election.
6. Maintaining voter registration should not increase the cost of municipal government.
7. Possible reimbursement to the Townships for Village property assessment records.
8. Possible remuneration for joint use of Sylvan Township Hall.

State Boundary Commission Requirements

A petition for incorporation of a home rule city must be approved by the State Boundary Commission. Pursuant to the State Boundary Commission Act, being Michigan Statutes Annotated, Section a5.2242, the criteria to be considered by the commission in arriving at a determination shall be as follows:

1. Population
2. Population density
3. Land area
4. Land uses
5. Assessed valuation
6. Topography
7. Natural boundaries and drainage basins

8. The past and probably future urban growth, including population increases and business, commercial and industrial development in the area.
9. Comparative data for the incorporating municipality, and the remaining portion of the unit from which the area will be detached shall be considered.
10. Need for organized community services.
11. The present cost and adequacy of governmental services in the area to be incorporated
12. The probable future needs for services
13. The practicability of supplying such services in the area to be incorporated
14. The probably effect of the proposed incorporation and of alternative courses of action on the cost and adequacy of services in the area to be incorporated and on the remaining portion of the unit from which the area will be detached
15. The probable increase in taxes in the area to be incorporated in relation to the benefits expected to accrue from incorporation.
16. The financial ability of the incorporating municipality to maintain urban type services in the area.
17. The general effect upon the entire community of the proposed action, and
18. The relationship of the proposed action to any established city, village, township, county or regional land use plan.

Advantages of Incorporation

The committee perceives the transition of Chelsea from a General Law Village to a Home Rule City to be an opportunity for Chelsea to adopt the most autonomous and locally controlled form of municipal government permitted under the Constitution and Statutes of the State of Michigan.

The advantages include, but are not limited to the following:

1. All assessing services could be performed by an assessor appointed by and answerable to the city. A Board of Review would be appointed by and answerable to the city.
2. Incorporation would result in a streamlined form of government allowing residents to deal with only one government and not two.
3. The adoption of a modern home rule charter tailor made to the needs of the community.
4. Assures that state collected locally shared taxes are returned to and used in the area of most dense population.
5. Eliminated existing confusion of authority of township to enforce ordinances.
6. Eliminated duplicative services.
7. Incorporation as a home rule city eliminated the nominal township tax and results in a saving thereof.
8. Permits financial flexibility and latitude to accommodate local needs.

9. Upon incorporation as a city, joint contractual relations, such as fire protection and disaster control, need not be severed with a township.

10. Saline City Manager David White, emphasized that the State must seek approval of a home rule city in many instances where it would not be required to do so when dealing with a general law village. Mr. White felt that there was less state interference with home rule cities and that home rule cities have greater influence with the state government than general law villages.

11. State law allows home rule cities and townships to enter into negotiated annexations and share in tax revenues generated by such properties.

The Relationship of Incorporation to the Affected Townships

The affected townships expressed the following concerns should Chelsea incorporate as a home rule city:

1. The loss of revenue would cause a considerable reduction in the amount of roadwork that could be done in Sylvan Township.

COMMITTEE COMMENT: The committee recognizes that a reduction of revenues to the township will occur as a result of incorporation. The committee also recognizes that a substantial amount of township taxes on village residents is used for the improvement of township roads and that no township taxes are allocated to the improvement of roads within the village. The county road commission is the governmental unit primarily responsible for the improvement of township roads. The committee feels that Chelsea as a home rule city, would be in a stronger position to work for the improvement of roads in the surrounding townships.

2. The Sylvan Township Hall is located in the Village of Chelsea. Sylvan Township Supervisor Don Schoenberg expressed the concern that a new township hall would be needed.

COMMITTEE COMMENT: State law provides for the continued use of a township hall for all township governmental business, including elections and township meetings, even though that property is incorporated within the boundaries of a home rule city. The Township and Village Public Improvement and Public Service Act, being Act 116 of 1923, as amended by Act 82 of 1989, MCL 42.417, permits a township to continue to use a township building for township purposes. This provision reenacted and repealed Act 45 of 1941 (MCL a41.221). Official township decision and activities would be valid if carried on in the township hall, if and when Chelsea incorporated as a home rule city.

Committee research indicates the numerous home rule city incorporations have continued the location and use of a township hall within the corporate limits of a newly incorporated home rule city.

3. Fear of annexation.

COMMITTEE COMMENT: Annexation procedures are under the jurisdiction of the Boundary Commission. Before any annexation may be approved, the township from which the property is being annexed must be given the opportunity to file written objections and present testimony and exhibits at a public hearing before the Boundary Commission.

Act 425 of the Public Acts of 1984, is statutory authority for the conditional transfer of property by contract between two local governmental units. The contract for the transfer of property may be for a period not to exceed fifty (50) years, and may be renewed for another fifty (50) years.

Mandatory contract provisions include the following:

- (a) Length of contract
- (b) Specific authorization for the sharing of taxes and other revenues
- (c) Method of enforcement of the contract, including return of the transferred area
- (d) Which local unit has jurisdiction over the transferred area upon expiration, termination of non-renewal of contract.

The contract may provide for transfer of employees of the local unit and protection of worker's compensation, pensions, seniority, wages, sick leave, vacation, health and welfare insurance, or any other benefits. While such a contract is in effect, no other method of annexation or transfer shall take place.

It is believed that this statute affords the voluntary means by which transfer of lands could be accomplished in a mutually beneficial manner agreed to by both units of government.

Possible increase in taxes

Incorporation as a home rule city would not require or create the need for any increase in taxes.

Financial Ability to Maintain Urban Services

It is the opinion of the Committee that incorporation of Chelsea as a home rule city would enhance its ability to maintain urban services and would not result in a significant increase in the costs of government and its service.