



Governmental Research Since 1916

CRC Memorandum

No. 1078

A publication of the Citizens Research Council of Michigan

January 2005

THE FINANCIAL IMPLICATIONS OF CONSOLIDATING THE CITY OF GRAND BLANC AND GRAND BLANC TOWNSHIP

In Brief

The Charter Township of Grand Blanc has experienced a great deal of residential development in recent years and is likely to continue to grow for some time. In the middle of the township lies the City of Grand Blanc, a separate governmental entity with its own system of service delivery. The question for Grand Blanc residents is whether they want the township to continue to grow separate from the city, or do they want to consolidate the two entities into a single city. This analysis finds that consolidation would result in some efficiencies in individual departments, but that other departments would likely need to increase staff levels. A consolidated police force would be better suited to meet the needs of a growing community. Incorporation would allow for assumption of responsibility over roads, but would also shift the burden of paying for improvements to the new city. Access to the township tax base would allow for a tax rate reduction of about 6 mills for residents of the City of Grand Blanc. Township taxpayers would be subject to a tax rate increase of 1.5 to 2 mills.

Michigan is replete with small cities and villages surrounded by a township. Over many years, the powers and financial abilities of townships have been strengthened to permit those units to do many of the things normally associated with cities. This strengthening of township government as a service provider has blurred the lines that separate townships from cities. Where township residents once might have needed to petition for annexation to a city to receive municipal services, today cities, villages, and charter townships provide many of the same services. With no clear separation of roles to most taxpayers, the differences among them are becoming less apparent.

Such arrangements have led to questions of consolidation for communities such as Grand Blanc, in Genesee County. The lack of substantial difference between the form and function of government offered by a city or a township has created circumstances where citizens have begun to question the need for two local units of government to serve a single community.

The Grand Blanc area is served by two units of government: a city of 3.76 square miles and 8,242 people as of the 2000 Census surrounded by a township of 32.74 square miles and 29,827 people. In measures of age composition, racial composition, and average income of their residents, these two units are fairly homogenous. Land use, social and business activity, and trends in economic development leave these units nearly indistinguishable. Residents in both

municipalities belong to the Grand Blanc Consolidated School District, and both units cooperate in the provision of a district library, a fire commission, a parks and recreation authority, and a senior center. One of the largest employers in the region, General Motors, is a plant that contributes to the tax bases of both units. The City of Grand Blanc and the Charter Township of Grand Blanc are alike in more ways than they are different.

Grand Blanc has experienced rapid growth in the past decade. For many years, growth in Grand Blanc was linked to economic activity in Flint, just to its north. Recent growth has had more to do with urban sprawl, as people have moved beyond Oakland County, just to the south, in search of homes and land. The township still has undeveloped tracts of land that could sustain a rapid rate of development for some time. Additionally, plans are being developed to bring two commercial developments to Grand Blanc Township.

Upon initiating the consolidation process by submitting petitions to the State Boundary Commission, a request was made to the Citizens Research Council of Michigan to provide an analysis of the form a city government might take to replace the current city and township governments and how the cost of operating that government might compare to the collective costs of operating the two governments separately. In order to provide such an analysis it is necessary to make some assumptions, among them 1.) that the general level of government currently provided to city and

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township residents is desirable to continue in a new city; 2.) that a council-manager form of government would be the form preferred by a city charter commission; 3.) that governmental functions provided external to the two governments – such as fire protection, library, and parks and recreation – would continue to operate external to the city government or be brought into city government at the same cost; and 4.) that a transfer in jurisdiction of roads could be negotiated with the Genesee County Road

Commission similar in composition to townships in other counties that have incorporated in whole, with the road commissions continuing to maintain major roads. Finally, it can be expected that for the first few years after consolidation the cost of operating local government would be higher than is currently the case, but decisions would be made on the long-term cost of providing local government and on the costs that could be expected absent consolidation.

General Government

General government refers to the policy-making and general overhead operations of city and township government. General government activities revolve around developing public policy and then implementing that policy. For purposes of this analysis, public safety and maintenance of public infrastructure are analyzed separately because they are major cost drivers for local governments and are likely to play key roles in decisions on consolidation.

Legislative Bodies. The City of Grand Blanc has a 6-member City Council that holds the legislative and policymaking powers of the City. Grand Blanc Township's 7-member Board of Trustees is vested with the legislative and policy-making powers of the charter township. The township supervisor, treasurer, and clerk serve dual roles as administrative officers and legislative board members. The peer cities have city councils that range in size from 5 to 7 members. Three of the four employ a council-manager form of government, with Kentwood using a strong mayor form.

For this analysis, it is assumed that the

new city would employ a 7-member city council and adopt a council-manager form of government. That decision would rest with a charter commission that could be assembled to draft a city charter and with the electorate in deciding whether to adopt the proposed charter. Estimating the cost savings of a single 7-member council relative to a 6-member city council and a 7-member township board is difficult. Although the township supervisor, treasurer, and clerk are members of the township board, their salaries are associated with the functions of government they oversee. Without a detailed time-cost analysis, it would be difficult to determine what percentage of their salaries is legislative in nature and what percentage is administrative. It is safe to assume that consolidation would result in a legislative cost saving.

City Manager. The direction and supervision of the City is controlled by the city manager, subject to council approval. In the township, this responsibility lies with the township supervisor, subject to trustees' approval. While these roles have some differences, they share many respon-

Peer Cities

To better understand how municipalities the size of a consolidated Grand Blanc have structured their governments, four peer cities were chosen for review: Kentwood, Kent County; Midland, Bay and Midland Counties; Novi, Oakland County; and Portage, Kalamazoo County. Each of these municipalities has a large geographical area by Michigan standards and is close to the estimated combined 2002 population of Grand Blanc City and Township (40,786). These municipalities serve as a basis in assuming the size of a bureaucracy in each department and provide a per capita expenditure amount for purposes of assuming the cost of each department.

sibilities. Generally, these officials are responsible for preparing annual budget requests, administering the budget under policies formulated by the council/board, hiring staff, and directing the day-to-day operations of their units.

Collectively, the City and Township employ 5 full-time equivalent (FTE) employees in functions associated with the manager's and supervisor's offices. This compares with the 4.75 FTE average for the comparison cities. While consolidation would allow for the elimination of one of these duplicative supervisory positions, the increased workload associated with operation of a city of more than 40,000 people would warrant an assistant city manager. No real savings can be assumed for the manager's/supervisor's office as a result of consolidation.

Clerk. Both the City and Township have the office of clerk, with the City clerk appointed and the Township clerk elected. In both units, the clerks have responsibility over records and elections as well as some financial responsibilities.

Table 1: Full-Time Equivalent Employees and Expenditure Data

	Grand Blanc City	Grand Blanc Township	Total of Both Units	Comparable Cities (Average)	Assumption for Consolidated City
Legislative Body					
Council/Board Members	6.00	7.00	13.00	6.25	7.00
FY03 Expenditures	\$ 73,828	\$ 119,619	\$ 193,447	\$ 28,358	\$ 100,000
Per Capita Expenditures	\$ 9.13	\$ 3.66	\$ 4.74	\$ 0.63	\$ 2.45
Mayor/Manager/Supervisor's Office					
Full-Time Equivalents (FTEs)	3.00	2.00	5.00	4.75	4.00
FY03 Expenditures	\$ 129,130	\$ 124,784	\$ 253,914	\$ 484,831	\$ 250,000
Per Capita Expenditures	\$ 15.97	\$ 3.82	\$ 6.23	\$ 10.82	\$ 6.13
General Office					
FY03 Expenditures	\$ 235,713	\$ 160,349	\$ 396,062	\$ 836,184	\$ 200,000
Per Capita Expenditures	\$ 29.14	\$ 4.90	\$ 9.71	\$ 18.66	\$ 4.90
Clerk's Office					
Full-Time Equivalents (FTEs)	0.50	3.50	4.00	4.50	4.00
FY03 Expenditures	\$ 93,951	\$ 256,339	\$ 350,290	\$ 342,062	\$ 326,288
Per Capita Expenditures	\$11.62	\$ 7.84	\$ 8.59	\$ 7.63	\$ 8.00
Elections Budget					
FY03 Expenditures	\$7,344	\$3,878	\$ 11,222	\$ 76,428	\$ 11,222
Expenditures Per Voter	\$ 1.18	\$ 0.15	\$ 0.36	\$ 2.52	\$ 0.36
Treasurer's Office*					
Full-Time Equivalents (FTEs)	1.00	4.50	5.50	3.75	6.00
FY03 Expenditures	\$ 24,873	\$ 216,102	\$ 240,975	\$ 255,594	\$ 244,716
Per Capita Expenditures	\$ 3.08	\$ 6.61	\$ 5.91	\$ 5.62	\$ 6.00
Finance Department**					
Full-Time Equivalents (FTEs)	1.50	3.00	4.50	8.63	6.00
FY03 Expenditures	\$ -	\$ 426,000	\$ 426,000	\$ 550,378	\$ 489,432
Per Capita Expenditures	\$ -	\$ 13.03	\$ 10.44	\$ 12.28	\$ 12.00
Information Technology Department					
Full-Time Equivalents (FTEs)	-	4.00	4.00	2.25	4.00
FY03 Expenditures	\$ -	\$ 290,000	\$ 290,000	\$ 416,052	\$ 290,000
Per Capita Expenditures	\$ -	\$ 8.87	\$ 7.11	\$ 9.29	\$ 7.11
Planning/Zoning Department***					
Full-Time Equivalents (FTEs)	1.00	5.00	6.00	6.50	6.00
FY03 Expenditures		\$ 400,000	\$ 400,000	\$ 529,188	\$ 482,091
Per Capita Expenditures		\$ 12.23		\$ 11.82	\$ 11.82
Assessing Department					
Full-Time Equivalents (FTEs)	0.50	5.50	6.00	6.38	6.00
FY03 Expenditures	\$ 36,716	\$ 379,819	\$ 416,535	\$ 478,228	\$ 435,187
Per Capita Expenditures	\$ 4.54	\$ 11.62	\$ 10.21	\$ 10.67	\$ 10.67
Personnel Department****					
Full-Time Equivalents (FTEs)	1.00	-	1.00	3.40	3.00
FY03 Expenditures	\$ 45,446	\$ -	\$ 45,446	\$ 498,321	\$ 363,716
Expenditures per FTEs	\$ 1,165.28	\$ -	\$ 303.99	\$ 2,992.74	\$ 2,884.47
Legal Services					
Full-Time Equivalents (FTEs)	0.50	1.50	2.00	1.50	1.50
FY03 Expenditures		\$ 199,529	\$ 199,529	\$ 284,235	\$ 258,583
Per Capita Expenditures		\$ 6.10	\$ 4.89	\$ 6.34	\$ 6.34
Police Department					
Full-Time Equivalents (FTEs)	22.00	59.00	81.00	72.25	74.00
FY03 Expenditures	\$ 1,905,705	\$ 4,175,542	\$ 6,081,247	\$ 6,864,029	\$ 5,400,000
Per Capita Expenditures	\$ 235.62	\$ 127.70	\$ 149.10	\$ 153.19	\$ 132.40
Building Department					
Full-Time Equivalents (FTEs)	0.50	5.00	5.50	9.30	5.00
FY03 Expenditures	\$ 88,794	\$ 639,606	\$ 728,400	\$ 781,502	\$ 640,000
Per Capita Expenditures	\$ 10.98	\$ 19.56	\$ 17.86	\$ 17.44	\$ 15.69
Dept. of Public Works and Services*****					
Full-Time Equivalents (FTEs)	7.00	19.00	26.00	41.80	30.00
FY03 Expenditures	\$ 915,524	\$ 1,231,268	\$ 2,146,792	\$ 1,201,074	\$ 2,500,000
Per Capita Expenditures	\$ 113.20	\$ 37.66	\$ 52.64	\$ 26.81	\$ 61.30
Building and Grounds					
FY03 Expenditures	\$ 587,597	\$ 161,139	\$ 748,736	\$ 569,655	\$ 518,390
Per Capita Expenditures	\$ 72.65	\$ 4.93	\$ 18.36	\$ 12.71	\$ 12.71
Total					
Full-Time Equivalents (excludes Legislative Body)	39.00	112.00	149.50	166.51	149.00
FY03 Expenditures	\$ 4,144,621	\$ 8,783,974	\$ 12,928,595	\$ 14,196,119	\$ 12,506,467
Per Capita Expenditures	\$ 512.44	\$ 268.64	\$ 316.99	\$ 316.84	\$ 306.64

* Midland's expenditures excluded because it did not have itemized treasury expenditures (these expenditures were included in the clerk's budget in FY03). The comparable cities' average population excluding Midland is 45,486.

** Grand Blanc City's finance expenditures are included in the clerk's expenditures. The city clerk is counted as 0.5 FTE clerk and 0.5 FTE finance director.

*** Portage's expenditures and FTEs are excluded because they were not itemized and comparable. The comparable cities' average population excluding Portage is 44,775.

**** Includes department and benefits/pension administration expenditures.

***** Includes DPW and Engineering in the comparison cities.

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All of the comparison cities have an office of clerk, with that official directly elected in the City of Kentwood. The staff needed to man the clerk's offices in these cities range from 3 to 6 FTEs, with an average of 4.5 FTEs including the clerk. The City and Township currently employ a total of 4 FTEs, and it is assumed that 4 FTEs would be necessary to perform these functions in a consolidated city.

Because Grand Blanc City and Township are on different elections schedules, as are the comparison cities, analysis of the costs associated with elections is difficult. It is assumed, however, that the cost of conducting an election lies in the expense of staffing and equipping precincts and that those costs are driven by the number of electors participating in any election. Consolidation will not change the number of electors and need not alter the number of precincts. It cannot be assumed that consolidation will significantly alter the cost of conducting elections.

Treasurer. Both the City and Township have an office of treasurer, with the City treasurer appointed and the Township treasurer directly elected. The primary duties of treasurers include receiving and taking charge of all monies and reporting on the receipt of all amounts received.

Three of the comparison cities have a city treasurer, ranging in size from 3 to 6 FTEs in their treasury departments. The City of Portage does not have a separate treasury department; the treasury function is included within the finance department. The City and Township employ a total of 5.5 FTEs in their treasury functions. It is assumed that consolidation could result in a slight increase in staffing levels, as an additional deputy trea-

surer would be necessary for managing the funds of the city. Assumed changes in costs for the treasury function might be somewhat misleading due to the small level of expenditures on this function reported by the City.

Finance. The city clerk is responsible for managing the finances of the City of Grand Blanc. Grand Blanc Township has grown to a level that it now has a separate finance department and director. These officials are responsible for managing accounts receivable, accounts payable, employee benefit plans, purchasing, and utility billing. (The Township budgets for its information technology functions within its finance department. These costs are isolated in their own budget for purposes of this analysis.)

The finance departments are an important function in the comparison cities. They are fairly large departments with high levels of expenditures. The comparison cities range in size from 6.5 to 10 FTEs with an average of 8.63 FTEs. The increased complexity in tracking finances, analyzing costs, and budgeting for future years leads to the assumption that the finance department would need to increase in size as a result of consolidation. While the City and Township of Grand Blanc collectively employ 4.5 FTEs, it is assumed that a consolidated city would need a staff of 6 FTEs. Creating a finance department sufficient in size to coordinate the activities of a city of 40,000 and growing will increase the cost of what the City and Township currently pay.

Information Technology. Grand Blanc Township budgets for its information technology (IT) services through the finance department. The City of Grand Blanc does not separate IT costs. The Township's IT de-

partment maintains computers, manages information systems, and maintains a geographic information system (GIS) analysis. With the rapid development being experienced in the township, GIS capacity enables the Township to better coordinate services.

The comparison cities employ a range of 1 to 4 FTEs in their IT departments, with an average of 2.25 FTEs. It is assumed that the staff employed by Grand Blanc Township to provide IT services would be sufficient to provide IT services to a consolidated city. The cost of operating the department is assumed to remain unchanged from what the Township current spends.

Assessing. Because property taxes are the primary source of revenues for local governments in Michigan, assessing is a function on which local units focus. Both the City and Township have separate assessing departments with responsibility for annually assessing the value of all taxable real and personal property in their jurisdictions.

Currently, the City and Township employ a total of 5.5 FTEs in their assessing departments. It is assumed that growth in the area will further increase the workload of this department. The comparison cities each employ 6 or 7 FTEs in their assessing departments and it is assumed that a consolidated city would require a staff of 6 FTEs to adequately perform the functions assigned to them. An increase in expenses can be expected with the slightly larger staffing level.

Planning and Zoning. Planning and zoning departments are responsible for land use planning and zoning and code enforcement to assure that orderly and safe construction, land use controls, and economic growth are taking place

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within their jurisdictions. The City of Grand Blanc has a community and economic development department that coordinates all municipal functions related to land use, economic development, capital improvement, general development, and construction. Grand Blanc Township has a planning and zoning department.

The City and Township combine to employ 6 FTEs for this function. The comparison cities employ an average of 6.5 FTEs for planning and zoning (Portage's 18 FTEs were excluded from calculation as an outlier). These other cities also have departments for community development and neighborhood services that are not included in this total. It is assumed that a staff of 6 FTEs would be necessary to carry out this function in a consolidated city with no significant changes in the level of expenditures. Contracts with outside consultants as needed provide greater capacity to perform the planning tasks.

Personnel. Management of the personnel function is among the many responsibilities of the township supervisor. The city manager oversees a separate personnel department that is

responsible for the selection process of employees including screening, testing, interviewing, hiring, and orienting employees to the City of Grand Blanc.

The comparison cities employ personnel departments of 1 to 5 FTEs, with an average of 3.4. It is assumed that a consolidated city would need a personnel department of 3 FTEs. Identifying the cost savings for personnel is difficult because so much of the cost is imbedded in the township supervisor's office expenses.

Legal Services. Both the City and Township contract for legal representation with local attorneys familiar with municipal law. The comparison cities employ 1.5 FTEs for legal services: 1 attorney and a half-time position for a clerk. Legal services in a consolidated city could be met through the appointment of a single city attorney supported by a half-time clerk, with the city contracting for any additional or specialized legal service needs as they might arise. It should be advised, though, that legal service needs will be higher than normal for the first few years following consolidation. Therefore, the city may re-

quire the services of additional attorneys and expenditures may be higher than initially expected.

Summary. At some population threshold, local government officials lose their ability to serve multiple roles in the provision of local government services. The workload associated with each task requires a greater level of specialization, with positions designed to perform individual tasks as opposed to positions that perform multiple tasks as is often found in smaller units such as the City of Grand Blanc. While the creation of a single bureaucracy to serve a consolidated Grand Blanc population would create some efficiencies and economies of scale, these savings would be offset by increased specialization that would result in staffing and expenditure levels for a consolidated unit that are slightly higher than the aggregate of the City and Township individually. (See **Table 1.**) Grand Blanc Township already has experienced this phenomenon to a certain degree and can be expected to continue down that path as its staff size grows to serve the expanding population.

Public Safety

One of the principal responsibilities of municipal government is to promote the health, safety and welfare of its citizens. In the urban context, public safety requires the performance of protective (police), preventive (fire), and regulatory (building inspection) services. The City of Grand Blanc and the Charter Township of Grand Blanc, individually and cooperatively, provide all three of these services.

Police Protection. Both the City of

Grand Blanc and Grand Blanc Township employ full-time police departments that operate 24 hours a day, 7 days a week.

The primary issue in police protection facing the Grand Blanc community is the increasing demands for police services that will be driven by both future residential and commercial developments. Residential development will increase the number of people living close to one another and interact-

ing with each other. The effect on the Township Police Department of new developments is growth of the geographic space that must be patrolled. The Township also plans to add one million square feet of commercial space in two developments in the near future. Commercial development increases the daytime population in the community, increases the amount of traffic on community roads, and may attract shoplifters, car thieves, and others interested in crimi-

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nal activity. With these increasing demands, the Grand Blanc Township Police Department is likely to need to increase the size of its force. It is possible that future expansion of the township's tax base will help to defray the cost of a larger department. While most new development will occur in the Township, the road configurations in the Grand Blanc area and the proximity of the proposed developments to the City make it likely that the need for increased staffing levels will create budgetary pressures for the Grand Blanc City Police Department as well.

A secondary issue for the current police departments will be the need to provide opportunities for in-service training to maintain their status as accredited police departments. The Michigan Commission on Law Enforcement Standards will soon be releasing training standards to bring Michigan in line with 47 other states. These standards will require a minimum of 25 hours per year of in-service training for each officer. Over time, that minimum could increase to 40 or more hours per year. The ability of the Township to meet these requirements will be difficult but achievable given the current size of the department. While the City Police Department already is nationally accredited, it is likely that an increased workload and tightening budget will make it difficult to maintain that high level of excellence in the future.

Currently, the City of Grand Blanc has a police force of 22 employees, including 18 sworn officers. The City is tied into the county dispatch system, but does respond to non-emergency calls during daytime hours. The Charter Township of Grand Blanc has a police force of 52 employees, including 46 sworn officers. The Township operates its own dispatch system. The

comparison cities have police departments ranging in size from 52 to 96 employees, with the number of sworn officers ranging from 50 to 86.

Consolidation of the City and Township police departments would allow for the creation of a department better organized to meet the needs of a growing community. As several of the peer cities have done, the department could be divided into a patrol division and a services division. All patrol officers presently employed by the two departments could be retained to staff the patrol division. The detectives presently employed by the Township could be retained to staff the detective bureau. All sergeants presently employed by the two departments could be retained to oversee the patrol division and detective bureau. The number of command officers overseeing the department and the two divisions could be reduced from the current 9 officers to 5 with the following configuration: a chief, deputy chief, captain of patrol division, captain of services division, and a training officer.

If policymakers in a new city feel it is necessary to maintain local dispatch services, current employees can be retained to continue that practice. Under strained financial circumstances, locally provided dispatch services would be seen as a duplication of efforts provided by Genesee County.

It would be advisable to retain the service officers currently employed by the City to perform tasks for which a uniformed officer is not necessary. Likewise, administrative assistants could be retained as necessary to assist with the administrative tasks necessary in operating a police department.

Changes of this nature can be expected

to reduce the cost of police protection by 10 to 15 percent, depending on the changes that are implemented. Greater savings would result from utilization of the county dispatch system.

Fire Prevention. The City of Grand Blanc and the Charter Township of Grand Blanc jointly provide fire prevention services through the Grand Blanc Fire Commission. The Commission operates a volunteer fire department that is overseen by a 5-member body composed of two elected officials, one each from the City and Township; two appointed representatives, one each from the City and Township; and an at-large member. While consolidation may lead to making fire prevention a city service, it could continue to operate as an independent commission. Under either circumstance, it should be assumed that the cost or staffing would not change due to consolidation.

Building Inspection. Building inspection is normally a function performed by the State of Michigan. However, local governments may opt to provide building inspection as a municipal function. Grand Blanc Township has chosen to provide inspections in this manner. The pace of growth has been significant to motivate Township leaders to contract directly for inspectors to meet the needs of developers within their boundaries.

Grand Blanc Township has several contracts to provide electrical, plumbing, and mechanical inspections as is necessary before a new home owner may obtain a license to occupy a new home. Grand Blanc Township staff is involved in coordinating inspections and communicating with inspectors as needed.

The revenues the Township receives

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for inspections and the expenditures made on inspections are entirely related to the pace of development. The

same may be expected for a consolidated city. There are no real savings

to be garnered from consolidation relative to building inspections.

Public Infrastructure

Provision and maintenance of public infrastructure is one of the major cost drivers for government. For the Grand Blanc area, public infrastructure includes water and sewer systems, roads, and care for all other municipal buildings and land that would transfer from the City and Township to a consolidated city. Much of the financing for public infrastructure is considered special revenue, with the monies received – state highway funding, water funds, mosquito control millage, etc. – reserved solely for the function intended.

Water and Sewer. The City of Grand Blanc and the Charter Township of Grand Blanc are served by separate water systems. The City maintains wells to provide water to city residents. As recently as 2002, city voters approved a bond issuance for water improvement projects. Grand Blanc Township contracts with Genesee County Water and Waste, a division of the Genesee County Drain Commission, which provides water from the Detroit Water Department.

In 2001, the Township signed a 30-year contract with Genesee County Water and Waste. That contract obliged Water and Waste to make improvements to the water infrastructure in the Township. Provisos in that contract would transfer township customers to a new contract should the Township incorporate on its own, consolidate with another unit, or become annexed.

It would remain a question for

policymakers in a consolidated city whether to continue with two water systems or to unite in a single system. Representatives of Genesee County Water and Waste indicate that current interconnects in the water system would allow the County to provide water to parcels currently served by the City wells with little transition cost. Alternatively, a consolidated city could continue to be served by two water systems.

Waste water is handled in two different ways. Storm sewers are installed, owned, and maintained by the Genesee County Drain Commission. City and Township property owners pay special assessments to finance storm sewer costs. Sanitary sewers are installed, owned, and maintained by the City and Township. Sanitary sewers are available to all parcels in the City and nearly all parcels in the Township. Sewer lines collect waste to be sent to the Genesee County treatment plant in Montrose.

City and Township public works staff are responsible for maintenance of the sewer lines and all appurtenances. Consolidation could reduce the amount of DPW staff needed to operate the water system if all parcels were transferred to the County system. Otherwise, the staff needed to keep the water and sewer systems operating properly will be driven by the size of the system more than the population of the unit. The Grand Blanc community will have the same number of miles of water and sewer lines with or without consolidation.

Roads. Townships may assume jurisdiction over roads within their boundaries, but it is a cumbersome process that does not result in the full funding from state sources as is received by county road commissions or cities and villages. Thus, if the condition, capacity, and responsiveness to road needs are issues, the best method for bringing about change is for a township to incorporate on its own, consolidate with a city, or be annexed by a city.

Michigan's road and bridge network is maintained with a three-tier system of jurisdiction. Trunkline roads (such as I-75, I-475, US-23, and M-54 (Dort Highway)) that carry the highest volume of traffic are owned by the state and under the control of the Michigan Department of Transportation. The county road system consists of the primary roads that link communities and feed traffic to the state trunkline system and all local streets in townships. Except for the state roads, all 260 miles of roads and bridges in Grand Blanc Township are owned and maintained by the Genesee County Road Commission. City and village jurisdiction over roads varies from unit to unit. For the most part, these units are responsible for most of the major roads and all of the local streets within their boundaries. The City of Grand Blanc owns and maintains all 27.33 miles of roads within their boundaries.

A decision to incorporate does not bring with it automatic transfer of ownership for roads and bridges.

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Ownership of roads within the former township would remain with the county road commission until transfer can be negotiated with the new city. Such a transfer may be complicated by the condition of the roads or outstanding bonded indebtedness for recent improvements to the road.

The Genesee County Road Commission holds debt for recent improvements of several roads in Grand Blanc Township. Roads for which there is not currently debt outstanding could be negotiated for transfer immediately. The timing of transfer in jurisdictional control over roads for which debt is outstanding is more difficult. Because state funding is paid based on the number of road miles in each jurisdiction, transferring away ownership of a road would also reduce funding dedicated to its repayment. One approach would be for the new city to pay off the outstanding debt for immediate transfer. Such a payment would require higher taxes to provide necessary funds. A preferred method would be to create a long-range plan for jurisdictional responsibility based on present and future travel patterns and population growth. As debt is retired, roads on this plan could be transferred.

Michigan is void of state laws to help in determining jurisdiction of roads, so city ownership of roads varies from unit to unit. Therefore, assumptions of the roads that would be transferred are necessary for this analysis. Since Grand Blanc would not be the first city in Michigan to incorporate from

Table 2
Assumed Jurisdictional Responsibilities in for a Consolidated Grand Blanc

County Major Roads that should Remain County Roads	City Major Roads that should be Transferred to the County	County Local Streets that should be Transferred to a Consolidated City	County Subdivision Streets that should be Transferred to a Consolidated City
Hill Road (from Mundy Township to Belsay Rd)	Saginaw Road Grand Blanc Road	Hill Road (from Belsay Rd. to Atlas Township)	All subdivision streets in Township
Saginaw Road	Perry Road	Reid Road	
Grand Blanc Road	Holly Road	McClandlish Road	
Perry Road		Pollock Road	
Baldwin Road		Cook Road	
Porter Road		Embury Road	
Center Road		Graytrax Road	
Belsay Road		Gibson Road	
Holly Road		Howe Road	
		Genes Road	
		Wakefield Road	
		McWain Road	
		Halsey Road	

a 36 square mile township, it is possible to look at cities such as Livonia, Portage, Sterling Heights, Kentwood, and Rochester Hills that incorporated in their entirety or as large remnants of townships. These cities and the roles of their county road commissions provide precedents for making assumptions of how jurisdictional control over Grand Blanc roads might take shape.

A common characteristic for these cities is that all local and secondary roads are under city ownership. Less universal, but clearly prevalent, is for county road commissions to have ownership of major roads as they traverse larger cities such as a consolidated Grand Blanc. The major exceptions to this arrangement are that Wayne County does not maintain roads within the City of Detroit; Kent County does not maintain roads within its major cities; and Genesee County does not have jurisdiction over any roads in Flint or Burton.

An engineering study and negotiations between the county road commission and the consolidated city would ultimately determine the future assign-

ment of road jurisdiction, but for purpose of this study it is assumed that jurisdiction will follow the pattern of other large townships that have incorporated. Major county roads that intersect Grand Blanc Township or serve to feed traffic into what is now the City of Grand Blanc would remain under the jurisdiction of the Genesee County Road Commission. Major Grand Blanc City roads (Saginaw, Grand Blanc, Perry, and Holly) would be transferred to the Road Commission to provide continuity. All secondary and subdivision streets owned by the County Road Commission in the Township would be transferred to the consolidated city. All city secondary and subdivision streets would remain with the consolidated city.

Such an approach, with roads transferred over a period of time as outstanding debt for previous improvements is retired, would allow the new city to gradually build up the staff and equipment to care for roads. It would allow for a strategy for upgrading road conditions that addresses the needs of the worst roads in the initial transfer and the needs of other roads as they are transferred over time.

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The state formula for distributing funding for municipal roads uses population and the number of road miles in each jurisdiction. Applying the changes in population and the addition of mileage from what the City of Grand Blanc currently receives, an additional \$1.5 million can be expected in state funding. In total, a consolidated city can expect approximately \$1.7 million in state funding for care of roads. The level of millage necessary to provide sufficient funding ultimately would be decided by city policymakers, but a millage would almost certainly be desirable given the condition of many roads in the township. A 0.5 to 1 mill tax levy would allow the city to undertake programs of \$2.5 to \$3.0 million per year in maintaining and upgrading roads and bridges.

Other. The cost and staffing requirements for many of the other tasks performed by the public works departments are driven by the geographic areas covered, the number of parcels of property in each unit, and the population served. While economies of scale can be achieved in the supervisory positions, administrative staff, and support personnel that keep trucks on the road and equipment in working order, the size of the staff is not likely to change to maintain the status quo. However, if city policymakers opt to pursue a level of services close to that currently provided to city residents throughout the new city, large increases in staff and expenditures would be required.

Summary. The City currently employs 7 FTEs for all Public Works tasks; the Township employs 17 FTEs.

It can be expected that 10-12 additional employees could be needed to handle the work associated with roads that would be gained under the assumed scenario. Since Grand Blanc Township is a rare township that uses its own resources to plow subdivision streets, existing equipment of the two departments will go far in meeting the needs of a consolidated department. One or two tandem-axle trucks may be necessary additions for maintaining some of the higher volume secondary roads.

While a consolidated city may not be able to provide the level of public services to which residents of the City of Grand Blanc have grown accustomed, it can be expected that services could be provided on a level that residents of other cities enjoy.

Facilities

Neither the City nor the Township has facilities sufficient in size to house the staff of a consolidated city. Grand Blanc's city hall is sufficient for the needs of the city and its police department, but has little room to accommodate additional staff. The size of the Grand Blanc Township staff has grown in recent years to meet the added workload that accompanies growth in the township population. Township staff has grown to the level that current township offices will soon not be sufficient for their needs. Likewise, the township police department has grown in recent years to the point that the space in township offices allocated to it is no longer sufficient. The Township has been accumulat-

ing property for several years and setting aside funds to construct larger township offices and a police headquarters sufficient to house the larger staffs.

Consolidation could result in the use of existing space for new purposes and construction of new facilities to meet the needs of a larger, and growing, city workforce. While the current city hall would not be sufficient to house a larger city staff, its central location should make it a prime candidate to house a consolidated police department. This building has radio equipment, detention facilities, and other infrastructure necessary for a police department. Space currently used for

general city operations could be converted for use by the command officers and staff in a larger department. This location would allow for a central location to respond to needs in all parts of the city with the shortest possible response times.

Cities generally locate their offices close to the geographic center of their unit. This should still be preferred, but the Township's land holdings and plans to construct facilities close to its current facilities in the northwest corner of the township means that transition to a larger city workforce could occur with little cost to taxpayers.

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Financial Issues

Cities and townships receive revenues from many sources: federal, state and local. Cities have a wider range of sources and the ability to tax at higher rates, but provisions may be written into city charters limiting the flexibility of individual cities.

State Funds. For most townships in Michigan, incorporation would result in a significant increase in state revenue sharing revenues due to sections in the distribution formula that ben-

efit cities over townships. However, those provisions recognize that many townships operate as a city in everything but name. Because the Township provides water and sewer, police protection, and fire prevention, state revenue sharing distributions treat Grand Blanc Township as though it is a city. The net result of consolidation is that aggregate payments to the City and Township would roughly equal what would be paid to a consolidated city.

Highway funding would be another major source of revenue for a consolidated city. The transfer of jurisdiction of roads currently classified as county local roads and subdivision streets to the city, in conjunction with the transfer of city major roads to the county road commission would result in a net gain of \$1.5 million in state funding to the new city. Added to funding the City currently receives for its local streets, the new city could be expected to receive \$1.7 million in

Table 3
City of Grand Blanc and Grand Blanc Township Total Revenue (Fiscal Year 2002-03)

	<u>City of Grand Blanc</u>		<u>Grand Blanc Township</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Local Sources:				
Property Tax	\$2,921,012	47.3%	\$5,909,327	48.4%
Licenses & Permits	99,301	1.6%	1,216,745	10.0%
Charges for Services	419,007	6.9%	1,168,050	9.6%
Fines & Forfeits	33,976	0.6%	126,275	1.0%
Interest	66,202	1.1%	123,202	1.0%
Other Local Revenues	—	0.0%	<u>321,035</u>	2.6%
Total Local Sources	\$3,539,498	57.3%	\$8,864,634	72.7%
Federal Sources:				
Highway Funding	650,120	10.5%		
Community Development Block Grant	102,618	1.7%		
Other	<u>68,260</u>	1.1%	—	
Total Federal Sources	\$820,998	13.3%	\$ -	
State Sources:				
Unrestricted State Revenue Sharing	787,975	12.8%	\$2,889,369	23.7%
Michigan Transportation Fund	475,915	7.7%	—	0.0%
Police Grants			111,653	0.9%
Liquor License	—		<u>15,215</u>	0.1%
Total State Sources	\$1,263,890	20.5%	\$3,016,237	24.7%
Local Intergovernmental Transfers:	\$ 517,653	8.4%	\$ -	
Other Revenues				
Special Assessments	\$ —		\$126,973	1.0%
Other	31,950	0.5%	61,424	0.5%
Refunds and Rebates				
Police			79,502	0.7%
School Summer tax collection fees	—		<u>48,199</u>	0.4%
Total Other Revenues	\$ 31,950	0.5%	\$ 316,098	2.6%
Grand Total Revenues	\$6,173,989	100.00%	\$12,196,969	100.00%

Sources: City of Grand Blanc, Comprehensive Annual Financial Report, Fiscal Year Ending May 31, 2003; Charter Township of Grand Blanc, Comprehensive Annual Financial Report, Fiscal Year Ended December 31, 2003.

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state funding for roads. That sum, however, probably would not be sufficient to properly care for roads, especially with the condition of some township roads. Many Michigan cities levy a tax to provide the extra funding to provide quality roads. This is currently the practice in the City of Grand Blanc. The necessary tax rate would depend on what roads are ultimately transferred and the amount of work necessary to bring the poorest roads into good condition.

Non-tax Sources. It can be expected that the combined revenues for most non-property tax sources would remain unchanged for a consolidated city. Revenues for licenses and permits, charges for services, and fines would not experience change simply due to consolidation. Special assessments collected by the Township for refuse collection could be expected to end with funding of that function transferred to the general fund.

City of Grand Blanc. Overall, the City of Grand Blanc is a \$6 million per year operation with local sources contributing more than 57 percent of that total. Property taxes comprised more than 80 percent of local revenues. As of Fiscal Year 2003, the City levied 9.95 mills for general operating purposes, 1.00 mill for street improvements, 0.9852 mill for parks, and 0.4 mill for debt service. This 13.1352 mill (\$13.14 per \$1,000 of taxable value) levy yielded \$2.9 million in revenue. The City also receives state funds in the form of unrestricted state revenue sharing and funding for care of city roads. Federal funds are paid to the City for road care and in the form of Community Develop-

ment Block Grants.

Grand Blanc Township. Operation of the Charter Township of Grand Blanc requires more than \$11 million in revenues, with local sources contributing about two-thirds of the total. Property taxes account for two-thirds of local sources. In Fiscal Year 2003, Grand Blanc Township levied 3.9806 mills for general operating purposes, 0.9159 mills for police protection, 0.1500 mills dedicated for mosquito control, and 0.4153 mills for debt service. This 5.4613 mill (\$5.46 per \$1,000 TV) levy yielded \$5.9 million in revenue. All outstanding debt has been retired since the conclusion of FY2003, thus removing 0.4153 mill from the tax levy. The second largest source of revenue for the Township is unrestricted state revenue sharing. Because the Township does not own or maintain roads, no state or federal funding is received for road funding.

A New Tax Rate. A new city would begin only with requirements to retire outstanding debt. The levy of property taxes at specific rates and for specific purposes would rest with policymakers elected to lead a consolidated city. As discussed above, it would be advisable to levy a tax for street improvements. Expansion of the City parks levy to the township or expansion of the Township mosquito control millage into the City would provide continued funding for the programs that have been deemed important in past elections. It should be noted however, that dedicated funding of these select items would result in a higher overall tax rate than if they were brought into the new city's

general fund to be weighed against other funding needs that compete for taxpayer dollars.

The balance of revenues needed to finance operations of a consolidated city would come from general operating taxes. Our analysis finds that the cost of a consolidated city would not be significantly different from the aggregate of cost of operating the City and Township individually.

Individually, the City and Township have strong tax bases for their relative sizes. Because 82 percent of the \$1.45 billion combined tax base for the two units is located in Grand Blanc Township, consolidation would allow for an immediate reduction in taxes for city taxpayers and a minor tax increase for township taxpayers. Given the level of services assumed in this analysis, and with the assumptions of continued funding from non-tax sources, such as state revenue sharing and charges for service, a tax levy of 6.5 to 7 mills should provide sufficient funding to operate a consolidated city.

Current federal tax laws permit property taxes paid to state and local governments to be used as a deduction on federal income tax returns. These provisions would help to offset any tax rate increases for township residents.

Debt. The Township has recently retired the last of its outstanding debt. The City continues to finance debt, mostly for improvements to the water system authorized in 2002. This debt could be internalized in the City water billing system or converted to a special assessment collected on properties within the current city.

Level of Services

An understanding of Michigan's municipal finance system is critical when analyzing a proposed City and Township merger. A number of factors have come together to create conditions that make it difficult for local governments to continue operating in ways in which their residents have become accustomed. The primary issue rests with the interaction of the tax rate rollback mechanism created by the "Headlee Amendment" with the cap on property assessments created by Proposal A of 1994. The interaction of these property tax limitations creates a system that goes beyond the intent of either one of the two tax limitations in restraining the revenues available to local governments. Only local units on the urban fringes that have experienced high rates of economic development in recent years have stayed one step ahead of this problem. As development to the Grand Blanc area slows, it is likely that the City and Township will begin to experience the restrained revenue growth that is confronting many other

cities, villages, and townships throughout Michigan.

A second issue confronting Michigan's local governments is the reduction in unrestricted state revenue sharing that has occurred over the past four years. Michigan has a long history of collecting taxes at the state level and passing the revenues on to local governments to lessen the local tax burden and equalize revenues across regions of the state. In ongoing efforts to balance the budget in the face of structural budget deficits, State lawmakers have reduced the amount of funding for state revenue sharing by \$399 million in the past four years. Both the City of Grand Blanc and Grand Blanc Township have been forced to reshape their budgets to deal with these reductions. The State continues to experience structural budget problems that leave little hope for a return to full funding of state revenue sharing any time soon.

While these factors create difficulties

on the revenue side of the budget, several factors create pressures on spending that threaten to crowd lesser items out of municipal budgets or force the levy of new taxes. Health care costs have experienced double digit increases for several consecutive years. Pension costs are consuming increasing shares of municipal budgets, especially for mature communities with a number of retired workers. Finally, there has been an increased emphasis on public safety in municipal budgets related to the importance of the issue, the role of Act 312 binding arbitration in Michigan, and the increased attention to homeland security since September 11, 2001.

With these municipal finance issues in mind, Grand Blanc residents should consider consolidation not only on the level of services to which they have become accustomed, but consider how their individual units are likely to fare if they continue to operate independently of one another.

Conclusion

Most of the functions of local government would experience little change if they were provided by a consolidated city of Grand Blanc or by the current City of Grand Blanc and the Charter Township of Grand Blanc. Rapid population growth in the township and proposed commercial development create the prospect of expanded workloads above those currently carried out by the two units.

Consolidation of the police departments is worth pursuing, whether the City and Township are consolidated or not. Growth issues related to in-

creased needs and in-service training requirements will make it increasingly difficult to maintain the current City's department staffing levels without increased funding. Additionally, a larger, consolidated force would be better able to meet the needs of a larger community.

The willingness to assume responsibility for roads in the township is a value judgment for the township electorate. Pursuing a transfer in road jurisdiction would result in additional funding from the state, but a local millage is advisable to maintain and

upgrade township roads.

A millage of 6.5 to 7 mills would be necessary to finance a consolidated city as assumed in this analysis. This would provide a tax rate reduction of about 6 mills for residents of the City of Grand Blanc. Township taxpayers would be subject to a tax rate increase of 1.5 to 2 mills. A long-range tax rate will depend on continued economic expansion of the community and demand for local government services that are provided in other urban areas of the state.