



CRC MEMORANDUM



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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

Summarizes CRC Report #372 available at www.crcmich.org/PUBLICAT/2010s/2011/rpt372.html

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.

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.

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.



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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 mem-

bers 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 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.

² MCL 74.18a (9).

³ MCL 74.23a - .23i.

⁴ MCL 74.23h.

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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. The township would continue to do everything it has been doing.

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

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

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 of primary road and \$2,545 per mile of local access road (again based on 2011 Act 51 distribution lev-

els). 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.

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

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 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.

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.

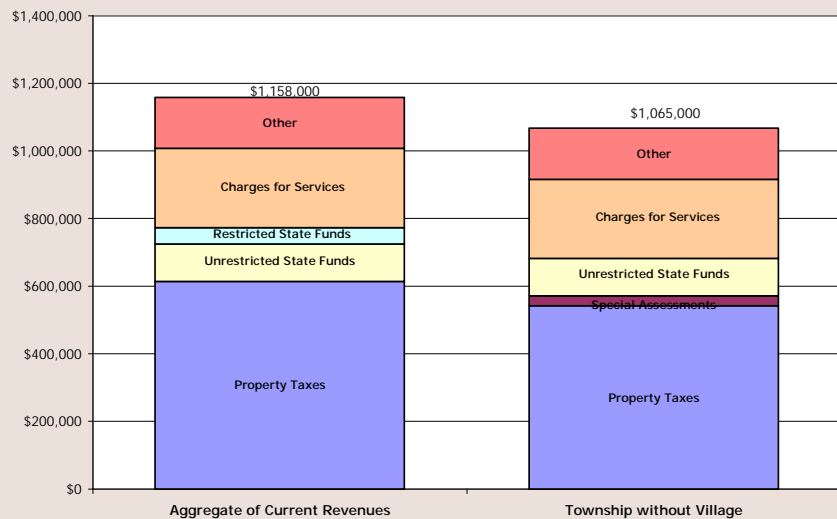
It can be assumed that the aggregate revenues generated by the township and village from charges for services (mostly sewer fees), restricted revenues for liquor control enforcement, unrestricted state revenue sharing, and “other” sources, would remain unchanged if the township and village are consolidated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

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.

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. 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.

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 pri-

mary 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.

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