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OF MICHIGAN**



**THE COSTS, BENEFITS, AND ALTERNATIVES FOR CONSOLIDATING
THE ONEKAMA GOVERNMENTS**

OCTOBER 2011

REPORT 372

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CRC's Onekama project is funded in part by grants from the Village of Onekama, the Township of Onekama, the Portage Lake Watershed Forever Council, and the Shared Public Services Initiative, a collaborative project involving local, state and non-profit organizations administered through the Michigan Municipal League Foundation.

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October 4, 2011

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Community Leaders:

Pursuant to your request there is transmitted herewith the Citizens Research Council of Michigan report on the possibilities of consolidating the Village of Onekama with the Township of Onekama.

The enclosed report considers the possibilities for consolidation, including the path to disincorporation of the village and the alternative path to incorporation as a city. It looks at the legal, financial, and service delivery issues that Onekama residents may wish to consider in considering the benefits of change.

Onekama is a leader in asking the important questions of governance and the possibilities of reform. We are sure local government leaders throughout Michigan will watch with great interest as your community deals with the matters before it.

We hope this report helps Onekama to make informed decisions relative to this important issue.

Respectfully Submitted

Eric Lupher
Director of Local Affairs



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THE COSTS, BENEFITS, AND ALTERNATIVES FOR CONSOLIDATING THE ONEKAMA GOVERNMENTS

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CRC REPORT

The Citizens Research Council of Michigan was commissioned through the Shared Public Services Initiative to investigate the costs, benefits, and alternatives for consolidating the Onekama governments. The results of that investigation contained in CRC Report #372 consider both the options of disincorporating the village, to leave only the township, and incorporating the entire community as a city.

Over the course of the past six months, CRC has been working with the officials and residents of Onekama to explain the findings of this report, even as it was being written. The community has adopted the village disincorporation option and submitted sufficient petition signatures in August to have the question placed before the voters at an upcoming election. Although CRC Report #372 explains the options for both consolidation methods, this summary will describe only the village disincorporation laws, benefits, and implications.

THE COSTS, BENEFITS, AND ALTERNATIVES FOR CONSOLIDATING THE ONEKAMA GOVERNMENTS

Summary

The Township of Onekama and Onekama Village are considering the implications of consolidating into a single governmental unit. The possibility was raised in their recent joint master plan and exploration of the possibilities has been facilitated by elected officials in both units. Those governments are located in Manistee County on the eastern shore of Lake Michigan. Because the Onekama Township lies on the shore of Lake Michigan, its size is reduced to only 18.1 square miles. Portage Lake is an inland lake located completely within the boundaries of Onekama Township. The Village of Onekama, which was established on the northern shore of Portage Lake, currently covers 1.5 square miles of the township.

The population of the Township of Onekama was 1,329 people in 2010: 411 in the Village of Onekama and 918 outside of the village.¹ The population density of the village is much higher than that in the rest of the township. The village has about 400 people per square mile: the balance of the township has 55.3 people per square mile.

While the number of housing units in the village has grown 28 percent over the past 50 years, most of the growth in housing stock in the area has occurred in the township outside of the village: up 42 percent to 856 units in 2009.

¹ American Factfinder, U.S. Census website, Table DP-1 Profile of General Population and Housing Characteristics: 2010, http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_DPDP1&prodType=table.

In 2009, median township incomes were about 13.5 percent higher in than those in the village.

Disincorporate the Village

Under the General Law Village Act, disincorporation of a village may be initiated by circulating a petition requesting a vote on the question of whether the village shall disincorporate. Petition circulators must get a number of signatures equal to at least 15 percent of the registered electors of the village. The Village of Onekama currently has 378 registered electors, so a petition must contain a minimum of 57 signatures. The petitions are filed with the township clerk, who then has 14 days to determine the legal sufficiency of the petition.

From this point, the General Law Village Act provides two avenues to proceed with disincorporation:

- a. an immediate referendum, or
- b. creation of a disincorporation commission followed by a referendum.

a. Immediate Referendum

Should the elected village board take no action, the question of disincorporation would appear on the ballot at the next general or special election to be held in the village. Separate elections are held in (a) the village and (b) the portions of the township outside the boundaries of the village, respectively. Disincorporation of the village becomes effective using this avenue only if two-thirds (2/3) of the

electors voting on the question in each jurisdiction vote “yes”.²

b. Disincorporation Commission and Referendum

The General Law Village Act also allows for the insertion of an intermediary step between the collection of petition signatures calling for disincorporation and the actual vote.

Once the clerk determines the sufficiency of the petitions, the village board may, by resolution, elect to adopt procedures set forth in the General Law Village Act³ to create a disincorporation commission. The commission would be composed of six members with equal representation from the village and township. The commission would be charged with addressing several issues. By addressing these issues prior to the election, voters should be better informed of the implications of disincorporation as it relates to the village’s assets, services, and personnel.

Upon completion of the disincorporation commission’s work, the plan would be submitted to the village and township boards for their approval. Pending such approval, the question of disincorporation would appear on the ballot at the next general or special election to be held in the village. Unlike the provision for taking the question of disincorporation directly to the ballot that requires a supermajority two-thirds (2/3) vote, the question posed after the work of a disincorporation commission requires only a majority of the votes cast by (a) electors of the village and (b) the portions of the township outside the boundaries of the village.⁴

Should the question fail at the ballot under either scenario, a new petition for disincorporation could not be filed until two years have passed.

Village Personnel

The Village of Onekama does not employ anybody on a full-time basis nor at a pay level that would support a family. Additionally, no one compensated

² MCL 74.18a (9).

³ MCL 74.23a - .23i.

⁴ MCL 74.23h.

by the village for their labor receives any fringe benefits in the form of insurance or a pension.

The village president and a maintenance person have Lagoon 1 Operator’s licenses necessary to run the wastewater facilities that are part of the village’s sewer system.

The village’s elected officials would no longer have an elected position to serve in when the village is gone, but they would be eligible to run for office in the township or city government after a consolidation.

The contracted personnel would not automatically have their jobs transferred to a consolidated government, but the township could chose to employ them to perform the services that they provided for the village.

Village Properties

The village offices are housed in the village-owned Farr Center, which also serves as a community center. The village has a garage that is used to house equipment. The village owns the land for four parks, two cemeteries, the sewer lagoon, and the sewer pipes that have been installed underground. Finally, the village owns office equipment, machinery, and other supplies necessary for operation of the village. Ownership of these properties could all be transferred to the township. Excess office equipment, machinery, or supplies could be sold off and the funds used for operations or saved to meet future contingencies.

Farr Center

There was some question about the ability to pass ownership of the Farr Center from the Village of Onekama to Onekama Township. The Farr family deeded the building to the village in 1949 with restrictions that the building be used

For the use of said Village for its general offices including a Council Chamber and Fire Engine House. Said Village to make this property available as a Community Center as a meeting place for Civic Groups including the Chamber of Commerce, The Clio Club; The Boy Scouts; The Girl Scouts and the Portage Lake Garden Club.

In addition to the village office and meeting space requirements specified in the deed restriction, the building currently houses local offices of the Manistee County Library.

A simple reading of the restrictions in the deed transfer does not identify anything that would prohibit a transfer of ownership to the township in the event that the village is dissolved. It could be expected that the township would continue to make the building available as meeting space as required by the deed restriction. Legal council for the village and township conducted further research and were unable to identify any other legal documents that would complicate dissolution of the village.

Village Services

Onekama Township offers fire protection services to all of Onekama Township – inside and outside of the village – through its central fire facility located adjacent to Township Hall. Law enforcement in Onekama is provided through the Manistee County Sheriff Department and the Michigan State Police. Library services are provided by the Manistee County Library, which houses a branch in the Farr Center in the village. Both the township and the village offer access to Portage Lake and maintain parks.

Village properties are connected to sewer lines. Only a few, select properties outside of the village are connected to those sewer lines. There are no publicly owned water or sanitary treatment facilities outside of the village. The village maintains the roads within its jurisdiction, for which it receives state highway funding. Roads outside of the village are maintained by the Manistee County Road Commission.

General Government

It is expected that the current menu of services provided by the township would not change.

Because there was overlap with the village performing many of the same functions, it is estimated that more than \$73,000 could be saved by eliminating the expenses related to the village council (the president and board of trustees), clerk, treasurer, the need for village elections, and most of the costs related to the village planning and zoning functions.

In addition to those functions and services, it is expected that the township would have to assume some services that are currently provided by the village.

- The township would assume responsibility for the village parks at a cost of almost \$25,000 per year.
- The township would assume responsibility for the village cemeteries. Part of the operations and maintenance costs related to the cemeteries is covered by the sale of lots and donations, leaving about \$7,000 to be covered by the general fund.
- The township would assume responsibility for street lighting on what are currently the village streets.

Sewer Issues

The Village of Onekama does not have a municipal water system but does operate and maintain a sanitary sewer system for the 288 residential and 66 commercial properties within its jurisdiction, as well as a few properties in the township outside of the village. The wastewater collection and treatment facility consists of three primary lift stations that pump wastewater to a treatment facility on 11 Mile Road in Bear Lake Township. The sewer system feeds into a plant with four digesting lagoons. After a digestion period the water is pumped one and a half miles to a surface irrigation site.

The sewer system is operated as an enterprise or proprietary function external to the other village operations. No tax revenue, from the village, the state, or any other governmental entity have been used to construct or operate the sewer system. Funding the sewer system requires the village to calculate the cost of operations and of financing the principal and interest associated with bonds issued for construction or upgrade of the system and divide that cost across the users of the system – the properties tied into the sewer system – in the form of user charges. The sewer system is self supporting.

The Village of Onekama has issued four bonds since 1972 for construction and improvement of the sewer system through the U.S. Department of Agriculture's (USDA) Rural Development program. Two new bond issues were issued in 2005 to redo the digestion

lagoon cells, add the irrigation system, upgrade the lift system, and upgrade the sewer lines. Repayment of those obligations is scheduled to stretch until 2045. As of the close of the Village's 2011 fiscal year, the Village of Onekama had \$1.217 million in bonds outstanding for investments made to build and upgrade the sewer system. Because the borrowing is so new, at this point in time most of the payments are for interest.

These bonds were issued through the USDA Rural Development program, which provides funding opportunities in the form of payments, grants, loans, and loan guarantees, for the development and commercialization of utility services such as water, waste treatment, electric power and telecommunications services.⁵

The bonds can be transferred from the village to the township as the governmental entity holding the debt on the property owner's behalf. The sewer system would service the same properties and current charges for service would need not change to continue operation of the system. Because the bonds were issued through the federal government, permission from the U.S. Department of Agriculture will be needed for a transfer process such as this to proceed.

Roads

The Village of Onekama has jurisdiction over 1.4 miles of primary roads – 3rd Street and Mill Street – and 4.1 miles of local access streets.

Onekama Township levies a one-mill property tax for road care, with a proportional amount distributed to the village to support care of the village roads, based on the percent the village tax base contributes to the township tax base. It is important to keep in mind that village residents remain residents of the township so they are subject to the township tax levy; the transfer of revenues from that levy reflects the contribution from village property owners. The balance is used to supplement Manistee County Road Commission projects in the township.

Transfer of Jurisdiction

State law does not provide that jurisdiction over roads should transfer automatically with changes in governmental type – i.e., incorporation or disincorporation. However, townships are not eligible for Act 51 highway funding, so it can be expected that jurisdiction over the village roads will be shifted to the Manistee County Road Commission if the Village of Onekama is disincorporated.

Before that happens, MDOT and/or the state Attorney General may need to address some issues. The first unanswered question in how a disincorporating village should address jurisdiction over roads is whether the Transfer of Jurisdiction over Highways Act is to be part of the process, requiring the cost of renovation, repair, or reconstruction of roads in need of such care should be considered a liability of the village to be addressed upon dissolution. This provision takes on practical significance in Onekama, as both the Manistee County Road Commission and Onekama residents report that parts of the Onekama Village road system have been allowed to deteriorate and are in poor condition.

Second, it must be determined how the county road commission should be compensated through Act 51 of 1951 for the additional road mileage it adds to its existing county road system. The first option would simply transfer the mileage to the county road commission to be funded at the same rates as all other county roads. Alternatively, the jurisdictional transfer process would provide the county road commission the same level of funding that is currently provided to the village.

The amount of funds per mile distributed to county road agencies and to municipalities differ. If the first option is followed, and the village road mileage simply becomes county road mileage, the Manistee County Road Commission would receive \$11,383 per mile of primary road and \$1,511 per mile of local access road (based on 2011 Act 51 distribution levels). This would result in a gain of approximately \$22,000 to accompany jurisdiction over the village roads. Alternatively, if the second option is employed and the mileage is transferred using the formal jurisdictional transfer process, the Manistee County Road Commission stands to receive \$15,421 per mile

⁵ www.rurdev.usda.gov/Utilities_Assistance.html

of primary road and \$2,545 per mile of local access road (again based on 2011 Act 51 distribution levels). By using the jurisdictional transfer process, the road commission would receive approximately \$32,000 to accompany jurisdiction over the village roads. The result would be a \$10,000 difference in funding.⁶

For purposes of this study, it is assumed that the village roads would be transferred to the Manistee County Road Commission. Further, it is assumed that the village would have to bear the cost of bringing the roads up to an adequate level of repair. This need not happen prior to transfer of jurisdiction. Finally, it is assumed that by employing the formal process for transferring jurisdiction, the Manistee County Road Commission would receive the funding levels currently provided to Onekama Village for the transferred road mileage.

Snow Removal

Snow removal requires special attention. While village residents may be willing to accept that the condition of village roads could be improved and kept in better condition if transferred to the Manistee County Road Commission, many cannot conceive that snow removal would occur in as timely a manner by the road commission as currently occurs under the village's care. Even if the roads are transferred to the care of the Road Commission, some village residents may be interested in a continuing local role in snow removal.

Again, more than one option could be considered if a majority of village residents feel strongly about this issue. First, Onekama Township could consider assuming a role in snow removal as an ongoing service. Second, the township could consider contracting with the Manistee County Road Commission to perform snow removal on its behalf only in the event of severe snow falls.

Both options could be undertaken under the Highways within Townships Act. The act generally authorizes a township to contract with the road commission for projects, but it doesn't grant a

township authority to maintain the roads itself. The act does not require the use of county road commission funds for the contracted service, although the provision of road commission resources could be written into a contract.

Both options would require authorization from the Manistee County Road Commission in the form of an application and permit to operate, use and/or maintain a snow removal service in the right of way. All other aspects of using the right of way required the standard permitting process.

In the event that the residents wish to pursue independent snow removal, the township could pursue imposition of a special assessment to finance snow removal on those properties that would benefit.

Revenue

An immediate effect of a consolidation would be the elimination of the village property tax millage. In 2010, that revenue source yielded almost \$94,000.

It can be assumed that the aggregate revenues generated by the township and village from charges for services (mostly sewer fees), restricted revenues for liquor control enforcement, unrestricted state revenue sharing, and "other" sources, would remain unchanged if the township and village are consolidated into a single governmental entity.

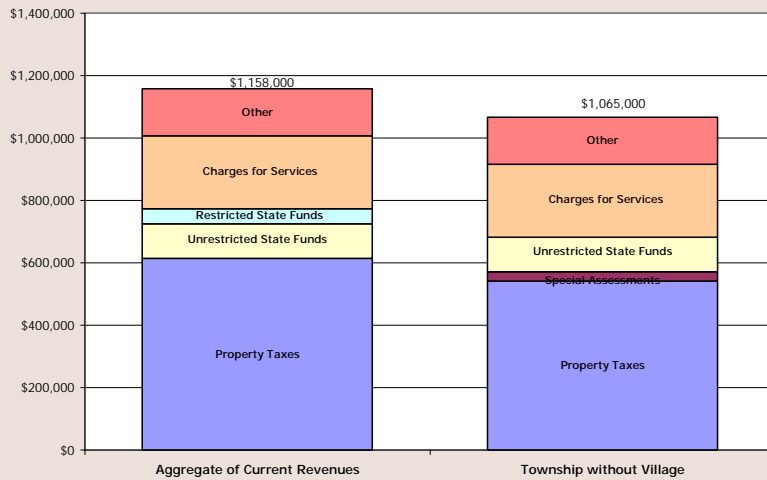
If the village is dissolved to leave only the township, there would be no road miles under the jurisdiction of the township and no Act 51 funding (the green segment in the bar on the left in **Chart A**). The potential replacement of that revenue and funding for enhanced street lighting in the village is represented by the maroon segment of the bar on the right in **Chart A**.

Snow Plowing and Street Lights

While most of the services provided by the village can easily be assumed by the township, or can be provided by a consolidated city government, a few services will not translate to the whole Onekama community. First among these services is the sewer system. As has already been detailed, sewer services are fee based and assumption of the sewer system by a consolidated government will not cause

⁶ Amounts provided in a telephone conversation with John Niemela from the County Road Association of Michigan on February 22, 2011.

Chart A
Revenues of a Consolidated Onekama Government



Source: Onekama Township Financial Statement, March 31, 2010 and Village of Onekama Audited Financial Report for the year ended February 28, 2010. CRC Calculations.

dedicated a large portion of its highway funding to snow removal, with a relatively aggressive approach to keeping the streets passable during the winter. Maintenance of this snow removal effort in the area constituting the village has been identified as a priority by village residents.

Likewise, village residents have expressed an interest in keeping the street lights operating whether the village and township continue as separate entities or are consolidated.

Should the residents of Onekama opt to dissolve the village and operate with only the township, it is recommended that a special assessment district be created in the area that currently constitutes the village for the purpose of funding snow removal and street lights. Should the residents of

additional costs for township residents outside of the area where sewer services are provided.

Also significant are the issues of snow plowing and operation of street lights in the area currently constituting the village. The Village of Onekama has

Onekama opt to incorporate as a city, the Act 51 funding and city funds would support general road maintenance, including winter snow removal, but it is recommended that a special assessment district be created in the area that currently constitutes the village for the purpose of funding street lights.

Conclusion

Onekama residents should not expect major savings by consolidating their village and township governments. The two governments do not provide many governmental services to begin with, and it is expected that most of the services for which the village spends the largest sums—sewers, snow removal, parks, street lights, the Farr Center—would continue under the aegis of the township.

The lack of significant savings in analysis of Onekama's finances can be attributed to a number of factors: the governments have a history of working together and collaboration; the governments are very efficient in the services that are currently provided;

and no economies of scale are created by dissolving the village because it overlaps the township.

Some efficiencies and taxpayer savings may result from the consolidation of local governments, but the benefits that are not easily quantifiable may be the primary gain from consolidation. Consolidation is still worth pursuing because the interests of the village residents can still be served; the duplication that does exist will be eliminated; and the interests of the community will be better served in planning, community and economic development, stewardship of Portage Lake, and a simplified interaction with municipal government.

THE COSTS, BENEFITS, AND ALTERNATIVES FOR CONSOLIDATING THE ONEKAMA GOVERNMENTS

Introduction

The idea has long been carried forth that the large number of independent jurisdictions increases the overall cost of providing local government services in Michigan. Advocates for local government reform argue that the structure of local government, with more than 1,800 counties, cities, villages, and townships, creates duplication, prevents economies of scale, and complicates the interaction of residents and businesses with local governments.

Previous efforts to address the large number of local governments have been championed by residents, business leaders, and local government officials. However, the record of success in eliminating individual units of government has not been good.

The Township of Onekama and Onekama Village are considering the implications of consolidating into a single governmental unit. The possibility was raised in their recent joint master plan and exploration of the possibilities has been facilitated by elected officials in both units.

The following analysis will examine the operations of both governments, analyze the finances for each government in providing services and in administration, and propose actions to consolidate the governments into a single entity. It will describe the laws that regulate their current operations, those that could be utilized to consolidate, and suggest amendments to state laws that could address issues related to consolidation.

Ultimately, the decision to consolidate rests with the residents of Onekama Village and the Township of Onekama. This report will attempt to respond to questions and concerns that residents might have when considering this question, but it will not argue

for or against consolidation. The intent is to provide sufficient information so that the residents will be able to make informed decisions.

Onekama

The Township of Onekama and Onekama Village are located in Manistee County on the eastern shore of Lake Michigan. Michigan townships are generally 36 square miles in area. Because the Onekama Township lies on the shore of Lake Michigan, its size is reduced to only 18.1 square miles.

Portage Lake is an inland lake located completely within the boundaries of Onekama Township. The Village of Onekama, which was established on the northern shore of Portage Lake, currently covers 1.5 square miles of the township. Village residents continue to be township residents, and the village government supplements township governmental services with additional services.

Onekama has become a prime spot for vacationers, with the population of the area nearly doubling during the summer months.

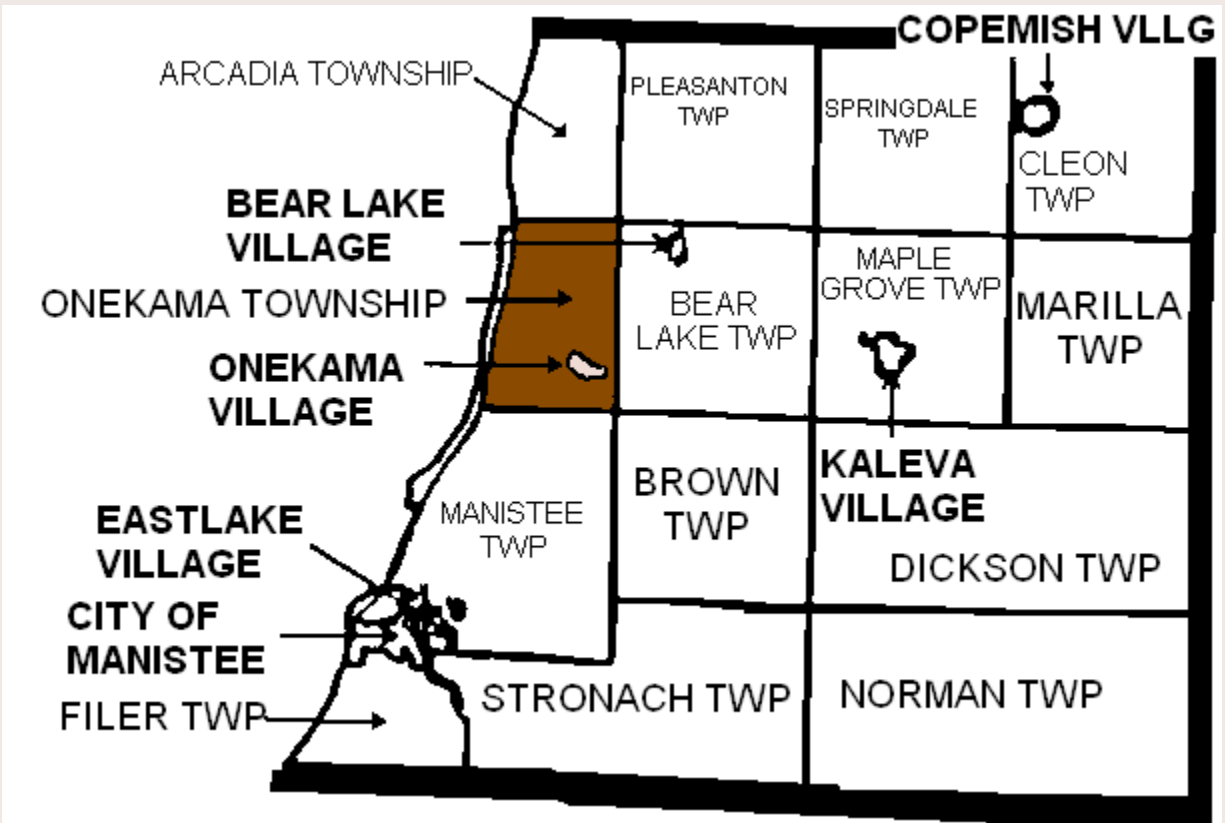
Onekama has become a prime spot for vacationers, with the population of the area nearly doubling during the summer months.

Historical Background of the Onekama Area

The predecessor of Onekama (derived from “onekama-engh”, a native Ottawa Indian phrase for “portage”) Village was the settlement of Portage at Portage Point, first established in 1845, at the western end of Portage Lake, at the outlet of Portage Creek. In 1871, when landowners around the land-locked lake became exasperated with the practices of the Portage Sawmill, they took the solution into their own hands and dug a channel through the narrow isthmus, opening a waterway that lowered Portage Lake by 12 to 14 feet and brought it to the same

The Township of Onekama and Onekama Village are located in Manistee County on the eastern shore of Lake Michigan. Because the Onekama Township lies on the shore of Lake Michigan, its size is reduced to only 18.1 square miles.

Map 1
Jurisdictions in Manistee County



level as Lake Michigan. When this action dried out Portage Creek in May 1871, the settlement, which had only the week before been designated as Onekama with a post office under that name, moved to the previously submerged land at the northwestern shore of the lake near an earlier settlement called "Brookfield".

In 1880, the first public buildings were built in the new village. These included the Pierce Grist Mill and The Gibert Brothers' Saw Mill. In 1882, the first school

was built next to the present-day Congregational Church. In 1883, a large summer hotel, The Glen House, was built near the Glen, with its three mineral springs that were believed to have medicinal value.

Onekama Village was incorporated in 1891 and included the earlier settlement known as Brookfield, creating a long narrow village about 1.5 miles long with the business section on the flat, former lake bottom and residences on the higher land.¹

Population of the Onekama Area

The population of the Township of Onekama was 1,329 people in 2010 according to the U.S. Census Bureau²: 411 in the Village of Onekama³ and 918 outside of the village. The village population averaged 596 people from 1970 to 2000 before declining to 411 people in 2010. The township population outside of the village was only 490 people in 1970, but grew to 862 people in 1980, and has remained fairly constant since that time. (See **Chart 1.**)

The population growth outside of the village has shifted where the majority of people live in the Onekama area. In 1970, 57 percent of the township residents resided in the village, but by 2010, only 31 percent of

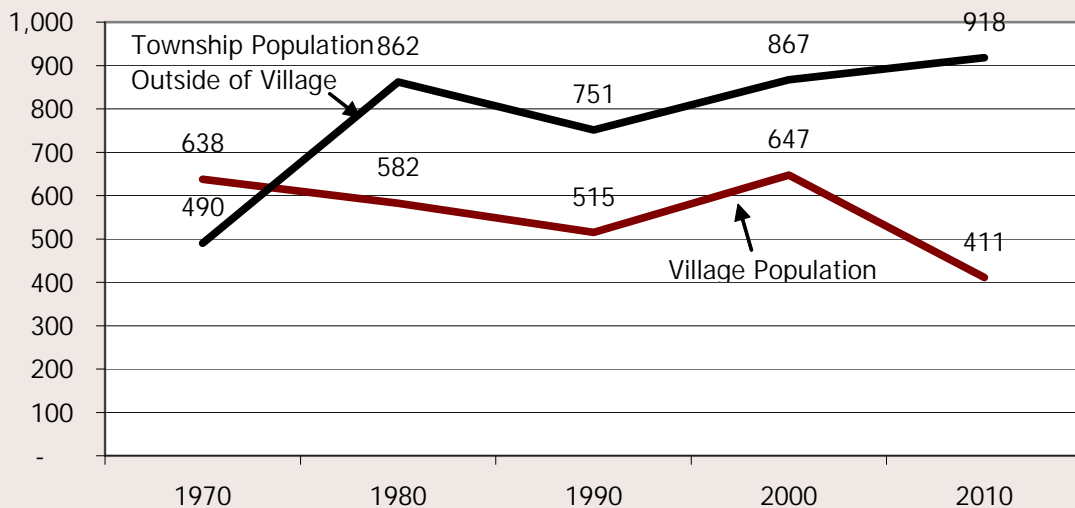
the township residents lived in the village. Aside from the village, township residents have concentrated around Portage Lake in subdivisions at Portage Point, Andy's (North) Point, Hilltop/Clark Road, Easy Street, Wick-a-te-wah, Red Park, and Pierport.

The population of the Township of Onekama was 1,329 people in 2010: 411 in the Village of Onekama and 918 outside of the village. The village population averaged 596 people from 1970 to 2000 before declining to 411 people in 2010.

Despite the population growth outside of the village, the population density of the village remains much higher than that in the rest of the township. The village has remained at about 400 people per square mile over the past 50 years. The population growth in the township outside of the village has increased the population density: from 29.5 people per square mile in 1970 to 55.3 people per square mile in 2010. In total, the town-

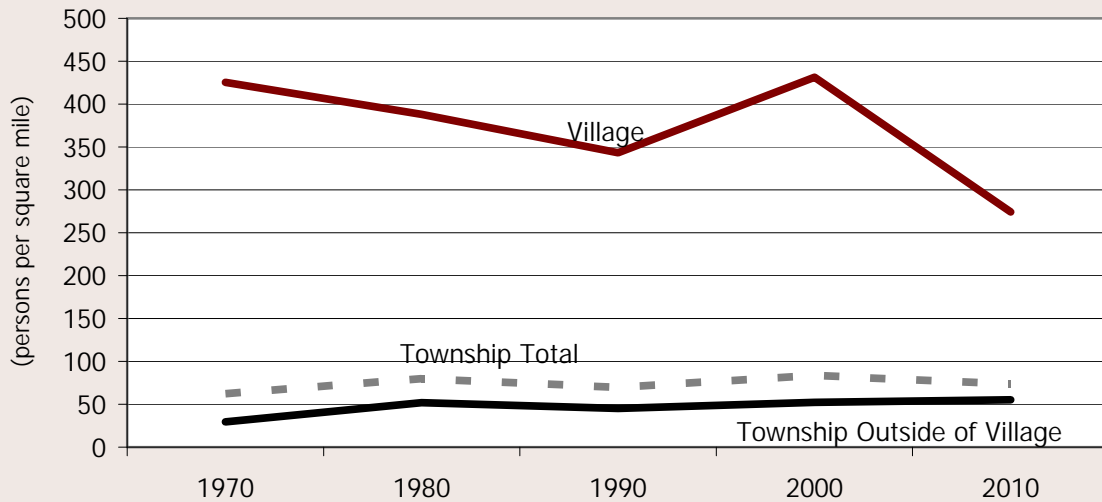
ship population density (inside and outside the vil-

Chart 1
Population of Onekama Village and Township Outside of the Village, 1970 - 2010



Source: U.S. Census, various years.

Chart 2
Population Density of Onekama Village and Township, 1970 – 2010



Source: U.S. Census, various years.

lage) has grown from 62.3 people per square mile in 1970 to 73.4 people per square mile in 2010. (See **Chart 2.**)

The families residing in the Onekama area tend to be relatively small, with an average household size

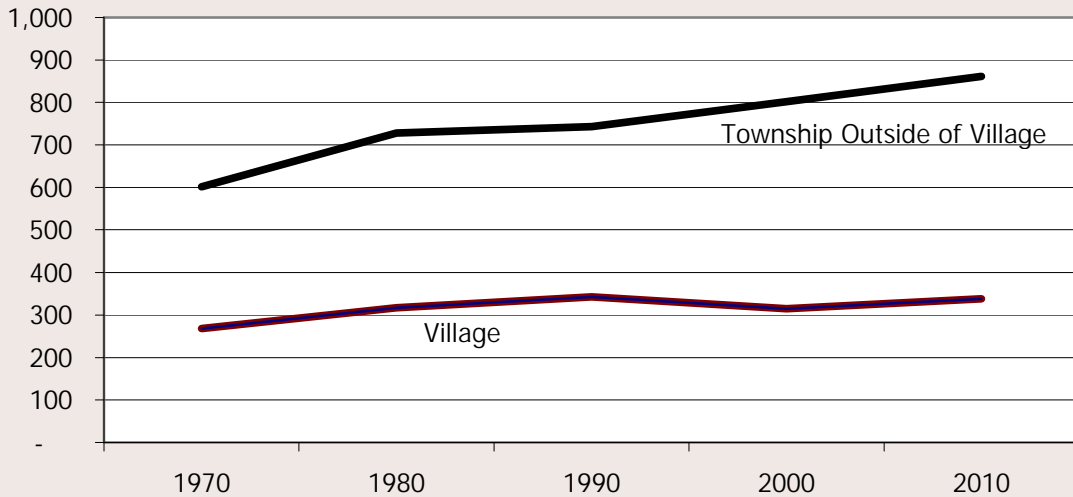
of 1.69 people in the village and 2.05 people in the township, and slightly older, with a median age of 53.6 years for village residents and 51.1 years for township residents. The residents are predominantly white. They usually work outside of the township or village.⁴

Housing Units

While the number of housing units in the village has grown 28 percent over the past 50 years, from 268 units in 1970 to 343 units in 2009, most of the growth

in housing stock in the area has occurred in the township outside of the village. The number of housing units in the township outside of the village has grown 42 percent from 601 units in 1970 to 856 units in 2009.

Chart 3
Housing Units in Onekama, 1970 – 2010



Source: U.S. Census Bureau, various years.

Household and Family Income

Township residents located outside of the village tend to have higher incomes than the village residents.

The data from the U.S. Census Bureau shows that 2009 median township incomes were about 13.5 percent higher in than those in the village. (See **Table 1**.)

Table 1
Household and Family Income in Onekama, 1989 and 2009

	<u>Township</u>	<u>Village</u>
Median household income		
1989	\$21,439	\$18,438
2009	\$42,679	\$37,625
Median family income		
1989	\$26,406	\$24,375
2009	\$57,273	\$50,417

Source: U.S. Census Bureau

Michigan's Experience with Local Government Consolidation

The organization of Michigan local government has changed very little over the past half century. Other than the incorporation of a few new cities, most of the changes have been general law township assuming charter township status. Likewise, Michigan has experienced very few efforts to consolidate existing local governments. Other than a few failed efforts to disincorporate villages (for which there was not studies of the effects), efforts to consolidate local governments have been limited to:

- In the 1960s, the City of Jackson, in Jackson County, attempted to merge with the surrounding townships of Leoni, Summit, and Blackman.
- In the 1980s, the City of Battle Creek annexed Battle Creek Township, in Calhoun County, in whole.
- In the 1990s, the cities of Iron River and Stambaugh, and the Village of Mineral Hills, in Iron County, merged to create a new City of Iron River.
- In the 2000s, an effort to merge the City of Grand Blanc with Grand Blanc Township, in Genesee County, was defeated.

Appendix A explores the experience of each of the Michigan consolidation efforts. The following offers a few lessons from those experiences.

Each of the proposed and achieved mergers were of a greater scale than is considered for the Onekama community. The cities each provided more services than the Village of Onekama or Onekama Township currently do. The townships considered for annexation or merger each had much larger populations than does Onekama Township and the township governments were providing a broader range of services. An effort to combine the governments as small as the Onekama governments would be unique in Michigan.

The displacement of governmental employees was a recurring theme in the consolidation efforts. When

the new Battle Creek city charter was developed, it included a provision that all employees from Battle Creek Township were to transfer to the city and continue employment.⁵ In building the business case for consolidation of Iron River, the analysts started with the premise that no employee would be made worse off, not because of any provisions in state law such as the Urban Cooperation Act, but because it was believed it would help to generate support for consolidation.⁶ The proposed merger of the Grand Blanc governments contemplated some displacement of workers, but for the most part it was expected that the current workers would be needed in the consolidated government.

An effort to combine the governments as small as the Onekama governments would be unique in Michigan.

The greater opportunity for a well-balanced community in terms of tax base, land use, and social and economic development than existed in the individual governments was a common theme in Jackson and Grand Blanc. While it was anticipated that some savings would result from the mergers, the less tangible gains of united land use planning and economic development were also strong motivations. The inability to quantify the potential gains of unifying these activities may have contributed to the success of the opposition.

Finally, the desire to reduce the cost of local government was at least a contributing reason for the champions of each of the consolidation efforts, but major savings did not materialize for any of the consolidations – either in the pre-vote analyses of a consolidated government or in post-consolidation comparisons of costs relative to peer cities. The lack of significant savings related the proposed or actual consolidations can be attributed to a number of factors:

- These governments have tended to engage in intergovernmental collaboration with their intended mates prior to consolidation. Intergovernmental collaboration has allowed these governments to achieve economies of scale or skill for the most capital and/or technically intensive

functions and services. Therefore, the savings hoped for through consolidation had already been achieved through collaboration.

- These relatively small governments tended to engage their workforces for the provision of multiple functions and/or services.

In the end, consolidation would propose to replace a single employee performing two or three functions with two or three employees performing single functions. While services might have been upgraded, it was unlikely that savings would be a result.

- Many governmental services are labor intensive. The determination of staffing needs, and thus the determination of costs, are based on the population, the area, the number of parcels served, and other external fac-

Consolidation enables the communities to enjoy a broader, more diversified tax base, land use planning over a wider geographical area, social and economic development over a wider area.

tors. As it pertains to these labor intensive services, the combination of the populations/areas/numbers of parcels of the communities together would not create economies of scale or skill that would result in savings. Some back offices may be made more efficient, but the real cost drivers do not benefit from consolidation.

Some efficiencies and taxpayer savings may result from the consolidation of local governments, but the benefits that are not easily quantifiable may be the primary gain from consolidation. Proponents of consolidation may hope for savings, but those savings are not always obtainable. On the

other hand, consolidation enables the communities to enjoy a broader, more diversified tax base, land use planning over a wider geographical area, social and economic development over a wider area.

Michigan Local Government

Local governmental activities in Michigan may be divided into two broad classes of services based upon the type of activity performed. The first class of services consist of certain duties required by the state of primary local units of government. These legally required duties are:

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

The second broad class of services consists of elective local services such as fire protection, police protection, water supply, sewage disposal, zoning, public health, etc.

The primary local units of government in Michigan are cities and townships. These two types of governments furnish both classes of services – those duties required

by the state and, in varying degrees, elective local services. Accordingly, the entire state is divided into non-overlapping cities and townships, to which the legally required duties are assigned. Whenever a new city is incorporated, its area is withdrawn from the township for all governmental purposes.

In cities, all local government activities – both state-imposed duties and elective local services – are unified in one government. In townships, outside villages the township alone conducts all these activities. Only in villages are the governmental activities divided between township and village governments. Village residents, therefore, are the only persons in Michigan living under and supporting two local units of government, a village and a township.

Like counties, townships were organized without resident input, as geographical entities created by a congressional survey under the Northwest Ordinance of 1787. Michigan currently has 1,240 townships. The majority of the townships operate under general law.

About 11 percent of the townships have opted to operate under the Charter Township Act which provides some additional powers and some additional protection from annexation from cities.

A village is not a primary local unit, but is an incomplete government furnishing only elective local services. The area of the village remains part of a township,

A village is an incomplete government furnishing only elective local services. The area of the village remains part of a township, village citizens are also township citizens, and the township government provides for residents of the village the legally-required duties imposed by the state.

village citizens are also township citizens, and the township government provides for residents of the village the legally-required duties imposed by the state as outlined above. While the township government may perform certain elective local services for village residents, historically this was the exception rather than the rule. The purpose in organizing a village was to furnish local services to residents of a built-up area in the township which the township government, due to its limitations, could not provide. However, village taxpayers have to pay for such

elective local services and, in addition, may have to help support all the activities of the township government. The extent of this double burden varies considerably from one village to another, and, in all fairness, it must be pointed out that since townships have been receiving revenue sharing payments from the state, the direct cost to village residents for township government has been, in many cases, little or nothing.

Most villages are incorporated under the General Law Village Act that establishes a governance structure and operating structure in state law. The Home Rule Village Act of 1909, enacted at the same time as the Home Rule City Act, allows villages to adopt a charter that dictates the governance structure and basic operating structure. Since 1980, state law has required that any newly created villages incorporate under the Home Rule Village Act.

Cities enjoy broader powers than do villages and townships. The powers of townships and general

law villages are confined to those specifically enumerated in the state laws pertaining to these types of governments: these delegated powers are strictly construed. The purpose of the home rule powers conferred by the Constitution and the implementing statutes was to provide broader powers in the conduct of their own affairs. Home rule municipalities have the power to manage their own affairs in their own way within constitutional and statutory restrictions.

The Home Rule Cities Act is more generous and less cumbersome with respect to the levying of taxes than laws pertaining to villages and townships. The village and townships acts, for all practical purposes, permit the levy of a limited amount of property taxes, but this limitation is broken into several small rates for different purposes. The Home Rule Cities Act provides for the establishment of a tax rate limitation in the charter up to a maximum of 20 mills for all purposes to be allocated at the discretion of local officials.

General law villages may not levy an individual special assessment for an improvement which will exceed 25 percent of the assessed value of the lot or premises, and because of the necessity for spreading assessments on a uniform basis throughout a special assessment district, the lowest valued lot in the district will become the standard for all lots in the district. This limitation almost precludes any sort of special assessment program in a general law vil-

lage. Furthermore, the maximum number of special assessment installments under the General Law Village Act is limited to five for street improvement purposes, and full payment must be made in advance for all other improvements. No such limitations apply to home rule cities.

It is worth pausing here to note that the expanded powers of townships have reduced or eliminated the need for communities to consider incorporation as a village. Since enactment of the Charter Township Act in 1947, townships have increased their authority to provide services and meet the needs of their residents and businesses. Charter township status was adopted by many townships, especially in the state's urban areas, and the authority granted to general law townships was expanded. At this point in Michigan's history and with the current authorizing laws in place, it is not necessary to incorporate

At this point in Michigan's history and with the current authorizing laws in place, it is not necessary to incorporate as a village or city to provide a wide range of local government services.

as a village or city to provide a wide range of local government services. Only four villages have been incorporated in the last 40 years. Many more communities have gone directly from a township to a city. Michigan does not have any cities that could be characterized as rural in nature with low population densities, but it does have a number of townships and villages that are very urban in nature and that have populations rivaling their neighboring cities.

With that in mind, what are the options for a small village and its surrounding township wishing to consolidate into a single entity?

Options to Eliminate a Unit of Government

For the Onekama communities, the motive to explore consolidation of the township and village reflects:

- “A shared interest in looking at options for containing the costs of government and government services.
- A common interest in unifying the community around sharing its visions, goals and objectives involving the economic well-being and quality of life.
- An interest in streamlining and simplifying public access to government.”⁷

In general, consolidation of governments can be achieved in three ways:

1. Two or more governmental entities can incorporate as a new single entity;
2. One governmental entity can annex another; or,
3. In the case of overlapping governments, the overlapping governmental entity could be dissolved, leaving only one government.

In the case of a village, annexation of additional territory in the township does nothing to alter the overlapping nature of these governments. It would not provide additional strength to contain costs, unify the community, or streamline and simplify the local governments. Thus, the residents of Onekama effectively have two options to consolidate governmental entities:

1. Incorporate the entire jurisdiction as a city; or
2. Disincorporate the village to have the entire community served by the township.

The fundamental questions for the residents of Onekama – both in the village and the township –

are the level of elective services desired of their local government and the satisfaction with the structure of township government as a representative governing body. Although the current township is empowered to provide many of the same services as cities, a desire for a broad range of elective services and continued development would suggest the city option is best. A desire to maintain the current

level of services and development would suggest that a township government could adequately serve the community’s needs.

1. Incorporate as a City

Section 7 of the Home Rule Cities Act,⁸ provides that “... if the purpose is to incorporate a new city, it shall represent that the territory described contains not less than 2,000 inhabitants and an average of not less than 500 inhabitants per square mile...”

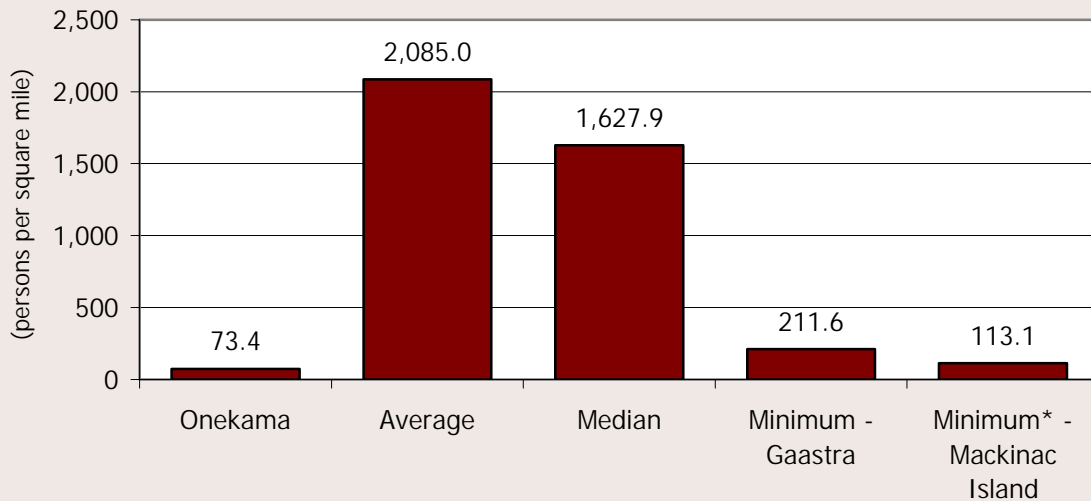
According to the 2010 census, Onekama Township had a population of 1,329 people within its 18.1 square miles.⁹ This reflects a population density of 73.4 persons per square mile. Thus, Onekama is precluded from consolidating by incorporating as a city through provisions of the Home Rule Cities Act.

To put Onekama’s population density in perspective, the least densely populated city in Michigan in 2010 was Mackinac Island with 113 people per square mile. Mackinac Island is incorporated as a special fourth class city, operating under a city charter handed down by the state. The next least densely populated city, Gaastra in Iron County (212 people per square mile), is almost three times as densely populated as is Onekama Township. The average Michigan city had 2,085 people per square mile in 2010; the median city had 1,638 people per square mile. (See **Chart 4.**)

The residents of Onekama effectively have two options to consolidate governmental entities:

1. Incorporate the entire jurisdiction as a city; or
2. Disincorporate the village to have the entire community served by the township.

**Chart 4
Comparison of Population Densities, 2010**



* Mackinac Island was incorporated under a fourth class charter enacted by local act of the state legislature.

Source: Michigan Demographer, Department of Technology, Management and Budget, www.michigan.gov/cgi/0,1607,7-158-54534-252541--,00.html.

Although Onekama could not incorporate under the provisions of the Home Rule Cities Act, an alternative approach to incorporation as a city exists in the State Boundary Commission Act.¹⁰ Section 10a of the act provides a process for a village to incorporate as a city when all of the territory of the organized township is included within the boundaries of a village. Sub-section 2 of Section 10a provides a path to circumvent the population and population density provisions in the Home Rule Cities Act:

Although Onekama could not incorporate under the provisions of the Home Rule Cities Act, an alternative approach to incorporation as a city exists in the State Boundary Commission Act.

Except as otherwise provided in this section, incorporation under this section is not governed by the population and other incorporation requirements of Act No. 279 of the Public Acts of 1909, as amended, being sections 117.1 to 117.38 of the Michigan Compiled Laws.

The process for the village and township to incorporate as a city under this process would be somewhat cumbersome and would provide some uncertainty. To use this process, Onekama Village would have to

1. Annex the balance of Onekama Township
2. Adopt a resolution calling for a referendum on incorporation as a city and submit to the electors of the village and township the question of changing from a village

to a city

3. Provide for the election of charter commissioners to draft a city charter
4. Draft and adopt a city charter
5. Provide for the transfer of assets and liabilities of the township to the city.

The Detailed Process for Changing from a Village to a City Under the State Boundary Commission Act

Annex the Balance of Onekama Township. The procedure for annexation of lands to a village is contained in the General Law Village Act.^a The village council would have to adopt a resolution to petition the county board of commissioners to change the village boundaries. The notice of intent to annex territory must be published and posted for three weeks prior to filing of the petition with the county clerk. The petition must contain a legal description of the territory proposed to be annexed and the reasons for annexation. The village resolution must be attached to the petition when it is filed with the county clerk. The county board would hold a public hearing and make a determination as to whether any or all of the lands should be annexed to the village. The process is completed when the county board of commissioners adopts a resolution approving or denying the petition.^b

Referendum on Incorporation as a City. Once the township and village are coterminous, and all of the territory in the Township of Onekama is included within the boundaries of the Onekama Village, the village would adopt a resolution calling for a referendum on incorporation as a city. The referendum would be submitted to the voters.

Election of Charter Commissioners. The resolution proposing incorporation as a city may also call for an election of charter commissioners for the purpose of drafting a city charter. As a General Law Village, Onekama Village currently operates under state law that provides for the structure, powers, and authorities of the village. The Home Rule Cities Act authorizes cities to draft individual city charters providing for the structure of city government, the powers enjoyed by the city officials and limitations to be placed upon those officials, and the authorities to be exercised in the operation of city government. Nine electors of the coterminous township and village would be elected to a city charter commission.

Drafting and Adoption of a City Charter. If the voters approved transitioning from a village to a city (in step #2), the charter commission would meet, organize itself, and draft a city charter. That draft charter would be submitted to the electors for adoption or rejection. If rejected, the charter commission must reconvene to prepare a revised charter which is then resubmitted to the voters. The charter commission may take up to two years to draft a charter and have it approved by the electors. The incorporation fails if the voters reject the drafted charter three times or if the two years expires.^c Incorporation as a city government under provisions of Section 10a of the State Boundary Commission Act is effective when a city charter is adopted and filed with the county clerk as provided in the Home Rule Cities Act.

Transfer Assets and Liabilities of the Township to the City. Once the city is incorporated, the assets and liabilities of the township would be transferred to the city.

^a PA 3 of 1895, MCL 74.6

^b Local Government Law and Practice in Michigan, Volume 1, Chapter 2 – Municipal Boundaries, by William B. Beach, Michigan Municipal League, p. 2-13.

^c Local Government Law and Practice in Michigan, Volume 1, Chapter 1 – Units of Local Government, by Stratton S. Brown, Cynthia B. Faulhaber, Michael McGee, and Steven D. Mann, Michigan Municipal League, p. 1-15.

This process would stretch over several years and would rely on affirmative votes of the electors at multiple elections to keep the process moving. It is a potential danger that the process could stall somewhere in the middle, leaving Onekama with an even more duplicative, complicated structure of local government than currently exists.

2. Disincorporate the Village

Under the General Law Village Act, disincorporation of a village may be initiated by circulating a petition requesting a vote on the question of whether the village shall disincorporate. Petition circulators must get a number of signatures equal to at least 15 percent of the registered electors of the village.

The General Law Village Act provides two avenues to proceed with disincorporation:

- a. an immediate referendum, or
- b. creation of a disincorporation commission followed by a referendum.

The Village of Onekama currently has 378 registered electors, so a petition must contain a minimum of 57 signatures. The petitions are filed with the township clerk, who then has 14 days to determine the legal sufficiency of the petition.

From this point, the General Law Village Act provides two avenues to proceed with disincorporation:

- a. an immediate referendum, or
- b. creation of a disincorporation commission followed by a referendum.

a. Immediate Referendum

Should the elected village board take no action, the question of disincorporation would appear on the

Village Election or Village and Township Election?

Analysis of the process for disincorporation has revealed an ambiguity that may need to be addressed through a statutory amendment, or at least addressed by the state Attorney General. MCL 74.18a lays out the procedure for disincorporation. Starting with paragraph 4 it provides [emphasis added by CRC]:

(4) By not more than 14 days after the petition is filed, the township clerk shall verify the signatures and determine the sufficiency of the petition. Unless the council proceeds under sections 23 to 23i of this chapter, if the clerk determines that the petition is sufficient, *the question of the disincorporation of the village shall appear on the ballot at the next general or special election to be held in the village*, subject to the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992. The township clerk shall prepare the ballot language, in substantially the following form:

“Shall incorporation of the village of _____ be vacated?

Yes No”.

(6) *The clerk and election officials of each township into which the village is proposed to be disincorporated shall conduct the election on the proposed disincorporation in the village and the portions of the township outside the boundaries of the village, respectively.*

(9) *The disincorporation of the village shall take place under this section only if 2/3 of the electors voting on the questions vote “yes”.* If the disincorporation is approved...

The highlighted sentence in paragraph 4 suggests that the question is posed solely in the village, but paragraph 6 says the election is held in the village and the portions of the township outside the village. The Michigan Municipal League may wish to work with the legislature to address this ambiguity. Alternatively, clarity on this question may be requested from the office of the Michigan Attorney General. The Attorney General could be asked to clarify if the vote is required solely in the village or in both units, and if in both village and remainder of township, whether a two-thirds vote is required collectively or in both units.

ballot at the next general or special election to be held in the village. Separate elections are held in the village and the portions of the township outside the boundaries of the village, respectively. Michigan election law¹¹ provides four dates in a calendar year for the conduct of elections – the fourth Tuesday in February; the first Tuesday after the first Monday in May; the first Tuesday after the first Monday in August; and the first Tuesday after the first Monday in November. Disincorporation of the village becomes effective using this avenue only if two-thirds (2/3) of the electors voting on the question in each jurisdiction vote “yes”.¹²

b. Disincorporation Commission and Referendum

The General Law Village Act also allows for the insertion of an intermediary step between the collection of petition signatures calling for disincorporation and the actual vote.

Once the clerk determines the sufficiency of the petitions, the village board may, by resolution, elect to adopt procedures set forth in the General Law Village Act¹³ to create a disincorporation commission.

The commission would be composed of six members with equal representation from the village and township. The village president with approval of the village council, is responsible for appointing the members representing the village. The township supervisor, with approval of the township board, is responsible for appointing the members representing the township. The commission would be charged with addressing the following issues:

- methods for dealing with land use planning and zoning within the village;
- payment of indebtedness of the village;
- disposition of the village’s real and personal property and other assets;
- disposition of all public records of the village;
- the transfer or termination of village employees;

Once the clerk determines the sufficiency of the petitions, the village board may, by resolution, elect to adopt procedures set forth in the General Law Village Act to create a disincorporation commission.

- jurisdiction over the village’s roads, sidewalks, and any public easements, including street lights and snow removal;
- jurisdiction over traffic control;
- provision for any special assessments within the village;
- the transfer or termination of public utilities and public services of the village (including water, sewer, drainage, cable television, street lighting, electric service, and garbage and refuse service);
- the regulation or orderly transfer of responsibility for any special districts (such as historic districts, downtown development districts, tax increment financing districts, and land subject to any land transfer agreements);

- provision for any authorities that the village has established or in which the village is a member;
- findings as to the fiscal impact of dissolution upon the township and the residents of the village;
- a process for resolution of any disputes that may arise in the process of disincorporating; and
- the effect disincorporation may have on property values, public service levels and costs, and local property tax rates.

Upon completion of the disincorporation commission’s work, the plan would be submitted to the village and township boards for their approval. Pending such approval, the question of disincorporation would appear on the ballot at the next general or special election to be held in the village. Unlike the provision for taking the question of disincorporation directly to the ballot that requires a supermajority two-thirds (2/3) vote, the question posed after the work of a disincorporation commission requires only a majority of the votes cast by (a) electors of the village and (b) the portions of the township outside the boundaries of the village.¹⁴

Should the question fail at the ballot under either scenario, a new petition for disincorporation could not be filed until two years have passed.

City vs. Township

The question may then be asked, why might village residents find incorporation as a city more or less preferable to reversion to the township?"

The original design of local government – with townships serving unincorporated, minimally populated areas, villages serving areas where people and businesses have aggregated but not in great numbers, and cities serving heavily populated areas – would suggest many differences in powers of townships and cities. However, the expansion of the powers of townships and the transfer of some responsibilities from cities to counties and the state over the years has blurred the lines of distinction between the types of governments.

When reduced to its simplest terms, incorporation as a city merely means providing through the new city government the local services formerly provided by the township government, plus whatever necessary and non-duplicating functions were provided by the village government.

Organization. An important advantage to be gained by incorporating as a city is the opportunity to draft a new charter under the provisions of the Home Rule City Act (PA 279 of 1909). The new charter may include a modern organizational pattern and modern administration procedures. The additional benefits to be derived from city incorporation may provide the necessary stimulus for choosing to become a city.

Townships and cities also differ in their organizational structures and the authorities afforded them. Governance of townships is provided for in state law and all townships operate with a supervisor, treasurer, clerk and either two or four trustees all elected in township-wide elections. Cities decide through their city charters how many city council/commission members to elect; whether to elect those officials in city-wide or district elections; whether to operate in a strong mayor system or a council/manager system; whether to independently elect cer-

tain executive branch officials – such as the treasurer, clerk, assessor, etc.; and what authority the city should have for enacting ordinances to reflect the values of the community.

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tain executive branch officials – such as the treasurer, clerk, assessor, etc.; and what authority the city should have for enacting ordinances to reflect the values of the community.

Police. It is common for townships, especially those rural in nature, to rely on their county sheriffs for police protection. Language in the Home Rule Cities Act suggests that cities bear the additional responsibility of providing for police (and perhaps fire) protection.¹⁵ The responsibility to provide for public safety services should not be confused with a requirement to self provide the services. Michigan has many examples of cities that provide for fire protection by participating in a fire protection authority and increasing numbers of cities are providing police protection by contracting with the county sheriffs.

Roads. As is discussed in greater detail later in this report, another significant difference between cities and townships is the responsibility for construction and maintenance of the roads and bridges in their jurisdiction. The Michigan Constitution expressly provides townships jurisdiction over the use of roads, streets, and highways within their borders, but state law (see PA 51 of 1951) provides that township roads are under the jurisdiction of county road commis-

sions. The Constitution provides villages and cities with jurisdiction over the use of roads, streets, and highways within their borders, but in this case, Public Act 51 of 1951 authorizes villages and cities to care for highways and distributes funding from motor fuel taxes and motor vehicle registration fees to support those efforts.

Taxes. Finally, townships and cities differ in the ability to levy taxes. Townships fund operations from millage allocated to them by the counties and have limited authority to levy additional millage with voter approval. By opting to operate under the Charter Township Act (PA 359 of 1947, MCL 42.1), townships may gain authorization to levy a maximum of 10 mills for operations. The Home Rule Cities Act

authorizes cities to levy a maximum of 20 mills for operations. Many cities, through limitations set in their city charters, have millage limits well below this 20 mill maximum. Cities are also authorized to levy a local-option income tax to fund municipal operations. Only 22 of Michigan's 279 cities currently take advantage of this option.

Onekama's City vs. Township Decision

If the residents of Onekama agree that it is preferable to move from the multiple – township and village – local governments to a single entity, the question must then be whether to disincorporate the village to leave only the township or to go through a multi-step process to incorporate a city to govern the community. In the big picture, the differences between cities and townships have become minimal.

Image. Cities and townships have different images. Cities serve people and businesses as centers of commerce. In northern Michigan and along the Great Lakes, cities tend to be where industries locate, where people in surrounding communities come for the necessities of daily life, and where restaurants and bars attract patrons after work, shopping, or recreation.

Townships vary greatly in size and population density. Most townships in northern Michigan are lightly populated areas. While commercial and industrial properties are not uncommon, most townships tend to be predominantly residential and agricultural. The sparse population and lack of commerce tends to provide a quieter environment than is found in cities.

Governance. Township governance would continue at-large elections. Drafters of a city charter could decide between at-large and precinct elections. Both the Village of Onekama and Onekama Township have relatively low ratios of elected official to residents. From an outsider's perspective it would seem that residents could continue to have their voices heard through at-large elections. Village and subdivision

residents may, however, prefer district elections to ensure that their particular concerns are addressed.

Police. Onekama village and township both currently receive police protection from the Manistee County Sheriff. That would likely continue unquestioned should Onekama consolidate to have only the township.

It is possible that policing of the area by the sheriff's department could continue should the community opt to incorporate as a city, but given the financial condition in which all Michigan local governments are operating, there might be an incentive for the sheriff to cease police protection for an area as large as the city of Onekama would constitute. In that case, Onekama would need its own police force. In this case, the city option could end up costing more than the township option.

Cities and townships have different images. Cities serve people and businesses as centers of commerce. Townships vary greatly in size and population density. Most townships in northern Michigan are lightly populated areas.

Roads. The desire to have responsibility for roadways and the associated financial burden can be a referendum on the work of the

county road commissions. If roads are kept in adequate repair and snow removal is acceptable and timely, then incorporation as a city is not necessary for that purpose. On the other hand, if residents are frustrated that the area's road needs are not adequately met by the county road commission and snow removal takes far too long, then incorporation as a city, with the new government assuming jurisdiction over roads in the township, may be the preferred course.

The importance of this issue is escalated by the value Onekama residents place on snow removal. Incorporation as a city would place responsibility for snow removal with the Onekama government. Snow removal services can continue with the Onekama government under the township option, but it requires funding from those properties served and cooperation from the Manistee County Road Commission.

Like the police issue, financial conditions may play a role in how the Manistee County Road Commission

acts on this issue if Onekama becomes a city. Over time the County Road Commission may desire to have the new city assume increasing responsibility for roads in the city. A decision to become a city may cost more than the township option because Act 51 highway funding is generally not sufficient to cover the full cost of maintaining roads.

Taxation. Cities tend to provide a broader range of services than do townships, and cities have more extensive taxing authority to fund those services. The services currently provided by the village and township are sufficiently minimal that the taxing authority available to townships is sufficient to raise the needed revenues to provide these services. Although Onekama would gain taxing authority by incorporating as a city, it is not likely that that authority would be necessary in the short term.

Stature. Finally, it must be recognized that cities tend to be more recognizable than townships. Cities are included on maps to a greater extent than townships, so it is easier to build a marketing campaign if there is a desire to draw tourists to the area. Incorporation as a city can create a greater community identity and help efforts to promote development. If the desire is to create a sense of “place,” then that can

better be accomplished as a city than as a township.

If the desire is to build up the area, including more restaurants and bars, shopping, and other commerce, then incorporation as a city will have many advantages. Cities can organize themselves to deliver municipal services and tax at rates sufficient to fund those services. Their higher profile offers greater marketing and economic development opportunities than is available to most rural townships.

Conversely, if it is the desire of the region to maintain the bucolic, serene atmosphere associated with a remote resort-type area, then a township government can adequately meet the needs of the community. People looking for second homes and the locations for vacations may more likely be drawn to unincorporated, sparsely populated areas than they would be drawn to a city.

The future of the Onekama area is not something that can be dictated or predicted by anyone outside of

Onekama. Residents must evaluate their desire's relative to the issues discussed in this section. Ultimately, they will be the ones paying the taxes, receiving the benefits, and investing in the area.

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Municipal Services

In both options for consolidation of the Onekama governments – dissolution of the village to leave only the township and incorporation of the whole community as a city – the major change would be to meld together the village and township operations. Therefore, this section focuses on the current village services and the changes that would result from consolidation.

Village/Township Service Commonalities and Differences

Onekama Township offers fire protection services to all of Onekama Township – inside and outside of the village – through its central fire facility located adjacent to Township Hall. Law enforcement in Onekama is provided through the Manistee County Sheriff Department and the Michigan State Police. Library services are provided by the Manistee County Library, which houses a branch in the Farr Center in the village. Both the township and the village offer access to Portage Lake and maintain parks.

Village properties are connected to sewer lines. Only a few, select properties outside of the village are connected to those sewer lines. There are no publicly owned water or sanitary treatment facilities outside of the village. The village maintains the roads within its jurisdiction, for which it receives state highway funding. Roads outside of the village are maintained by the Manistee County Road Commission.

Village Personnel

The Village of Onekama does not employ anybody on a full-time basis nor at a pay level that would support a family. Additionally, no one compensated by the village for their labor receives any fringe benefits in the form of insurance or a pension.

The officials and individuals compensated for their time include:

Elected

- President
- Clerk
- Treasurer
- 6 Trustees

Contracted

- Zoning Administrator
- 2 Maintenance
- Cleaning
- Liquor Enforcement

The village president and a maintenance person have Lagoon 1 Operator's licenses necessary to run the wastewater facilities that are part of the village's sewer system.

The village's elected officials would no longer have an elected position to serve in when the village is gone, but they would be eligible to run for office in the township or city government after a consolidation.

The contracted personnel would not automatically have their jobs transferred to a consolidated government, but the township could choose to employ them to perform the services that they provided for the village.

Village Properties

The village offices are housed in the village-owned Farr Center, which also serves as a community center. The village has a garage that is used to house equipment. The village owns the land for four parks, two cemeteries, the sewer lagoon, and the sewer pipes that have been installed underground. Finally, the village owns office equipment, machinery, and other supplies necessary for operation of the village. Ownership of these properties could all be transferred to the township. Excess office equipment, machinery, or supplies could be sold off and the funds used for operations or saved to meet future contingencies.

Farr Center

There was some question about the ability to pass ownership of the Farr Center from the Village of Onekama to Onekama Township. The Farr family deeded the building to the village in 1949 with restrictions that the building be used

For the use of said Village for its general offices including a Council Chamber and Fire Engine House. Said Village to make this property available as a Community Center as a meeting place for Civic Groups including the Chamber of Commerce, The Clio Club; The Boy Scouts; The Girl Scouts and the Portage Lake Garden Club.

In addition to the village office and meeting space requirements specified in the deed restriction, the building currently houses local offices of the Manistee County Library.

A simple reading of the restrictions in the deed transfer does not identify anything that would prohibit a transfer of ownership to the township in the event that the village is dissolved. It could be expected that the township would continue to make the building available as meeting space as required by the deed restriction. Legal council for the village and township conducted further research and were unable to identify any other legal documents that would complicate dissolution of the village.

Village Services

The expenses of the village are broken down into general government, road, sewer, public safety, and cemetery according to the sources of revenues that contribute to their operations.

General Government Expenses

The village budgeted \$224,000 in its fiscal year 2011 (FY2011) for general government expenses, including expenses related to the council, elections, clerk, treasurer, the Farr Center, the planning and zoning boards, parks, and other items. Some of these expenses could be eliminated if the two governments were consolidated into a single entity.

Council Expenses. The village budgeted \$28,000 for council expenses in FY2011. This paid for the compensation of the president and trustees, operating and office supplies, legal and accounting services, and other expenses.

These costs are largely duplicative of the general government expenses incurred for operating

Onekama Township. This expense would be eliminated by consolidation.

Elections. The village incurs elections expenses in even numbered years for the conduct of elections to select a president, clerk, treasurer, and trustees. In FY2011, the village budgeted \$450 for this function related to the printing of ballots, staffing the ballot, and canvassing the results.

Because only a single election would be necessary if the two governments are consolidated, this expense would be eliminated by consolidation.

Clerk. The village allotted almost \$16,000 for the clerk's office, more than three quarters of which is to compensate the clerk for her time. Other expenses are computer and office related.

Because this function is duplicative of the township, this expense would be eliminated by consolidation.

Treasurer. The village allotted about \$12,500 for the treasurer's office, primarily for the compensation of the treasurer. Other expenses are for a computer and office supplies.

Because this function is duplicative of the township, this expense would be eliminated by consolidation.

Planning and Zoning Boards. The village allotted almost \$22,000 for planning and zoning functions, with more than half of that devoted to compensation of the officials. Other expenses are for contracted services and office supplies.

While the village planning and zoning functions are mostly duplicative of the township efforts, some of that duplication has been mitigated in the past by collaboration between the two bodies. Consolidation of the two governments would eliminate the expense related to the village planning and zoning functions, but expenses related to the township planning and zoning functions could be expected to increase marginally as those officials would be expected to continue planning and zoning in the area currently encompassed by the village.

Farr Center. The Farr Center serves several functions in the Onekama Community – village offices

and meeting area, library branch, and community center. In FY2011, the village allotted \$20,000 for operation and upkeep of the building, almost half of which was for building improvements. While upkeep and improvements are a necessary expense, for the sake of this analysis it is assumed that the building improvements are a one-time expense, leaving \$10,000 in annual cost for building operations.

The village expected to recoup \$2,000 in rental income, leaving \$8,000 in general fund expenditures for operations of the Farr Center.

It is assumed that the Farr Center would pass from the village to the township upon dissolution, and because the building is seen as an asset for the community it will continue to serve as a community center. The township might want to move its offices and operations into the Farr Center. In any case, it can be assumed that \$10,000 will be needed to operate the Farr Center, \$2,000 can be earned through rentals, and that \$8,000 will need to be allotted from taxpayer sources to fund the difference.

It is assumed that the Farr Center would pass from the village to the township upon dissolution, and it will continue to serve as a community center.

Street Lighting. The village allotted \$11,000 in FY2011 for street lighting. This is a service that could be expected to continue even after a consolidation of the two governments. But doing so will raise a few issues. Because street lights are not provided uniformly throughout the village and township, leaders should have to decide whether to: (a) use general fund dollars to provide a service that only directly benefits some properties; (b) to use general fund dollars to provide street lights, but to increase the number of properties that benefit from street lights; or (c) to have only those properties that directly benefit from street lights pay for the cost of operating the lights.

Village Cemeteries

The village owns the land for two cemeteries. Expenses for operation and upkeep of the cemeteries are for grass mowing, equipment rental, insurance, compensation for labor, and other costs. In 2011,

the village budgeted \$10,500 to operate and maintain those cemeteries.

Revenues to support the cemeteries come from the village's general fund, the sale of lots, and donations. With more than \$3,500 expected in revenues, the general fund was expected to contribute \$7,000 to cover cemetery expenses.

It would be expected upon dissolution of the village that the ownership of the cemeteries would transfer to Onekama Township.

Parks

The Onekama Master Plan reported that the township parks are managed by the Onekama Township Board of Trustees with the assistance and advice of the Onekama Village and Township Community Parks and Recreation Committee. The Committee also has representation from the Village of Onekama Council, which manages the Village parks and has partnered with the Township on several community park improvements, and the Onekama Consolidated Schools, which offers community recreation programs.

Village Parks

The village owns the land for four parks. The following descriptions of the parks were included in the Master Plan:

Onekama Village Park. This community park is located in the heart of Onekama on 3.914 acres along Portage Lake. Facilities include parking for 40 trailer boats and 32 cars, a boat ramp, a bath house with indoor toilets and sinks, a multi-purpose sports area, children's playground, a picnic shelter, and grills. Onekama's Concerts in the Park are held weekly throughout the summer at the Village Park.

Butterfly Garden. A living gift of the Portage Lake Garden Club, this park is located on the grounds of the Farr Center.

Turnaround. Located at the west end of Second Street, facilities include a paved parking area, ac-

Township Parks

Onekama Township owns the land for and maintains six parks on and around Portage Lake. The following descriptions of the parks were included in the Master Plan:

North Point Park. The largest public natural resource area in Onekama Township at 60 acres, North Point Park, provides recreational and educational opportunities for the general public.

Glen Park. The first bona fide resort location in Manistee County, Glen Park is a now a 12-acre wooded parkland.

Old Faceful. Old Faceful is located at the west end of Thirteen Mile Road in Pierport and serves as an access to Lake Michigan.

Sunset House. The Sunset House is located at the west end of Lakeisle Avenue and has access to Lake Michigan. The shelter house ("Sunset House") is available for public use.

Feldhak Park. Identified by a large stone and plaque, Feldhak Park is a small 2.415 acre public space located at the east end of Portage Lake and is surrounded by wetlands. It is a readily accessible, barrier-free park with a mown area and views of the lake.

Zosel Street Walk-In Park. This is a small, 0.181 acre mini-park with views of Portage Lake. It's a prominent waterfowl area. It is barrier-free and accessible.

cess to Lake Michigan beach and a handicap accessible gazebo. The park provides access to swimming, sunset watching and beach walking, and access to the north pier.

Rotary Park. Identified by a granite marker at the west end of the Village at the corner of Main Street and First Avenue, this 0.30 acre park is on the main transportation corridor of M-22.

Funding

The Village allotted almost \$25,000 in FY2011 for care and upkeep of the parks. These funds were to be used for park improvements, equipment rentals,

garbage collection, tree services, beach cleaning, and sewerage.

It can be expected that expenses in the range of \$15,000 to \$25,000 per year would carry over from the village to the township in the event of consolidation. The village allotted \$10,000 for park improvements. It may not be necessary to expend this sum annually on park improvements, but some amount is necessary.

Care and upkeep of the parks is one area where the community could expect to achieve some economies of scale by consolidating into a single government. The equipment needed for park maintenance and upkeep can be consolidated and excess equipment sold off. While the village currently rents equipment for care of the parks, as a consolidated unit of government with ten parks there might be sufficient need to justify purchase of that equipment.

Infrastructure Improvements

The Master Plan reported that input received during the planning process indicates strong support for a public marina. Given the limited amount of improved public access facilities along the waterfront, a public marina could reduce the existing conflicts between waterfront residents and those utilizing public road ends for access to Portage Lake.

Construction of marina facilities would require the investment of major sums. This could be supported individually by the village or township, or in collaboration by the two governments. A consolidation of governments could provide sufficient tax base to support this capital investment and allow the costs to be spread over all residents that benefit from recreation on the lake.

Funding Opportunities

Funding opportunities exist for both Onekama Township and the Village through their designation as Coastal Zone communities. By having this designation, Onekama is eligible for grants under Michigan's Department of Environmental Quality Coastal Management Program. The program is funded through The Coastal Zone Management Act (CZMA), originally passed in 1972, which enables coastal states, such as Michigan, to improve protection of sensitive

shoreline resources, to identify coastal areas appropriate for development, to designate areas hazardous to development, and to improve public access to the coastline.

Sewer Issues

The Village of Onekama does not have a municipal water system but does operate and maintain a sanitary sewer system for the 288 residential and 66 commercial properties within its jurisdiction, as well as a few properties in the township outside of the village. Installation of the sewer system began in 1974 with the sale of bonds to fund the initial investment of infrastructure. The wastewater collection and treatment facility consists of three primary lift stations that pump wastewater to a treatment facility on 11 Mile Road in Bear Lake Township. The sewer system feeds into a plant with four digesting lagoons. After a digestion period the water is pumped one and a half miles to a surface irrigation site.

The sewer system is operated as an enterprise or proprietary function external to the other village op-

erations. No tax revenue, from the village, the state, or any other governmental entity have been used to construct or operate the sewer system. Funding the sewer system requires the village to calculate the cost of operations and of financing the principal and interest associated with bonds issued for construction or upgrade of the system and divide that cost across the users of the system – the properties tied into the sewer system – in the form of user charges. The sewer system is self supporting and could be operated by another governmental or private entity as easily as by the village.

Upgrades and Sewer Debt

In the private sector, mortgages provide funds for people to purchase houses and home equity loans enable people to do major improvements to their houses, in each case spreading the cost over a number of years. In the public sector, bonds are issued to provide governments upfront funding to construct or improve infrastructure – water and sewer, roads and bridges, government buildings, and the like –

Table 2
Village Sewer Bonds, Annual Debt Service Requirements to Maturity

<u>Year-End</u> <u>February 28,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,000	\$ 45,383
2013	18,000	45,308
2014	19,000	44,643
2015	20,000	43,936
2016	21,000	43,195
2017-2011	111,000	208,904
2022-2026	128,000	181,429
2027-2031	152,000	155,157
2032-2036	188,000	123,023
2037-2041	268,000	78,707
2042	60,000	9,410
2043	62,000	7,171
2044	64,000	4,856
2045	<u>66,000</u>	<u>2,465</u>
	\$1,217,000	\$988,587

Source: Village of Onekama 2011 Comprehensive Annual Financial Review, p. 26.

with the repayment of the principal and interest spread over the life of the assets.

Bonds can be issued as general obligation or revenue bonds. General obligation bonds are issued against the full faith and credit of the issuing government. The issuing government promises to repay the borrowed amounts either from existing revenue sources or to levy a tax sufficient for the annual repayment of principal and interest. Revenue bonds are usually issued for projects from which specific revenue sources are dedicated to the funding or for enterprise activities. In this case, revenues from the dedicated tax source or from the business-type activities are pledged to repay the annual principal and interest amounts.

The Village of Onekama has issued four bonds since 1972 for construction and improvement of the sewer system through the U.S. Department of Agriculture's (USDA) Rural Development program. Bonds were issued in 1972 for installation of the sewer lines and to construct the digesting lagoons. More bonds were issued in 1996 to upgrade the system and to connect to the Little Eden Camp, operated by the Onekama Consolidated Schools. These two bonds have been repaid in full.

Two new bond issues were issued in 2005 to redo the digestion lagoon cells, add the irrigation system, upgrade the lift system, and upgrade the sewer lines. Repayment of those obligations is scheduled to stretch until 2045. As of the close of the Village's 2011 fiscal year, the Village of Onekama had \$1.217 million in bonds outstanding for investments made to build and upgrade the sewer system. (See **Table 2.**)

Because the borrowing is so new, at this point in time most of the payments are for interest.

The USDA Rural Development program, through which these bonds were issued, provides funding opportunities in the form of payments, grants, loans, and loan guarantees, for the development and commercialization of utility services such as water, waste treatment, electric power and telecommunications services.¹⁶

In the strictest sense, the revenue bonds issued for sewer system upgrades do not constitute debt obligations of the village. Rather they are issued by the village on behalf of the sewer system users. Repayment of the bonds comes from net revenues of the sewer system. In issuing the bonds, the village agrees to impose sewer charges to the users sufficient to cover operating expenses for current operations of the sewer system and long-term debt.

**Table 3
Sewer Bond Activity**

	<u>Interest Rate</u>		<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:							
2006A Sewage Bond	3.25%	FY2009	\$637,000	\$0	(\$1,000)	\$636,000	\$1,000
		FY2010	\$636,000	\$0	(\$1,000)	\$635,000	\$1,000
		FY2011	\$635,000	\$0	(\$1,000)	\$634,000	\$1,000
2006B Sewage Bond	4.25%	FY2009	\$586,000	\$0	(\$1,000)	\$585,000	\$1,000
		FY2010	\$585,000	\$0	(\$1,000)	\$584,000	\$1,000
		FY2011	\$584,000	\$0	(\$1,000)	\$583,000	\$1,000
Total		FY2009	\$1,223,000	\$0	(\$2,000)	\$1,221,000	\$2,000
		FY2010	\$1,221,000	\$0	(\$2,000)	\$1,219,000	\$2,000
		FY2011	\$1,219,000	\$0	(\$2,000)	\$1,217,000	\$2,000

Source: Village of Onekama 2010 Comprehensive Annual Financial Review, p. 23. CRC calculations for FY2011.

Because the debt rests with the property owners, the bonds can be transferred from the village to the township as the governmental entity holding the debt on the property owner's behalf. The sewer system would service the same properties and current charges for service would need not change to continue operation of the system. Because the bonds were issued through the federal government, permission from the U.S. Department of Agriculture will be needed for a transfer process such as this to proceed.

The Township Interest in the Sewer System

The township would not be assuming any additional expense by assuming ownership of the sewer system, nor would transferring the sewer system to the township mean that the system would automatically be expanded to service properties outside of the village. As a business-type activity that has not required general fund subsidization from the village, it could be expected that the township would continue operation of the sewer system without imposing any costs on the properties not connected to the system. The system would continue to serve the same properties that it currently does unless properties go through the proper channels of connecting to the system.

That said, the need or desire to extend the sewer system beyond the village may soon arise. The Onekama Master Plan addressed the need for a sewer system to stretch around Portage Lake:

Improving Portage Lake Water Quality

Storm water runoff has been identified as a nonpoint source of water pollution. Unfiltered or untreated runoff can carry a variety of pollut-

ants (pesticides, fertilizers, and petrochemicals, etc.) into the ecosystem. In addition, summer runoff from paved parking surfaces and rooftops can increase the temperature of runoff water causing thermal variations significant enough to affect fish habitat. These impacts can be addressed with a riparian buffer ordinance, which requires innovative storm water treatment, vegetative buffers, and soil and erosion sedimentation standards.

The sewer system would service the same properties and current charges for service would need not change to continue operation of the system. Because the bonds were issued through the federal government, permission from the U.S. Department of Agriculture will be needed for a transfer process such as this to proceed.

A sanitary sewer master plan should be prepared to control infiltration of effluent into Portage Lake. The first phase would be to provide sanitary sewers to properties within or adjacent to the riparian buffer, and a second phase would be to extend the facilities into higher density areas outside of the riparian buffer area.¹⁷

Much of the development in the Onekama area over the past decade has occurred in the township outside of the village. Those properties are currently on septic systems. Some efforts have been made to tie new township developments into the village sewer system, but a majority of the property owners that would have been affected expressed an opposition to becoming customers of the sewer system.

If the sewer system does expand, it could lower costs to participating property owners by spreading fixed costs over more users. The sewer system should remain positioned to accept additional properties and expand the system either because township property owners voluntarily chose to connect to the system, or because the community is forced to address the pollution in Portage Lake. That could happen with the sewer system managed by the village or the township.

Road Issues

Jurisdiction over roads and bridges in Michigan is a labyrinth of control by the state (Michigan Department of Transportation (MDOT)), county road commissions, and cities and villages. Jurisdiction is not consistent among roads of similar characteristics or among communities/counties, but in general jurisdiction can be described as follows:

Roads under the state's jurisdiction include state trunkline highways, which include all highways designated with an "I," "US," or "M," and 4,300 miles of priority commercial network, highways, and routes considered important to the state's economy.

Cities and villages have jurisdiction over all major and local roads within their boundaries except the state roads and the primary roads controlled by county road commissions.

The county road system consists of the primary roads in some cities and villages and all of the primary and secondary (local access and subdivision) streets in the townships.

Townships played an important role in the original construction and jurisdiction of Michigan roads. However, many townships found themselves unable to perform the duties associated with road care when the Great Depression hit in the 1930s and some were unable to repay the outstanding bonds that had been issued for road construction because of the collapse of property values. Thus, a 1931 state law combined township and county roads into a single system with jurisdiction transferred over a five year period. The 83 county road commissions were assigned responsibility for the combined systems.

Funding of Michigan highways derives from state collected user fees in the form of fuel taxes and motor vehicle registration fees and locally raised revenues either from property taxes dedicated to road care or through the general funds of cities, villages, and townships. Act 51 of 1951 distributes the state-collected taxes through a formula. After funding is directed to repay the state's outstanding debt and fund special transportation functions, the formula divides available funds among the state, county road com-

**Table 4
Miles of Roadway in Onekama Township**

<u>Classification</u>	<u>Miles</u>
Primary	7.83
Local	30.99
Total Miles	38.82
Seasonal	2.6
Plowed	36.22

Source: Manistee County Road Commission

missions, and cities and village. Townships are not eligible to receive state road funding.

Village Roads

The Village of Onekama has jurisdiction over 1.4 miles of primary roads – 3rd Street and Mill Street – and 4.1 miles of local access streets. In addition, MDOT contracts with the village to maintain the stretch of M-22 that cuts through the village.

County Road Commission Roads in Onekama Township

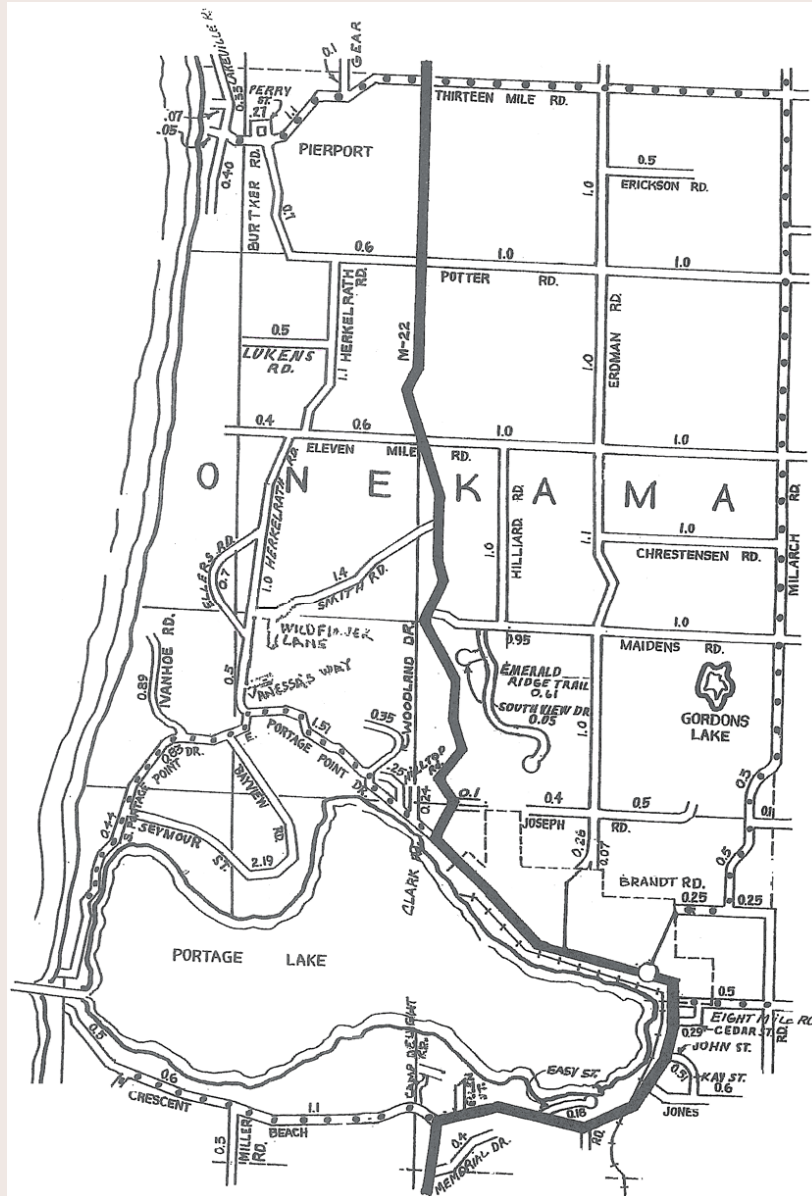
According to the Manistee County Road Commission, the township has 38.82 miles of primary and local roads. Of this total, 36.22 miles are plowed and 2.6 are considered seasonal. These roadways in Onekama Township include Eight, Eleven, and Thirteen Mile roads, Potter, Erdman, Herkelrath, Crescent Beach, Portage Point, Maidens, Joseph, and others. (See **Map 2.**)

The subdivision streets that ordinarily are maintained by county road commissions in other townships are private roads in Onekama Township. As such, they are not eligible for state funding through the Act 51 formula and the county road commission does not play a role in their maintenance.

Funding Road Services

The village received \$47,250 in FY2011 from the state in Act 51 funding: \$30,879 in funding for major

Map 2
Manistee County Road Commission Mileage in Onekama Township



Source: Manistee County Road Commission

streets and \$16,371 for local streets. The discussion below describes how these funds would be diverted to the county road commission in the event that the village is dissolved.

Onekama Township levies a one-mill property tax for road care, with a proportional amount distributed to the village to support care of the village roads, based on the percent the village tax base contributes to the township tax base. It is important to keep in mind that village residents remain residents of the township so they are subject to the township

tax levy; the transfer of revenues from that levy reflects the contribution from village property owners. The balance is used to supplement Manistee County Road Commission projects in the township.

Jurisdictional Transfer

State law does not provide that jurisdiction over roads should transfer automatically with changes in governmental type – i.e., incorporation or disincorporation. However, townships are not eligible for Act 51 highway funding and the Manistee County Road Commission does not tend to maintain roads within city boundaries. So it can be expected that jurisdiction over roads will change if Onekama changes its governmental structure.

Michigan is void of any state laws to help in determining jurisdiction of roads. Each of the 83 county road agencies (82 county road commissions and the Wayne County Department of Public Works) operates and sets policies independent of the other county road commissions. As a general rule, county road commission jurisdiction of roads end at the boundaries of cities and villages.

Also, MDOT tends to contract with county road commissions for maintenance of the “letter” roads – “I”, “M”, “US”. These major roadways primarily serve the purpose of connecting major population and business centers with uniform roadways regardless of city, village, or township boundary changes.

Onekama Village Dissolution Option

“Jurisdiction over the village’s roads, sidewalks, and any public easements, including street lights and snow removal” is one of several issues that a village would have to provide for during disincorporation under the General Law Village Act (see p. 14). But Michigan law does not provide a detailed process for transferring the jurisdiction of village roads if a village

disincorporates. Since townships were removed from the road maintenance function, transfer of roads to the county road commission becomes the only option by default. However, there are issues related to how that process should be carried out.

The transfer of jurisdiction over roads is not an uncommon occurrence in Michigan. However, these transfers are usually voluntary actions by both the

government transferring and the government accepting jurisdiction. It is not in the interest of the government accepting jurisdiction of the roads to accept roads that are potholed, deteriorated, or otherwise not up to accepted standards, so the Transfer of Jurisdiction over Highways Act requires:

Sec. 8 (1) ... a description of the renovation, repair or reconstruction work and the estimated cost necessary to bring the highway up to reasonable acceptable standards as determined in accordance with subsection (2).

(2) The highway authority from whose jurisdiction a highway is to be transferred shall be responsible for the renovation, repair or reconstruction of the transferred highway, where necessary...

(3) In lieu of undertaking the renovation, repair or reconstruction of a highway to be transferred pursuant to this act, the transferring highway authority may do 1 of the following, with the concurrence of the receiving highway authority:

(a) Pay the estimated cost of such work to the receiving highway authority in order that the work may be undertaken by it.

(b) Enter into a contract with the receiving highway authority for the receiving highway authority to perform the work and be reimbursed by the transferring highway authority. The contracts shall include such terms and conditions as agreed to and shall be subject to such approvals as may be required for other contracts of the highway authorities.

(4) The cost of renovation, repair or reconstruction of the highway shall be paid by the highway authority relinquishing jurisdiction except to the

Michigan law does not provide a detailed process for transferring the jurisdiction of village roads if a village disincorporates. Since townships were removed from the road maintenance function, transfer of roads to the county road commission becomes the only option by default.

**Table 5
Road Funding Gains if Manistee County Road Commission Takes Over Onekama Village Roads**

	<u>Miles</u>	<u>Funding per Mile</u>	<u>County Funding Formula</u>	<u>Funding per Mile</u>	<u>Municipal Funding Formula</u>
Major	1.4	\$ 11,383	\$ 15,936	\$ 15,421	\$ 21,589
Minor	4.1	\$ 1,511	\$ 6,195	\$ 2,545	\$ 10,435
Total	5.6		\$ 22,131		\$ 32,024

*Totals do not add because of rounding.

extent that the highway authority gaining jurisdiction is required to participate in such cost in accordance with the provisions of Act No. 51 of the Public Acts of 1951, as amended, being sections 247.651 to 247.673 of the Compiled Laws of 1948.¹⁸

Before that happens, MDOT and/or the state Attorney General may need to address some issues. Thus, the first unanswered question in how a disincorporating village should address jurisdiction over roads is whether the Transfer of Jurisdiction over Highways Act is to be part of the process, requiring the cost of renovation, repair, or reconstruction of roads in need of such care should be considered a liability of the village to be addressed upon dissolution. This provision takes on practical significance in Onekama, as both the Manistee County Road Commission and Onekama residents report that parts of the Onekama Village road system have been allowed to deteriorate and are in poor condition.

Second, it must be determined how the county road commission should be compensated for the additional road mileage it adds to its existing county road system. While jurisdiction over the roads may be transferred, the character of the road miles remains unchanged. The first option would simply transfer the mileage to the county road commission to be funded at the same rates as all other county roads. Alternatively, the jurisdictional transfer process would provide the county road commission the same level of funding that is currently provided to the village through Act 51 of 1951.

The options are not without consequence for the Manistee County Road Commission, or for all other municipal and county road agencies in the state. The distribution of state highway funding among state and local road agencies is based on fixed percentages contained in PA 51. After certain administrative and collection expenses have been paid and funds distributed to specific transportation-related accounts, the balance of MTF dollars are allocated in the following way: 39.1 percent to the state highway system; 39.1 percent to the county road system; and 21.8 percent to the municipal street system. Because fixed percentages of the total amount available for distribution are divided among the county road agencies and also among the cities and villages, adding road mileage to the county road system would result in less funds being available per mile of road, and conversely, more funding per mile of road being available to the remaining cities and villages.

Additionally, the amount of funds per mile distributed to county road agencies and to municipalities differ. If the first option is followed, and the village road mileage simply becomes county road mileage, the Manistee County Road Commission would receive \$11,383 per mile of primary road and \$1,511 per mile of local access road (based on 2011 Act 51 distribution levels). This would result in a gain of approximately \$22,000 to accompany jurisdiction over the village roads. Alternatively, if the second option is employed and the mileage is transferred using the formal jurisdictional transfer process, the Manistee County Road Commission stands to receive \$15,421 per mile of primary road and \$2,545 per

mile of local access road (again based on 2011 Act 51 distribution levels). By using the jurisdictional transfer process, the road commission would receive approximately \$32,000 to accompany jurisdiction over the village roads. (See **Table 5.**) The result would be a \$10,000 difference in funding, but it should be noted that neither formula would provide sufficient funding for the county road commission to hire an additional full time employee to help take on the additional workload. The higher funding levels associated with Onekama Village roads would continue in perpetuity.¹⁹

It is assumed that the village roads would be transferred to the Manistee County Road Commission. Further, it is assumed that the village would have to bear the cost of bringing the roads up to an adequate level of repair. Finally, it is assumed that by employing the formal process for transferring jurisdiction, the Manistee County Road Commission would receive the funding levels currently provided to Onekama Village for the transferred road mileage.

It is assumed that the village roads would be transferred to the Manistee County Road Commission. Further, it is assumed that the village would have to bear the cost of bringing the roads up to an adequate level of repair. This need not happen prior to transfer of jurisdiction. Finally, it is assumed that by employing the formal process for transferring jurisdiction, the Manistee County Road Commission would receive the funding levels currently provided to Onekama Village for the transferred road mileage.

Snow Removal. If the village disincorporation option is pursued, snow removal would be an issue requiring special attention. While village residents

Township Receipt of Act 51 Funding

Bloomfield Township in Oakland County indirectly receives Act 51 highway funding as a pass through from the County Road Commission of Oakland County. Although the township does not receive the full amount associated with the road mileage and population, by supplementing the Act 51 funding with locally-raised revenue, the township has sufficient funds to enable the work it wishes to perform on the roads. The township is involved in most aspects of road care.

The Road Commission of Oakland County and Bloomfield Township entered this arrangement under section 20a of Public Act 51 of 1951. The law provides, in relevant part:

A board of county road commissioners in a county and the township board of a township having a population of not less than 15,000, as determined by the most recent statewide federal census, and which in the prior year and the contract year will have levied a property tax of not less than 1 mill on each dollar of assessed valuation of the township for the improvement or preservation of county roads within the township, may exercise the provisions of this section only by entering into a written contract of not more than 1 year providing for the preservation by the township of all or any part of the county local road system within that township...^a

Muskegon Charter Township reportedly considered a similar arrangement with the Muskegon County Road Commission in the 1990s, but could not adequately work out the details and the financing.

The population threshold in Section 20a is a limiting factor that would preclude Onekama Township from pursuing this option.

^a PA 51 of 1951, MCL 247.670a, <http://legislature.mi.gov/doc.aspx?mcl-247-670a>.

may be willing to accept that the condition of village roads could be improved and kept in better condition if transferred to the Manistee County Road Commission, many cannot conceive that snow removal would occur in as timely a manner by the road commission as currently occurs under the village's care. Even if the roads are transferred to the care of the Road Commission, some village residents may be interested in a continuing local role in snow removal.

Again, more than one option could be considered if a majority of village residents feel strongly about this issue. First, Onekama Township could consider assuming a role in snow removal as an ongoing service. Second, the township could consider contracting with the Manistee County Road Commission to perform snow removal on its behalf only in the event of severe snow falls.

Both options could be undertaken under the Highways within Townships Act, which was enacted to provide:

The township board of any township and the board of county road commissioners in which said township is located are hereby authorized and shall have power to enter into a contract to provide for the acquisition, construction, establishment, opening, altering, improving and maintaining of any highways within the township. Said highways shall be deemed to include such bridges, culverts, storm sewers and other drainage structures, and traffic control and regulatory devices, as may be necessary to provide a complete highway.²⁰

The act generally authorizes a township to contract with the road commission for projects, but it doesn't grant a township authority to maintain the roads itself. The township must negotiate a written agreement with the county road commission for authority to do so. The act does not require the use of county road commission funds for the contracted service, although the provision of road commission resources could be written into a contract.

Of the 1,240 townships in Michigan, only a handful is known to actively perform road care services under agreements with their county road commissions. Two examples, both in Genesee County, are cited here to illustrate the options available to Onekama and the County Road Commission.

Ongoing Role in Snow Removal. Grand Blanc Township in Genesee County is involved with road care, but only as it pertains to snow removal. The

service is performed only on the township's subdivision streets, not any of the primary roads that are located in Grand Blanc township. Residents and the Grand Blanc Consolidated School District find value in the snow clearance program because snow is removed quickly and schools are rarely closed for snow days. The township does not directly receive any Act 51 funding for this service, but it is able to use road salt to treat

the township roads purchased by the Genesee County Road Commission using Act 51 dollars. While the township has been performing this service for many years, the current intention is to use a five-year plan to phase out this service because Grand Blanc Township, like most other Michigan local governments, is working with constrained revenue levels and this is a service that is increasingly becoming unaffordable.²¹

Contract to Supplement the County Road Commission.

The second option would again involve contracting with the county road commission, but it is anticipated that the road commission would share in the cost of the service under this scenario. The Genesee County Road Commission recently entered into a pilot program with Flint Township in which the township and the road commission will split the cost for "supplemental snow removal services for residential streets." The agreement anticipates that the county road commission will be able to get to all subdivision streets within 36 hours of a snow event. However, a private company is on retainer to assume responsibility for the subdivision streets in the case of major storms or multiple fronts bringing additional snowfall. The private contrac-

The Highways within Townships Act generally authorizes a township to contract with the road commission for projects, but it doesn't grant a township authority to maintain the roads itself.

tors provide both personnel and equipment that is better suited to subdivision streets than the county road commission uses, but all road salt is provided by the road commission. It is reported that the program has resulted in savings in the early stages and the road commission anticipates expanding the program throughout the county next winter.²² The road commission has imposed a price control by including language in the agreement that the cost cannot exceed \$55,000 in a year, with half to be paid by Flint Township in this pilot program.²³

Funding the Township Role. In the event that the village is disincorporated and the residents wish to pursue independent snow removal, the township could pursue imposition of a special assessment to finance snow removal on those properties that would benefit. When the benefits from a public improvement do not generally extend to the whole governmental unit, governments have used special assessments to have those benefiting from the improvement pay for the costs.

Such an arrangement would require authorization from the Manistee County Road Commission in the form of an application and permit to operate, use and/or maintain a snow removal service in the right of way. In Grand Blanc Township, such arrangement provided for a perpetual permit that was designed to minimize litigation issues in the future. All other aspects of using the right of way required the standard permitting process. (See **Appendix B.**)

Besides the potential for legal issues that might accompany having someone operating in the county road commission's right of way, a county road commission might choose not to participate in such an arrangement because of the labor issues. The Manistee County Road Commission employs staff to perform the responsibilities of the road commission. On the one hand, permitting snow removal to be done by a party other than the road commission staff takes work away from that staff and reduces the number of hours they can work following snow falls. On the other hand, having snow removal done

by a party other than the road commission staff in one little part of the county frees up staff time to perform other tasks and use the available resources more efficiently.

Onekama City Option

If Onekama were to become a city, it could be expected that the Manistee County Road Commission would desire continuity of its road system and aim to maintain a consistent policy with regard to cities.

It is assumed that the road commission will want to transfer jurisdiction over most or all of the roads it maintains in Onekama Township to the new city.

If Onekama were to become a city, it could be expected that the Manistee County Road Commission would desire continuity of its road system and aim to maintain a consistent policy with regard to cities.

Continuity of the County Road System. A significant factor for assessing the proper jurisdiction of roads is the interconnectedness of the system. It is not in the interest of the county road commission or the taxpaying public for roadwork to arbitrarily end at city or

village boundaries or for the snow plows to lift their plows as they pass through a city or village to continue on the road at the other end of the city or village. Onekama has two factors that limit the need for the Manistee County Road Commission to desire continuity with surrounding townships – Lake Michigan to the west and Portage Lake in the middle. Because Lake Michigan lies to the west of Onekama, the County Road Commission may have little interest in maintaining the east west roads in Onekama Township. Because Portage Lake is situated in the middle of the Onekama, only M-22 provides continuous travel from the north end to the south end of the township. Thus, the Manistee County Road Commission may find it beneficial to transfer jurisdiction over some roads to the new city.

Consistency of Policies with Regard to Cities. Each county road commission has its own policy to determine jurisdiction of roads in cities and villages. The Manistee County Road Commission does not have jurisdiction over any road mileage within the borders of the City of Manistee. Even US-31 is the responsi-

bility of the city. It is assumed that the county road commission would take the same approach to road jurisdiction in a City of Onekama as it currently does in the City of Manistee, ending county road commission jurisdiction where the city begins.

Thus, in the event that Onekama is incorporated as a city, it can be expected that the Manistee County Road Commission would, either immediately or over a number of years, wish to divest itself of jurisdiction over roads in Onekama. Similarly, the city may over time, wish to control the condition of a greater proportion of the roads within its jurisdiction.

Pros and Cons of Road Jurisdiction

There are pros and cons associated with the road commission maintaining jurisdiction over major roads in cities as well as in townships. The primary benefit is that a single body is better able to maintain a consistent character and quality to roads. When a road changes jurisdiction every few miles as one governmental entity ends and another begins, it is possible for the number of lanes to change, for the accessibility for property owners to change, or for the road maintenance investment to vary.

Another benefit is in regional planning and applying for federal funding. When multiple municipalities have jurisdiction over a road, housing development and commercial growth in one unit can have external consequences on the neighboring units. Without input on the planning process, the neighboring units may be unwilling to fund road improvements to accommodate the growth. Assigning jurisdictional responsibilities to a single unit reduces the level of externalities and better accommodates the relationship between road improvements and economic development.

Further, federal funding for roads requires all projects to go through metropolitan planning organizations and an ongoing transportation plan. The project

selection process in regions where jurisdiction over major roads is divided among many bodies may become politicized. Vote swapping or “logrolling” may allow projects of lesser importance to rise higher on the list than otherwise would be the case. In regions where jurisdiction over major roads is delegated to a single agency or a few agencies, project selection must go through internal processes and the most important projects receive funding priority.

The primary negative to such an arrangement falls upon the road commission. Roads tend to have different characteristics in densely populated areas versus lightly populated areas, and open spaces. Where a road in an open area might have a gravel berm, urban roadways tend to have curbs and sidewalks. While rural roadways might drain into a ditch, urban roadways require storm sewers. These different road characteristics require different equipment for their maintenance. County road commissions that have jurisdiction only over township roads can concentrate their efforts on a common road type. County road commissions with jurisdiction over roads in cities and townships must purchase equipment to operate in both types of areas.

If responsibility for roads is kept in house, the city would have to acquire additional equipment and personnel to provide pavement maintenance, bridge inspection and maintenance, signal maintenance, sign maintenance, storm sewer cleaning maintenance, roadside mowing, and increased equipment maintenance.

While divesting itself of some roads would allow the county road commission to specialize and perhaps reduce some costs, any transfer would have increased costs associated with it for a consolidated unit. If this function is kept in house, as opposed to contracting through an interlocal agreement or with a private provider, the city would have to acquire additional equipment and personnel to provide pavement maintenance, bridge inspection and maintenance, signal maintenance, sign maintenance, storm sewer cleaning maintenance, roadside mowing, and increased equipment maintenance. Additionally, the cost of providing full liability coverage for all operations can be substantial. The Act 51 funding distributed to municipal road agencies provides much, but generally not all, of the resources needed for these tasks.

Finances

The sources of revenues for the Village of Onekama and Onekama Township generally fall into four categories: property taxes, unrestricted state shared revenue, restricted state shared revenue, and charges for services. The finances of a consolidated unit would draw on those same sources, but in different amounts depending on whether consolidation is pursued by dissolving the village or incorporating the community as a city. Ultimately the question that needs to be answered in this exercise is whether a consolidated government can operate with existing revenue sources or whether new revenues would be needed.

Local Taxes

Two types of taxes are available to Michigan local governments as sources of self-generated revenues: property taxes and income taxes. Property taxes are used by all types of local governments. Income taxes are available only to cities.

Property Taxes

The levy of all taxes is based on a tax rate applied to a tax base. In Michigan, the applicable tax base for property taxes is referred to as the taxable value. New property and property for which ownership has recently transferred is assessed at 50 percent of the true cash value. The taxable value limits annual increases in the value of individual parcels of property to the lesser of five percent or inflation. Property is reassessed at the proper percentage (50 percent) of true cash value when ownership transfers. The same value is used for the calculation of taxes

levied by the township, village, county, school district, and the state.

The Michigan Constitution and state laws limit the rates for each type of governmental entity. Neither the Village of Onekama nor Onekama Township are anywhere near the tax rate limitations that apply to them.

Onekama Township has benefited greatly from the recent interest in the area for lakefront property and vacation homes. Since 1996, the taxable value of township property outside of the village has more than tripled from \$41.4 million to \$139.7 million.

With a tax base of almost \$140 million, the township was able to levy a property tax of 3.38 mills to yield \$520,623 in 2010. The village, with a much smaller tax base of more than \$18 million, levied a 5 mill tax rate to yield \$93,708.

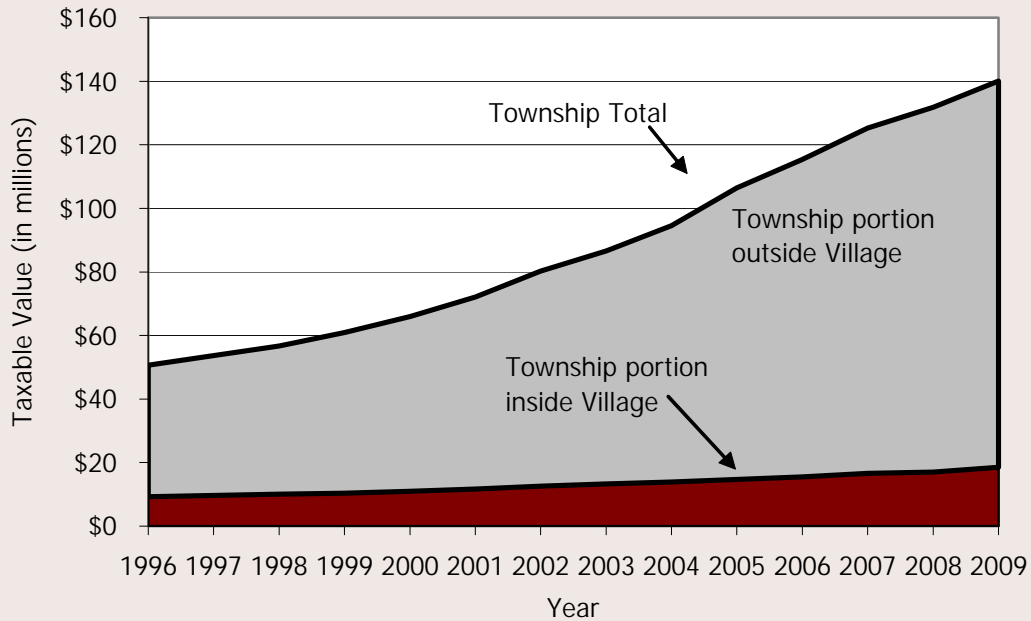
Consolidation of the governments would result in elimination of the 5 mill village property tax levy. (Some of that reduction could be offset by special assessments for road improvements, snow removal, and/or street lighting.) The ques-

tion to be addressed is whether and to what extent the township tax levy would have to be increased to fund additional costs given to the consolidated government. (The tax is currently levied by the township but could become a city tax if that option is taken.)

Taxable Value in the Onekama Area

The township has benefited greatly from the recent interest in the Onekama area for lakefront property and vacation homes. Since 1996, the taxable value of township property outside of the village has more than tripled from \$41.4 million to \$139.7 million. During that same period, the taxable value of property in the village has doubled, going from \$9.3 million in 1996 to 18.5 million in 2009. (See **Chart 5**.)

Chart 5
Growth of Taxable Value of Onekama Township and Village, 1996 – 2009



Source: Michigan Department of Treasury, Onekama Assessment records.

Income Taxes

Local-option income taxes are available only to city governments in Michigan. The tax is levied under a state law that provides for a uniform rate and base for all cities levying the tax. Of the 279 cities in Michigan, only 22 levy a local-option income tax. Grayling and Big Rapids are the closest cities that levy this tax. The common characteristic of the smaller cities that levy this tax is that they are job centers for their surrounding areas, either because they serve as the seat of county government, host a non-profit college, or host a major employer that draws labor from outside the cities.

Should Onekama choose to create a city government, a local-option income tax would become an option. It is not anticipated that this would become a serious consideration as the community does not host any major public or private job centers.

Special Assessments

Michigan local governments have generally used property taxes to finance a vast array of governmental services and programs. Taxes – property, income, or any other – must be levied at a uniform rate throughout the jurisdiction levying the tax. Special assessments may be levied on a group of properties that is less than the whole of the jurisdiction levying the assessment. Therefore, on occasions when the benefits from a public improvement do not generally extend to the whole governmental unit, special assessments have been employed.

Special assessments are generally employed to serve a single principal purpose: to finance the construction and maintenance of local public improvements, such as streets, street lighting, and sewers. They may be levied to fund multiple purposes, as long as the public improvements or public services are au-

thorized by the law employed to impose the special assessment.

Use of this finance tool requires establishment of a special assessment district to define the properties that benefit from the public improvement, and thus are subject to an assessment to fund the improvement.

Several laws provide for the use of special assessments for specific purposes or the broad purpose of public improvements.

Where property taxes are levied on an ad valorem basis, that is they are based on the value of the property subject to taxation, special assessments were historically levied based on street frontage, land area, or other measures of benefit from the public improvement. Over time, the Michigan legislature has undermined these distinctions by authorizing units of local government to impose a hybrid category of special assessments that use property values as the base. Except for the often limited size of special assessment districts (they usually are not as big as a whole governmental entity), ad valorem special assessments are virtually indistinguishable from general property taxes.

Neither the Village of Onekama nor Onekama Township currently employ special assessments to fund public improvements or the delivery of governmental services, but the possibility of employing this financing tool is discussed below.

Unrestricted State Shared Revenue

Cities, villages, and townships in Michigan benefit from an unrestricted state revenue sharing program. Unlike restricted revenue sharing program such as highway funding, this program allows local governments to use the money received at their discretion. State sales tax revenues are distributed using two formulae: a constitutional distribution on a per capita basis and a statutory distribution.

State revenue sharing has been subject to several reductions in recent years due to the state's fiscal difficulties. Cuts in state revenue sharing have altered the distribution of the statutory amounts. While the per capita distribution is constitutionally protected, the statutory distribution has been reduced drastically with little hope of returning to full funding in the near future.

Both the Village of Onekama and Onekama Township benefit from the constitutional per capita distribution of state revenue sharing. In 2010, the township received \$68,669 from this source; the village received \$42,210. Townships count only the populations residing outside of villages for the purposes of their per capita distributions. Because of the drastic reductions in funding available for statutory revenue sharing, about two-thirds of the 1,800 cities, villages, and townships no longer benefit from this program. Both the Village of Onekama and Onekama Township are among the governments no longer receive statutory revenue sharing.

Because the village and township receive only per capita revenue sharing distributions, a consolidation of the two governments would result in a simple arithmetic addition of the village population and the township's non-village population to create a combined population.

Because the village and township receive only per capita revenue sharing distributions, a consolidation of the two governments would result in a simple arithmetic addition of the village population and the township's non-village population to create a combined population. In other words, the village residents would no longer be removed from the township population for purposes of this per capita distribution. Were a consolidated government in place in 2010, it could have expected to receive \$110,879 (\$68,669 the township received plus \$42,210 the village received). The actual distribution a consolidated government would receive in its first year of operation will differ because the sales tax is yielding more revenues, thus there is more available for distribution, and the 2010 census has altered the populations used for distribution of the funds for all local governments.

Restricted State Shared Revenue

In contrast to unrestricted state revenue sharing that local governments can use at their discretion, the state also distributes restricted state revenue sharing that can only be used for designated purposes.

Highway Funding

Michigan, like most other states, relies heavily on motor fuel taxes and automobile registration fees to fund the highway and bridge infrastructure. While many states have made these types of taxes available to their local governments to pay for construction and maintenance of streets under the control of counties, cities, and villages, Michigan utilizes a system that has the state collect taxes and distributes funding to the local governments. State motor fuel tax and registration fee revenues are deposited into the Michigan Transportation Fund. Act 51 of 1951 divides money in this fund among the Michigan Department of Transportation, the counties, and cities and villages using a statutory formula, and further divides funding among the county road agencies and among the cities and villages using formulae that account for road miles, population, and the urban nature of the communities.

In 2010, the Village of Onekama received \$46,365 in Act 51 funding for care of the street miles for which it has jurisdiction. Onekama Township is not eligible for Act 51 funding.

Consolidation of the governments by dissolution of the village would eliminate this funding source. The funding would be diverted, in whole or in part, to the Manistee County Road Commission.

Consolidation of the governments as a city would result in this funding continuing, as well as additional funding if the county road commission relinquishes jurisdiction over some roads currently in the township to the new city government. These options are explored elsewhere in this report.

Liquor Enforcement

The enforcement of the state's liquor laws and rules is a joint effort between the state Liquor Control Commission and local and state law enforcement officers. Retail establishments that sell liquor – restaurants, bars, packaged liquor stores, etc. – must pay the license fees. The Liquor Control Commission then sends 55 percent of retail licensing fees back to local units of government primarily for enforcement of the state's liquor laws.

Regardless of whether the Onekama governments consolidate or not, and regardless of what form that consolidation takes, the community will continue to host establishments that sell liquor at retail, and thus, funding from this source will continue to flow to the Onekama government(s) as determined by state law.

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Charges for Services

Both the Village of Onekama and Onekama Township collect charges for the services they provide. These charges are related to the

sewer system, fire protection, and the village cemeteries.

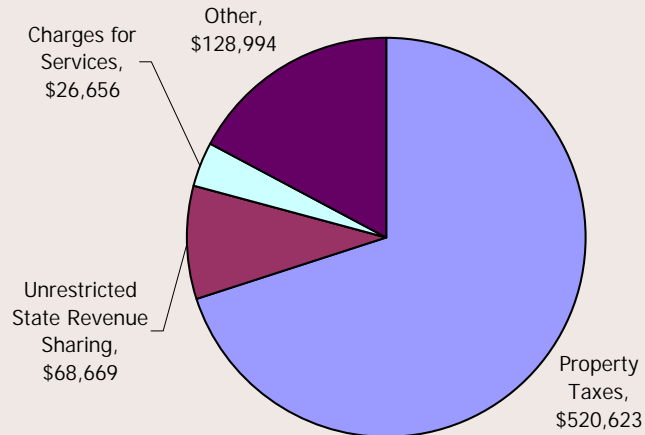
By far, the majority of the revenues collected as charges for services relate to the village sewer system. In accounting vernacular, funding of the sewer system is set up as a "business-type activity." No general fund revenues from state or local taxes are used to finance the sewer system and revenues collected as sewer fees are dedicated solely for the purpose of funding the sewer system.

As discussed elsewhere in the report, it is expected that operation of the sewer system could be handed off to the township or integrated as part of city operations and the fee schedule and business activities would remain unchanged.

Current Revenues

Onekama Township had revenues totaling \$744,942 in 2010, with almost 80 percent of that revenue coming from the township levied property tax and the distribution of state revenue sharing (See **Chart 6**).

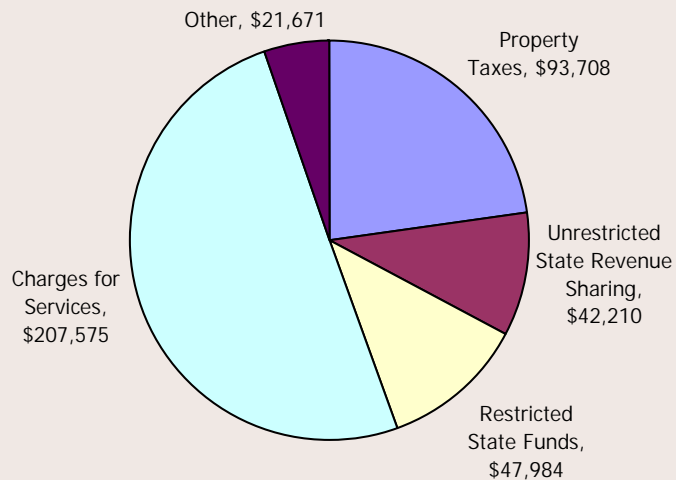
**Chart 6
Onekama Township Revenues, 2010**



Source: Onekama Township Financial Statement, March 31, 2010.

The Village of Onekama had revenues totaling \$413,148 in 2010. More than half of that sum came from charges for services, mostly in the form of sewer fees. Another 12 percent of the village's revenues were derived from the distribution of Act 51 highway funding from the state. Of the general operating revenues, the village-levied property tax contributed more than twice the amount the village received from the distribution of state revenue sharing. (See **Chart 7**.)

**Chart 7
Village of Onekama Revenues, 2010**



Source: Village of Onekama Audited Financial Report for the year ended February 28, 2010.

Expenses and Revenues of a Consolidated Government

Expenses

The first assumption in analyzing the cost of a consolidated government for Onekama is that the current menu of services provided by the township would not change. It is expected that the township would continue to do everything it has been doing.

In addition to those functions and services, it is expected that the township would have to assume some services that are currently provided by the village.

- The township would assume responsibility for the village parks at a cost of almost \$25,000 per year.
- The township would assume responsibility for the village cemeteries. Part of the operations and maintenance costs related to the cemeteries is covered by the sale of lots and donations, leaving about \$7,000 to be covered by the general fund.
- The township would assume responsibility for street lighting on what are currently the village streets.

It is expected that the expenses related to the sewer system would be covered by the fees paid by owners of properties tied in to the sewer system. The township general fund would not be expected to contribute to the cost of sewer operations or maintenance.

It is assumed that the road function would transfer from the village to the Manistee County Road Commission if the village is dissolved to leave only the township. Snow removal would be provided by the township or a private contractor for what are currently the village streets.

In the event that the community prefers to incorporate as a city, it is assumed that the road function would continue. Most of the costs would continue to be covered by the Act 51 revenues received from the state. It is assumed that most or all of the roads that are currently in the township outside of the village would become city streets. Each mile of road that is transferred to the new city would bring additional Act 51 revenues from the state. Snow plowing for all city streets would be a city function paid for with the Act 51 revenues.

Again, no general fund dollars would be expected to cover the cost of roads.

It is estimated that more than \$73,000 could be saved by eliminating the expenses related to the village council (the president and board of trustees), village clerk, village treasurer, the need for village elections, and most of the costs related to the village planning and zoning functions.

Revenues

An immediate effect of a consolidation would be the elimination of the village property tax millage. In

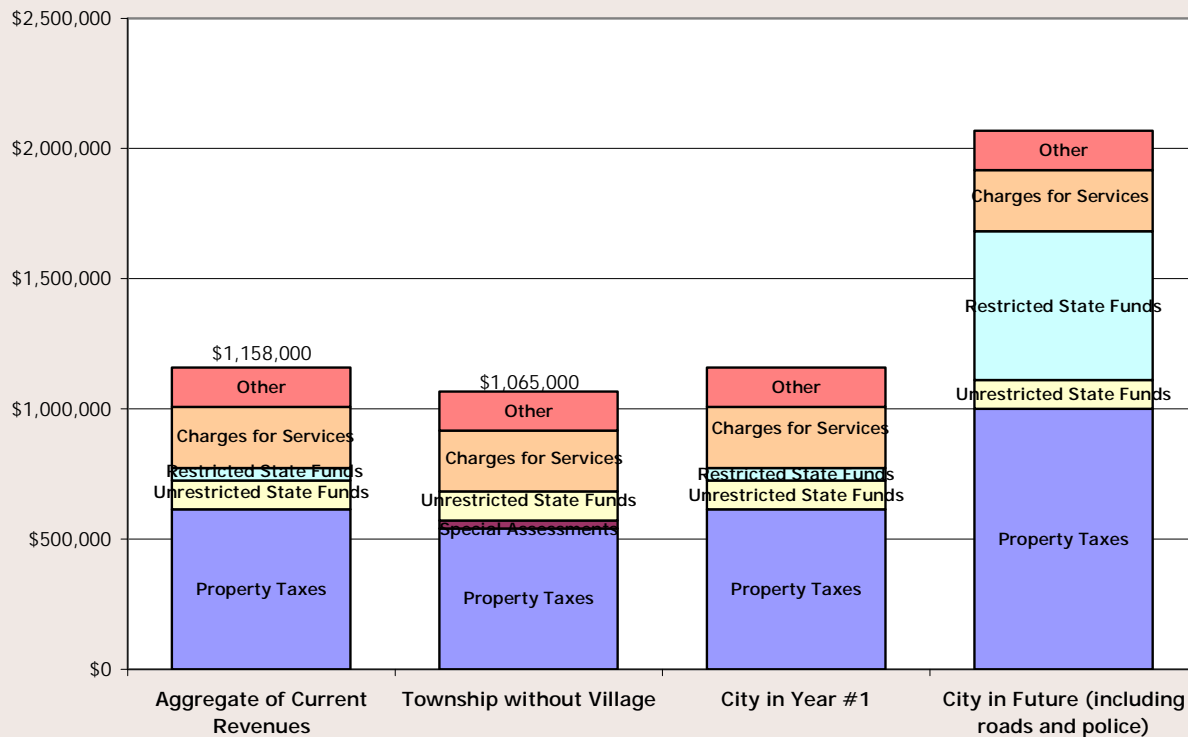
2010, that revenue source yielded almost \$94,000.

It can be assumed that the aggregate revenues generated by the township and village from charges for services (mostly sewer fees), restricted revenues for liquor control enforcement, unrestricted state revenue sharing, and "other" sources, would remain unchanged if the township and village are consolidated into a single governmental entity.

Restricted revenues for road funding would depend on the number of miles under the jurisdiction of the consolidated government. Under a scenario where the village is dissolved to leave only the township, there would be no road miles under the jurisdiction of the township and no Act 51 funding. Under a scenario where the governments are consolidated into a city government, it can be assumed that at least the current Act 51 funding would continue. That

It can be assumed that the aggregate revenues generated by the township and village from charges for services, restricted revenues for liquor control enforcement, unrestricted state revenue sharing, and "other" sources, would remain unchanged if the township and village are consolidated into a single governmental entity.

Chart 8
Revenues of a Consolidated Onekama Government



Source: Onekama Township Financial Statement, March 31, 2010 and Village of Onekama Audited Financial Report for the year ended February 28, 2010. CRC Calculations.

amount could increase if jurisdiction over more mileage is transferred from the county road commission to the city. (See **Chart 8**.)

Snow Plowing and Street Lights

While most of the services provided by the village can easily be assumed by the township, or can be provided by a consolidated city government, a few services will not translate to the whole Onekama community. First among these services is the sewer system. As has already been detailed, sewer services are fee based and assumption of the sewer system by a consolidated government will not cause additional costs for township residents outside of the area where sewer services are provided.

Also significant are the issues of snow plowing and operation of street lights in the area currently constituting the village. As a community in Northern Michigan on Lake Michigan, Onekama tends to get a lot of snow. The Village of Onekama has dedicated a large portion of its highway funding to snow removal, with a relatively aggressive approach to keeping the streets passable during the winter. Maintenance of this snow removal effort in the area constituting the village has been identified as a priority by village residents.

Likewise, village residents have expressed an interest in keeping the street lights operating whether the village and township continue as separate entities or are consolidated.

Should the residents of Onekama opt to dissolve the village and operate with only the township, it is recommended that a special assessment district be created in the area that currently constitutes the village for the purpose of funding snow removal and street lights. Should the residents of Onekama opt to incorporate as a city, the Act 51 funding and city funds would support general road maintenance, including winter snow removal, but it is recommended that a special assessment district be created in the area that currently constitutes the village for the purpose of funding street lights.

Public Act 246 of 1931 allows the levy of an ad valorem special assessment on the properties benefited by road improvements. The amounts yielded by a special assessment levied under this act could be used for improvements of county roads within townships and for sidewalk construction, improvement, or repair. The special assessment is imposed by resolution of the county road commission upon petition by owners of at least 51 percent of the lineal front footage abutting the public highway, or upon receipt of a resolution from the township board. Unlike property taxes, a special assessment imposed under this act is not required to gain approval in a public referendum. There is not a limit to the amount that can be assessed, but the assessment can only be imposed for a period of ten years at a time.

It is assumed that roughly \$20,000 would be needed on an annual basis to cover the cost of snow removal.

Public Act 116 of 1923 provides for the levy of special assessments by villages and townships for public improvements including street lights. A special assessment district can be created by petition of at least 51 percent of the land owners in the proposed district. The cost of street lights would be divided among the property owners benefiting either on a front footage basis or in an amount levied equally on each parcel of property.

Should the township adopt charter township status, Public Act 359 of 1947 allows for the creation of special assessment districts for street lighting. Under this act, the district could be created by action of the township board or by petition of the land owners in the proposed district. (See also PA 188 of 1954)

Should the community incorporate as a city, Public Act 279 of 1909, the Home Rule Cities Act, allows for the creation of special assessment districts for purposes such as street lighting.

The village currently budgets \$11,000 for the operation of street lights.

Is Onekama Village Financially Sustainable?

This question is not meant to insinuate that the village is undergoing current financial difficulties akin to the problems that so many other Michigan municipalities are experiencing. Rather, it suggests that development has passed the village by and village officials may soon be forced to levy taxes at higher rates to support the services currently provided.

Population

Chart 1 (on page 3) shows that the population of the township has been growing while the population of the village was constant for many years before declining by more than a third between 2000 and 2010. Although the populations of both communities tend to be older than the average or median ages for Manistee County or the State of Michigan, a community with so many people at retirement age suggests fixed incomes with limited ability to take on greater taxes to support public services.

Tax Base

Public finance studies have shown that residential properties tend to consume more governmental services than they contribute through taxation. While businesses benefit from police and fire protection, far more public safety calls send police and fire responders to residential properties than commercial and industrial properties. Additionally, while quality of life services – education, parks and recreation, etc. – are important for attracting businesses to an area, those services are of no direct benefit to businesses. Residents are direct consumers of those services.

The 2009 Onekama Community Master Plan identified the non-residential properties in Onekama Village.

Downtown Onekama has a variety of retail businesses loosely strung along M-22 (Main Street) between 8 Mile Road and 4th Avenue. Businesses within the district include MacBeth & Co., Nature's

Elegance, Onekama Building Supply, Onekama Family Market (IGA), the Fish Tale Café, Lineback's Wine Tasting, The Glenwood Restaurant, Shay's Chop House, the Blue Slipper Bistro, the Blue Slipper Bakery, the Tailgate Lounge, the Portage Lake Marina, and the Village and Township municipal offices. Several other area businesses such as the Portage Point Inn, Miller's Fruit Market and other roadside fruit stands are located outside of the business district. (p. 54)

The Master Plan went on to state that of the ten retail stores in the business district, four are seasonal or have very limited hours in the winter, if opened at all. During the winter, retail sales are limited to the grocery store, gas stations, and hardware store.

Taxable Value

The ability to maintain a constant level of service delivery in a local government assumes that the revenues will grow at a pace to meet the increase in expenses that naturally flow from inflationary pressures. The last 15 years have not been spectacular for any local gov-

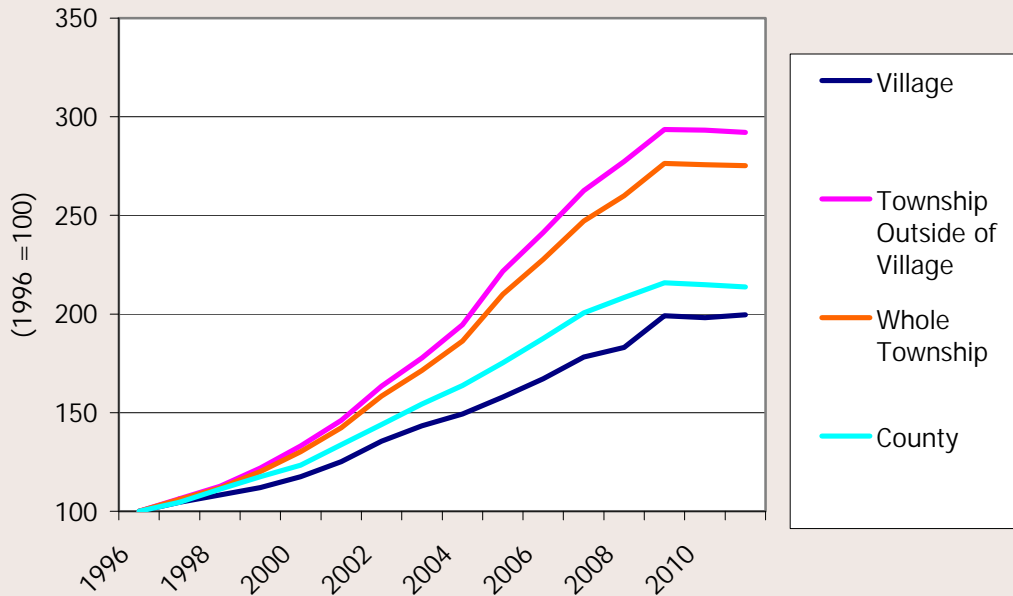
ernment in Michigan, but the growth of taxable value for the Village of Onekama has been markedly slower than the township outside of the village, the township as a whole, and the county as a whole. (See **Chart 9**.)

Notwithstanding a strong market interest in the Onekama area that markedly drives up prices, the opportunities for growth of the village's tax base are limited. The 2011 taxable value of property in the village, \$18.6 million, is 76 percent of the village's state equalized value, \$24.5 million. Fully closing this gap would add only about \$30,000 to the village's property tax yield.

Michigan law provides few options for closing the gap between state equalized value (SEV) and taxable value (TV). For most communities this is occurring because depreciation in real estate values is

The opportunities for growth of the village's tax base are limited. The 2011 taxable value of property in the village, \$18.6 million, is 76 percent of the village's state equalized value, \$24.5 million. Fully closing this gap would add only about \$30,000 to the village's property tax yield.

Chart 9
Growth in Taxable Value for Onekama Township, the Village of Onekama, and Manistee County, 1996 to 2011



Source: Michigan Department of Treasury, Onekama Assessment records.

reducing SEV while TV remains unchanged or increases with the rate of inflation. This does not help to finance municipal services. The gap also is reduced when ownership of properties is transferred, usually because of sales, and that parcel's TV "pops up" to equal the SEV. The gap between the values also is minimized when new properties are added to the tax base, coming in with SEV equal to TV. Onekama Village is mostly built out, meaning that there is little opportunity to add to the tax base through new development.

The village is relatively small and delivers few services relative to other municipal governments, but it may soon find that the revenues generated by 5

mills on the limited tax base are not sufficient to fund the services that residents expect.

Summary

The limited ability for Onekama Village's tax based to grow and the dim prospects for the state to resume funding statutory state revenue sharing are likely to present financial problems some time in the future. The cost of providing governmental services is prone to inflationary increases, just as businesses and individuals experience. The likely result of these causes is that the village will have to increase its tax rate to yield more revenue from the existing base. Yes, Onekama Village is sustainable, but not by maintaining the current policies.

Conclusion

The residents and elected officials in the Township of Onekama and Onekama Village are considering the options for consolidating the governments into a single entity. This possibility of consolidating the governments is driven not by fiscal necessity, but by a planning process that seeks to create an efficient and simplified provision of governmental services.

Michigan law provides two options for consolidating the village and township: (1) disincorporate the village to leave only the township or (2) incorporate as a city.

Onekama residents should not expect major savings by consolidating their village and township governments. The two governments do not provide many governmental services to begin with, and it is expected that most of the services for which the village spends the largest sums—sewers, snow removal, parks, street lights, the Farr Center—would continue under the aegis of either the township or a city.

The primary concern of village residents expressed through public forums to discuss the options is the need for timely snow removal. Townships do not have a formal role in road maintenance or snow removal under Michigan law, but townships have brokered arrangements with their county road commissions to supplement the services they provide. In the event that the village is disincorporated,

Onekama officials can investigate the possibility of a similar arrangement with the Manistee County Road Commission to provide snow removal on the streets that are currently within the village boundaries.

The other major services provided in Onekama – sewer services by the village, fire protection, parks, the Farr Center, street lighting, and the cemetery – should be able to continue without interruption if the two governments are consolidated.

Some efficiencies and taxpayer savings may result from the consolidation of local governments, but the benefits that are not easily quantifiable may be the primary gain from consolidation. Even without major savings, consolidation is still worth pursuing because the interests of the village residents can be served even in a consolidated government; the duplication that does exist will be eliminated; and the interests of the community will be better served in planning, community and economic development, stewardship of Portage Lake, and a simplified interaction with municipal government.

Neither the village nor the township is in a crisis situation. Each will continue their current operations in the absence of a consolidation. While the village finances could be a problem in the long term, the strong history of collaboration between the village and the township means that this is not an insurmountable problem.

Appendix A A Brief History of Previous Local Government Consolidation Efforts

Michigan has had limited experience with the consolidation of municipal governments. The following is meant to provide a little bit of history to understand recent efforts – both successful and unsuccessful.

Jackson Annexation Efforts

In the early 1960s, the City of Jackson attempted to head off future growth and financial problems by annexing undeveloped land in neighboring Leoni, Summit and Blackman townships. The animosity created by the city's confrontational efforts eventually led the business community to commission a comprehensive study of a full merger of the four governments into a single city.

The study concentrated on the ability of the Jackson region to develop into an attractive place to live and work, with a high quality of life. It was argued that the creation of a new consolidated city would provide a greater opportunity for a well-balanced community in terms of tax base, land use, and social and economic development than existed in the four separate units of local government. By combining the tax base into a single entity, the suburban regions would benefit from the city's commercial and industrial tax base. The city, in turn, would benefit from the growth in the absolute value of the tax base.²⁴

Over time, opposition to the consolidation of the governments grew and eventually Leoni and Blackman townships withdrew from consideration of the merger. The question was put to the voters in November 1968. The consolidation passed by a strong 2-to-1 margin in the city, with nearly 13,000 voters turning out. But in Summit Township, more than 7,300 "no" votes swamped the 1,400 supporters.²⁵

Battle Creek and Battle Creek Township

In the early 1980s, the Kellogg Company was planning to build a new company headquarters as part of its planned expansion. With operations in several states, but its founding and corporate offices in Michi-

gan, the company could have located elsewhere but sought to stay in Michigan. The City of Battle Creek was dealing with cutbacks caused by a severe economic recession and plant closings at the Eaton Corporation and Clark Equipment Company, as well as growing uncertainty over the future of downtown Battle Creek resulting from opening of the suburban Lakeview Square mall.²⁶ With Kellogg's plan to invest \$30 million in the construction of a new headquarters and the prospect of retaining or creating new jobs, the company sought concessions from the City of Battle Creek, the State of Michigan, and from its workers.²⁷

The company expressed a desire for the city to broaden its tax base by merging with its wealthiest suburb, Battle Creek Township, and invest to revitalize the downtown area.²⁸ Kellogg hoped that the combination of the two communities would create a stronger entity and spark industrial and commercial development. Kellogg decided that it needed a bigger community to attract talented managers and that it needed to eliminate local inter-governmental bickering that hindered progress.²⁹ In addition to retention of the Kellogg Company headquarters, the company pledged to provide \$1.6 million for the city's economic development fund, and other companies pledged \$4 million if voters approved the merger. In November 1982, city voters approved the merger by a vote of 9,524 to 816, and the township voters endorsed the measure by 6,857 to 3,804. On January 1, 1983, the city of Battle Creek with 35,724 residents annexed Battle Creek Township with its population of 20,589.³⁰

The results of the annexation have been mixed. The annexation increased the size of the city, thus increasing its stature. Money was invested in a new downtown park as part of the city's beautification, with the new Kellogg headquarters as the centerpiece. It helped clean up the downtown area, but the downtown area is not much used by Kellogg employees or others.³¹

Neither the annexation, investment by Kellogg, nor beautification efforts were enough to keep other com-

panies from moving out of downtown. There was some evidence of the change causing positive development. By 1989, about 50 companies had settled into the Fort Custer Industrial Park, located five miles west of downtown Battle Creek.³² On the whole, the annexation might have slowed, but did not stop, the decline of the urban center.

Iron River

In 1971, the U.S. Department of Housing and Urban Development (HUD) financed a study of merging the cities of Iron River, Stambaugh, Gaastra, Caspian, and the Village of Mineral Hills in Iron County on the western side of Michigan's Upper Peninsula.

Each of the communities involved in the Iron River consolidation was organized around a mining operation. Mining operations helped fuel the local economies, but the decline of mining operations in the U.P. created fiscal strain for each of the communities.

Those communities employed a variety of tactics in response to the long-term decline in prosperity, including development of a number of inter-local agreements. The most significant of these were intergovernmental agreements for the provision of public safety. Prior to 1999, the City of Iron River, Village of Mineral Hills, and the townships of Iron River, Bates, and Stambaugh jointly provided fire protection through the West Iron County Fire Authority. The Tri-County Fire Authority provided fire services for the cities of Caspian, Gaastra, and Stambaugh.

The City of Stambaugh disbanded its police force in 1996 and began a contractual relationship with the City of Iron River for police protection.

Some 23 years after the HUD study, the studied municipalities began to formally explore the options and issues related to consolidation. In 1997, a consolidation petition was filed with the State Boundary Commission that included only four of the municipalities: the City of Gaastra was excluded after residents failed to pass the needed municipal ordinance. The consolidation measure was put to a vote on November 3, 1998, and received majority support in the cities of Iron River and Stambaugh, and the Village of Mineral Hills. However, for the referen-

dum to be successful it required majority support in all of the municipalities involved and it was thus defeated because the voters in the City of Caspian rejected the measure. The level of support in the municipalities in which it was successful gave supporters sufficient optimism to regroup and proceed without the City of Caspian.

New analyses, educational efforts, and preparation occurred over the course of the next year, leading up to a successful vote in the cities of Iron River and Stambaugh, and the Village of Mineral Hills on November 2, 1999.

Financial Implications of Consolidation

Post merger analyses of the cost of service provision in Iron River have shown mixed results. While savings have been achieved in the provision of services relative to the cost prior to merger, a comparison of Iron River's cost structure with other similarly sized and located municipalities suggests that the merger has not improved Iron River finances relative to its peers.³³

Grand Blanc City and Grand Blanc Township

Early in the 2000s, a group of citizens from the City of Grand Blanc and Grand Blanc Township began discussion of consolidation of the two local governments. The community is served by a single school district, Michigan's first consolidated school district, and the two governments had a long history of collaborating that would seem to make consolidation the next step. An analysis was performed to provide an estimate of what a combined city government might look like and the supporters of consolidation worked through the State Boundary Commission process to bring the question of consolidation to a vote.

The 32.74 square mile Charter Township of Grand Blanc, with a 2000 population of 29,827, had grown much larger than the 3.76 square mile City of Grand Blanc, which had a 2000 population of 8,242. Because the city was largely built out and mostly residential in nature, there was little opportunity for new development. New subdivisions and commercial "big box" stores found space to build in the township. It

was thought that a merger would achieve some savings, and just as significant, it was hoped that consolidation would result in better planning and land use.

The earlier actions of the city and township to collaborate in the provision of government services laid the groundwork for a consolidation question. At the time that the question of consolidation was posed, the city and township were engaged in the joint provision of fire protection, library services, recreation programs, senior center operations, and police mutual aid.

These joint service arrangements removed some of the economic incentives for a full consolidation of the two governments. Some people were looking for economic incentives to support consolidation, either in reduced taxes or tangible service improvements. Because the two governments were already collaborating for the provision of some of the most capital intensive services, the economies of scale were already being enjoyed. The remaining services provided little opportunity to create further economies of scale. Many of the remaining services cost relatively little to provide, so that even if economies of scale could be gained, the resulting savings were minor.

With most of the tax base in the Grand Blanc community located in the township, consolidating the tax bases to support a single united city would have provided tax relief to property owners in the existing city, with township residents paying the same, or slightly higher, tax rates. Although the city had historically provided more services than the township, the recent growth of the township and growth of the township government to meet the growing needs of its residents had resulted in greater parity in service provision.

A second dynamic was the fact that the city was already a very lean operation. City officials routinely assumed multiple tasks as part of the day-to-day operations. Because the city workforce performed multiple tasks, consolidation raised the prospect of replacing a single person performing two or three tasks with three people performing those same three tasks. While services might have been upgraded, it was unlikely that savings would be a result.³⁴

The two communities held independent votes on the question of proceeding with consolidation on May 2, 2006. The voters of each entity had to approve the question for the process to continue. The question was defeated in both jurisdictions, receiving only 31 percent of the vote in the city and 32 percent of the vote in the township.³⁵

Endnotes

- ¹ Onekama, Michigan, from Wikipedia, the free encyclopedia, http://en.wikipedia.org/wiki/Onekama,_Michigan.
- ² American Factfinder, U.S. Census website, Table DP-1 Profile of General Population and Housing Characteristics: 2010, http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_DPDP1&prodType=table.
- ³ American Factfinder, U.S. Census website, Table DP-1 Profile of General Population and Housing Characteristics: 2010, http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_DPDP1&prodType=table.
- ⁴ U.S. Census Bureau, American FactFinder, www.factfinder.census.gov.
- ⁵ Communication with Lynn Harvey, retired, Michigan State University State and Local Government Program, April 15, 2011.
- ⁶ Communication with Lynn Harvey, retired, Michigan State University State and Local Government Program, April 14, 2011.
- ⁷ Press Release, Village Of Onekama and Onekama Township to Consider Consolidation, January 28, 2011
- ⁸ PA 279 of 1909, MCL 117.7.
- ⁹ U.S. Bureau of the Census.
- ¹⁰ PA 191 of 1968, MCL 123.1001.
- ¹¹ PA 116 of 1954, MCL 168.1 - .992.
- ¹² MCL 74.18a (9).
- ¹³ MCL 74.23a - .23i.
- ¹⁴ MCL 74.23h.
- ¹⁵ Section 3 of the Home Rule Cities Act states that each city charter shall provide for ... "The public peace and health and for the safety of persons and property." (MCL 117.3)
- ¹⁶ www.rurdev.usda.gov/Utilities_Assistance.html
- ¹⁷ Onekama Community Master Plan, 2009, pp. 67-68.
- ¹⁸ Transfer of Jurisdiction over Highways, Act 269 of 1969, <http://legislature.mi.gov/doc.aspx?mcl-Act-296-of-1969>.
- ¹⁹ Amounts provided in a telephone conversation with John Niemela from the County Road Association of Michigan on February 22, 2011.
- ²⁰ PA 111 of 1956, MCL 247.351, et seq., <http://legislature.mi.gov/doc.aspx?mcl-Act-111-of-1956>.
- ²¹ Telephone conversation with Richard F. Dunnill, Grand Blanc Township Manager, February 17, 2011.
- ²² Telephone conversation with John Daly, General Manager of the Genesee County Road Commission, February 24, 2011.
- ²³ Minutes of the Organizational Board Meeting of the Genesee County Road Commission, January 4, 2011, www.gcrc.org/files/minutes/minutes2011/GCRC_BD_MEETING_1-04-11_ORGANIZATIONAL.pdf
- ²⁴ See *Municipal Consolidation in the Jackson Community*, Citizens Research Council of Michigan, Report No. 223, January 1966.
- ²⁵ *Peek Through Time: Consolidation of Jackson and surrounding townships wasn't meant to be*, Jackson Citizen Patriot, April 30, 2011.
- ²⁶ *LaMothe's Legacy: 'Look, Learn, Listen, Act'*, Battle Creek Enquirer, August 9, 2004, <http://orig.battlecreekenquirer.com/news/stories/20040809/neighbors/1006585.html>.
- ²⁷ *Kellogg's six-hour day*, Benjamin Kline Hunnicutt, p. 182, <http://books.google.com/books?id=IXAbTfpTnhMC&pg=PP1&pg=PP1#v=onepage&q&f=false>
- ²⁸ *Kellogg's six-hour day*, Hunnicutt, p. 183.
- ²⁹ *Town Known For Cereal Remains A Banana Republic*, Chicago Tribune, November 29, 1989, http://articles.chicagotribune.com/1989-11-29/news/8903130679_1_cereal-city-kellogg-foundation-general-foods/2.
- ³⁰ *Kellogg through the years*, www.wzzm13.com, February 19, 2006, www.wzzm13.com/news/story.aspx?storyid=50732.
- ³¹ *Kellogg's six-hour day*, Hunnicutt, p. 184.
- ³² *Town Known For Cereal Remains A Banana Republic*, Chicago Tribune, November 29, 1989.
- ³³ See *Municipal Consolidation: Theoretical Inquiry and Case Study: City of Iron River, MI* by Joseph M. Martin, Michigan State University, Department of Agricultural Economics, 2006 and *Cost Ramifications of Municipal Consolidation: A Comparative Analysis* by Eric A. Scorsone, Michigan Senate Fiscal Agency and Joseph M. Martin, Michigan Department of Economic Development Corporation.
- ³⁴ For more information see CRC Report No. 339, *The Financial Implications of Consolidating the City of Grand Blanc and Grand Blanc Township*, March 2005.
- ³⁵ Genesee County Clerk's Office, Elections Division, www.co.genesee.mi.us/clerk/images/Election%20results/082006/AUG2006CANVASS.htm.

APPLICATION AND PERMIT TO CONSTRUCT, OPERATE, USE AND/OR MAINTAIN WITHIN THE RIGHT-OF-WAY, OR TO CLOSE A COUNTY ROAD. If a contractor is to perform the construction entailed in this application and permit, and is supplying the deposit, and bond, he will fill out the information block provided, and thereby assumes responsibility, along with the applicant, for any provisions of this application and permit which apply to him.

Application No. 18942
Permit No. 2008-800037
Date 02/21/2008

Grand Blanc Charter Township
Attn: DPW Director
6-5871 S Saginaw Road
PO Box 1833
Grand Blanc, MI 48480-0067
Phone(s): 810-424-2800
Fax: 810-694-2881

Signature 
Title DPW Date 1/21/09

Signature _____
Title _____ Date _____

Plans No
Insurance

**3 WORKING DAYS
BEFORE YOU DIG - DIAL
(MISS DIO)
(TOLL FREE)
(800-462-7171)**

Receipt No.
To Be Billed
Letter/Credit
Work Order No.

Job Winter Maintenance

Applicant and/or Contractor request a Permit for the purpose indicated in the attached plans and specifications at the following location:

City/Township Grand Blanc Twp Project Yearly Regs
Name of Road Various Roadside
Between and

For a Period Beginning 02/21/2008 and Ending
and Agree to the terms of this permit.

A perpetual, continuously renewable permit to construct/operate/maintain the public watermain, sanitary sewer, storm sewer, sidewalks, snow removal and other activities within the public's right-of-way within the corporate limits of the Township of Grand Blanc.

Recommended For Issuance:


(Investigator)

01-07-09
Date

Board of County Road Commissioners
Genesee County, Michigan

By 
Director TE&P

(Project/Traffic Engineer)

Date

1. **Specifications** - All work performed under this permit must be done in accordance with the plans, specifications, maps and statements filed with the Commission and must comply with the commission's current requirements and specifications on file at its office and the MDOT specifications.

2. **Fees and Costs** - Permit holder shall be responsible for all fees incurred by the commission in connection with this permit and shall deposit estimated fees and costs as determined by the Commission, at the time the permit is issued.

3. **Performance Guarantee** - Permit holder shall provide a cash deposit and/or letter of credit in a form and amount acceptable to the commission at the time permit is issued.

4. **Insurance** - Permit holder shall furnish proof of liability and property damage insurance in the amount stated on this permit meeting the Commission as an "Additional Insured". Such insurance shall cover a period not less than the term of this permit and shall provide that it cannot be cancelled without ten (10) days advance written notice by certified mail with return receipt required to the Commission.

5. **Indemnification** - Permit holder shall hold harmless and indemnify and keep indemnified the Commission, its officers and employees from all claims, suits and judgment to which the Commission, its officers or employees may be subject and for all costs and actual attorney fees, which may be incurred on account of injury to persons or damage to property, including property of the commission, arising out of work under this permit, or in connections with work not authorized by this permit, or resulting from failure to comply with the terms of this permit, or arising out of the continued existence of the work product which is the subject of this permit.

6. **MISS DIG** - The permit holder must comply with the requirements of act 53 public acts of 1974, as amended. CALL MISS DIG (800) 482-7171 at least Three (3) working days, but not more than twenty-one (21) days before you start work. Permit holder assumes all responsibility for damage to or interruption of underground utilities.

7. **Notification of start and completion of work** - Permit holder must notify the Commission at least 48 hours before starting work and must notify the commission when work is completed.

8. **Safety** - Permit holder agrees to work under this permit in a safe manner and to keep the area affected by this permit in a safe condition until the work is complete. All work site conditions shall comply with the Michigan Manual of Uniform Traffic Control Devices.

9. **Restoration and Repair of Road** - Permit holder agrees to restore the road and Right-of-Way to a condition equal to or better than its condition before the work began; and to repair any damage to the road Right-of-Way which is the result of the facility whenever it occurs or appears.

10. **Limitations of Permit** - This permit does not relieve permit holder from meeting other applicable laws and regulations of other agencies; permit holder is responsible for obtaining additional permits or releases which may be required in connection with this work from other governmental agencies, public utilities, corporations and individuals, including property owners. Permission may be required from the adjoining property owners.

11. **Revocation of Permit** - This permit may be suspended or revoked at will, and the permit holder shall surrender this permit and alter, relocate or remove its facilities at its expense at the request of the Commission.

12. **Violation of Permit** - This permit shall become immediately null and void if permit holder violates the terms and conditions of this permit, and the Commission may require immediate removal of permit holder's facilities, or the Commission may remove them without notice at permit holders expense.

13. **Traffic Control Signs** - Traffic control signs that require relocation as part of permit activity within the road Right-of-Way shall not be removed without prior approval of the Commission. Removal and relocations of signs shall be by the G.C.R.C. Sign Shop and the cost of same will be billed to the permit holder.

14. **Residential Approach Specifications** - Culvert shall be a minimum of 22' in length, plus end sections. Diameter will be a minimum of 12", or as specified by the G.C.R.C. If an area does not have an existing ditch, and a ditch is established in the future, a culvert will be required at the current property owner's expense, at that time.

15. **Time Period** - The period applied for and granted in this application and permit covers activity within the Right-of-Way. Failure of the applicant to begin work within one (1) year from the date of issuance shall cancel this permit. RENEWAL MAY BE OBTAINED FOR AN ADDITIONAL YEAR UPON APPLICATION AND PAYMENT OF THE PERMIT FEE. FAILURE TO DO SO WILL RESULT IN FORFEITURE OF THE PERFORMANCE DEPOSIT ACCOMPANYING THE ORIGINAL PERMIT. The obligation to operate, use, and/or maintain the facility to the satisfaction of the Commission remains in force as long as the facility exists and is within an area under the jurisdiction of the Commission.

1. **Permit** - Individual in charge of the work shall have the permit and the approved plans or sketches in his possession on the job at all times.

2. **Excavation and Disposal of Excavated Material** - The contractor and/or the Utility Co. shall provide and place the necessary sheeting, shoring and bracing required to prevent caving, loss or settlement of foundation material supporting the pavement, or any other highway installation such as sewers, culverts, etc. The Contractor and/or Utility Co. shall assume the full responsibility for this protection. Excavated material shall be stockpiled in such a manner that it will not interfere with the flow of traffic. The applicant shall dispose of all surplus and unsuitable material outside of the limits of the Right-of-Way. In the latter case, the material shall be leveled and trimmed in an approved manner. **BERMS WILL NOT BE ALLOWED UNLESS SHOWN AND APPROVED ON THE PERMIT.**

3. **Backfilling and Compacting Trenches, Holes, Pits, etc.** - All trenches, holes and pits shall be filled with approved materials that shall be placed in successive layers no more than twelve (12) inches in depth, loosed measure and compacted to not less than 95% of the maximum unit weight. Gravel bases shall be compacted to no less than 98% of the maximum unit weight. Trenches: holes or pits that are outside the existing or proposed future road bed influence area shall be compacted to no less than 90% of the maximum compacted unit weight. The influence area is defined as the area under the existing or future road bed and a one on one slope line drawn outward and down from a point 2 feet outside and horizontal to the existing or proposed shoulder or curb and gutter.

When a water table is encountered or areas with water infiltration, the backfill required shall be granular material class III (MDOT Specification) or better to a point two (2) feet above the water table. All other backfill material shall have a moisture content no greater than 3% above optimum. The top 3 feet of back fill shall not exceed optimum by more than 2%. See the Michigan Department of Transportation Standard Specification (1990) Section 2.08.10 ROADWAY EMBANKMENT for more detail.

4. **Gravel Road Crossings** - All trenches across the roadbed shall be backfilled as specified in paragraph 3 to within 12 inches of the finished road surface. The top 12 inches shall be constructed with 23A limestone aggregate.

5. **Crossing Roadbed by Tunneling or Boring and Jacking** - when the pipe is installed by this method without cutting the existing pavement, all remaining voids around the installation shall be filled by a method approved by the Road Commission Inspector. Pressure grouting shall be required when deemed necessary. When the traveled portion of a road is tunneled or bored and jacked, the length of the pipe or casing shall extend ten (10) feet beyond the edge of the road way or five (5) feet beyond the back of curb. Special consideration will be given when field conditions preclude these measurements.

6. **Concrete and Bituminous Pavement Crossings (Open cut method)** - When this method is approved by the Road Commission, the pavement shall be sawed so that the pavement area to be removed is a minimum of one (1) foot wider on each side than the minimum width of the trench. In no case shall the remaining slab width be less than five (5) feet from the patch to the nearest pavement joint. Pavements shall be saw cut full depth. Concrete patches shall be tied to the existing slab by installation of epoxy-anchored lane ties on forty (40) inch centers on all exposed faces of the existing pavement. The epoxy anchored lane ties shall be located at one-half (1/2) the pavement depth. Backfill shall be placed according to paragraph three (3). The pavement shall be replaced with new pavement of the cross-section approved by the Road Commission, unless at a season of the year when it is not feasible, in which case a temporary surface of bituminous material shall be placed and maintained, and later replaced with the approved pavement cross-section at the applicant's expense. Existing sub bases shall be replaced in kind.

7. **Depth of Cover Material** - Depth of cover for underground facilities shall be determined at the time of application for a permit. In no case shall there be less than four (4) feet of cover between the surface of the traveled portion of the roadway and the facility being placed, and not less than two (2) feet below the flow line of the ditches.

8. **Tree Protection or Removal** - Secure written permission of the abutting property owner when required.

9. **Removal** - Dispose of all limbs, logs, stumps and litter in a manner acceptable to the Road Commission and Local or State requirements.

10. **Protection** - Underground facilities that interfere with trees in the Rights-of-Way shall be bored six (6) inches for each inch of tree diameter in all directions from the base of the tree.

11. **Restoration and Final Cleanup** - Final cleanup shall be such that it will provide a condition equal to or better than the original condition.

12. **Protection of Established Survey Points and Datum** - The permit holder shall protect, preserve and/or restore, at his own expense, any established survey points and datum within the limits of the work covered by this permit.

13. **Traffic and Safety** - When this permit allows the closing of a road, or the use of one or more traffic lanes, or where construction is in close proximity to the traveled portion of the road, signs, signals, lights, etc. shall be placed and maintained in accordance with the Michigan Manual of Uniform Traffic Control Devices and/or Genesee County Road Commission specifications. The Traffic control called for shall be minimum and the contractor shall erect and maintain at his own expense, all signs, signals, etc. for safety as directed by the Traffic Engineer and/or the Genesee County Road Commission Inspector.

14. **Any operation in the Right-of-Way not covered by these specifications shall be done in accordance with the instructions of the County Highway Engineer and/or the Inspector assigned to the project.**

15. **Full compliance is required with any regulations of the Public Service Commission and Municipal and State Regulations.**

16. **The following must be attached to application when applicable**

1. Deposit and/or Bank Letter of Credit, except local units of government.
2. Plans, specifications and location of facility.
3. Copy of Resolution for local units of government.
4. Traffic control plans.
5. In cases of banner applications, legend and location must be shown.