

Village of Onekama Disincorporation Plan

This document is the Disincorporation Plan for the Village of Onekama adopted by the Village of Onekama Disincorporation Commission on March 26, 2012.

I. Executive Summary

First, we would like to point out what this Plan is and what it is not. The Disincorporation Commission is not commenting on the merit of disincorporation. Nothing in this Plan should be interpreted as being “for or against” the disincorporation of the Village. That is not appropriate for this document. A vote on disincorporation will occur on August 7, 2012, with or without a Plan. The job of this Disincorporation Commission is to come up with the best Plan possible and let the voters decide.

Additionally, we would like to make clear that disincorporation of the Village government would not change the geographic entity that constitutes the Village of Onekama. The Village of Onekama would continue as an unincorporated village, similar to the Village of Eagle River in Keweenaw County, the Village of Atlanta in Montmorency County, the Village of Mio in Oscoda County, and the Village of Leland in Leelanau County (to name just a few unincorporated villages). The unincorporated village of Onekama would continue to serve as a gathering place for Onekama residents and visitors, as host to commercial businesses and restaurants, and as a point of access to Portage Lake.

Several themes emerged in the many meetings of the Disincorporation Commission. Understanding them will help understand the Plan and its intent.

One theme is that disincorporation is not so much a transfer of assets as it is a change in the custodian of those assets. The Plan calls for the continuation of parks, the Farr Center, the sewer system, the cemeteries, and as much else as allowed in light of the elimination of the Village tax of 5 mills (special revenue raising in the Village area may become necessary at some time in the future). If disincorporation occurs, those precious assets will go on, but with a new trustee, the Township of Onekama, in charge of them.

Another theme is retaining the Village’s identity and history. The Plan recommends (not requires) that the Village offices be used as a museum focusing on the Village and the area. The Plan envisions the geographic area of the Village to be zoned separately within the Township’s zoning ordinance. Regulations on hunting, blight, noise, and other police matters are planned to be continued in the Village area. Thus, it is hoped that while “politically” it will no longer exist, the Village of Onekama will continue as a community with its neighborhoods and stores.

While not so much a theme as a premise underlying the entire Plan, the Disincorporation Commission views the Plan as a contract or series of commitments to the voters by the Township and the Village to implement the Plan to the best of their ability. To that end, the Plan includes suggested Resolutions for both the Township Board and the Village Council. (Attachments 1 and 2.) If these Resolutions are adopted by them, the people can expect their elected and

appointed officials to carry them out within the limits of changing laws, resources and unforeseen circumstances.

The Onekama Village Council represents the 411 citizens (2010 census) of the Village. The Village Council is currently made up of seven elected council trustees, including the council president. The trustees, Village clerk and treasurer are elected. The Village Council meets the third Wednesday of every month at 7:00 p.m. at the Farr Center. The Onekama Township Board represents the 1,329 citizens which includes the Village and 918 citizens outside of the Village boundary, and consists of five members, including elected supervisor, clerk, treasurer, and two trustees. The Township Board meets the first Tuesday of every month at 9:00 a.m. at the Township Hall. If disincorporation occurs, the Village will become an unincorporated village with no village government and the Township will be the governing body that provides local political representation.

The plan offers a financial model showing that the Township should be financially sustainable and the 5-mill property tax eliminated for the foreseeable future because of the commendable job the Village board has done in maintaining the Village assets and accumulating fund balances.

II. Background

Over the course of the past couple years the residents of Onekama have expressed an interest in exploring consolidation of the two governments – the Township of Onekama and the Village of Onekama. Two options were presented that would lead to consolidation: merge the two governments into a city or dissolve the Village to leave only the township. Because Michigan villages overlap township governments – village residents are parts of both the Village and the township – eliminating the Village government serves the purpose of consolidation or reducing the amount of local government. (Other options were (a) to have the Village annex all or part of the Township and (b) to leave the governments unchanged.)

The interest in exploring a merger of the two governments has come at a very timely point for the Village of Onekama. As identified in the Citizens Research Council of Michigan report that explored the options and viability of combining the Township and Village governments:

“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 government 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.

“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.

“The limited ability for Onekama Village's tax base 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.”

(See Citizens Research Council of Michigan, The Costs, Benefits, and Alternatives for Consolidating the Onekama Governments, Report No. 372, October 2011, www.crcmich.org/PUBLICAT/2010s/2011/rpt372.html, p. 41-42.)

The material shared with the Disincorporation Commission illustrates some of the warnings in the CRC report. The Village will receive 46% (\$25,000) less revenues from state revenue sharing this year than it did 8 years ago because of declines in state revenues, policy decisions by elected officials in Lansing, and the drop in the Village's population. Although the economy appears to be recovering, the State is not expected to replace this funding anytime soon.

Similarly, property tax revenues are down because the taxable value of properties in the Village have experienced a net 0.2% decrease over the past 3 years, and that trend is expected to continue for the next year or two. Then, when real estate markets do rebound, the property tax limitations in the Michigan Constitution (see Article IX, Sections 3, 6, and 31) will restrict the ability of property tax revenues to grow at a pace similar to the rest of the economy. Growth will be especially slowed because more than half of the parcels in the Village have had any variance between their assessed values and taxable values erased by the recent recession.

Because the Village's revenues are down, the current year general fund budget is about 34% (\$71,805) less than last year's budget. The budget continues all services previously provided by the Village, but eliminates general funding to several functions that receive funding from other revenue sources. It minimizes expenditures where possible, and in some cases, defers maintenance and improvements to facilities such as parks.

Deferred road maintenance in previous years has resulted in at least \$455,000 of road needs on Village streets. The Village receives almost \$55,000 a year in funding dedicated to streets from state-shared fuel and vehicle registration taxes (\$36,000) and the Township's one-mill property tax levy for roads that are shared with the Village (\$18,600). For the first time in recent history, the Township contributed to road improvements (\$62,000) in the Village in 2011. Although the Village is using available funds to fix roads, the maintenance gap cannot be closed in a timely fashion with the current road fund and general fund, which would lead to further degradation of the roads.

The Village Board of Trustees initiated discussions of a tax increase (See minutes of March 1, 2012 Village Board of Trustees meeting), but whether a tax increase in the future is for general operations, road improvements, or other purposes, the Village's relatively small tax base, means that there is limited capability to increase revenue with a tax increase (or a significant increase will be needed to make up the lost revenues). The tax burden is concentrated on a few taxpayers, because of the relatively small size of the Village and relatively small number of parcels. Most of the tax burden falls upon home owners (full- and part-time), as roughly 80% of the Village's tax base is the value of residential property.

The process for disincorporation for the Village of Onekama was initiated by circulating a citizen-initiated petition among Village residents asking for the question of disincorporation to be placed on the ballot. When the petition was turned in to and certified by the township clerk to have sufficient signatures to warrant advancing the question on August 24, 2011, the process was handed off to the Village board of trustees.

Upon receipt of the petition, Village officials had the option of letting the question go right to the ballot or creating a commission to recommend an orderly course of action in the event that the ballot question is approved by the voters. Onekama Village officials chose to create a disincorporation commission. The process and implications of each step are summarized in a flow chart on page 6.

The Disincorporation Commission is comprised of equal representation – three members from the Village (appointed by the Village President) and three members from the Township outside of the Village (appointed by the Township Supervisor). Those originally appointed members are:

VILLAGE

Suzanne Schwing (chair)
Roger Burger
Paula J. Fortin
Mary Reed (Alt.)

TOWNSHIP

Dan Behring
Al Taylor
Rosalind Jaffe
Steve Szilvagy (Alt.)

At the first meeting in January, Mary Reed took Paula Fortin's place. In mid-March Steve Szilvagy took Dan Behring's place.

Although Onekama's Disincorporation Commission could have begun meeting immediately after members were first named, the process was delayed to allow the Michigan Department of Treasury to process a grant request. The new Economic Vitality Incentive Program includes funding to help local governments pay the costs associated with collaboration and consolidation. On January 20, 2012, Onekama Township received notice that it been awarded a grant to help with the cost of the commission's work and with actions that could be needed to transition property and responsibilities to the township if the ballot question is approved by the voters. The grant to the township allows the cost of certain expenses incurred by either the village or township as part of the process to be reimbursed by the state.

The commission is charged only with recommending to the Village and township boards a course of action to follow if the voters approve the question of disincorporation. The commission does not have the authority to determine actions, to appropriate funds, or to take other actions. The Village and township boards – if they each approve the commission’s recommendations that are submitted to them – must take the necessary actions to carry out disincorporation if the voters support the question. The report produced by the commission will also serve to give voters greater certainty of what actions the Village and townships boards are expected to take and what local government will look like after the Village is disincorporated.

The disincorporation commission began meeting on January 10, 2012. It held weekly meetings on Mondays, usually at 3 p.m., at the Farr Center. All meetings were open to the public.

**Onekama Village
Disincorporation Process**

Onekama Master Plan Recommended
Investigation into joint government
for village and township

AES, CRC and Onekama Township and
Village held informational meetings
on joint government options in spring
and summer of 2011

Citizens circulated petition to consider
disincorporation. Petition certified Aug.
24, 2011 with more than the required
15% of village registered voters

No

No action taken. Village
and Township continue
as is

Yes

Village and township decide if matter
goes direct to citizens for voting or if
joint commission formed to gather
facts on disincorporation

Aug. 7, 2012 Elections. 2/3 approval
among village and among township
voters required to pass

Direct
to vote

No

Yes

Village begins
decommissioning
process with
township

No approved
report from
commission

Joint disincorporation team formed
with 3 commissioners appointed from
both village and township. Report
generated to address issues specified
in section 74.23e of Michigan Law.
On Mar. 26, the commission
approved report with 2/3 of village
and 3/3 of township commissioners in
agreement.

No approval of report
from village and/or
township

Approved Commission Report goes to
Village Board and Township Board

Yes

Village and Township approve
commission report and
approve election for village
and township

No

Aug. 7, 2012 Elections. Majority
approval among village and among
township voters required to pass

III. Elements of the Plan

The Village of Onekama Disincorporation Plan must provide an orderly process for various elements as required by statute. MCL 74.23e(2)(a).

A. Land Use and Zoning §23e(2)(a)

One element for the Disincorporation Plan is a plan for the interim land use and interim zoning of the property within the limits of the Village.

The Onekama Community Master Plan was adopted jointly by the Village and the Township on March 2 and March 17, 2010, respectively. It was developed by the Onekama Community Planning Commission, a joint planning commission previously created by the Village and Township under 2003 PA 226. The Joint Master plan recognized that the Village and Township zoning ordinances were entirely different in scope and complexity. It suggested revision of all zoning classifications in both jurisdictions to be uniform and reflect certain zoning classifications and overlay districts.

Following the Master Plan, the Onekama Community Planning Commission has proposed a joint ordinance. If it is adopted prior to the effective date of the disincorporation, that ordinance will simply continue in effect. Certain housekeeping amendments will need to be made by the Township to eliminate references to the Village. For example, the Board of Zoning Appeals' appointments will all be made by the Township Board instead of having some appointments made by the Village Council.

It is likely that the new ordinance would be adopted prior to the effective date of the disincorporation. However, if this does not happen, the Township plans to adopt the Village zoning ordinance as an interim zoning ordinance pursuant to MCL 125.3404.

B. Indebtedness and Litigation §23e(2)(b)

Another essential element of the Disincorporation Plan is providing for payment of all indebtedness of the Village including any outstanding judgments or judgments that may result from pending or future litigation to which the Village may become a party.

The only indebtedness of the Village is the bond issue for the wastewater treatment plant and sewer system. This indebtedness is discussed and planned for in connection with the discussion of the transfer of Public Utilities and Public Services. §23e(2)(i). Page 15.

The only pending litigation to which the Village is a party is *Rogers v Village of Onekama*, Manistee Circuit Court No. 11-14279-CZ. Richard Wilson, Village Attorney, has submitted his suggested plan dated February 1, 2012, regarding this litigation if it is

not concluded prior to the effective date of the disincorporation. (Attachment 3.) This lawsuit is covered by insurance, and it has been turned over to the law firm of Smith, Haughey, Rice & Roegge for defense.

If there is an uninsured loss resulting from the *Rogers* lawsuit, it will be a liability of the Sewage Fund.

Future litigation which may result in a judgment should be covered by insurance provided by the Michigan Township Participating Plan. Certificate No. HMTP-142507. This policy is an occurrence based policy which will cover occurrences while the Village is in existence, even if they are brought later after the Village is disincorporated. This insurance package includes public officials' liability coverage.

C. Real and Personal Property and Other Assets §23e(2)(c)

Another essential element of the Disincorporation Plan is providing for disposition of real and personal property and other assets, including funds, deposits, and investments.

The Village has property in three forms: (1) real property (land, buildings, and rights-of-way), (2) personal property (vehicles, equipment, office furniture, inventory and parts, etc.), and (3) cash and bank deposits.

Each of these forms of property are held for (a) general government operations (including administration, parks, cemeteries, etc.), (b) the street function (summer and winter maintenance of Village streets), and (c) the sewer system.

The Village will transfer to the Township all personal property, cash, and deposits. It will also assign to the Township all of its rights to future assets that may not vest until after disincorporation. The list of assets will need to be compared to those of the Township to discover duplicates that can be disposed of by the Township. A list of personal property is attached. (Attachment 4.) This list is not represented here as being exhaustive, but it has been used for audit purposes. Sewer assets relate only to that fund and may not be used for General Fund purposes. Proceeds from disposing of unneeded assets can be (a) turned over to the Township in cash; or (b) deposited into a fund to finance operations and liabilities formerly related to the Village (e.g. cemeteries, snow removal, street lighting, and brush removal).

Except for street rights-of-way, the Village will transfer to the Township all real property, buildings, and other fixtures.

The Farr Center by deed restriction must continue to be used for public or community purposes. The Branch Library Agreement (10/25/01) will be assigned by the Village to the Township and accepted by the Township. We would recommend that if the disincorporation of Onekama Village takes place, the Farr Center would continue to

operate as a community center. It is well utilized by the people of Onekama. If the Village offices are eliminated, we would recommend that consideration be given to using that space for a Museum and Welcome Center. Also, consideration should be made to support efforts for future beautification and enhancements to the Farr Center.

The recreation/park property is the Bath House/Pavilion property, Onekama Village Park, Triangle Park, Rotary Park, and Zosel Park. As stated in the Joint Master Plan for the Village and Township, it is the intent that these properties remain as park and open space for the Onekama Community. The transfer or deeds for the land upon which these parks sit will include restrictions that the land may only be used for park or public recreation purposes. Conveyances shall be with park or public recreation deed restrictions. Zosel Park would continue to be used for park and allowable platted purposes. The two Village cemeteries and the Cemetery Fund would be turned over to the Township for operation and safekeeping. All real property currently in use or planned for future use by the sewer system and treatment facility shall be taken over by the Township and continued in that use. The various vacant lots owned by the Village will be transferred to the Township without restriction on their use. Alleys will also be transferred to the Township.

Street rights-of-way shall be transferred to the Manistee County Road Commission. The International plow truck currently used for street functions will be sold by the Township to the Manistee County Road Commission for future snow removal and the value would be credited toward the cost of snow plowing the Village roads. The need for future use of the Village's shed that is currently used for storage of sand and road salt will have to be examined. Other assets related to the street function will have to be evaluated for future use by the County Road Commission and the Township.

D. Public Records §23e(2)(d)

Another essential element of the Disincorporation Plan is a plan for the disposition of all public records of the Village in accordance with the records retention plan as provided by law, including files, books, and papers.

The records of the Village of Onekama are kept by the Village Clerk and the Village Treasurer. If disincorporation is approved by the voters, all records including files, books, papers, and electronic information, will be inventoried, copied, and turned over to the Township Clerk and Treasurer, respectively. Records pertaining to the Village streets and storm water system including all Act 51 financial records will be turned over to the Manistee County Road Commission. The duplicate copy of all of the Village records will also be turned over to the Township and preserved as a record of the exact documents transferred at the point of disincorporation. This will be done in order to resolve later questions of whether a Village record existed prior to disincorporation.

The Village records under control of the Village Clerk generally fall into the following categories:

- Minutes, Resolutions and official actions of the Village
- Ordinances
- Cemetery
- Parks
- Sewer
- Liquor control
- Farr Center
- Bills and vouchers
- Payroll

Election records of the Village are currently in the possession of Onekama Township.

Village records under the control of the Village Treasurer generally fall under the following categories:

- Banking
- Sanitary sewage disposal system, including bonds and bond payments
- Tax billings and payments
- Personal property taxes

Some of the above records are kept only in hardcopy and some are kept electronically.

Public records are the property of the people of the State of Michigan. The Village and the Township are responsible for ensuring that the public records created and received while conducting public business are retained and only destroyed in accordance with Michigan law. There is no destruction of any Village record that is planned. Onekama Township will preserve and manage the public records received in accordance with the *Records Management Manual for Local Governments* published by the Michigan Department of Technology Management & Budget and the Records Retention requirements of the state.

In accordance with that manual, Onekama Township must give the Public Records Assurances as follows.

Public Records Assurances

Onekama Township agrees that the public records transferred to it by the Village of Onekama are subject to the following:

- The deposited records remain public property, and the Archives of Michigan may recall the records to the state.
- Onekama Township shall retain physical and intellectual control of the deposited records at all times. Under no circumstances shall the deposited records be loaned, sold, or otherwise removed from the physical custody of the Township, unless to be transferred to the state.

- Onekama Township shall not destroy or weed a deposited record. If it decides that storage of the records is no longer part of its mission, then the deposited records shall be transferred to the state.
- Onekama Township shall care for the deposited records by providing storage facilities capable of preserving the records to the standards employed by the Village.
- Onekama Township shall provide security arrangements to prevent the destruction, rearrangement, loss, or theft of the deposited records in both the storage and the reference areas. The records shall be stored in a room separate from the research area.
- Onekama Township shall maintain the duplicate copy of deposited records in their original order.
- Onekama Township shall make the deposited records available for public research and copying during normal business hours.

Access to the deposited records continues to be governed by the provisions of the Michigan Freedom of Information Act (MCL 15.231-15.246). Onekama Township is responsible for complying with these access provisions.

- Records that have been declared by law to be confidential must be maintained on a limited access basis. The specific terms of access will be governed by the applicable confidentiality statute. Deposited records remain restricted unless the applicable law is amended or repealed. Onekama Township is responsible for ensuring that legally confidential records are accessed only by authorized individuals.

E. Employees and Contracts of Employment

§23e(2)(e)

Another essential element of the Disincorporation Plan is providing for the transfer or termination of employees and contracts of employment and disposition of employee benefits, including retirement, health and life insurance, unemployment compensation, accrued sick and vacation leave, and any other benefit.

The Village of Onekama has nine elected officials, one full-time employee, and one part-time employee under contract. There are no unions representing Village or Township employees.

The nine elected officials are the Village President, Clerk, Treasurer, and six additional Council persons. The terms of the President, Clerk, and Treasurer, and three Council members expire on November 4, 2012. The remaining three Council members have their terms expiring in November 2014. The Village Council members and

President receive a meeting stipend for each meeting attended in the amount of \$40. In addition, the Village President currently is paid \$5,000 per year. The Village Clerk is paid \$13,500 per year, and the Village Treasurer is paid \$13,500 per year, and they receive no meeting per diem. The elected officials currently receive no benefits such as health insurance or vacation or sick leave. A disincorporation of the Village would impliedly terminate their terms since there would be no duties to perform. Elected officials are not entitled to unemployment compensation unless the political subdivision has filed an election with the Unemployment Insurance Agency (formerly MESAC) to treat elected officials as employees. MCL 421.43(o); 421.25. The Village of Onkama has not done so. Therefore, there will be no entitlement by the elected officials to any unemployment compensation.

Responsibilities of the Village Treasurer associated with billing and receiving for the sewer system will be transferred to the Township Treasurer.

There is one full-time Village employee who is a Maintenance Technician 1. A job description for the Maintenance Technician 1 is attached. (Attachment 5.) This position will be adopted and this employee will be hired by Onkama Township in the event of disincorporation. This employee's benefits, including accrued vacation and sick leave will also be taken over by the Township. Therefore, no change, beneficial or detrimental, is expected in connection with the Maintenance Technician 1 position or employee.

It is expected that the Township will hire a second maintenance technician on a part-time basis to supplement the work of the full-time technician. Because employment will be on a part-time basis, vacation time or the cost of other benefits will not be incurred.

The governmental entity that owns the sewer system is required to have one L-1/certified individual to operate the sewer and one responsible administrator. This is the maintenance technician and Village President at the present time. It is expected that the Township will have someone trained and certified to meet this obligation.

The Village has a part-time employee who is the Zoning Administrator. A copy of her current contract is attached. (Attachment 6.) The Zoning Administrator's annual compensation is not to exceed \$7,000. The Zoning Administrator receives no benefits such as health insurance or vacation or sick leave. If the Village disincorporates, the Zoning Administrator will be paid from Village funds for all work up until the effective date of the disincorporation.

Depending upon a number of factors, after disincorporation, the Zoning Administrator may be entitled to receive unemployment compensation. If an employee earns a certain minimum level of compensation from one or more employers and is laid off by one of those employers, he or she may be entitled to receive unemployment benefits. Based on information supplied by the Village and Township Clerks, the Village of Onkama is a contributing employer under the unemployment law, which means that it pays the UIA quarterly a payroll tax based on a percentage of wages (.06 for 2012). It is

not a reimbursing employer, which is one that reimburses the UIA if a laid off employee applies for and receives unemployment compensation. Onekama Township is a reimbursing employer.

An unemployment claim on the contributing employer's account would simply be absorbed by the rating experience of the contributing employer's account. There would be no transfer of liability to the reimbursing employer successor.

The Township is requested to give due consideration to the hiring of Village employees, who were employed at the time of disincorporation, if there is a need by the Township.

F. Jurisdiction Over Streets §23e(2)(f)

Another essential element of the Disincorporation Plan is a process for the transfer of jurisdiction over streets, roads, bridges, alleys, sidewalks, and any public easements in the Village, and for their maintenance and repair, including streetlights and snow removal.

Jurisdiction over roads in the Onekama area falls to three governments. M-22 is a state road. The arrangement wherein the Michigan Department of Transportation (MDOT) contracts with the Manistee County Road Commission to maintain that road will not change with disincorporation of the Village.

Township roads outside of the Village are under the jurisdiction of the Manistee County Road Commission. This will not change with disincorporation of the Village.

The Village has jurisdiction over 6.01 miles of roads and alleys. Major roads make up 1.4 miles and local roads make up 4.13 miles of that total. There are approximately 0.48 miles of alleys under the jurisdiction of the Village. If the Village is disincorporated, jurisdiction over the major and local roads would transfer to the Manistee County Road Commission. The storm water collection system, its operation and maintenance, associated with these roads would also be taken over by the Road Commission.

This change would affect two pots of money. Monies the Village receives from the Michigan Department of Transportation under Act 51 were approximately \$36,000 in 2011. These Act 51 monies henceforth would automatically go to the Road Commission, but under a different formula which will result in less monies to the Road Commission than the Village received for the same roads. The plan is to negotiate with the MDOT to seek their approval to continue the same level of per mile funding when the roads are taken over by the Manistee County Road Commission. However, the Road Commission Manager has indicated that if Michigan Department of Transportation will not agree to the higher formula, amounts would still be sufficient to cover the non-winter maintenance of the roads which consist of striping, graveling, shouldering, blading, street sweeping, and cold-patching.

The Township levies a 1 mill tax for roads. The Township uses these funds to match county road commission spending for projects to improve township roads. In 2011, this millage yielded about \$138,000, part of which (about \$18,000) was transferred to the Village based on the taxable value of the Village in relation to the total Township taxable value. The Village currently uses that funding to pay for its own improvement efforts or to contract with private companies to perform road improvements. Disincorporation of the Village would allow Onekama Township to keep that \$18,000 to enhance the amount of projects for which the Township matches spending by the Road Commission for improvement of the Township roads, including those that are currently Village streets.

A review of the condition of the Village streets by the Manistee County Road Commission Manager suggests that a number of the road miles have deteriorated such that an upgrade or reconstruction of the roads will be necessary in the near future. If the Village disincorporation is not approved by the voters, and the Village remains, the cost of upgrading those street miles will continue to fall solely on the Village (using locally raised funds and highway funding distributed by the State). Efforts to upgrade the Village streets will require several years of cooperative budgeting and funding by the Road Commission and the Township. A plan by the Road Commission Manager (2/14/12) for upgrading the current condition of Village streets is attached. (Attachment 7.)

While transfer of responsibility for roads customarily requires that the condition of the roads be sufficiently acceptable so that the receiving party does not feel that it is taking on a liability, the Road Commission has informed the Disincorporation Commission that it will accept the Village streets in their current condition. The Manistee County Road Commission Manager has indicated that continuation of the Township road millage provides sufficient assurance that the funding to upgrade all roads within Onekama Township will occur over the next few years.

Ordinarily snow removal would transfer to the county Road Commission as part of its jurisdiction over roads. In this case, an alternative approach is desired. Because the county's snow plow drivers are directed to clear the state roads and primary county roads before clearing secondary or local streets, Village residents would not receive the same level of service after disincorporation as they currently receive. Without provisions for snow plowing to supplement the county Road Commission's efforts, most Village roads would remain snow covered for longer periods than what Village residents are accustomed.

The Village's jurisdiction over streets and alleys includes an aggressive snow plowing program as a convenience for and for the safety of residents. Feedback from the public forums held in the Spring and Summer of 2011 indicated that it is important to Onekama Village residents to maintain approximately the same level of service for these programs.

The Village currently funds all of the services it currently provides with a combination of tax revenue, state money, and user charges. The Village millage is 5 mills.

The plan is for Onekama Township to contract with the Manistee County Road Commission for enhanced snow removal services on the local streets and alleys in the Village. (Attachment 8.) The Road Commission will employ a temporary worker for the specific purpose of clearing Onekama Village streets of snow. The cost of sand and road salt will be borne by the County Road Commission.

Funding for these enhanced services would come in three forms. First, the Village-owned International truck that is presently used for snow plowing would be sold to the road commission for \$1. The residual value of the truck would be credited to the township and that value applied to future snow plowing services.

Second, the Township will spend down unused funds in the Village Major Street Fund and Local Street Fund that will be transferred to the Township upon disincorporation. These are funds the Village has received from the State in Act 51, Michigan Transportation Fund, and from the Township from the road millage.

Finally, when the credits created from the residual value of the truck are exhausted and when the street and general funds dollars are spent down, it is anticipated that the Township may establish a Village wide special assessment district on an ad valorem basis to fund future snow plowing expenses. Based on the current value of property in the Village and an estimate of cost for a season (approximately 45 snow events), after funds are spent down it is estimated that the special assessment will have to be levied equivalent to approximately three-quarters ($\frac{3}{4}$) mills. The amount needed may be subject to change according to the cost of the County Road Commission services and the value of property in the Village that will be subject to the special assessment.

A part of one platted street, Zosel, is used for pedestrian water access and is improved as an open space park. This use would be continued with the Township being responsible for the park features and maintenance and the Road Commission in charge of any other street functions.

Public sidewalks are also in the road and street rights of way. The Township would be allowed by the Road Commission to continue these. The Village does not maintain sidewalks and has them repaired only at the expense of the abutting land owner. The Township is expected to continue this practice.

Alley jurisdiction would transfer to the Township. See Collateral Matters, Ordinances.

Easements related to the sewer system are planned for in the section dealing with Public Utilities and Public Services.

G. Jurisdiction Over Traffic Control

§23e(2)(g)

Another essential element of the Disincorporation Plan is jurisdiction over traffic control and traffic control devices.

The Village of Onekama has no traffic control ordinances or traffic control devices.

H. Special Assessments

§23e(2)(h)

Another essential element of the Disincorporation Plan is a plan for any special assessments or special assessment districts within the Village.

The Village of Onekama has no special assessments or special assessment districts.

I. Public Utilities and Public Services

§23e(2)(i)

Another essential element of the Disincorporation Plan is the transfer or termination of public utilities and public services of the Village, including, but not limited to, water, sewer, drainage, cable television, street lighting, electric service, and garbage and refuse service.

The Village of Onekama's street lighting and brush pick-up service are planned to be continued by the Township.

Of the other public utilities mentioned in this statute, the Village only has a sanitary sewage disposal system. The plan for the transfer of the sanitary sewage disposal system, assumption of outstanding bond obligations, and for its continued operation and maintenance are described in the January 27, 2012 memorandum from bond counsel, Patrick F. McGow, Miller Canfield. It is attached hereto and incorporated here by reference. (Attachment 9.)

All property pertaining to the sanitary sewage disposal system, including easements, and all contracts relating to operations of property of that system shall be assigned or otherwise transferred from the Village to Onekama Township.

The Village has insurance through the Michigan Township Participating Plan which covers the operations of the sanitary sewage disposal system. This policy is an occurrence based policy which will cover occurrences while the Village is or was in existence, even if they are brought later after the Village is disincorporated. Certificate No. HMTP-142507. This insurance package includes public officials' liability coverage.

J. Special Districts

§23e(2)(j)

Another essential element of the Disincorporation Plan is a plan for the transfer of responsibility for any special district such as historic districts.

The Village of Onekama has no special districts.

K. Authorities

§23e(2)(k)

Another essential element of the Disincorporation Plan is a plan for any authorities that the Village has established or in which the Village is a member.

The Village of Onekama has not established any authority and is not a member of any authority.

L. Fiscal Impact

§23e(2)(l)

The Village of Onekama Disincorporation Plan must provide an orderly process for various elements. One of those elements is an assessment of the fiscal impact of dissolution upon the township into which the Village is proposed to be disincorporated and the residents of the Village. That assessment can include the estimated revenues gained by the township and losses to each municipality from property taxes and from state revenue sharing and from gas and weight tax revenues distributed by this state to the Village and any township into which the Village is proposed to be disincorporated.

As described elsewhere in the report, the disincorporation of the Village would result in the Township of Onekama absorbing the general operations currently performed by the Village. The sewer system would also transfer to the Township. This transfer would not result in expansion of the system or change in cost to properties currently tied in to the system. The responsibility for roads in the Village would transfer to the Manistee County Road Commission.

Revenues – The Village receives revenues from a few major sources. In FY2011, the Village had \$212,605 in General Fund revenues. The disposition of the general fund and the dedicated revenues if the disincorporation ballot question is approved by the voters is as follows (change noted using projections for FY2013 as much as possible):

- Property Tax – The Village levies five (5) mills for general operations. Those mills would permanently cease to be levied and collected. The Village collected \$93,235 in property tax revenues in FY2011.
 - Approximately \$95,000 saving for Village Taxpayers in the first year and indeterminate amounts in future years (based on growth of taxable values and the tax rate that would have been levied were the Village still in existence)

- no gain or loss for Township
- Sewer Charges – The Village receives charges from the properties connected to the sanitary sewer system for the use of the system (\$203,775 in FY2011). These revenues are dedicated to the operation of the sewer system and for repayment of the debt obligations related to construction and upgrades of the sewer system. The Township will receive these amounts to be used for the same purposes.
 - no change in cost for Village Property Owners as a result in transfer of custodianship
 - Township will receive approximately \$235,000 for the sole purpose of the sanitary sewer system
- State Revenue Sharing – Revenues are distributed by the State to cities, villages, and townships throughout Michigan on a per capita basis under Public Act 140 of 1971 (as amended). Currently, the Village residents are not included in calculation of the township population for this purpose. They will be if the Village is disincorporated. The same amount that the Village receives will be paid to the Township (\$41,775 in FY2011. FY2012 is the first year that the population counted in the 2010 census will be used for distributions and the Village had a significant drop in population from 2000 to 2010.).
 - Village Taxpayers unaffected
 - The Township will receive amounts that would otherwise have been sent to the Village (an increase \$30,000 in the first year and indeterminate amounts in future years)
- Highway Funds – The State distributes state-collected fuel tax and vehicle registration fee revenues to counties, cities, and villages based on formulas contained in Public Act 51 of 1951 (as amended). Onkama Village receives Act 51 funding for major streets (\$29,737 in FY2011) and local streets (\$15,229 in FY2011) based on road mileage and population. If the Village is disincorporated, the state distribution will go to the Manistee County Road Commission in lesser amounts.
 - Village Taxpayers unaffected
 - no gain or loss for Township
- Other Revenues – The Village budget and financial reports show that other revenues were received from permits, royalties, charges for service, rental income, interest income, and other miscellaneous sources. It can be assumed that these will continue at roughly the same amounts for the Township.
 - Some increase in revenues is possible for the Township depending on schedules created for permits, charges, rentals, etc.

The intent, as described below, is for the township to cover the costs for select services that will be continued in the Village. The fund balances (general fund, street, cemetery, liquor enforcement, equipment) that will lapse from the Village to the township will make this possible in the short term. Growth in revenues from property taxes and state

revenue sharing should make this possible in the future. Should revenues grow at a slower pace than is anticipated, it is possible that a special assessment district could be established in the area that constitutes the Village to enable continued provision of select services in the Village.

Expenditures – The Village allocates available resources for several purposes. Some will be continued by the Township or other parties, others will cease if the Village is disincorporated. The need for those spending amounts is as follows (gain/loss to Township noted):

- Council Expenses – The Village allocated \$24,500 in FY2011 and budgeted \$36,000 in FY2012 for the salaries and wages of council members; unemployment, workers compensation, and payroll taxes; operating supplies; attorney’s fees, accounting and auditing; printing and web page; and education purposes. These functions are duplicative of what is done at the township level. The costs currently included in the Village’s Council Expenses budget will be eliminated.
 - no increase in Township expenses
- Election Expenses – The Village allocated \$525 in FY2011 and budgeted \$500 for the operation of Village elections in FY2013. These costs will be eliminated by disincorporation.
 - no additional costs for the Township
- Clerk Expenses – The Village allocated \$14,520 in FY2011 and budgeted \$15,600 in FY2012 for the clerk’s salary, office supplies, and related costs. Most of the Village clerk’s functions are duplicative of the Township clerk’s tasks. It is assumed that there will be some increase in workload for the Township clerk, but most of the costs will be eliminated by disincorporation.
 - minor increase in Township expenses
- Treasurer’s Expenses – The Village allocated \$10,695 in FY2011 and budgeted \$11,850 in FY2012 for the treasurer. These functions are duplicative of what is done at the township level. The costs currently included in the Village’s Council Expenses budget will be eliminated.
 - no increase in Township expenses
- Farr Center – Farr Center expenses totaled \$13,294 in FY2011 and the Village budgeted \$21,200 (including \$10,000 for well and floor improvements) in FY2012 (\$10,683 in FY2013) for the cleaning, supplies, utilities, and insurance. Part of the cost for operations was offset from rental fees (\$2,000 - \$2,500 per year). The Township can expect to continue this expense.
 - \$10,000 increase in expenses for Township
- Governmental Expenses – The Village allocates about \$5,000 a year to general operating supplies and utilities. In FY2012, the budget includes \$25,000 for

building improvements. This expense relates to the cost of maintaining the Farr Center for governmental offices.

- \$5,000 increase in expenses for Township either directly or in the cost of the Farr Center
- Zoning Administration – The Village allocated \$10,045 for this task in FY2011, but \$14,600 in FY2012. This is an expense that can be nearly or completely eliminated as a result of disincorporation, depending on whether the Township plans to increase the salary of the township zoning administrator to compensate for taking on the additional Village properties.
 - minor increase in expenses possible
- Joint Planning Commission – The Village has allocated \$4,500 to \$5,500 a year to share the costs of the planning commission. Without the Village, planning responsibilities will rest solely with the Township.
 - no additional costs for Township
- Parks – The Village allocated \$25,870 in FY2011 for parks, but budgeted only \$12,289 in FY2013 for this purpose. The cost of the maintenance worker responsible for upkeep of the parks is included elsewhere in the budget. These expenses relate to supplies, contractual services, and improvements. It is expected that the Township will increase its expenditures to keep the parks available and attractive.
 - \$13,000 – \$25,000 increase in expenses for Township as a result in transfer of custodianship. Additionally, the Township anticipates investing lapsed Village funds into the parks.
- Street Lights – The Village allocated \$13,667 in FY2011, but budgeted only \$12,000 in FY2012 to keep the street lights operational. The Township has stated the intention to bear the cost of street lighting in the Village out of the general fund.
 - \$12,000 increase in expenses for Township to be paid for by lapsed Village funds until they are depleted
- Brush Pick-up – The Manistee County Road Commission suggests that it will cost about \$3,500 a year for them to mulch the brush discarded by property owners and that mulch can be used in the township parks or for other purposes.
 - \$3,500 increase in expenses for Township to be paid for by lapsed Village funds until they are depleted
- Other Expenses –
 - Sewer System – The maintenance and operation of the sewer system, and the repayment of bonds issued for construction and upgrade will be continued by the township as discussed relative to the transfer of public utilities and public services (23(2)(i)).
 - Expenditures will be external to the Township General Fund

- Streets – The Village allocated general fund resources to supplement street revenues from other resources (\$38,000 in FY2011, \$29,500 budgeted for FY2012). The Township will only allocate the amounts collected from the 1-mill property tax levied for this purpose.
 - no additional costs for Township
- Snow Plowing – The Village will contract with the Manistee County Road Commission to clear the Village’s local access streets of snow as early as possible.
 - \$10,000 annual cost for Township to be paid for by lapsed Village funds until they are depleted
- Cemetery – Resources allocated to supplement cemetery resources varied between \$3,000 budgeted for FY2013 and \$10,000 budgeted for FY2012.
 - \$3,000 - \$10,000 increase in expenses for Township
- Public Works Salary – The maintenance man will continue for the Township under the same work arrangement as is provided for by the Village. This falls between \$10,000 and \$15,000 from the general fund.
 - \$10,000 - \$15,000 increase in expenses for Township
- Christmas Lights – The Village spent \$1,165 in FY2011, but budgeted only \$600 in FY2012 for holiday lights.
 - minor increase in Township expenses possible to continue lighting to be paid for by lapsed Village funds until they are depleted

Based on the changes in revenue streams and diversion of assorted costs to the Township, the following is hypothetical budget for the township operations after Village disincorporation. The assumptions or reasons for various values are stated in notes at the end of the budget. The immediate effect of the changes would be an imbalance of expenditures in excess of revenues in the magnitude of \$20,000 in the first year.

Revenues	Village 3/1/12-2/28/13	Township 4/1/11-3/31/12	Township after Disincorporation 4/1/12-3/31/13
Property Tax/Admin Fees/Collection Fees	94,550	\$ 249,260	\$265,800 ¹
Permits	600	+ 2,500	3,100
State Revenue Sharing	30,000	65,000	94,823 ²
Charges for Services		300	300
Interest/Dividend Income/Royalties	15,400	+ 9,700	25,100
Liquor Enforcement	1,610	+ 1,200	2,810
Transfer from Village		4,000	
Other	250		
Draw – Township GF balance for operations			12,575
Draw – Village GF balance for Village services			36,100 ³
Draw – truck equity/Act 51 for snow plowing			7,200 ⁴
Total Income	\$ 142,410	\$ 312,960	\$ 447,812
Revenues External to FY2013 budget			
Invasive Species		\$ 58,840 ⁵	
Road Millage		\$ 133,050 ⁶	
Expenditures			
Village Council/Township Board	27,130	\$ 125,000	\$115,000 ⁷
Village President/Township Supervisor		14,000	14,000
Village/Township Clerk 15,700		29,000	30,750 ⁸
Village/Township Treasurer	11,600	32,000	32,000
Elections	500	4,000	4,000
Assessor		39,000	39,000
Board of Review	4,500	2,500	2,500
Farr Center	10,683		10,683
Use of Farr Center for Gov'tal purposes/Township Hall	5,508	53,000	23,144 ⁹
Cemetery	4,715	+ 8,000	12,715
Liquor Control Enforcement	1,320	+ 1,400	2,720
Planning Commission	4,500	20,000	20,000
Appeals Board	2,025	3,500	3,500
Zoning/Land Use Administrator	12,900	11,000	11,000
Sanitary Sewer		15,000	500
Portage Lake Study		25,000	1,500
Park Activities/Harbor Commission	12,289	25,000	25,000 ¹⁰
Park Investment			20,000
Public Works Salaries & Wages	16,500		16,500
Contingency		40,000	40,000
Village Specific Services			
Street Lights	12,000		12,000
Christmas Lights	600		600
Brush pickup	???		3,500 ¹¹
Snow plowing			7,200 ^{4,11}
Total Expenditures	\$ 91,144	\$ 447,400	\$427,812
Expenditures External to FY2013 budget			
Invasive Species		\$ 152,259 ⁵	
Roads		\$ 427,000 ⁶	

¹ calculated based on preliminary taxable values for Onekama Township

² Value is based on estimates posted on Michigan Department of Treasury website. These estimates adjust for 2010 population changes of 2010 census.

³ Transferred funds from Village General fund will be used for Village specific service, including park improvements, street lights, Christmas lights, and brush pickup.

⁴ based on equity of truck sold to MCRC for first 5 years and from remaining balances in street funds until depleted.

⁵ Township collects funding from special assessment district. Two years remain of collections. Outflows are used for eradication of invasive species.

⁶ Township levies one mill for roads (internal and external to the Village). Funds are used primarily to match county Road Commission funding for work on roads within Township of Onekama. Township is slated to pay \$62,000 for upgrade of Brook Street in FY2012.

⁷ Township actual spending for Township Board in FY2012 = \$85,000

⁸ 10% salary bump for Township Clerk (\$1,350 raise) + \$400 office supplies

⁹ Added cost of Farr Center and actual spending on Township Hall in FY2010 (\$17,636) to equal \$23,144

¹⁰ Township actual spending for parks in FY2012 = \$10,000

¹¹ based on statement from Manistee County Road Commission

Fund Balance Transfer – The Village is holding funds received for varying purposes (some dedicated to specific purposes). As provided for in the description of the commission’s plan for real and personal property (§23e(2)(c)), the amounts in these funds at the time the Village officially disincorporates will transfer to the Township.

Within the restrictions set for these funds, the fund balances are available to supplement incoming revenues to finance the Village services being taken on by the Township. Attached to this report are descriptions of fund types and restrictions, copied from the Michigan Department of Treasury’s Uniform Chart of Accounts for Counties and Local Units of Government, provide direction for the latitude of the Township to use the transferred funds for general or specific purposes. (Attachment 10.)

Additionally, it should be noted that the Township Board on February 6, 2012, clarified their intent that fund balances that lapse from the Village to the township because of disincorporation will be used solely only for Village purposes. For this to be carried out, and for the Township to remain accountable to the Village residents, it is recommended that the Village funds not be integrated with the Township funds. The Village funds turned over to the Township should be maintained in separate funds and financial reports should report the purposes for which those fund balances are expended.

Between the time that this plan is submitted to the Village and Township boards and the date of official disincorporation, the amounts will change daily, weekly, and monthly as additional revenues are received and new costs are incurred.

The following table is intended to provide estimates of the balances that could transfer:

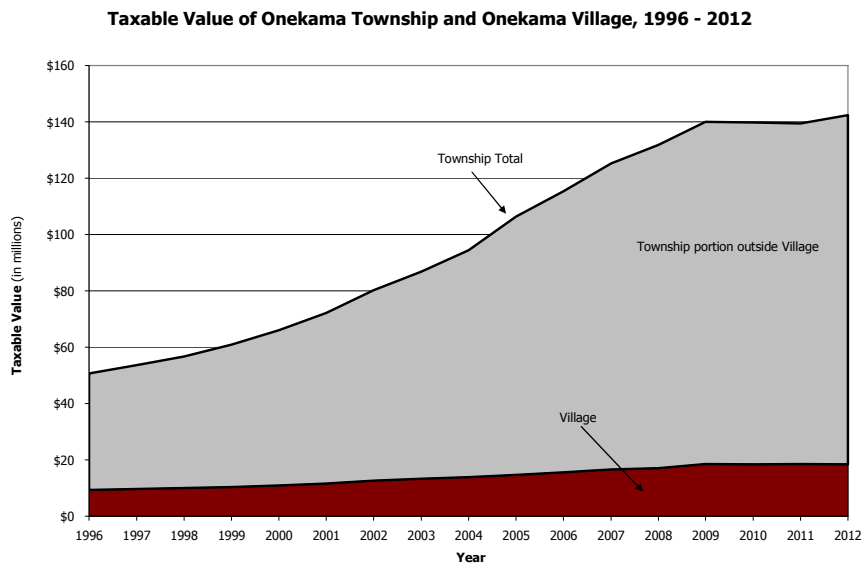
Fund Type:	Statement of Accounts as of February 29, 2012*	CAFR (audited) for Fiscal Year ending February 28, 2011	CAFR (audited) for Fiscal Year ending February 28, 2010
General Fund	\$247,710	\$294,669	\$319,177
Major Street Fund	\$37,248	\$36,142	\$32,654
Local Street Fund	\$32,809	\$20,963	\$19,971
Cemetery Fund	\$6,485	\$3,616	\$3,021
Liquor Enforcement Fund	\$3,221	\$2,848	\$2,716
Equipment Fund	\$140,289	\$126,350 [#]	\$112,741 [#]
Sewage Fund	\$332,087	\$140,731 [#]	\$103,043 [#]
* It is anticipated that the audit for fiscal year ending February 29, 2012, will be available in the summer. An additional audit will be provided after October 31, 2012.			
[#] FY2010 and FY2011 fund balance for Equipment and Sewerage funds taken from statement of accounts for February 28 of each year. These are unaudited.			

Assuming that the fund balances on October 31, 2012, are the same as those recorded for February 29, 2012 (an assumption we know not to be true because revenues will be received into these funds and expenditures made in the normal course of business for the Village), and assuming Township revenues do not grow as a result of growth in the tax base or greater amounts of shared revenue from the state, then the General Fund balance should be sufficient to fund a \$25,000 difference between expected expenditure

amounts and projected revenues for 8 years at a minimum. Likewise, street fund revenues could be sufficient to fund snow plowing for about 5 years.

The balances should be viewed as revenues available for a limited time. The long-term ability of the Township to fund services may not be predicated on the transfer of these amounts.

Property Tax Revenues – The Chart below is taken from the Citizens Research Council of Michigan report that considered the possibility of consolidating the Onekama governments. This chart shows that the taxable values of the Village and Township have been growing at starkly different rates. Over the past 10 years, taxable value in the Township as a whole has grown at an average annual rate of 6.0% per year. The Village’s taxable value over those 10 years was 3.9%. (The growth of taxable values for Township properties outside of the Village was 6.3% over those 10 years.) Over the period from 2000 to 2007, the average rate of appreciation in taxable value for Village properties was 6.0%. The average rate of appreciation in taxable value for Township properties outside the Village from 2000 to 2007 was 10.1%. The 10-year period in question includes the time following the housing bubble burst when housing values have not grown at rates seen in the years prior.



The unknown element for projecting how quickly incoming revenues would be sufficient to cover the expenses in an expanded township budget is the expected rate of growth in taxable value. The following table lays out two growth models based on average growth over the past 5 years (which includes the housing bubble burst and the Great Recession) and over the past 10 years (which includes several strong years before this period).

Fiscal Year	2.6% Annual Growth in Taxable Value	Revenue Yield	Dollar Change	6.0% Annual Growth in Taxable Value	Revenue Yield	Dollar Change
2009	\$140,024,175	\$248,250		\$140,024,175	\$248,250	
2010	139,742,392	249,510	\$1,260	139,742,392	249,510	\$1,260
2011	139,456,315	249,260	(250)	139,456,315	249,260	(250)
2012	142,344,480	253,647	4,387	142,344,480	253,647	4,387
2013	146,113,878	260,364	6,717	146,113,878	260,364	6,717
2014	149,983,349	267,259	6,895	154,872,740	275,972	15,608
2015	153,955,558	274,337	7,078	164,165,832	292,531	16,560
2016	158,033,237	281,604	7,266	174,026,118	310,102	17,570
2017	162,219,194	289,063	7,459	184,488,611	328,745	18,643
2018	166,516,310	296,720	7,657	195,590,503	348,528	19,783
2019	170,927,543	304,580	7,860	207,371,298	369,520	20,993
2020	175,455,932	312,649	8,069	219,872,958	391,797	22,277

A continuation of the 2.6% growth that the township has been experiencing over the past 5 years would bring in an extra \$7,000 to \$8,000 a year, effectively closing the gap in 3 to 4 years. A continuation of the 6.0% growth that the township has been experiencing over the past 10 years would bring in an extra \$15,000 to \$20,000 a year, effectively closing the gap in a couple of years.

The table on the next page offers a hypothetical 5-year scenario for how revenues and expenditures of the Township might be expected to grow. (THIS IS NOT A COMMITMENT OF REVENUES AND EXPENDITURES FOR THE TOWNSHIP, BUT AN ILLUSTRATION OF THE TOWNSHIP'S FISCAL SUSTAINABILITY.) Assumptions are made for growth in property tax revenues and the receipt of state revenue sharing funds as well as select expenditure items. The table also illustrates how the truck equity and Act 51 street funds (see F. Jurisdiction over Streets above) will be used to fund snow plowing and how the Village general fund balance will be used exclusively for Village services and enhancement of Village assets. Even with conservative revenue growth assumptions and aggressive expenditure growth assumptions, the fiscal sustainability of the Township is not endangered.

5-Year Model of Onekama Township Budget after Disincorporation of Onekama Village

<u>Revenues</u>	<u>4/1/12-3/31/13</u>	<u>4/1/13-3/31/14</u>	<u>4/1/14-3/31/15</u>	<u>4/1/15-3/31/16</u>	<u>4/1/16-3/31/17</u>	
Property Tax/Admin Fees/Collection Fees	\$ 265,804	\$ 272,715	\$ 279,805	\$ 287,080	\$ 294,545	assumed 2.60% growth ^a
Permits	\$ 3,100	\$ 3,100	\$ 3,100	\$ 3,100	\$ 3,100	
State Revenue Sharing	\$ 94,823	\$ 96,814	\$ 98,847	\$ 100,923	\$ 103,043	assumed 2.10% growth ^b
Charges for Services	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	
Interest/Dividend Income/Royalties	\$ 25,100	\$ 25,100	\$ 25,100	\$ 25,100	\$ 25,100	
Liquor Enforcement	\$ 2,810	\$ 2,838	\$ 2,866	\$ 2,895	\$ 2,924	assumed 1.00% growth ^c
Draw - Township GF balance for operations	\$ 12,575	\$ 3,500	\$ 3,000			
Draw - Village GF balance for village services	\$ 36,100	\$ 36,220	\$ 36,341	\$ 36,464	\$ 36,587	
Draw - truck equity for snow plowing	\$ 7,200	\$ 7,200	\$ 5,600	\$ -	\$ -	
Draw - Act 51 balance for snow plowing			\$ 1,600	\$ 7,200	\$ 7,200	
Total Anticipated Revenues	\$ 447,812	\$ 447,707	\$ 456,336	\$ 463,062	\$ 472,798	
<u>Remaining Equity/Fund Balances</u>						
Township GF Balance (3/16/12=\$710,822)	\$ 698,247	\$ 694,747	\$ 691,747	\$ 691,747	\$ 691,747	
Village GF Balance (2012 = \$250,000)	\$ 213,900	\$ 177,680	\$ 141,339	\$ 104,875	\$ 68,288	
Truck Equity (2012 = \$20,000)	\$ 12,800	\$ 5,600	\$ -	\$ -	\$ -	
Village Act 51 Funds (2012 = \$70,000)	\$ 70,000	\$ 70,000	\$ 68,400	\$ 61,200	\$ 54,000	
<u>Expenditures</u>						
Township Board	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	
Supervisor	\$ 14,000	\$ 14,350	\$ 14,709	\$ 15,076	\$ 15,453	assumed 2.50% growth ^d
Clerk	\$ 30,750	\$ 31,519	\$ 32,307	\$ 33,114	\$ 33,942	assumed 2.50% growth ^d
Treasurer	\$ 32,000	\$ 32,800	\$ 33,620	\$ 34,461	\$ 35,322	assumed 2.50% growth ^d
Elections	\$ 4,000	\$ 400	\$ 4,000	\$ 400	\$ 4,000	
Assessor	\$ 39,000	\$ 39,975	\$ 40,974	\$ 41,999	\$ 43,049	assumed 2.50% growth ^d
Board of Review	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	
Farr Center	\$ 10,683	\$ 10,950	\$ 11,224	\$ 11,504	\$ 11,792	assumed 2.50% growth ^d
Governmental Expenses & Township Hall	\$ 23,144	\$ 23,723	\$ 24,316	\$ 24,924	\$ 25,547	assumed 2.50% growth ^d
Cemetery	\$ 12,715	\$ 13,033	\$ 13,359	\$ 13,693	\$ 14,035	assumed 2.50% growth ^d
Liquor Control Enforcement	\$ 2,720	\$ 2,838	\$ 2,866	\$ 2,895	\$ 2,924	
Planning Commission	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	
Appeals Board	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	
Zoning Administrator	\$ 11,000	\$ 11,275	\$ 11,557	\$ 11,846	\$ 12,142	assumed 2.50% growth ^d
Sanitary Sewer	\$ 500	\$ 513	\$ 525	\$ 538	\$ 552	assumed 2.50% growth ^d
Portage Lake Study	\$ 1,500					
Park Activities - Harbor Commission	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	
Public Works Salaries & Wages	\$ 16,500	\$ 16,913	\$ 17,335	\$ 17,769	\$ 18,213	assumed 2.50% growth ^d
Contingency	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	
<u>Village Specific Expenditures</u>						
Park Investment	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	
Street Lights	\$ 12,000	\$ 12,120	\$ 12,241	\$ 12,364	\$ 12,487	assumed 1.00% growth
Brush pickup	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	
Christmas Lights	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	
Snow plowing	\$ 7,200	\$ 7,200	\$ 7,200	\$ 7,200	\$ 7,200	
Total Projected Expenditures	\$ 447,812	\$ 447,707	\$ 456,333	\$ 457,882	\$ 466,758	

^a Township revenues grew an average 2.6% for township over past 5 years.

^c Liquor enforcement funds are returned relative to liquor sales in jurisdiction.

^b State sales tax revenues grew an average of 2.1% since Proposal A of 1994.

^d The average growth in inflation (CPI) over past 10 years was 2.5%.

M. Dispute Resolution

§23e(2)(m)

Another essential element of the Disincorporation Plan is a process for the resolution of any dispute that may arise over the implementation of the plan and a procedure that a party to such dispute may utilize.

The Village and the Township, prior to the election on the Disincorporation Plan, intend to adopt Dispute Resolution Resolutions. Each Resolution shall provide that if any party with standing has a dispute arising over implementation of the Disincorporation Plan, the Township and the Village (prior to the effective date of the disincorporation) and their officials agree to meet and confer with the disputing party to negotiate a resolution of the dispute. They further agree that if they are unable to resolve the dispute through negotiation, and before formally instituting any other dispute resolution mechanism, they shall utilize the services of a mutually acceptable neutral mediator, who meets the qualifications of MCR 2.411, to bring them together in at least one mediation session. They further agree that if they are unable to resolve the dispute through mediation, they shall consider binding arbitration.

The Dispute Resolution Resolutions shall also provide for a written complaint procedure and a designated officer to handle the dispute.

Collateral Matters

§23e(3)

The Village of Onekama Disincorporation Plan must provide an orderly process for various elements. In addition, the Disincorporation Plan may make findings as to the effect of disincorporation upon collateral matters including, but not limited to, property values, public service levels and costs, and local property tax rates. This portion of the plan addresses the collateral matters the Commissioners determined to be important.

1. Ordinances

Since 1891 the Village has enacted approximately 30 ordinances. The Zoning Ordinance is dealt with separately above. Many of these ordinances are obsolete such as Ordinance No. 9 which allows one dollar per meeting for the trustees. Those ordinances dealing with building codes and electric wiring have all been outdated and superseded by the State Construction Code.

The Village President reviewed these ordinances with legal consultation to determine which of them he would recommend be repealed. The Village Council has repealed those ordinances they believed were no longer necessary.

The ordinances of this nature not repealed have been reviewed by the Township Supervisor and Attorney. With their concurrence, the plan for continuing them after disincorporation is shown on the attached Village Ordinances and Disposition. (Attachment 11.)

Many of these are care of property or police ordinances such as the burning ban and waterfowl ordinances. These will be enacted by the Township in substantially the same form to apply to the area of the Village.

All sewer ordinances or their equivalent will need to be re-enacted by the Township as part of the operation of the sewer utility.

Parking ordinances will also be enacted by the Township.

The Village would assign to the Township the right to prosecute or continue a prosecution for violations of Village ordinances which occurred before disincorporation.

Franchise ordinances with Consumers Power Company (electricity) and Superior Energy Company (natural gas) will be assigned to the Township for continuity sake; although the Township has equivalent ordinances that would take effect automatically upon disincorporation.

2. Effective Date

If the disincorporation is approved by the voters on August 7, 2012, additional time before actual disincorporation will be needed thereafter to implement the disincorporation by performing the acts outlined in this Plan. This will be the Effective Date of the disincorporation. We would like to make it long enough after the election to give enough time for the transition, especially the transition and technical refinancing of the sewer treatment plant and system. We do not want to make it longer than the general election, November 6, 2012, at which Village officers would otherwise be elected. The Disincorporation Plan will set the Effective Date of the disincorporation to be October 31, 2012, at 11:59 p.m.

Even after the Effective Date of disincorporation, there may be ministerial acts needed to be performed on behalf of the Disincorporated Village of Onekama. We can only envision these to be for housekeeping or recordkeeping matters. We suggest that the Plan include the authorization for the last Village President, Robert Blackmore, together with the then current Township Clerk to sign any necessary papers on behalf of the Disincorporated Village. In the absence of Robert Blackmore, we suggest the last Village Clerk, Ruth Hudson, together with the then current Township Clerk to have that signing authority.

3. Borrowing Costs

For the purposes of moving the bonded indebtedness related to sewer system from Onekama Village to Onekama Township if voters opt to disincorporate the Village, officials with the U.S. Department of Agriculture have stated that all present terms, including interest rates, will remain unchanged. However, disincorporation of the Village could affect the cost of future borrowing.

Will transferring the system and the indebtedness affect future borrowing needs for the sewer system or for the Township in general?

Sewer System

In the case of the Village of Onekama's sewer system, bonds were guaranteed through the USDA Rural Development program. Communities participating in the loan guarantee programs are classified into three groups based on the per capita personal income of the residents – "poverty," "intermediate," and "market." Borrowers in each grouping are eligible for different interest rates, with those in the "poverty" group paying the lowest rates and those in the "market" group paying the highest.

With a per capita personal income of about \$29,000, the Village of Onekama falls into the "poverty" group which currently qualifies for a 2.25% interest rate. The Township of Onekama has a per capital personal income of about \$39,000, which is just above the \$36,600 threshold that places the Township into the "intermediate" group. As a result, additional borrowing for the Township could result in a 3% interest rate.

New Township Borrowing

Governments issue bonds to provide upfront funding to construct or improve infrastructure (and various other purposes) – water and sewer, roads and bridges, government buildings, and the like – with the repayment of the principal and interest spread over the life of the assets.

Governments can issue 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.

In most circumstances, the ability of governments to borrow money through the sale of bonds requires the ascertainment of a credit rating. Independent companies such as Moody's Investor Services, Standard & Poors, and FitchRatings assess the debt, the government's financial performance, the government's management, and the local economy. The bond rating affects the interest rates assigned to the bond transactions, and thus the cost of the borrowing.

Transferring the bonded indebtedness related to the Onekama Village sewer system to Onekama Township will neither increase nor decrease the ability or cost of Onekama Township to engage in future borrowing unrelated to the sewer system. While the Township would have debt outstanding, the pledge of sewer fees to repay the debt should negate any concerns of investors. Investor ratings of the Township's ability to issue general obligation bonds to be repaid from the Township's general operating funds or to issue revenue bonds to be repaid from a dedicated tax source (such as a dedicated property tax or future streams of state revenue sharing) would be evaluated relative to the strength of those revenue sources, the management of the Township, and the strength of the local economy.

Unlike personal borrowing, bond rating agencies and investors tend not to consider past debt repayment history. The township would not be building a favorable credit rating by making debt payments on time.

4. Personal Property Taxes and Other Debts Owed to the Village

If disincorporation is approved, on the effective date there likely will be delinquent personal property taxes and maybe other debts or obligations owed to the Village of Onekama. In order to preserve these obligations and the right to collect those obligations, the plan is for the Village and Village officers to assign those obligations and the right to collect those obligations to the Township and the Township Treasurer.

A statement of the delinquent personal property taxes in the nature of a tax roll should be prepared and transferred to the Township Treasurer. Currently the Township Treasurer also collects personal property taxes outside the Village. These delinquent personal property taxes could then be added to the delinquent Township roll and collected in the normal course.

Attachments

1. Township Resolution
2. Village Resolution
3. Letter from Richard Wilson regarding *Rogers v Village of Onekama*, February 1, 2012
4. Book Asset Detail 03/01/10 – 02/28/11
5. Job description for the Maintenance Technician 1
6. Current contract for employment with the Zoning Administrator
7. Email synopsis from Jerry Peterson, Manistee County Road Commission Manager, February 14, 2012
8. Statement from Gerald C. Peterson, Manistee County Road Commission Manager (received March 8, 2012)
9. Memorandum from Patrick F. McGow, Miller Canfield, January 27, 2012
10. Fund Accounting
11. Village Ordinances and Disposition