



Memo

Date: April 23, 2021
To: Honorable Mayor Armitage; City Council
From: Erin LaPere, City Manager
Re: Resolution to create a Special Assessment District

On the agenda for Council's consideration is a resolution to establish a special assessment district for fire protection. As discussed in the March 9th study session, the creation of a special assessment district to defray the costs of fire protection is a two-step process. Step one, is to estimate the costs and consider the establishment of the district. At that time, a public hearing is required and one was scheduled and held at the regular Council meeting of April 19, 2021.

At the meeting held April 19th the question of the annual appropriation was discussed. To clarify statements made by Attorney Hitch, the Council will determine the percent to allocate towards defraying the cost at the time the district is established. In subsequent years the amount levied will vary based on the cost estimates for that upcoming fiscal year. The Council will have to review those estimates and hold a public hearing annually on the assessment for that upcoming year based on those costs.

The percent funded will remain as established with creation of the district and will dictate the millage rate levied as an assessment on the tax roll based on the estimated costs. For example, if Council choses to defray 100% of the city's costs with an assessment, the millage rate will be approximately 4.44 mills and raise approximately \$974,841. The remaining costs will be funded by our contract with the Rural Fire Association. If the Council choses to defray 85% of the city's costs with an assessment, the millage rate will be approximately 3.77 mills and raise approximately \$828,615. The total estimated costs for providing fire protection for FY21-22 is \$1,396,920.

If Council choses to partially fund the costs of fire services, the remainder will be allocated from general fund revenues. That allocation will not require repayment from the assessment; however, if the assessment does not raise the percent required, then any monies from general fund would be considered a loan and required to be repaid.

Based on the budget session held April 21st, Council directed administration to review the outcome of a 3.75 mill special assessment. This represents a levy of ~84.5% of the city's portion of the expenses.

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With that level of special assessment, the city would need to reduce costs by approximately \$250k in order to meet the goals of rebuilding general fund reserves by \$100k per year and contributing \$350k into the unfunded pension liability. We could reduce approximately \$190k in expenses by eliminating the miscellaneous expense by Council, enacting a rental licensing program to offset costs of code enforcement officer, reduce tree trimming by 25%, reduce parking lot striping to every 3-5 years, only purchase one police vehicle, delay purchase of a fire vehicle and set aside \$75k for a future vehicle purchase. This would result in the City being able to contribute approximately \$300k into the unfunded pension liability and the remainder ~\$105k towards rebuilding the fund reserves. Council may need to allocate less into pensions and a greater amount into fund reserves depending on the actual deficit level at the end of FY20-21.

Administration is continuing to review cost containment measures, such as bidding out of professional services but we will not have that information ahead of this upcoming budget year. Any additional reductions in costs would be a net benefit towards deficit elimination and rebuilding our fund balance.

In order to establish the district, Council must, by resolution, determine whether to create the special assessment district, determine the boundaries of the district, and determine the amount of special assessment levy. Council will then direct administration to spread the assessment levy to defray the costs of fire protection. Persons or entities who are exempt from the general property tax act (e.g. federal/state/county, churches, schools, eligible veterans) would also be exempt from this special assessment.

A resolution to create the special assessment district and directing the Assessor to prepare an assessment roll is attached for Council's review and consideration. The percent funding level for the expenses is 85% on the resolution. This was based on the discussion by Council on the level of funding desired. I am prepared to work through alternative scenarios with Council at Monday night's meeting, if desired.

Upon creation of the district, the second public hearing can be set to hear objections to the distribution of the special assessment. This hearing is subject to the same notification requirements as the initial hearing on the creation of the district. This is a separate agenda item, should Council decide to create the district.

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