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VILLAGE OF PENTWATER

STUDY AND RECOMMENDATION OF THE VILLAGE OF PENTWATER INCORPORATING AND TRANSITIONING TO A CITY FORM OF GOVERNMENT UNDER THE HOME RULE CITY ACT

Prepared by
The City Feasibility Study Committee
(A citizen advisory committee)
May 2023

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Section I - Background

Prior Pentwater Village Councils have had discussions on various forms of government. These discussions never led to formal action. On June 13th 2022, the Pentwater Village Council passed a motion to establish a citizen advisory committee to explore the advantages and disadvantages of incorporating and transitioning the Village of Pentwater to a city form of government under the Home Rule City Act.

The City Feasibility Study Committee (the Committee) was tasked with recommending back to Pentwater Village Council whether to proceed with seeking a city form of government. The Committee, which was comprised of six community members from diverse backgrounds read background information including material gathered from previous Village of Pentwater studies throughout the summer of 2022 and met nine times from September 2022 to May 2023.

The Committee is comprised of the following community members:

Claudia Ressel-Hodan, Chairperson
David Bluhm, Village Council Trustee
Kyle Jansen, Liaison to Pentwater Township City Committee
Amy LaBarge
Mary Marshall
Kathy O'Connor, Village Council Trustee

Nancy Arvai, Liaison from Pentwater Township City Committee

During the meetings, the Committee reviewed other city group studies, analyzed data on transition costs and tax implications and received preliminary input and feedback from the community on the topic. As noted in the Key Elements of Success and the proposed timeline, a well-organized plan of communication to community organizations and the general public in both the Village of Pentwater and Pentwater Township will need to be implemented during the next stages.

Several members of the Committee made site visits to municipalities who have undertaken the process to become cities or who were in the process of city incorporation and spoke with their respective officials.

A liaison from the Pentwater Township Ad Hoc City Committee was invited to attend all of the meetings. And a representative from The Village of Pentwater City Feasibility Study Committee served as a liaison on the Pentwater Township City Committee, along with a sharing of research, information, and calculations.

Some of the more compelling factors that the committee identified when considering moving to a city form of government include:

- 1) simplifying and streamlining government including elimination of duplicate services and the benefits of one form of government,
- 2) allowing taxes to be focused on projects within our jurisdiction,
- 3) an Assessor and Board of Review appointed by and answerable to the city,
- 4) adoption of a modern home rule charter with powers customizable to our needs,
- 5) Cities are higher in the hierarchy of government allowing more legislative leverage and a more diverse range of federal and state funding opportunities,
- 6) sales tax revenue generated in the village/city apportioned to only the village/city.

These and other factors warrant further investigation in this report and throughout the transition process, should the village move forward with this change of government.

Whether a municipality chooses to become a city or remain a village is not just dependent on a minimum population or square miles but also on the form of government that is deemed to best serve the taxpayers and residents. This question the committee has attempted to answer to the best of its ability after several months of research. The report that follows is the culmination of that effort.

Section II - Forms of Michigan Government

A. City vs. Village Structure

The State of Michigan is divided into non-overlapping **cities** and **townships**. These two units perform the legally required duties of a local government: assessing property, collecting taxes, and conducting elections.

An area incorporated as a **village** is not a primary unit of government and remains a part of the township, with the township performing the required duties and the village performing local services required by its usually denser population (water supply, sewage disposal, public safety, planning, zoning, etc.). Village residents and businesses continue to pay township taxes. The township continues to provide assessment services and administers all elections for the parcels and residents that live within the village portion of the township. (See Appendix A for the “Basic Structure of Home Rule Cities”.)

In the most recently published data from the Michigan Municipal League (January 2023), there were 533 cities and villages in the State of Michigan (see Table 1). Of the 395 municipalities with populations greater than 750, 68.6% have city forms of government, while only 31.4% have village forms of government.

Since 2003, there have been eight successful attempts at city incorporation in Michigan, including Jonesville, Chelsea, and Dexter. Conversely, there have been four unsuccessful city incorporations during the same time period, including the villages of Holly, Bellaire, Climax, and Sebawaing.

The Village of Manchester is currently beginning a transition from village to city. On February 6, 2023 the Manchester Village Council passed a resolution recommending their new charter. Manchester hopes to have the charter referendum in front of voters for the November 2023 election. In the cases of Jonesville, Chelsea, and Dexter, they reported no negative repercussions from the cityhood process. (See Appendix B for “Michigan Incorporation Activity 2003-2017”)

TABLE 1.

Incorporation Status for 280 Cities and 253 Villages (as of January 2023)						
		Cities			Villages	
Population Range	Number in Range	Home Rule	Home Rule 4th Class City Act	Special Charter	Home Rule	General Law
Over 50,000	23	23				
25,000 - 50,000	22	22				
10,000 - 24,999	47	46			1	
5,000 - 9,999	53	51			2	
2,000 - 4,999	111	80	2		8	21
750 - 1,999	139	47			10	82
Under 750	138	6	2	1	25	104
Total	533	275	4	1	46	207

Source: Michigan Municipal League, 2023

B. Statutory Options for a Single Government Unit and Consequences

Through public comments at a cityhood exploration meeting, a request was made for the committee to explore ways that the Village of Pentwater and Pentwater Township might become a single governmental unit. There are three options for a village and township to consolidate.

1. Disincorporate the Village, leaving only a Township

The General Law Village Act, Act 3 of 1895, provides an option for the electorate of a village to vote to disincorporate the village. Chapter XIV, section 74.18a of the General Law Village Act details the process.

Village of Pentwater residents currently pay for road maintenance, snow plowing, trash pickup, leaf pickup, recycling, parks, police services, street lighting, youth recreation, etc. If the disincorporation of the Village of Pentwater was approved by the electorate; the police department, DPW, and all municipal civil ordinances would be dissolved. In addition, all village staff would be eliminated as well as village elected officials.

All township ordinances would be in effect and the Pentwater Township offices would be responsible for all operations. Township taxes would likely increase to cover the expansion of operations and additional infrastructure costs. If the Pentwater Township chose not to provide these services and increase Pentwater Township taxes, special assessment zones and millages could be established to provide 'village' services to former village residents.

Because townships cannot receive Act 51 monies, all road maintenance for village streets would revert to the Oceana County Road Commission. There is concern that the county road commission would not be able to provide the same level of road maintenance and snow-plowing services that the Village of Pentwater DPW currently provides with Act 51 money.

The disincorporation of the Village of Pentwater would necessitate that the Pentwater Township acquire all Village of Pentwater assets and assume all Village of Pentwater liabilities and debt. The transfer of the assets and liabilities to the Pentwater Township could potentially result in higher taxes for Pentwater Township residents. Additionally, special authorities (such as the Downtown Development Authority) would be dissolved upon disincorporation of the Village of Pentwater. Pentwater Township may endeavor to resurrect and fund such authorities under the auspices of the Pentwater Township.

2. Villages and Townships can merge to create a Charter Township under The Charter Townships Act, Act 359 of 1947. As stated in Act 359.42.1.2:

(2) A township, having a population of 2,000 or more inhabitants according to the most recent regular or special federal or state census of the inhabitants of the township may incorporate as a charter township.

According to the 2020 census, the most recent, The Village of Pentwater had 890 residents and Pentwater Township had 762 residents for a combined total of 1,652. Thus, Pentwater Township inclusive of the Village of Pentwater does not meet the population requirement to consider this a viable option.

Should the next census data reflect a population exceeding 2,000 and a charter township be considered, many of the same service differences outlined in #1 would still hold true. Township residents would again likely see an increase in their taxes to support the infrastructure of the current village services listed above.

After contacting State Senator Jon Bumstead's office, the committee was informed that changing the population minimum of 2,000 would require action by the Michigan Legislature (House of Representatives and Senate) and Governor to change the language contained in the law.

3. A Village and Township could consolidate into a city.

The Home Rule City Act 279 of 1909, Section 117.7, specifies the population and population density requirements to incorporate as a city. The minimum requirement to incorporate as a city is ≥ 500 people per square mile. The current combined Pentwater population of 1,652 over an area of 13.4 square miles, results in a population density of only 123 people per square mile. The population of a combined Pentwater entity does not meet the density requirement therefore, becoming one city is not a viable option.

Section III - Estimated Transition Costs

To determine the incremental costs of becoming a city, the Committee reviewed the services the Village of Pentwater currently provides, in addition to the services it would take on if it became a city. After careful review, it was determined that there would be both one-time costs associated with the transition as well as ongoing annual costs.

A. On-Going Costs

There are three main functions that are not currently provided by the Village of Pentwater that would need to be provided by a city: property assessments; state, county, and school tax collections/distribution; and elections.

Through discussions with the Village of Pentwater Manager, it appears no incremental personnel would be necessary to assume the tax collection, distribution and election functions. The village currently subsidizes the Pentwater Township by approximately \$4,900 to cover the Village of Pentwater share of the voter registration, election, and tax collection functions. The incremental work associated with facilitating elections and the broader spectrum of tax collection will be absorbed by the current staff and supported by a redirection of \$4,900.

The incremental services associated with the assessor function would be handled by professionals hired on a seasonal, part-time, or contractual basis. The incremental cost to the city is estimated to be \$30 per parcel.

B. One-Time Costs

The estimate for one-time costs was based on surveys of other municipalities that have gone through the process of incorporation. The costs, as depicted in Table 2, mainly consist of legal, professional consulting, and administrative fees that would be expensed over the several years of the incorporation process.

Table 2 also reflects the on-going net annual impact, which is an estimated decrease in expense of nearly \$1,000 annually due to the projected new tax billing administrative fee. Please note that these are not new taxpayer costs but are currently paid to Pentwater Township and after incorporation, would be paid to the city. (The details for administrative fees are found in Table 3.)

TABLE 2.

Estimated City Process & Transaction Costs One-Time and On-Going Cost			
Description	Process Step (1)	One-Time Cost	Annual On-Going Cost (2)
Legal Cost/Expense	All	\$ 25,000	
Assessor Function Cost/Expense	Post Incorporation		
Baseline Assessment (3)		12,270	
Annual Staff/Contractor Cost (4)			\$ 36,810
Election Cost/Expense	Post Incorporation		
Equipment Acquisition		10,000	
Boundary Survey Cost/Expense	Petition	20,000	
Miscellaneous Cost/Expense	All	7,500	
Total Cost/Expense		<u>\$ 74,770</u>	36,810
Less: Increased Revenue *			(37,782)
Increase in Administrative Fees collected on 'Other Entities' (see Table 4)			
Net Annual Increase in Cost/Expense			<u>\$ (972)</u>

Footnotes:

(1) Summarized Processes Steps: Feasibility Study
Incorporation: Petition
Incorporation: Referendum
Incorporation: City Charter Adoption
Post Incorporation Transactions

(2) Annual Cost for assessor function and increased administrative fees would begin in the first year after incorporation

(3) Baseline Assessment: performed on 1,227 village parcels at an estimated \$10/parcel to verify accuracy

(4) Annual Staff: projected cost to hire or contract professionals for seasonal/part-time services estimated at \$30/parcel for 1,227 village parcels. Current Township budget is roughly \$20/parcel.

* Estimated, pending final verification with Township

Section IV - Estimated Tax Impact

A. Township and City Tax Revenue Impact (*Municipal Impact*)

The Estimated Impact of Changes in Municipal Tax Revenue and Administrative Fees in Table 3 depicts how the Pentwater Township's tax revenue and administrative fees would be impacted by an estimated \$110,000,000 in taxable value of village property no longer being taxable by Pentwater Township. Additionally, the table depicts the impact on tax revenue and administrative fees for the village or city. The table contains the assumptions that the mills to support the fire department and library transfer to the city at the current millage rates, and that the mills to support Pentwater Township Cemetery are not transferred.

The overall impact on Pentwater Township would be an estimated loss of \$267k in tax revenue and administrative fees. The village or city would benefit from \$38k in administrative fees resulting from the 1% administrative fees collected on millage collected for 'Other Entities'.

Footnotes for Table 3 & Table 4 (on facing page):

- (1) Twp. Operating – millage to support the general overall operations of the township, it includes the salaries of the staff and the cost to operate and maintain the township office
 - (2) Twp. Fire & Twp. Fire Equipment – millage to support the Pentwater Fire Department
 - (3) Twp. Cemetery – millage to support the operations and maintenance of the cemetery. Currently all Township (and village) residents are eligible to receive resident rates. If the city form of government is adopted, city residents would need to approve by
 - (4) Twp. Roads – a millage to specifically support roads located in the Township that the county does not maintain.
 - (5) Pentwater Library – millage to support the Township Library. The township serves as the taxing agent for the library. Revenue collected on their behalf is remitted to the Pentwater Township Library Board.
 - (6) **Other Entities** – reflect all the governmental agencies, authorities and boards for whom the township currently acts as the taxing agent. As the taxes are collected, they are subsequently remitted to the appropriate governmental agency, authority or board. If Pentwater Village adopts a city form of government, the function of collecting and remitting tax revenues for Other Entities would be become a state constitutional responsibility for the city.
- * Estimated, pending final verification with Township

TABLE 3

Estimated Impact of Changes in <u>Municipal</u> Tax Revenue & Administrative Fees			
Using 2022 Millages for PRE and Non-PRE Property of <u>Village Property ONLY</u>			
2022 Village Non-PRE Taxable Value = \$ 71,596,310	2022 Village PRE Taxable Value = \$ 38,923,199	Total Value = \$ 110,519,509	

2022 Current Millage/Tax Revenue & Adm Fee Estimates			Estimated Tax Revenue & Adm Fee Estimate			
	Mills	Tax Revenue & Administrative Fees	Township Impact		City Impact	
			Collections on (village) City Properties	Increase or (Decrease) in Tax Rev & Fees	City Tax Rev Collections & Fees	Increase or (Decrease) in Tax Rev & Fees
Township (Winter & Summer)						
Township Only Millage:						
(1) TWP Operating	1.21530	\$ 134,314.36	\$ -	(\$134,314.36)		
(3) TWP Cemetery	0.34010	37,587.69	\$ -	(37,587.69)		
(4) TWP Roads	0.49530	54,740.31	\$ -	(54,740.31)		
Township Only Total		226,642.36	\$ -	(226,642.36)		
1% Administration Fee *		2,266.42	\$ -	(2,266.42)		
Sub Total for Township Only		\$ 228,908.78	\$ -	(228,908.78)		
Millage for Other Entities (6):						
(6) County Ambulance	0.90000	99,467.56	\$ -		\$ 99,467.56	\$ 99,467.56
(6) County 911	0.13740	15,185.38	\$ -		15,185.38	15,185.38
(6) County Council on Aging	0.98380	108,729.09	\$ -		108,729.09	108,729.09
(6) County Veterans	0.09860	10,897.22	\$ -		10,897.22	10,897.22
(6) County MCF Bldg	0.03790	4,188.69	\$ -		4,188.69	4,188.69
(6) County MCF Oper	1.97300	218,054.99	\$ -		218,054.99	218,054.99
(2) TWP Fire	0.98370	108,718.04	\$ -		108,718.04	108,718.04
(2) TWP Fire Equipment	0.49530	54,740.31	\$ -		54,740.31	54,740.31
(5) Pentwater Library	0.81330	89,885.52	\$ -		89,885.52	89,885.52
(6) WS ESD Gen Op	0.27500	30,392.86	\$ -		30,392.86	30,392.86
(6) WS ESD Spec Ed	2.37260	262,218.59	\$ -		262,218.59	262,218.59
(6) WS ESD Voc Ed	0.91750	101,401.65	\$ -		101,401.65	101,401.65
(6) Pentwater School Oper	18.00000	1,288,733.58	\$ -		1,288,733.58	1,288,733.58
(6) Pentwater School Debt	0.88000	97,257.17	\$ -		97,257.17	97,257.17
(6) State Ed Tax	6.00000	663,117.05	\$ -		663,117.05	663,117.05
(6) County Operating	5.65710	625,219.91	\$ -		625,219.91	625,219.91
Other Entity Total		3,778,207.62	\$ -		3,778,207.62	3,778,207.62
1% Administration Fee *		\$ 37,782.08	\$ -	(37,782.08)	37,782.08	37,782.08
Sub Total for Other Entities		3,815,989.70	\$ -		3,815,989.70	3,815,989.70
Total Tax Rev & Fees Collected		4,044,898.48	\$ -			
Less: Amount remitted to Other Entities		(3,778,207.62)	\$ -		(3,778,207.62)	(3,778,207.62)
Net Tax Rev & Fees for TWP & Other Entities		\$ 266,690.86	\$ -	(266,690.86)	\$ 37,782.08	\$ 37,782.08
	2.86400					
	2.89264					
Village/City						
General Operating	8.26360	\$ 913,289.01	\$		913,289.01	\$ -
Highway & Streets	0.98410	108,762.25			108,762.25	-
Frndship Center	0.34810	38,471.84			38,471.84	-
3016 GO St Impr	2.30000	254,194.87			254,194.87	-
Village Mills	11.89580	1,314,717.98			1,314,717.98	-
1% Administrative Fee *		13,147.18			13,147.18	-
Village Tax Rev & Fees Total		\$ 1,327,865.15			\$ 1,365,647.23	\$ 37,782.08

B. Village Taxpayer Implications – Village and City Comparison

In order to understand the impact on Village of Pentwater residents' taxes, the Committee developed a hypothetical tax scenario based on a home with a state-equalized (taxable) value of \$100,000 (Home Value of \$200,000). In Table 4 on the facing page, the Village of Pentwater tax scenario is the left column and the city scenario is in the right column. The estimated tax differential, based on a home value of \$200,000, is a savings of \$258.94 annually.

This base assumption illustrates that the mills for TWP Operating (1), TWP Cemetery (3), TWP Roads (4), and Pentwater Library (5) are eliminated. Mills for TWP Fire (2), and TWP Fire Equipment are transferred from township to city on the basis that the intergovernmental agreement would continue. Mills for Other Entities (6) also transfer from township to city, as the city would become the taxing agent.

Included in this hypothetical scenario is the increase in city millage for the assessor function [7] (\$30/parcel x 1,227 parcels). The scenario is presented without the TWP Cemetery (3) and the Pentwater Library (5) mills, as those will require city referendums and city voter approval. Table 5 reflects the tax impact of the library and cemetery referendums passing at their current millage rates.

Footnotes for Table 3 & Table 4 (on facing page):
(1) Twp. Operating – millage to support the general overall operations of the township, it includes the salaries of the staff and the cost to operate and maintain the township office
(2) Twp. Fire & Twp. Fire Equipment – millage to support the Pentwater Fire Department
(3) Twp. Cemetery – millage to support the operations and maintenance of the cemetery. Currently all Township (and village) residents are eligible to receive resident rates. If the city form of government is adopted, city residents would need to approve by
(4) Twp. Roads – a millage to specifically support roads located in the Township that the county does not maintain.
(5) Pentwater Library – millage to support the Township Library. The township serves as the taxing agent for the library. Revenue collected on their behalf is remitted to the Pentwater Township Library Board.
(6) Other Entities – reflect all the governmental agencies, authorities and boards for whom the township currently acts as the taxing agent. As the taxes are collected, they are subsequently remitted to the appropriate governmental agency, authority or board. If Pentwater Village adopts a city form of government, the function of collecting and remitting tax revenues for Other Entities would be become a state constitutional responsibility for the city.
* Estimated, pending final verification with Township

TABLE 4

**Estimated Impact of Changes in Village Resident Taxes
Using 2022 Millages for Principal Property Exemptions (PRE)
Taxable Value \$100,000 (Home Value \$200,000)**

Current Millages			Estimated City Millages			
	Mills	Taxes		Mills	Taxes	% Chg
Village (billed in Summer)			City			
General Operating	8.26360	\$ 826.36	General Operating	8.26360	\$ 826.36	
Highway & Streets	0.98410	98.41	Highway & Streets	0.98410	98.41	
Frndship Center	0.34810	34.81	Frndship Center	0.34810	34.81	
3016 GO St Impr	2.30000	230.00	3016 GO St Impr	2.30000	230.00	
Village Mills	11.89580	1,189.58				
Township - Winter			City			
(6) County Ambulance	0.90000	90.00	County Ambulance	0.90000	90.00	
(6) County 911	0.13740	13.74	County 911	0.13740	13.74	
(6) County Council on Aging	0.98380	98.38	County Council on Aging	0.98380	98.38	
(6) County Veterans	0.09860	9.86	County Veterans	0.09860	9.86	
(6) County MCF Bldg	0.03790	3.79	County MCF Bldg	0.03790	3.79	
(6) County MCF Oper	1.97300	197.30	County MCF Oper	1.97300	197.30	
(1) TWP Operating	1.21530	121.53	<i>Est for Assessor (Gen Op) [7]</i>	<i>0.30024</i>	<i>30.02</i>	
(2) TWP Fire	0.98370	98.37	TWP Fire	0.98370	98.37	
(3) TWP Cemetery	0.34010	34.01				
(2) TWP Fire Equipment	0.49530	49.53	TWP Fire Equipment	0.49530	49.53	
(4) TWP Roads	0.49530	49.53				
(5) Pentwater Library	0.81330	81.33				
(6) WS ESD Gen Op	0.27500	27.50	WS ESD Gen Op	0.27500	27.50	
(6) WS ESD Spec Ed	2.37260	237.26	WS ESD Spec Ed	2.37260	237.26	
(6) WS ESD Voc Ed	0.91750	91.75	WS ESD Voc Ed	0.91750	91.75	
(6) Pentwater School Debt	0.88000	88.00	Pentwater School Debt	0.88000	88.00	
TWP Winter Mills	12.91880	1,291.88	City Winter Mills	22.25084	2,225.08	
Township - Summer			City			
(6) State Ed Tax	6.00000	600.00	State Ed Tax	6.00000	600.00	
(6) County Operating	5.65710	565.71	County Operating	5.65710	565.71	
TWP Summer Mills	11.65710	1,165.71	City Summer Mills	11.65710	1,165.71	
Total	36.47170	3,647.17	Total	33.90794	3,390.79	
Administrative Fee of 1% *		36.47	Administrative Fee of 1% *		33.91	
Total Taxes with Adm Fee		<u>\$ 3,683.64</u>	Total Taxes with Adm Fee		<u>\$ 3,424.70</u>	
			C: Projected Reduction	2.56376	\$ 258.94	7.03%
			D: Vote to support Library ^[8]	(0.81330)	\$ (82.14)	
			E: Projected Reduction with Library	1.75046	\$ 176.80	4.80%
			F: Vote to support Cemetery ^[8]	(0.34010)	\$ (34.35)	
			G: Projection w/Library and Cemetery	1.41036	\$ 142.45	3.87%

[7] - Assessor function is currently entirely funded by Pentwater Township and is included as part of the Twp Operating (1) millage. The assessor function would need to be added to the 'city' budget. The increase is estimated to be .30024 mills (equal to \$30/parcel).

[8] - Includes 1% Administrative Fee (estimated, pending verification with Township)

As a further illustration of the impact on property taxes, Table 5 below illustrates the implications based on taxable value brackets. The passage of referendums for the library and cemetery includes the impact of the 1% administrative fee. The \$100,000 taxable value bracket is highlighted to demonstrate the relationship to Table 4.

TABLE 5

Estimated Effect on Individual Property Owners							
Taxable Value	Projected Annual Tax Reduction						
	A Eliminating all Discretionary & Township Mills (1,3,4,5)	B Add Estimate for Assessor Fuction [7]	C (A+B) Base Assumption	D Vote to approve Library Mills	E (C+D) Tax Savings: Base Assumption & Library	F Vote to approve Cemetery Mills	G (E+F) Tax Savings with Library & Cemetery Mills
\$50,000	\$144.63	(\$15.16)	\$129.47	(\$41.07)	\$88.40	(\$17.18)	\$71.22
\$100,000	\$289.26	(\$30.32)	\$258.94	(\$82.14)	\$176.80	(\$34.35)	\$142.45
\$150,000	\$433.90	(\$45.49)	\$388.41	(\$123.21)	\$265.19	(\$51.53)	\$213.67
\$200,000	\$578.53	(\$60.65)	\$517.88	(\$164.29)	\$353.59	(\$68.70)	\$284.89
\$250,000	\$723.16	(\$75.81)	\$647.35	(\$205.36)	\$441.99	(\$85.88)	\$356.12
\$300,000	\$867.79	(\$90.97)	\$776.82	(\$246.43)	\$530.39	(\$103.05)	\$427.34
\$400,000	\$1,157.06	(\$121.30)	\$1,035.76	(\$328.57)	\$707.18	(\$137.40)	\$569.78
\$500,000	\$1,446.32	(\$151.62)	\$1,294.70	(\$410.72)	\$883.98	(\$171.75)	\$712.23
\$1,000,000	\$2,892.64	(\$303.25)	\$2,589.39	(\$821.43)	\$1,767.96	(\$343.50)	\$1,424.46
\$1,500,000	\$4,338.96	(\$454.87)	\$3,884.09	(\$1,232.15)	\$2,651.94	(\$515.25)	\$2,136.69
Estimated Effect on the Total Taxable Value of Village Property							
\$110,519,509	\$319,693.15	(\$33,514.55)	\$286,178.60	(\$90,784.37)	\$195,394.23	(\$37,963.56)	\$157,430.66

C. Tax Rate Limits

The General Law Village Act permits 12 ½ mills for the general fund, 5 mills for the street fund, and 1 mill for cemetery purposes. This is a statutory limit of 18 ½ mills. In comparison, the Home Rule City Act provides for the establishment of a tax rate limitation in the charter up to a maximum of 20 mills for all purposes, to be allocated at the discretion of local officials.

This rate limit does not include debt millages as well as some dedicated millages. For example, home rule cities may levy, without voter approval, an additional three mills for garbage services, one mill for library services, one mill for services for older adults, and millages to fund police and fire pensions.

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Section V - Public Service & Other Considerations

A. Public Services Considerations – Requiring Referendums & Voter Approval

1. **Cemetery:** The cemetery is owned and operated by Pentwater Township. If the Village of Pentwater incorporated as a city, the mills that support the cemetery paid for by Village of Pentwater residents would be eliminated. There would need to be a vote (referendum) to support the cemetery. Otherwise, city residents would pay non-resident rates for cemetery services.
2. **Library:** Pentwater Township is the taxing agent for the Pentwater Township Library. If the Village of Pentwater incorporated as a city, the mills that support the library paid for by Village of Pentwater residents would be eliminated. There would need to be a vote (referendum) to support the Pentwater Township Library Board. Likely, the increase in city millage would equal the decrease in township millage (essentially a millage transfer).

B. Public Services Considerations – With Intergovernmental Agreements

3. **Fire:** The Pentwater Fire Department is funded by an intergovernmental agreement with both the Village of Pentwater and Pentwater Township. If the Village of Pentwater incorporated as a city, the village portion of the mills that support the fire department and are collected by Pentwater Township would be eliminated. The city would maintain its obligation to support the intergovernmental agreement for the Fire Department, and residents would see the 'City Fire' and 'City Fire Equipment' mills reflected as part of their city taxes (essentially a millage transfer).
4. **Transfer Station:** The Transfer Station is owned and operated by Pentwater Township. If the Village of Pentwater incorporated as a city, the mills that support the transfer station paid for by village residents would be eliminated. Continued use of the Transfer Station could be accomplished through an intergovernmental agreement. If there is no intergovernmental agreement, village residents would experience minimal disruption without access to the Transfer Station. Village of Pentwater residents are currently taxed for trash, recycling and leaf pick-up. Fee-based curb-side pick-up of large items is now available in the village. However, there would need to be accommodation for brush disposal at the DPW.
5. **Pentwater Lake Improvement Board (PLIB):** The Village of Pentwater is currently obligated by levy assessment to make an annual financial contribution to the Pentwater Lake Improvement Board towards the board's goals. The PLIB was created in 1999 through a resolution by Pentwater Township. The Village of Pentwater's obligations were a result of being part of Pentwater Township. A

relationship needs to be re-established should the Village move to a city form of government.

C. Public Services Considerations – With No Impact

6. **Police:** There would be no change in the provision of public safety services to the Village of Pentwater as the Pentwater Police Department is currently funded by the general operating funds of the Village of Pentwater and services are provided primarily to Village of Pentwater residents. The medical first responder component of the Pentwater Police Department is funded by the Pentwater Fire Department.
7. **Sewer/Water:** The operations of Sewer/Water are operated by the Village of Pentwater. A city form of government requires sewer and water services to be provided to its residents. As the services are paid for by use fees or intergovernmental agreements, incorporation would have no impact on sewer or water services.
8. **Recreation Programming:** is currently a service funded by the general operations of the Village of Pentwater. The Township participates in the program through an agreement and financial support. If the Village of Pentwater incorporates as a city, Pentwater Township may consider its participation.
9. **Park Place:** is operated by the Village of Pentwater and funded by a specific millage. Pentwater Township participates in financial support through an agreement. If the Village of Pentwater incorporates as a city, the Pentwater Township may consider its participation.
10. **North End Park:** is currently developed and maintained by the general operations of the Village of Pentwater. The Pentwater Township participates in the development of the park through an agreement and financial support. If the Village of Pentwater incorporates as a city, the Pentwater Township may consider its participation.

D. Other Considerations

1. **Municipal Boundaries:** When working on this report, all assumptions, calculations, and recommendations are based on current Village of Pentwater boundaries with no proposed changes. It is the Committee's recommendation that the Village of Pentwater boundaries that exist today be obtained from the State Office of the Great Seal and used when submitting the application to the State of Michigan Boundary Commission to become a Home Rule City. It must be noted that the State Boundary Commission has the right to require changes to the proposed boundaries.

2. **Duplication of Services:** Currently, Village of Pentwater residents are part of and pay for two local governments. Residents elect a Pentwater Village Council and a Pentwater Township Board. Taxes support two clerks, two treasurers, and two zoning administrators in two municipalities. As a city, all local affairs will be managed by a government elected by only the citizens of the municipality and responsible only to them. This can also be said of the resulting new Pentwater Township citizenry.
3. **Public Image:** The Village of Pentwater enjoys the perception of a charming small-town, and many residents have deep connections with its roots. The idea of Pentwater transitioning to a city form of government may cause concern that Pentwater would lose that small-town feel. The Committee found in its research of other communities that have gone through the process that their communities have not changed due to becoming a city. In fact, some openly wondered why they had waited so long because there were more benefits than anticipated. The cities of Dexter, Chelsea, and Jonesville have noted that the quaint feel of their communities has not changed.

There appears to be no legal limitation that would prevent the use of the name “The Village of Pentwater” if Pentwater incorporates into a city form of government. In fact, when the Village of Douglas incorporated as a city, it officially became the City of the Village of Douglas. However, they are still referred to as the “Village of Douglas.”

The identity, character, and heritage of Pentwater would not change.

E. Items with Minimal or No Impact

The following items were reviewed and determined to have an insignificant impact:

1. Differentiation between 4th and 5th class cities
2. Revenue sharing received from the State of Michigan
3. The willingness and availability of residents for a board of review
4. Taxes for DDA and business owners
5. SET (State Educational Tax) fees

Section VI - Annexation

The topic of annexation has been raised as a concern during the cityhood exploration process. Neither the Village of Pentwater nor Pentwater Township have expressed any intention or interest in annexation. However, the Committee believes it is important to note the process and to emphasize that annexation is more easily accomplished by a village than a city.

A. General Law Village – Annexation Process

According to Section 6 of the General Law Village Act, village annexation is decided solely by the county board of commissioners:

1. Passage of a resolution by the village council stating the determination to alter the village boundaries.
2. A notice by the village clerk of the time and place of the petition for boundary change will be considered by the county board of commissioners.
3. Submission of the petition to the county board of commissioners.
4. Hearing before the county board of commissioners where all interested parties may appear and be heard.
5. The determination of the county board of commissioners shall determine whether or not the requested change shall be granted. There is no provision for the submission of the question to the electors.
6. Entry of the Order by the county board of commissioners into its records, at which time the boundaries of the village will be fixed as determined in the order.
7. Transmission of a certified copy of the order to the village clerk by the county clerk and to the Secretary of State makes the boundary adjustment effective.

B. City – Annexation Process

Unless the annexation of land from a township to a city is by mutual resolution, such an annexation is governed by the Director of the Department of Licensing and Regulatory Affairs (LARA) based on a recommendation from the State Boundary Commission (SBC) (pursuant to Executive Order 1996-2) and has numerous steps, which broadly include the following:

1. Petition the SBC
 - By city resolution
 - By owners of at least 75% of the area of land or
 - By at least 20% of the registered voters residing on the land, with a minimum of 100 voters.
2. SBC holds a legal sufficiency meeting.
3. A public hearing was held.
4. SBC holds a public recommendation meeting in Lansing.
5. SBC makes a recommendation.
6. The Office of Land Survey and Remonumentation (OLSR) issues a Final Order.
7. Public officials and residents have two ways to appeal if annexation is approved.
 - Petition for a referendum election
 - Judicial review: the circuit court may affirm, modify, reverse, or remand a final order.

Section VII – Assessment of City Form of Government

A. Potential Advantages of City Status:

1. As a city, a simplified and streamlined government would allow village residents to deal with only one unit of government instead of two (i.e., tax bills, tax payments, zoning, and planning questions).
2. Duplication of services, related infrastructure, and salaries would be eliminated.
3. Dual taxation and results in a reduction of property taxes would be eliminated.
4. This would allow taxes to be focused on projects within the jurisdiction.
5. An assessor and board of review would be appointed by and answerable to the city for greater transparency and timeliness.
6. Potential confusion over zoning and ordinance authority would be eliminated.
7. A modern home rule charter would be adopted with customizable powers and government structures.
8. Cities are higher in the hierarchy of government than villages, allowing cities to have more leverage with the county, state, and federal governments. Specifically, legislation developed by the state is written for cities and townships.
9. State and federal programs usually designate specialized funding to cities and townships, with villages frequently left out of formulas. Increases in state and federal funding can potentially result in a net reduction in taxes.
10. Jointly held contracts and community events would continue as usual. There will be no effect on the Pentwater School District.
11. Current inter-governmental agreements with Pentwater Township would need to be re-negotiated.
12. A city allows for the formation of non-profit organizations and the funding of civic, artistic, and cultural activities.

B. Potential Disadvantages of City Status:

1. Residents of a city cannot run for office or vote in a township election.
2. A qualified assessor appointed by the city must be compensated by the city.
3. Collecting taxes for the county and schools may require additional time and expense.
4. Conducting county, state, and national elections may require additional resources.
5. Current inter-governmental agreements with Pentwater Township would need to be re-negotiated.

C. Modernizing the Structure of Government - The Village of Pentwater would no longer be a sub-unit of Pentwater Township and would be in charge of all of its operations for residents. Incorporating a city form of government under the Home Rule City Act would remove the antiquities inherent in the General Law Village Act, enabling residents an opportunity to establish a modern organization through the adoption of a

Home Rule City Charter. By law, a board of charter commissioners elected by the residents would write the city charter. A charter written by village residents ensures the most relevant, flexible, efficient government for the Village of Pentwater with the guidance of state laws. As part of the incorporation process, the charter would then need to be approved through an election of Village of Pentwater residents.

Section VIII – Key Elements of Successful Incorporation

Through research and conversation with municipalities that were both successful and unsuccessful in their efforts to incorporate, the Committee has gleaned the following list of key elements necessary for successful incorporation.

- A. The village engages in a successful communication campaign to explain incorporation and provide ample opportunities for residents and community organizations to ask questions and clarify details prior to any ballot initiative.
- B. Voters understand the reasons for incorporation and support the ballot question to incorporate.
- C. Charter commissioners continue to communicate the process and clearly state what will remain the same and what will be enhanced through the adoption of a city charter.
- D. Village and township officials have a common message about the culture of Pentwater being unchanged (as evidenced in other communities that have successfully incorporated) after incorporation.
- E. Incorporation reduces taxes, increases services to residents beyond what they currently experience, or does both.
- F. Residents have a single point of contact for local government needs and taxation and clearly know who to contact for support.
- G. The village and township successfully made the transition to their new governmental roles. They communicate regularly and work together collaboratively to meet the needs of their residents and property owners in the Pentwater area.
- H. Incorporated city officials continue to communicate with residents and property owners about the ongoing benefits of cityhood, including transparency related to city taxation, budget, and services provided.
- I. Incorporated city officials seek feedback from residents and property owners regarding changes in tax structure and services as a result of incorporation in order to encourage community support and input into their local government.

Section IX – Incorporation Process

Incorporating as a city is a three-part process (petition, referendum, and charter adoption) with 23 action items to complete. In its entirety, the timeframe of completion varies somewhere between three and five years, based on the expediency of different parts of the process. Additionally, residents will have the opportunity to vote, as there are three elections at different points in the process as well as various public participation sessions. “Process Flow of Incorporation” (Appendix C) is a graphic of the incorporation process and depicts the four decision points that have a significant impact on the timeline and success of incorporation. The “Timeline of Incorporation as a Home Rule City” (Appendix D) is based on an outline published by the State Boundary Commission with additional process detail from the Michigan Municipal League.

Section X – Summary

The City Feasibility Committee was charged by the Village Council to explore the pros and cons of cityhood has proven to be insightful and educational. Over the course of eight months, the committee has become familiar with the detailed process a municipality has to go through in order to achieve city status. The committee researched the benefits and pitfalls other communities encountered during their attempts to incorporate as cities. And as a result, the committee's work focused on what would best serve the community and, most importantly, tried to identify the impact on the Village of Pentwater and Pentwater Township.

The discovery process revealed more benefits to incorporating as a city than drawbacks. However, findings from the Pentwater Township ad hoc "City Committee" report and additional public input are necessary for a final recommendation. While the obvious advantage of having more control over tax dollars is evident, there are other compelling factors that brought us to this conclusion. Other benefits include the elimination of a duplicative government structure, the potential reduction of village property taxes, the modernization of the government structure, and recognition by the state as a primary unit of government.

This is perhaps one of the most important decisions that the Village of Pentwater will make. The Committee understands that a decision to move forward will impact the Pentwater community and the townships around us. However, the research indicates that neither the villages that have incorporated as cities nor the surrounding communities have experienced major negative repercussions from their decisions.

The Village of Pentwater takes pride in providing amenities such as boat launches, fishing docks, and parks. The downtown area is a vital and cherished gathering place that will always be welcoming to the broader community. It is recognized that with more autonomy comes the financial responsibility to cover those services and amenities. The Committee believes the Village of Pentwater is well suited to handle the additional work without negative financial impact.

When Pentwater Township convened its own committee to evaluate impacts on the Pentwater Township, its leadership conveyed the thought that they would work with the Village of Pentwater regardless of whether it was a city or not. Both communities would work together for the greater good of all their residents. Under a city and township structure, both communities would be able to focus on matters most important to their respective residents and pursue their best interests. The continuation of a number of public services will need to be further evaluated and addressed during the transition process. The Committee is confident that this process will be manageable and that services to either the City as the Village of Pentwater or the Pentwater Township will not be negatively impacted.

For village or township residents, a change in municipal structure would be seamless. It is important to note that village residents will have opportunities to voice their opinion through the electoral process. While the Committee understands the sentimental value of being a village, the small-town feel would not change. The issue to be addressed was what form of government would best serve the taxpayers and residents of the Village of Pentwater.

Section XI – Recommendation to Village Council for Regular Meeting on May 8, 2023

The City Feasibility Study Committee recommends to the Village Council that a special meeting for a public information presentation of the City Feasibility Study report be held on Monday, June 5, 2023, at 6:00 PM at Park Place Meeting Center. The purpose of the public information presentation would be to transparently share with the village residents the content of the study and to invite further questions and concerns. The Committee would then endeavor to address the questions/concerns from the public information presentation and include a public input section in the final recommendation to Pentwater Village Council.

Respectfully Submitted,

Claudia J. Ressel-Hodan

Claudia J. Ressel-Hodan
Chair, City Feasibility Study Committee

Appendix A

Basic Structure of Home Rule Cities

One of the tasks undertaken by the City Feasibility Committee is to detail the basic structure of a Home Rule City. The concept of Home Rule Cities was established by the Michigan Constitution of 1908 and implemented by the enactment of the Home Rule Cities Act, Public Act 279 of 1909. The Act provides for a general grant of rights and powers. The Act grants broad powers to all cities and allows each one the flexibility and latitude to accommodate its own local needs. Incorporating and adopting a city form of government under the Home Rule City Act affords the citizenry the opportunity to establish a modern governmental organization through the adoption of a Home Rule City Charter.

The predominant advantage of Home Rule City is that the local citizenry creates a charter that best addresses the needs of the community and thereby formulates a government organization that will best establish economic efficiency and promote the specific needs of the community.

Incorporation as a Home Rule City and the adoption of a Home Rule Charter guarantee the highest degree of self-determination and control of the community's destiny. The Home Rule Cities Act required that certain mandatory charter provisions be provided for in a Home Rule City Charter.

The most significant mandatory charter provisions include the following:

1. City government organization
2. Election procedures
3. Taxation powers and procedures
4. Public records
5. Annual appropriation
6. Levy, collection and return of state, county, and school taxes
7. Provide for peace, health, and safety
8. Uniform system of account

Other permissible charter provisions include, but are not limited to, the following:

1. Borrowing power
2. Limitations on borrowing power
3. Zoning and condemnation
4. Sewer
5. Lighting
6. Formation of non-profit organizations
7. Allocations to civic, artistic, and cultural activities
8. Transportation
9. Street plans
8. Water courses
9. Acquisition, leases, and sale of property
10. Bonds
11. Voter referendums

The primary change in form of government from a village to a city result in new legal responsibilities formerly carried on by the township:

1. Assessing property: The community can hire or contract for city assessment services.
2. Collecting county, school, and special taxing authorities' taxes
3. Conducting county, state, and national elections
 - a. Maintain voter registration lists.
 - b. Provide voting facilities and equipment.

Appendix B

Recent Michigan Incorporation Activity

Successful Village to City Incorporation

Chelsea, 2003, (GLV to HRC)
Douglas, 2003, (GLV to HRC)
Grosse Pointe Shores, 2009, (HRV to HRC)
Caro, 2009, (GLV to HRC)
Caseville, 2010, (HRV to HRC)
Jonesville, 2014, (GLV to HRC)
Dexter, 2014, (GLV to HRC)
Ovid, 2015, (GLV to HRC)

Unsuccessful Incorporation Attempts

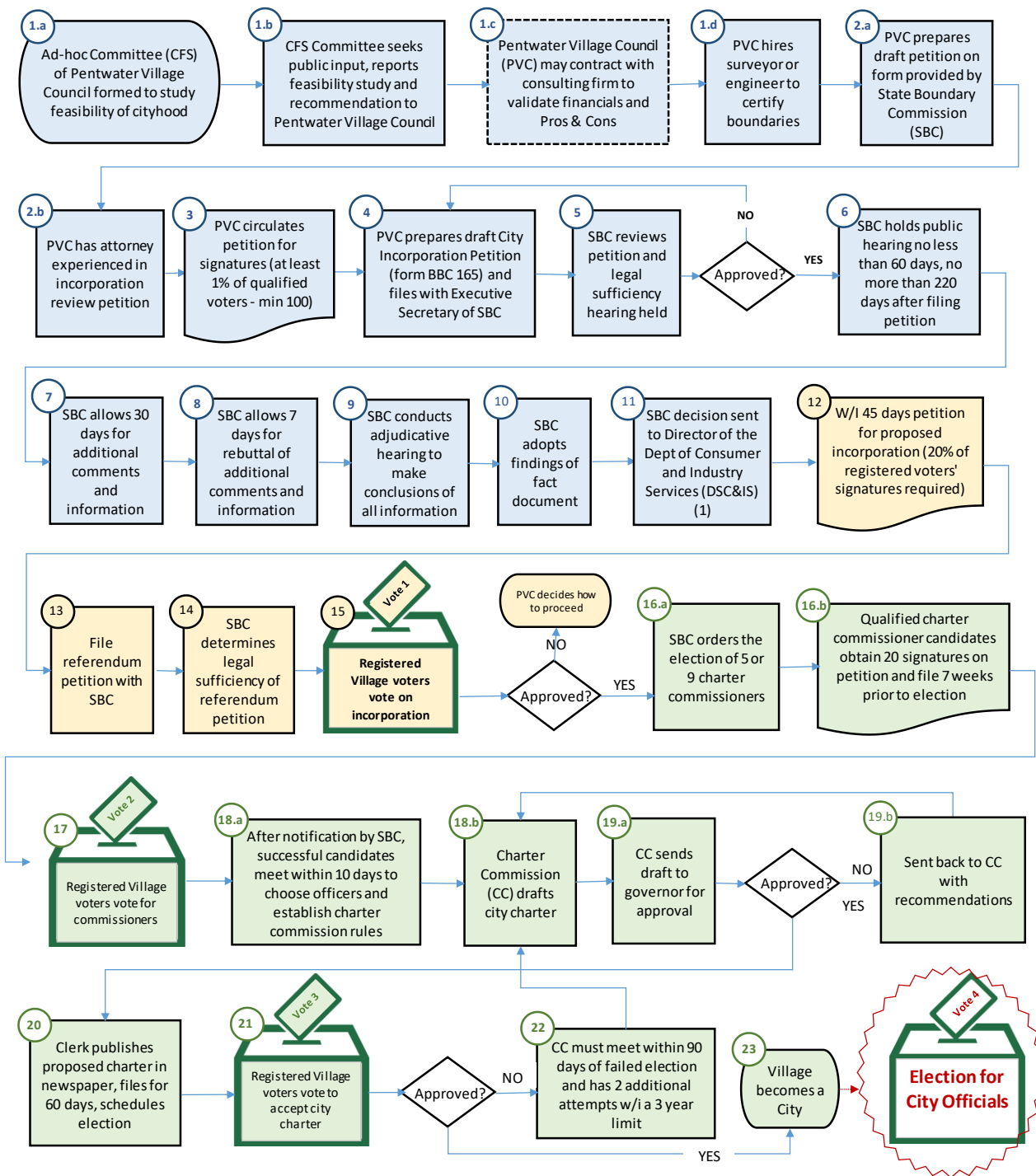
Holly, 1988, 2002 (HRV to HRC)
Village of Bellaire, 2002 (GLV to HRC)
Village of Climax, 2008, (GLV to HRC)
Sebewaing, 2009, (GLV to HRC)

Unsuccessful Dissolution Votes

Village of New Haven, 2005 (GLV)
Village of Fruitport, 2005, (GLV)
Village of Sand Lake, 2010 (GLV)
Village of Emmett, 2010, (GLV)
Village of Onkama, 2012 (GLV)
Village of Richland, 2001 and 2016, (GLV)
Village of Spring Lake, 2017, (HRV)

Appendix C

Process Flow of Incorporation (with Pentwater specific pre-petition steps)



Appendix D

Timeline for Incorporation as a Home Rule City

Based on Outline by the State Boundary Commission & MML Seminar

Part I. Petition Process

Action	Timeline
1. Pre-filing activities, e.g., task force, survey, public forums	
2. Prepare and submit draft petition for preview	Approximately 1-2 months <i>Cumulative (1-2 months)</i>
3. Circulate petition for signatures	
4. File petition with State Boundary Commission on forms provided by the Boundary Commission	
5. Determination of legal sufficiency by Boundary Commission	Approximately 2-3 months after filing. If petition is determined to not be legally sufficient, the process ends. A new petition must be filed; the process would start over. <i>Cumulative (3-5 months)</i>
6. Public Hearing conducted by Boundary Commission	Approximately 3-4 months after legal sufficiency meeting (only if approved as legally sufficient) <i>Cumulative (6-9 months)</i>
7. Submit additional public comment to Boundary Commission	During 30-day period following public hearing <i>Cumulative (7-10 months)</i>
8. Rebuttal Period (7day period on material received at public hearing and during 30-day period for involved parties (petitioner, twp., village, city) only	The 7-day rebuttal period is designated by SBC staff after the 30-day public comment period expires.
9. Adjudication (Commission deliberation and recommendation to Director based on docket evidence and record)	Approximately 2-3 months after rebuttal period <i>Cumulative (9-13 months)</i>
10. Adopt Findings of Fact document	Approximately 1-2 months after adjudication <i>Cumulative (10-15 months)</i>
11. Director of Department of Licensing and Regulatory Affairs Signs Order	Approximately 1-2 weeks after Findings are adopted <i>Cumulative (11-17months)</i>

Appendix D (Continued)

Part II. Referendum

Action	Timeline
12. Circulate referendum petition form for signatures	<i>*Assuming petitions take 45 days for signatures</i>
13. File referendum petition with the Boundary Commission	Within 45 days of the date the Order is signed by the Director <i>Cumulative (14-20 months)</i>
14. Boundary Commission determines legal sufficiency of referendum petition	Approximately 2 months after filing <i>Cumulative (16-22 months)</i>
15. Referendum election	Date set to coincide with Michigan Election Law <i>Cumulative (22-34 months)</i>

Part III. Adoption of Charter

Action	Timeline
16. Charter Commission candidates file nominating Petitions	In time for county clerks to prepare local ballots
17. Election of 9 charter commissioners	<i>Cumulative (28-40 months)</i>
18. Write a draft charter	Charter Commission must meet within 10 days of election to choose officers and establish commission rules; frame draft within 90 days
19. Charter review by the Governor's office	If governor does not approve the charter, it is sent back to charter commission with recommendations <i>Cumulative (32-44 months)</i>
20. Clerk publishes proposed charter for 60 days and schedules election	<i>Cumulative (34-46 months)</i>
21. Election on charter	If the continuation of the incorporation proceedings is approved by referendum, then a charter must be adopted within 2 years of the date the approval order becomes effective. <i>Cumulative (40-58 months)</i>
22. If charter does not pass, repeat steps 3, 4, and 5	If charter is not adopted within: a) three years or two attempts within three years after the date the approval order becomes effective; or b) if the charter commission does not reconvene within 90 days after the election at which the first proposed charter was defeated, the incorporation proceedings are ended.
23. If charter is approved, the effective date of the new city is the date started in the charter	

Appendix E

Village of Pentwater – City Feasibility Committee Community Questions and Answers

To assist Pentwater residents, an initial list of questions and answers has been prepared. The list begins to address some of the concerns the City Feasibility Committee has heard raised during public meetings and in community conversations. If a decision is made to proceed with the incorporation process, the list should be augmented.

1. What is the background on why the Village of Pentwater is looking at potentially changing to a city form of government?

The Village of Pentwater has had past discussions of various forms of government. These discussions never led to formal action. The Pentwater Village Manager had also been exploring the advantages and disadvantages of a city form of government. With the advantages seemingly outweighing the disadvantages, the topic was advanced to the Pentwater Village Council. On June 13th, 2022, the Pentwater Village Council passed a motion to establish a citizen advisory committee to explore the advantages and disadvantages of incorporating and transitioning the Village of Pentwater to a city form of government under the Home Rule City Act.

2. Is it possible for the Village of Pentwater and Pentwater Township to operate as one municipality?

The combined populations of Pentwater Township and the Village of Pentwater do not meet the population or population density requirements to become a charter township.

The Village of Pentwater could disincorporate and be absorbed by Pentwater Township. However, there would be significant consequences with respect to ordinances, taxes, and services. *(See Statutory Options for a Single Government Unit and Consequences: 1. Disincorporate the Village of Pentwater, leaving only Pentwater Township)*

3. To meet the minimum population requirement for a charter township, could the 2,000-person requirement be prorated based on Pentwater Township's land-to-total-area ratio? (Only 37% of Pentwater Township is land; the remainder is in Lake Michigan.)

After contacting State Senator Jon Bumstead's office, the City Feasibility Committee was informed that changing the population minimum of 2,000 would require action by the Michigan Legislature (House of Representatives and Senate) and Governor to change the language contained in the law. *(See Statutory Options for a Single Government Unit and Consequences 2. Villages and townships can merge to create a charter township)*

Appendix E (Continued)

4. If Pentwater becomes a city, will we lose the charm and the name of a village?

The City Feasibility Committee's research found that other communities that have gone through the process have not changed due to adopting a city form of government. In fact, some openly wondered why they had waited so long because there were more benefits than anticipated. The cities of Dexter, Chelsea, and Jonesville have noted that the quaint feel of their communities has not changed.

There appears to be no legal limitation that would stop the use of the name "The Village of Pentwater" if Pentwater becomes a city. The identity, character, and heritage of Pentwater would not change.

5. How long would it take for the process, if it did go through?

Based on City Feasibility Committee's research and documentation from the State Boundary Commission, the timeline for city incorporation can take 3-5 years to complete the 23-step process.

6. What are the advantages of becoming a city?

- a. Government is simplified and streamlined, allowing residents to deal with only one unit of government instead of two (i.e., tax bills, tax payments, zoning, and planning questions).
- b. Dual taxation is eliminated and results in a reduction of property taxes (e.g., Park Place).
- c. An assessor and board of review are appointed by and answerable to the city.
- d. Adopting a modern home rule charter allows customizable powers and government structures.
- e. The potential confusion over zoning and ordinance authority is eliminated.
- f. The formation of non-profit organizations and the funding of civic, artistic, and cultural activities are allowed.
- g. Financial flexibility and latitude to accommodate local needs for both the city and the township is permitted.
- h. Cities are higher in the hierarchy of government than villages, allowing cities to have more leverage with the county and state. Specifically, legislation developed by the state is written for cities and townships.
- i. Jointly held contracts, agreements, and community events could continue as usual. There will be no effect on the Pentwater Community School District.

Appendix E (Continued)

- 7. Taxes are high, so the concern is that the switch could end up resulting in more taxes. As a building owner downtown, will I have right to vote if I don't live in the Village of Pentwater?**

If the Pentwater Village Council votes to pursue city status, business owners will only be allowed to vote if they are registered voters in the village. It should be noted that the analysis from the City Feasibility Committee indicates that taxes will not increase due to this change.

- 8. Michigan Municipal League information indicates that mills for cities and villages are not the same as reported.**

The General Law Village Act permits 12 ½ mills for the general fund, 5 mills for the street fund, and 1 mill for cemetery purposes. This is a statutory limit of 18 ½ mills. The Home Rule City Act provides for the establishment of a tax rate limitation in the charter up to a maximum of 20 mills for all purposes, to be allocated at the discretion of local officials. However, Michigan villages and cities may levy three additional mills for garbage collection and disposal services. Regardless of city or village, there are limits on total taxable mills, and the pursuit of city status is to decrease taxes where possible, not increase them.

Glossary

Act 51 – Public Act 51 of 1951, often referred to as “Act 51,” governs state appropriations for most Michigan transportation programs. Act 51 channels state restricted revenue into special revenue funds and directs how those funds are spent. Act 51 allocates highway funds to governmental entities that have responsibility for the state's roads: State of Michigan (MDOT), 83 county road commissions and 533 incorporated cities and villages. Townships are not eligible for Act 51 allocations.

Administrative Fee - The General Property Tax Law allows for a property tax administration fee of **not more than 1% of the total tax bill per parcel** to apply to property taxes. The application of the property tax administration fee is specific to summer and/or winter property taxes and does not apply to current special assessment installments.

Charter - A charter is similar to a local constitution—it prescribes procedures to be followed in operating local government, establishes the powers and duties of elected officials, creates safeguards to protect against misuse of authority, and provides opportunities for citizen involvement.

Disincorporate – means to dissolve a corporate body, to deprive of corporate powers, rights, and existence.

Homestead Property – A homestead property is a permanent principal residence that is occupied for at least six months of the year by the owner or occupant contracted to pay rent. An owner can only have one homestead at a time. Cottages, second homes, property rented or leased to others, and college dormitories do not qualify as homesteads.

Incorporation - The creation of a municipality by the enactment of a governing document (charter).

Monumentation - all land surveying activities performed by a surveyor to monument a protracted public land survey corner in accordance with the laws of this state.

Principal Residence Exemption (PRE) - exempts a residence from the tax levied by a local school district for school operating purposes up to 18 mills. (Sections 211.7cc and 211.7dd of the General Property Tax Act, Public Act 206 of 1893, as amended, address PRE claims.) To qualify for a principal residence exemption on a dwelling, the property must be: (1) owned by a qualified owner; (2) occupied as a principal residence by that owner of the property; (3) none of the disqualifying factors listed in MCL 211.7cc (3) apply; and (4) claimed by the owner of the property by filing an affidavit with the local tax collecting unit in which the property is located. The PRE is a separate program from the *Homestead Property Tax Credit*, which is filed annually with your Michigan Individual Income Tax Return.

Referendum - a general vote by the electorate on a single political question that has been referred to them for a direct decision.

Remonumentation - all land surveying activities performed by a surveyor to perpetuate a previously monumented original public land survey corner, protracted public land survey corner, or property controlling corner

State Educational Tax Act (SET) - Public Act 331 of 1993 requires cities and townships to collect the state educational tax in a summer levy. Public Act 108 of 2004 amended the State Educational Tax Act in part as follows:

If a city or township collects the tax levied under this act pursuant to this section, that city or township shall retain \$2.50 for each parcel of property in that city or township on which the tax levied under this act is billed under this section from the tax collected under this act before transmitting the tax collected as provided in this act.