



CITIZENS RESEARCH COUNCIL OF MICHIGAN

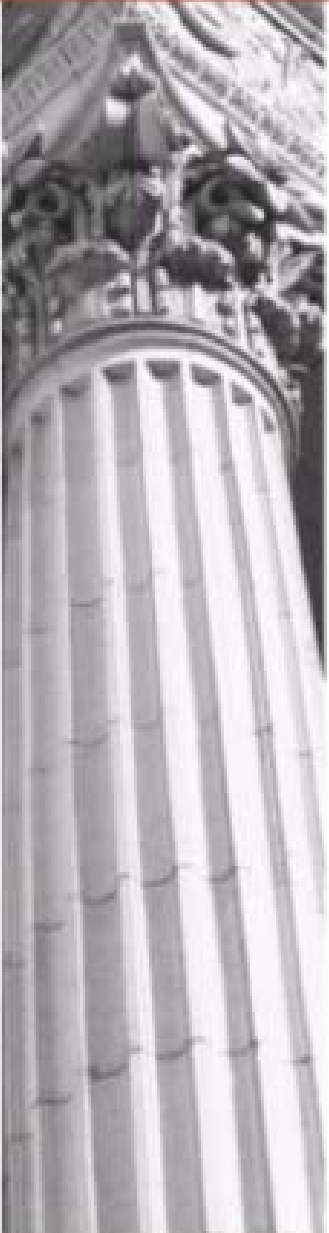
# **Consolidation Issues Associated with the Proposed Merger of the City of the Village of Douglas and the City of Saugatuck**

Public Forum

September 24, 2013

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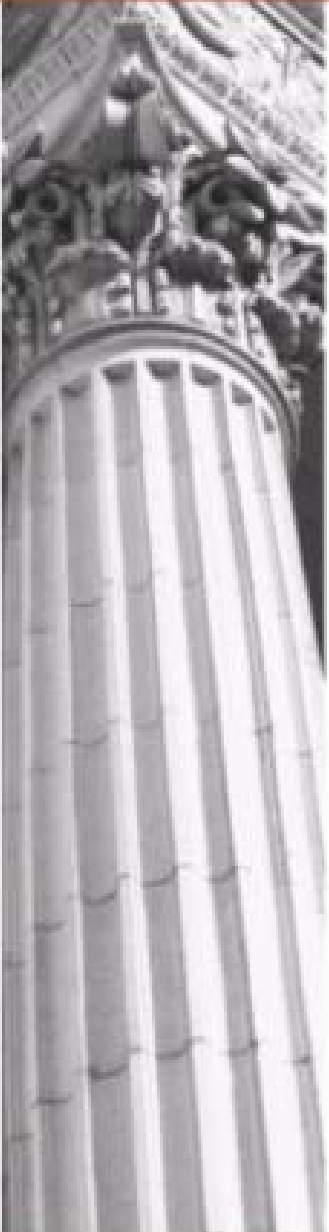
## Citizens Research Council of Michigan

- **Founded in 1916**
- **Statewide**
- **Nonpartisan**
- **Private not-for-profit**
- **Promotes sound policy for state and local governments through factual research**
- **Relies on charitable contributions from Michigan foundations, businesses, organizations, and individuals**



## CRC's Work on Consolidation

- Studies of full consolidations
  - Grosse Pointes (1958)
  - Jackson and surrounding townships (1966)
  - Battle Creek urban area (1966)
  - Plymouth community (1968)
  - Northville community (1972)





## Eric's Work on Consolidation

- Work on inter-local collaboration
  - Catalog of Service Delivery Methods (2005)
  - Outline of Laws Authorizing Interlocal Agreements and Intergovernmental Collaboration (2007)
  - Approaches to Consolidating Local Government Services (2008)
  - Streamlining Functions and Services of Kent County and Metropolitan Grand Rapids (2009)
  - Streamlining Local Government Service Delivery in Lenawee County (2012)
- Studies of full municipal consolidations
  - Grand Blanc community (2005)
  - Onekama community (2011)



## CRC's Process

- Jan. 15 – CRC met with city managers/finance officers from two cities
  - Interviews
  - Documents
  - Financial Records
- Thereafter CRC had no interaction with cities as far as asking questions, gathering data, discuss consolidation issues
  - Desire of them and CRC to avoid perception that they were steering the research



## CRC Process (continued)

- Mar. 5 – met with Consolidated Government Committee
- Mar. 22 – met with Matt Balmer opposing consolidation



## CRC Process (continued)

- July 17 – CRC published Report #384
- July 24 – CRC met with city managers and finance officers about concerns in the report
- July 26 – CRC revised Report #384 with changes resulting from 7/24 meeting annotated
- July 30 – CRC issued 3<sup>rd</sup> version (again annotated) to make fixes consistent throughout the paper



## Proposed Merger of Saugatuck and Douglas

- Rare to undertake this in Michigan
- Voter Approved Mergers
  - Battle Creek city and township (1980s)
  - City of Iron River, city of Stambaugh, Village of Mineral Hills into Iron River (1990s)
- Idle and constructive discussions with no results elsewhere





## Commonly Stated Reasons for Consolidation

- Increase Stature / Name Recognition
- Gain Critical Tax Base
- Better Land Use Planning
- Accommodate Future Growth
- Reduce Duplication / Increase Efficiency





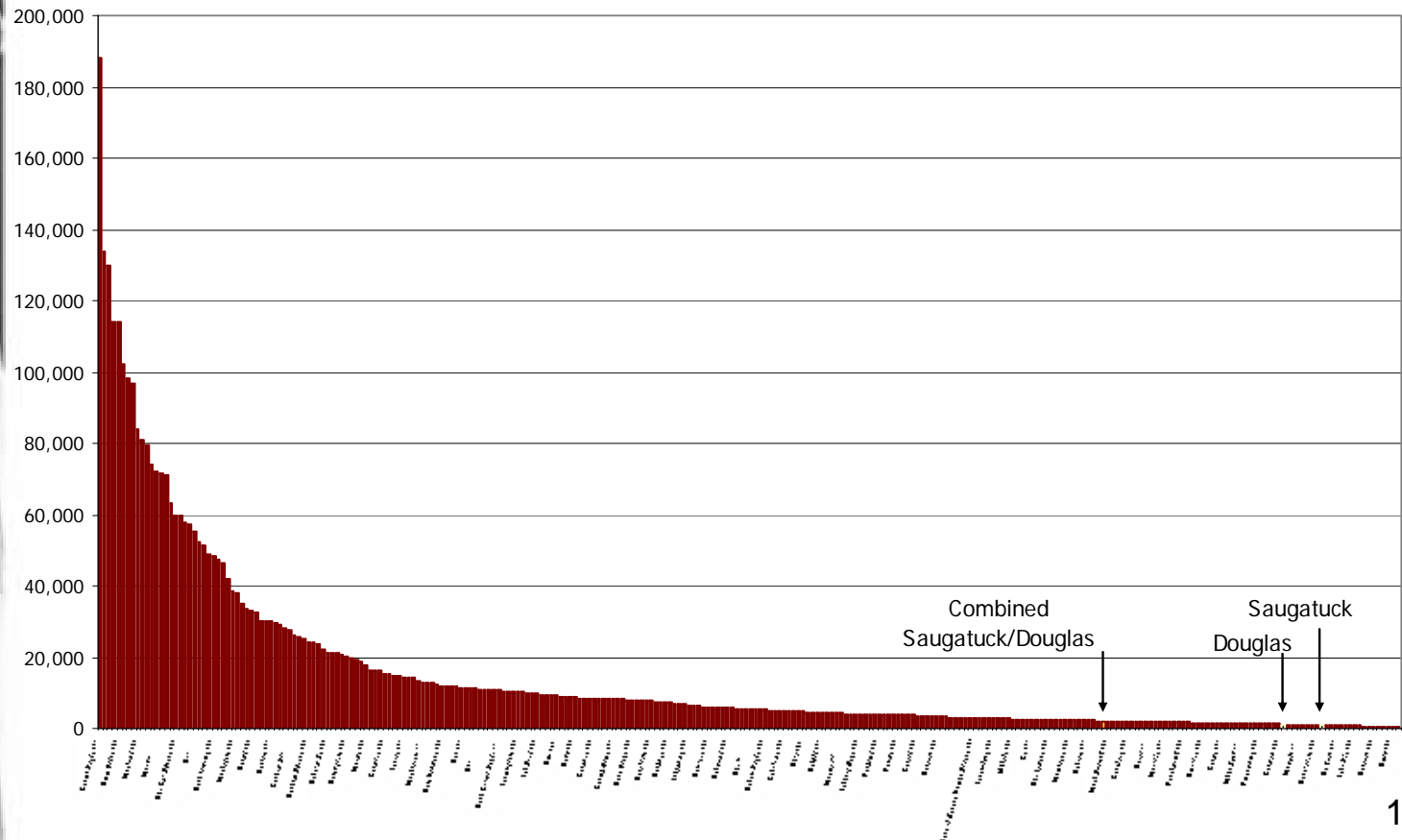
## About Saugatuck and Douglas

- Both cities relatively wealthy in terms of property wealth and personal income of residents
- Tourism and owners of second/vacation homes major sector of local economy
- City service delivery must be flexible enough to provide basic services in off season but extend service delivery in Summer months





# Saugatuck and Douglas are two of the Smallest cities in Michigan





## Last Effort – Onekama, Manistee County

- Followed process laid out in General Law Village Act
  - Created commission with residents from both governments
  - Created plan to deal with 13 issues identified in the law
  - Voters were not voting just on the idea of consolidation
- Consolidation defeated by voters in the village



## Planning and Zoning

- Primary local government activity for defining character of community
- Currently done jointly (2 cities + Township)
  - Tri-Community Comprehensive Plan
- Benefits of operating as a single entity
  - Watered down specifics
  - Diminished accountability
- Merged city would probably still engage in joint planning with Saugatuck Township



## Natural Resource Stewardship

- Kalamazoo Lake, Kalamazoo River, sand dunes, beach acreage, access to Lake Michigan
- 2 cities + Saugatuck Township coordinate efforts for this task
- Merger could provide clearer lines of responsibility and simplify procedures when coordinating with the federal, state, and county governments



## City Charters and Ordinances

- City Charter – basic law formulating the government for a city
  - Establishes framework for government
  - Defines powers and duties of officers
  - Identifies rights and responsibilities of the city in meeting needs of citizens
- Ordinances –
  - Provide substance and detail to charter provisions
  - Establish laws that apply within municipal boundaries



## City Charters

- 2 city charters are more alike than different
- Both cities:
  - One ward for organization and elections
  - General powers of cities identical
  - Intergovernmental relations/powers identical
  - Elections provisions nearly identical
  - Organization of cities similar
  - Functions and duties of city managers identical
  - Both allow for initiative process for ordinances
  - Operations and finance provisions substantially alike
  - Fiscal years run July to June
  - Finance, special assessment, franchise, and purchasing provisions almost identical





## City Charters

- Minor differences:
  - Douglas sets higher maximum authorized property tax rate (levied rates are alike)
  - Douglas charter has more detail on bonding authority and procedures





## City Ordinances

- About 80% of language in ordinances identical or substantively alike
  - Administration of city governments
  - General regulations
  - Criminal offenses
  - Most of city finance provisions
  - Special assessment provisions nearly identical
  - About half of water service/regulation provisions
  - Disorderly conduct/general offenses almost identical
  - Etc.



## City Ordinances

- Relative importance of differences in other 20% can only be judged by those affected by them
- Circumstances in each city led to unique provisions or different laws
  - Unique to Douglas: DDA ordinance, city property provisions, bicycle and motorcycle laws, human relations section, and cable TV
  - Unique to Saugatuck: snowmobiles, skateboards, garage sales, hawkers & peddlers, taxicabs, offenses against persons, historic district, subdivision regulations, and parks & rec provisions



## City Ordinances

- Differing Provisions (to varying degrees):
  - Alcoholic Beverages – Saugatuck has considerably more regulations, fines, and specifications
  - Nuisances – different approaches to noise nuisance, shouting & whistling, weeds
  - Business Regulations – Saugatuck laws far more specific and restrictive
  - Watercraft – Saugatuck laws go into far greater detail and are more restrictive



# Indebtedness

## Long-Term Debt as of June 30, 2013

	<u>Douglas</u>	<u>Saugatuck</u>	<u>Pay-off Date</u>
Allegan Sanitary Sewer System Bonds		\$225,000	2014
City Street & Infrastructure Bonds		\$3,460,000	2028
Loan Agreement	\$128,010		2021
Loan Agreement	\$208,933		2017
Capital Improvement Bonds	\$285,000		2020
Litigation Settlement	\$223,511		2013
Compensated Absences	\$109,197	\$22,621	
<b>TOTAL</b>	<b>\$954,651</b>	<b>\$3,707,621</b>	



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## Payment of Indebtedness

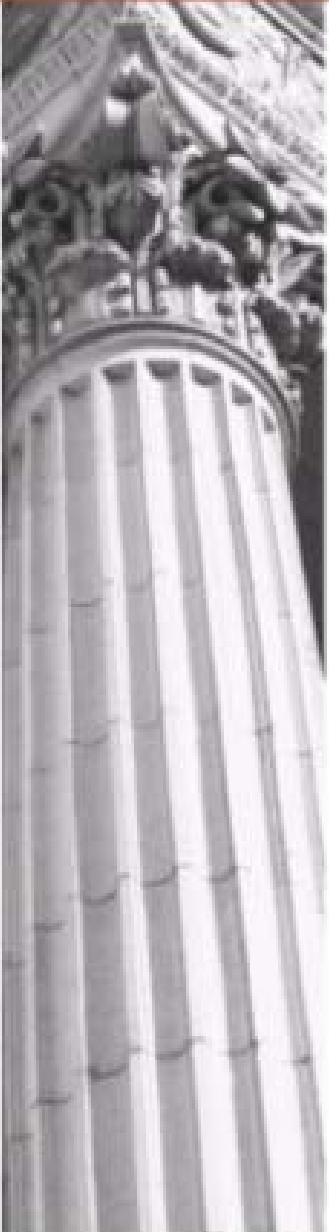
- Repayment of Saugatuck's street bonds main point of concern
  - Currently being repaid with dedicated millage
- Would millage remain on Saugatuck properties or be extended throughout a merged city?
  - Neither Bond Authorizing Resolution nor bonds contemplated consolidation with Douglas
  - Case law and statutory law provide conflicting guidance



## Real and Personal Property

- Most obvious example of duplication by having two cities
  - Divestment of real or personal property is opportunity to right size and benefit monetarily
- Real Properties – 2 city halls, Douglas' police station, 2 public works facilities, several parks, 2 beaches
  - Assumed that Saugatuck city hall sold or repurposed
- Personal Properties – some office furniture and equipment, tools, trucks would be surplus and could be sold





## Public Records

- Minutes, resolutions and official actions of the cities, elections records, charters and ordinances, cemetery records, park records, liquor control records, bills and vouchers, and payroll records
- Public records are the property of the people of the State of Michigan
  - Must be retained and only destroyed in accordance with state law
- Anticipate using basement of Douglas city hall for storage
  - Associated one-time cost of upgrades to protect against water damage



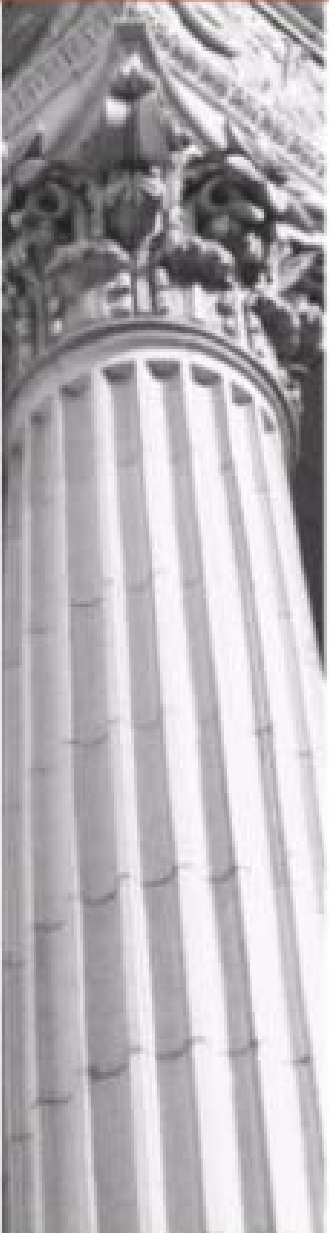
## Employee Issues

- 2 city managers → 1 city manager
- 2 city clerks → 1 city clerk
- 2 city treasurers → 1 city treasurer
- 1 economic dev → 1 economic development
- 9 police officers → no change
- 31 parks & rec → 30 parks & rec
- 2 DPW directors → 1 DPW director
  - + 8 FT workers → + 7 FT workers
  - + 5 PT workers → + 5 PT workers



## Public Utilities and Public Services

- Little exposure
- No changes anticipated





## Special Districts – Douglas' DDA

- Should the merged city have a tax increment finance district for what is currently Douglas' downtown district?
- If so, provisions in the DDA law allow for its continuation:
  - "If a downtown district is part of an area annexed to or consolidated with another municipality, the authority managing that district shall become an authority of the annexing or consolidated municipality. Obligations of that authority incurred under a development or tax increment plan, agreements related to a development or tax increment plan, and bonds issued under this act shall remain in effect following the annexation or consolidation." (PA 197 of 1975, Section 3a)



## Special Districts – Saugatuck's Historic District

- Should the merged city have an historic district in what is currently Saugatuck's historic district?
- If so, it would appear that it would have to be re-established under the Local Historic Districts Act (PA 169 of 1970)
- Process is more complicated than when Saugatuck's district was created but existence of current district should ease qualification



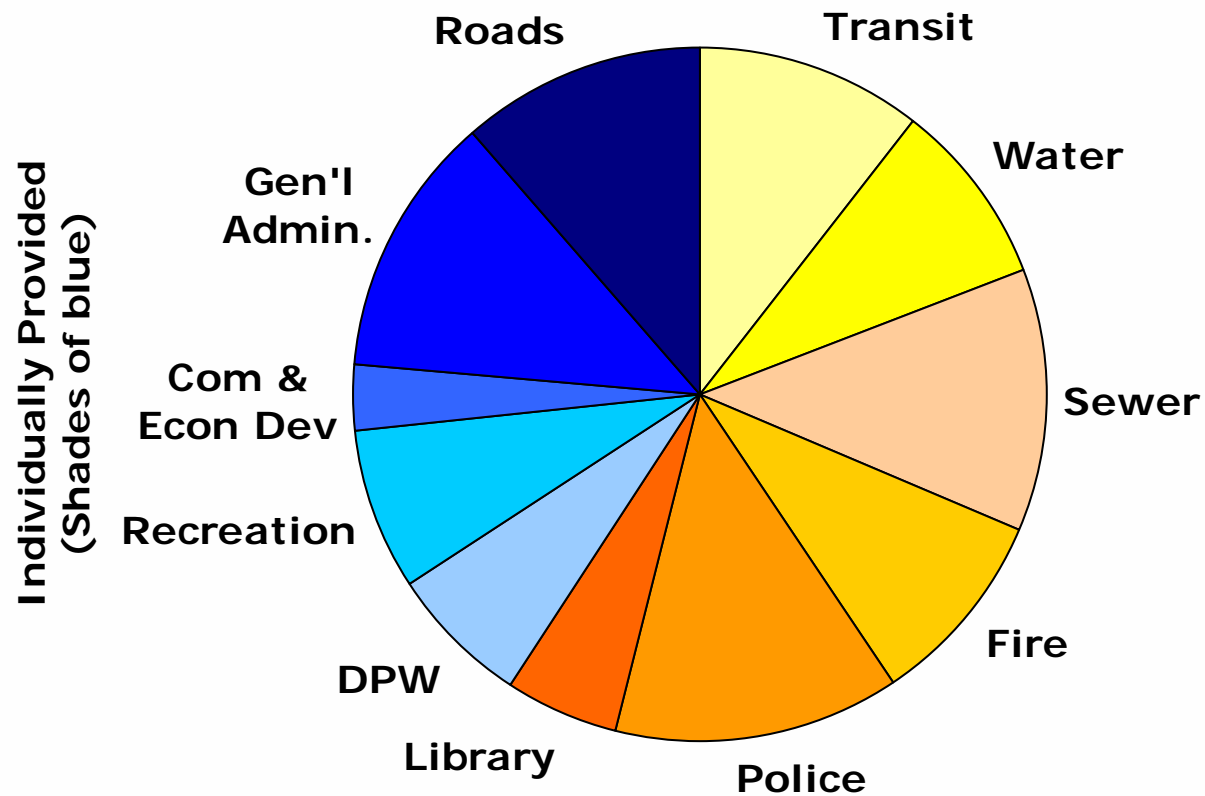
## Special Authorities

- Provisions in state law have allowed Saugatuck and Douglas (and Saugatuck Township) to operate as one entity for purposes of:
  - Fire Protection
  - Police Protection
  - Transit
  - Library
  - Water and Sewerage
  - Harbor Authority
- Not expected to change because of merger, but agreements will have to be rewritten with Saugatuck Township



# Is Collaboration a Stepping Stone to Consolidation?

Aggregate spending amounts for Saugatuck and Douglas, 2012



Jointly Provided  
(shades of orange and yellow)

Individually Provided  
(Shades of blue)



## Roads, Sidewalks, Public Easements

- Road Care – opportunity to capitalize on economies of scale
  - Workers and equipment used to care for wider geographic area and more miles of roadway
- Some gains will be tempered by differences in character of streets
  - Concrete vs asphalt
  - Curbs vs gravel shoulder







## Roads, Sidewalks, Public Easements

- Road Funding – Michigan's law for highway jurisdiction and road funding (PA 51 of 1951) increases per mile allotments to account for larger populations
- Sum of Saugatuck's (925) and Douglas' (1,232) populations (2,157) enough to pass threshold
  - Yield about \$400 more per year



# Roads, Sidewalks, Public Easements



## Duplicate Street Names

	<u>Douglas</u>	<u>Saugatuck</u>
Main Street	North-South	East-West
Water Street	North-South	North-South
Park	"Drive" – only few properties	"Street" – major street
East	"Drive" – serves mobile home park	"Street" – only few properties
West	"Drive" – serves mobile home park	"Street" – only few properties

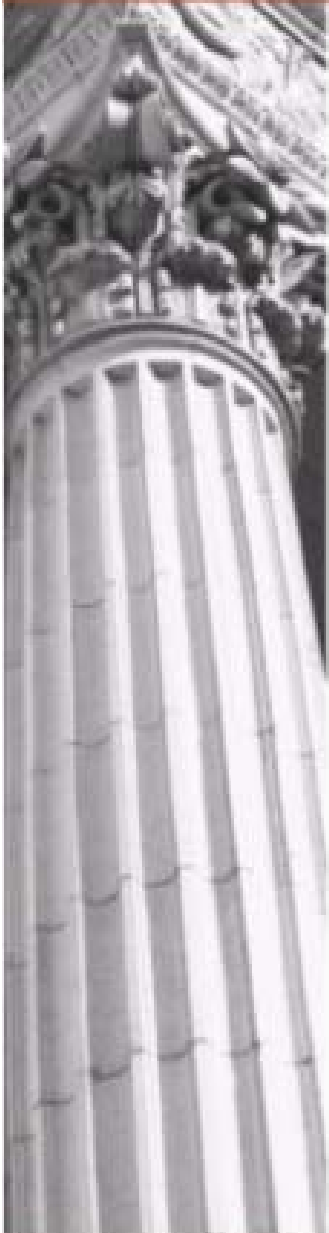


## Fiscal Impact

- Truisms of Douglas and Saugatuck
  - Economies of scale have been obtained external to the cities (special authorities)
  - Elected officials wear several hats
  - Service demand bigger than the resident population



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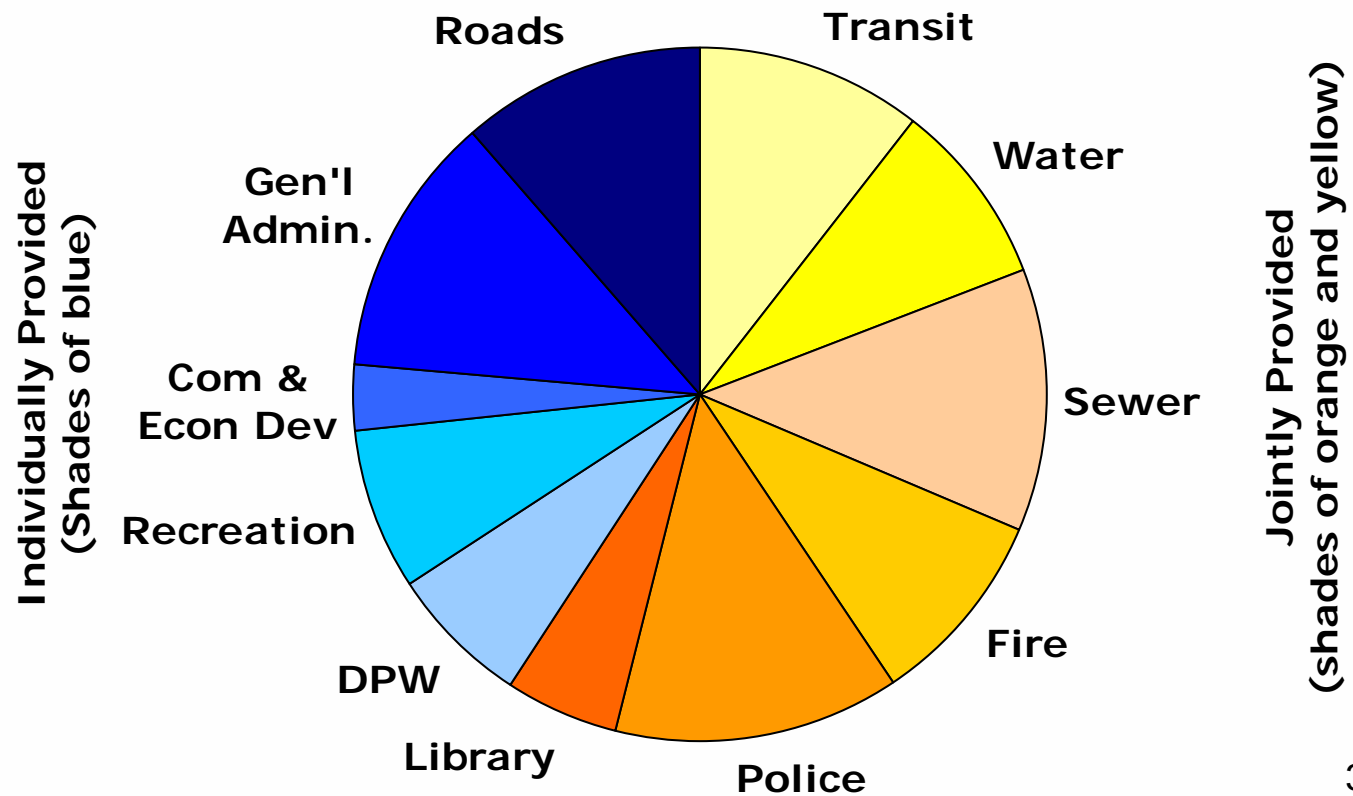


	<b><u>Two-City Total</u></b>	<b><u>Assumed Budget</u></b>	<b><u>Difference</u></b>
City Council/Legislative	\$28,573	\$15,000	\$13,573
City Manager	247,729	135,000	112,729
Attorney	65,833	50,000	15,833
Clerk/Treasurer	408,606	185,000	223,606
Assessing	97,708	55,000	42,708
Elections	3,564	3,564	
Building and Grounds	74,362	52,000	22,362
Other	10,500	10,500	
Police	940,606	940,606	
Building Inspection & Regulation	38,025	38,025	
Public Works	461,380	425,000	36,380
Commission & Econ Development	209,373	209,373	
Recreation & Culture	517,322	517,322	
Transfer for Road Funding	320,000	320,000	
Capital Outlay	239,844	239,844	
Debt Service and Other	182,074	182,074	
Total Expenditures	\$3,845,499	\$3,378,308	\$467,191



# Is Collaboration a Stepping Stone to Consolidation?

Aggregate spending amounts for Saugatuck and Douglas, 2012





## Fiscal Impact

- \$467,191 =
  - 12.1% of \$3.8 million total of spending by 2 cities
  - 6.6% of \$7.0 million total of spending by 2 cities and 4 special authorities



## Fiscal Impact

- Revenues needed to fund a merged city
- Assumed revenue unchanged from
  - Licenses and permits
  - Intergovernmental transfers
  - Charges for services
  - Fines and forfeitures
  - Interest earnings
  - Rentals



## Fiscal Impact

- Potential savings from merger could be:
  - Used to improve service levels
  - Used for capital improvements
  - Passed to property owners through reduced property taxes
- Tax Rates
  - Current Millage for General Operations
    - Douglas = 13.0818 mills
    - Saugatuck = 12.0000 mills
    - Assumed Merged City = 11.2 mills





## Fiscal Impact

- Mill = \$1 of tax for every \$1,000 of property value
- Impact to average property owner in 2 cities
  - Property valued at \$200,000 on the market
  - Taxable Value = \$100,000  
(or less if same owner for extended period)
- If savings reflected in lower taxes,
  - \$192 a year in savings for average property owner in Douglas
  - \$184 a year in savings for average property owner in Saugatuck



## One-Time (Short-Term) Costs

- Pre-Merger Expenses
  - Election costs
  - Support for Charter Commission
  - Moving into new city hall
  - Archiving record of old cities
- Merger Expenses for New City
  - Creating new city identity (logo, marketing, letterhead, business cards, etc.)
  - Negotiating new contracts (vendors, employees)
  - Renegotiating Inter-Local Agreements
  - Drafting/Merging Ordinances
  - Recreating Historic District
  - Unemployment Compensation
  - Consolidating operating systems



## Similarities and Differences

- Characteristics of the people matter
  - Saugatuck and Douglas have roughly equal populations
  - Racial and ethnic make up of cities very similar
  - Parts of common school district



## Similarities and Differences

- Tax Base and Tax Effort Matter
  - Both communities relatively property rich
  - Tax base split almost equal among the two cities
  - Tax rates levied for general operations close to equal



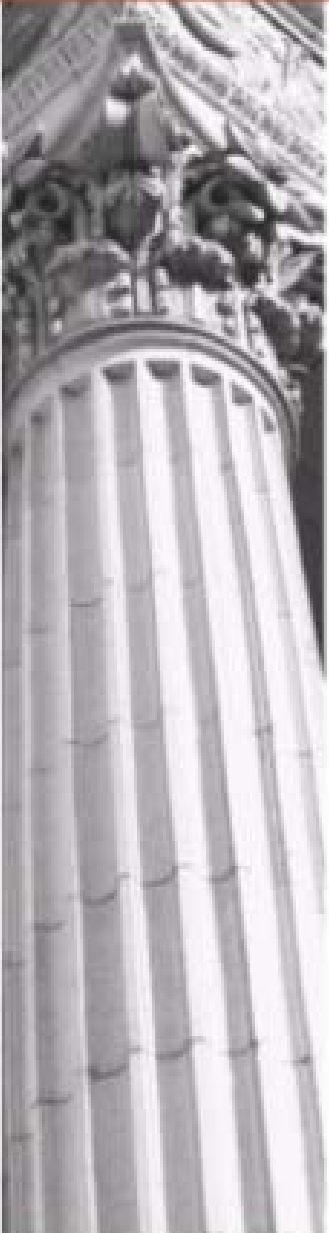
## Similarities and Differences

- Types and Levels of Services Matter
  - More than half of tax dollars used for shared services
  - Both benefit from Oval Beach that is operated by City of Saugatuck
  - Other services and service levels are similar



## Similarities and Differences

- Relationships between Leaders and People Matter
  - Long list of shared services are testament to working relationships





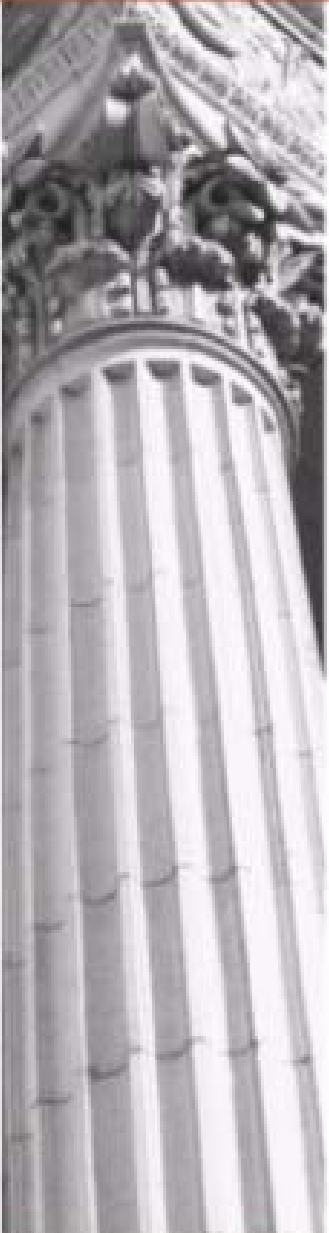
## Similarities and Differences

- Does Merger Create a More Balanced Community?
  - Close relations and inter-dependence of the communities has contributed to a well-balanced community
  - Merger could improve land use planning
  - Merger could help stewardship of Kalamazoo Lake and River



## Similarities and Differences

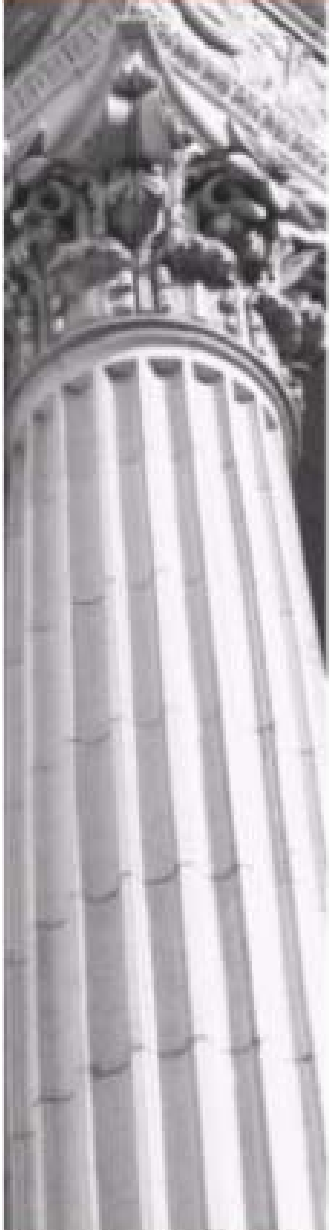
- Efficiencies and Service Improvements Matter
  - ~\$500,000 in savings projected







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