

VF Incorporation



**LIBRARY  
COPY**

MICHIGAN MUNICIPAL LEAGUE  
1675 GREEN ROAD PO BOX 1487  
ANN ARBOR MI 48106-1487

**VILLAGE OF LAKE ORION**

**ANALYSIS OF FINANCIAL AND SERVICE  
IMPACTS ASSOCIATED WITH  
INCORPORATION AS A HOME RULE CITY**

**LIBRARY  
COPY**

**PLANTE & MORAN  
FEBRUARY/1993**

**SECTION I**

**SUMMARY OF FINDINGS**

## SECTION I

### SUMMARY OF FINDINGS

#### Background

Following a favorable review on a petition to incorporate the Village of Lake Orion as a home rule city, the State Boundary Commission has scheduled a March 8, 1993 referendum to decide the issue.

This report has been prepared to assist the residents of Lake Orion in evaluating the potential advantages and disadvantages of cityhood with particular emphasis on the financial implications (i.e., the impact on the community as a whole and the impact on individual taxpayers).

#### Scope of the Report

The report considers each of the major financial and service issues related to incorporation of Lake Orion as a home rule city. This includes:

- The estimation of assets which may accrue to a new city from the Township.
- The options and related costs for providing certain services including:
  - Assessment of properties
  - A broader range of tax collection/treasury services
  - Fire and emergency medical services
  - National, state and county elections
  - Building department (i.e., permit and inspection) services
  - (and) likely arrangements for library service continuation
- Additionally, the start-up and capital expenses which a new city would incur for these services.

The financial results are then utilized to estimate:

- The impact on the cost of governmental operations
- The impact on the individual taxpayer

In conducting this study, we have researched a full range of issues both legal and financial. From a legal perspective the Village has retained legal counsel to evaluate issues related to the potential incorporation. We have used this input and opinion to develop a framework for evaluating the possible financial outcomes. From a financial and operational perspective we have collected and evaluated data from a variety of sources including:

- The applicable operating departments in both the Village and Orion Township
- State of Michigan departments
- Other municipalities which are similar in size and composition to Lake Orion

- Oakland County departments
- Municipalities which have undergone a similar cityhood process
- Private contractors for particular services
- Computer vendors and service suppliers

This data has been integrated and organized to provide a comprehensive and detailed assessment of each individual issue as well as overall impact to the community.

### Intent of the Report

The report is intended as a preliminary analysis of the impact of cityhood; intended to assist each citizen in making this important decision. The financial estimates are not the actual results which can be anticipated in the event of cityhood, but rather the best estimate which can be prepared at this point-in-time. As an example, we have utilized the 1991 actual financial results of the Township to evaluate equity which may accrue to a new city. This represents the most reliable information available as of this date.

The actual financial results of the conversion to cityhood (should this occur) will be a matter of negotiation between the Township and new city. In this regard, outcomes cannot be firmly established. In addition to providing an indication of the ultimate financing impact it is our hope that the report can serve an educational purpose; providing each citizen with a solid understanding of the issues and conditions which would be addressed.

### Organization of the Report

The report is organized to facilitate your review. In addition to this summary of findings, we have organized the report in the following major sections:

- **Division of Assets and Liabilities**  
An evaluation of the potential conditions for division of assets between Orion Township and a new city.
- **Assessing and Treasury Services**  
Identification of the "best" option and estimated costs for operation and implementation.
- **Fire Services**  
Identification of viable options and cost parameters.
- **Elections**  
Estimation of costs to expand services to include national, state and county elections.
- **Building Services**  
Estimation of costs to provide in-house service utilizing contracted inspections.
- **Library Services**  
Evaluation of potential options for service continuation.

## Major Findings and Conclusions

For your convenience we have briefly summarized the major findings and conclusions of the study below:

**1. USING A PRELIMINARY ESTIMATING PROCEDURE ASSETS ACCRUING TO A NEW CITY ARE ESTIMATED AT \$424,000 - \$469,000.**

Exhibit I-1 summarizes the results of the Section II analysis of assets and liabilities distribution based on actual 1991 year-end financial results. The preliminary estimation concludes on a value ranging from \$424,000 - \$469,000. The methodology utilized reflects the legal guidance of the Village's legal counsel. It is intended as a preliminary estimate/general guideline of what may be the process and potential outcome at such time as cityhood were to occur. In actuality the process would involve negotiation between the entities with actual outcomes not predictable at this point-in-time. It should also be noted that the nature of assets accruing to a new city may take various forms (e.g., real property, personal property, etc.) as opposed to a cash settlement.

**2. THE PRELIMINARY ESTIMATES INDICATE THAT EXPENDITURES FOR NEW SERVICES WILL NOT REQUIRE MILLAGE AMOUNTS IN EXCESS OF CURRENT VILLAGE AND TOWNSHIP LEVIES PAID BY VILLAGE PROPERTY OWNERS, BUT WILL RESULT IN A .85 MILL DECREASE.**

Exhibit I-2 summarizes the estimated costs of providing the full range of new services or service arrangements required of a new city. As seen in the Exhibit, it is estimated that expenditures would not exceed additional revenues if millage/taxes currently paid by Village residents to the Township were maintained for use by the new city. Additionally, a .85 mill decrease is estimated through elimination of the safety paths and library debt levies.

**3. A NEW CITY WOULD BE REQUIRED TO EXPEND AN ESTIMATED \$49,448 IN INITIAL INVESTMENT RELATED TO SERVICE PROVISION.**

Exhibit I-3 lists initial expenditures which would be required under the service scenarios which we have developed. The majority of these monies would be expended on property reappraisal, a precondition for contracting this service through Oakland County.

**4. ASSESSING AND TREASURY PROVISION THROUGH OAKLAND COUNTY WOULD PROVIDE THE MOST EFFECTIVE APPROACH FOR THE NEW CITY.**

Our evaluation has considered both in-house and contractual options for assessing and tax collection/treasury services which must be assumed by a new city. In regards to cost, convenience and space requirements, we have concluded on the Oakland County contractual option (estimated annual cost: \$24,669) as the most cost-effective approach. As noted, the initial investment for reappraisal of properties is also a significant consideration in evaluating the total cost of this service.

5. **BASED ON THE OPINION OF LEGAL COUNSEL, IT IS ESTIMATED THAT FIRE SERVICES WILL BE CONTINUED THROUGH ORION TOWNSHIP AT A RATE COMMENSURATE TO THAT PAID BY TOWNSHIP PROPERTY OWNERS.**

We have included as Appendix A, a letter from the Village's legal counsel which concludes on several legal issues of note to this report. The attorney concludes that the Township of Orion, by virtue of a 1960 agreement, is obligated to maintain a fire station in Lake Orion and provide services at a similar rate to those charged a Township resident.

As noted, our evaluation has been structured to reflect the opinions of legal counsel. In this regard we have estimated fire service costs through two optional approaches which would be cost equitable, yet provide the Township with an administrative fee for costs not directly allocated to the Fire Fund. Annual charges, assumed to be paid through a new city's General Fund, are estimated at \$50,273 - \$55,487.

6. **ASSUMPTION OF RESPONSIBILITY FOR GENERAL ELECTIONS IS NOT ESTIMATED TO RESULT IN SIGNIFICANT COSTS.**

The current Clerk's office and election procedures within the Village are efficient and well organized. The assumption of responsibility for national, state and county elections will require an additional estimated three elections in each four year period, and additional administrative input. Total costs are estimated at \$13,749 per annum with an additional \$2,250 estimated for the initial purchase of three used mechanical voting machines.

7. **IT IS ESTIMATED THAT IN-HOUSE BUILDING SERVICES WOULD NOT RESULT IN ADDITIONAL COST TO A NEW CITY.**

Our estimate of building services cost requirements presumes the use of contractual inspectors and current in-house staff to administer the building function which is currently contracted through the Township. It is estimated that revenues resulting from this operation may exceed costs which would be incurred to provide this service (i.e., \$847 estimated surplus revenue).

8. **CITYHOOD WOULD REQUIRE THE NEGOTIATION OF TERMS FOR LIBRARY SERVICES.**

Following cityhood it would be necessary for a new city to negotiate terms and conditions for continuation of library services. Our analysis has assumed a millage equivalent approach with a 10% additional administrative charge (i.e., consistent with fire services approach).

Village of Lake Orion  
Analysis of Cityhood  
Asset Division

<u>Assets Potentially Subject to Division</u>	<u>1991 Actual Balance</u>
(1) Equity in General Fund	\$597,157
(2) Equity in Fire Protection Fund	181,964
(3) Equity in Police Protection Fund	100,313
(4) Equity in Capital Improvement Fund	11,476
(5) Equity in Fire Capital Improvement Fund	396,234
(6) Equity in Safety Path Fund	122,096
(7) General Fixed Assets:	
Buildings and Improvements	1,882,342
Furnishings, Vehicles and Equipment	1,650,870
Land and Improvements	634,800
Library	<u>3,400,000</u>
TOTAL ASSETS POTENTIALLY SUBJECT TO DIVISION	\$8,977,252
 <u>Liabilities Potentially Subject to Division</u>	
	<u>(\$3,400,000)</u>
(8) Library Bonds	
TOTAL ASSETS NET OF LIABILITIES	<u>\$5,577,252</u>
 (9) Village Percentage of Total SEV	 7.61% - 8.41%
 ESTIMATED ASSET VALUE ACCRUING TO NEW CITY	 \$424,429 - \$469,047

Note: The estimation of assets that may accrue to the new city is a preliminary figure based on financial research by Plante & Moran and legal research performed by the Village Attorney. The actual division of assets process cannot be expected to produce the specific results represented in this exhibit, but would be a result of negotiation between the Township and a new city. The intent of this exhibit and report is to provide the Village of Lake Orion the best possible information at this point-in-time, as opposed to a definitive assessment of the outcome of a division of assets process.

For specific information concerning the estimating methodology, please refer to assumptions as summarized in section II.

Village of Lake Orion  
Cityhood Analysis  
Financial Estimate of  
Impact to General Fund

FY 1993 Total Budgeted Revenues (Village)		\$1,280,288
FY 1993 Budgeted Draw of Fund Balance (Village)		19,710
 FY 1993 Total Budgeted Expenditures (Village)		 (1,299,998)
 Additional Revenue (Expense) Resulting from Recommended Option:		
Fire Services	(50,273 - 55,487)	
Building	847	
Treasury	(6,862)	
Assessing	(17,807)	
Elections	(13,749)	
Library	(72,112)	
		<u>(\$159,956-\$165,170)<sup>1</sup></u>
 Additional Revenue Resulting From Conversion of Township Millage to City Millage (i.e., 3.237 mills): <sup>2</sup>		
		171,549
 Additional State-Shared Revenues Resulting From Increase to RTE:		
		<u>5,293</u>
 Estimated Revenue (Expense)/Financial Impact of Cityhood on General Fund:		
		<u>\$11,672 - \$16,886</u>
 Estimated Millage Increase (Decrease) From Current Combined Village/Township Millage:		
		.85 mills <sup>3</sup>

*Footnotes:*

<sup>1</sup> Fire service and library operating cost estimates presume negotiated service agreements with Orion Township consistent with possible scenarios discussed in this report.

<sup>2</sup> Includes the following current millage paid by village property owners to Orion Township for services which would be provided through the General Fund of the New City:

General Levy	1
Fire Operating	1
Library Operating	<u>1.237</u>
Total Mills	3.237

<sup>3</sup> Represents a reduction in millage for safety paths (.2120) and library debt (.6370). Refer to Exhibit I-1: Asset Division.



VILLAGE OF LAKE ORION  
ANALYSIS OF CITYHOODSUMMARY OF ESTIMATED INITIAL INVESTMENT  
FOR SERVICE PROVISION

<u>DEPARTMENT</u>	<u>ITEM</u>	<u>ESTIMATED COST</u>
Assessing	Transfer of Data	\$ 3,250
Assessing	Property Reappraisal	43,948
Elections	Voting Machines	<u>2,250</u>
Total Estimated Initial Investment		<u>\$49,448</u>

STATE OF MICHIGAN

VF - Incorporation



John Engler, Governor

**DEPARTMENT OF COMMERCE**

P.O. Box 30004, Law Building, Lansing, Michigan 48909-7504

Arthur E. Ellis, Director

April 21, 1993

Michigan Municipal League  
P.O. Box 1487  
Ann Arbor, Michigan 48106

RE: **DOCKET #91-I-2** Proposed Incorporation of the Village of Lake Orion in Orion Township as a Home Rule City.  
Canvass of Votes Cast on the Incorporation Referendum, 3/8/93

Dear Trustees:

On January 19, 1993, the State Boundary Commission approved a referendum petition and ordered an election on the incorporation cited above. A copy of the canvass of votes cast in the referendum election is enclosed and should be attached to your copy of the Commission's order.

Because the referendum question was defeated by voters in the proposed incorporation area, this incorporation action is ended. Please telephone me at 517/335-4944 if you need any additional information on this matter.

Sincerely,

A handwritten signature in cursive script that reads "Liane M. Zimny".

Liane M. Zimny  
Executive Director  
State Boundary Commission

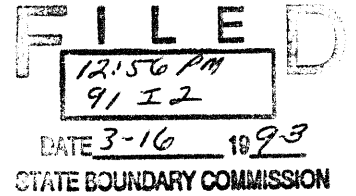
LMZ:cr

Enclosure



37 E. Flint Street, Lake Orion  
Mi. 48362  
(313)-693-8391

March 12, 1993



Ms. Liane M. Zimny  
Executive Director  
State Boundary Commission  
P. O. Box 30004  
Lansing, MI 48909

**Re: Docket #91-I-2**

Dear Ms. Zimny:

Enclosed is a copy of the report of the Oakland County Board of Canvassers relative to the results of the voting at our March 8, 1993 Village Election on the Proposition for the Incorporation of the Home Rule Village of Lake Orion as the Home Rule City of Lake Orion.

Not having received sufficient affirmative votes, the proposition was defeated.

The vote was:	YES	237
	NO	279

If there is any additional information you may need relative to this matter, please contact us. It has been a pleasure working with you and the members of your staff on this very interesting project.

Very truly yours,

VILLAGE OF LAKE ORION

Mary H. Simmons  
Clerk

Enclosure