

### **How would property tax assessments be affected by the City Charter?**

In 1994, voters in Michigan passed Proposal A, which is a law that guides how local communities can assess property for the purposes of taxation. Two values were established – the State Equalized Value (SEV) and the Taxable Value. The SEV equals 50% of a property's market value, and can raise or fall based on economic factors and real estate trends. Your taxes are not based on the SEV.

The Taxable Value, on the other hand, is the value that is used to establish what taxes you will pay. It starts at the same rate as the SEV, but it can only increase by 5% or the rate of inflation, whichever is less, and it can never be higher than the SEV. If a property is sold, then the Taxable Value is reset to match the SEV and the cap is once again applied going forward. The only other way a Taxable Value may be changed is if there is a fundamental change to the property, such as an addition or demolition, or if an assessor is found to have missed significant value through error or omission.

The Michigan Department of Treasury has recently released that the inflation rate to be used in determining the 2015 Taxable Value in the state is 1.6%. This means that everyone's Taxable Value, state-wide, will increase by that percentage – including Dexter, whether we are a city or a village. Additionally, all property in the state is reassessed each year to determine their SEV (which does not affect the taxes levied on the property). If Dexter becomes a city, a new assessor may be doing this reassessment, but unless there are significant errors and omissions found – and Village staff are confident that the Township Assessors have performed their duties in a manner that makes this possibility extremely slim – there will be no changes to our Taxable Values beyond the 1.6% for 2015, and those due to property sales and improvements/demolitions. Future years would be, of course, governed by the laws as set forth above.

### **How would millage rates be affected by City Charter?**

The Home Rule City Act allows cities to levy up to 20 mills for operating and three mills for garbage collection. The General Law Village Act allows villages to levy up to 21.5 mills, including four mills for cemeteries and garbage collection, which the Village does not levy. Removing the allowed millage that the Village does not collect and the allowed millage that the proposed City Charter does not include, the maximum rates for the Village is 12.5 for operating and 5 for streets, and for the proposed City is 12.5 for operating and 5 for streets.

There is another state law that interacts with the setting of millage rates, and it is a constitutional amendment passed by voters in the 1970's called the Headlee Amendment. Basically, Headlee says that a community's revenue cannot increase at a rate that is higher than inflation and has a mechanism to require millage rates to be capped using a "factor" as determined by a County's Equalization Department. The Village's current total capped rate is 13.8327, and the Village levies a lesser rate 13.3187. If the City Charter is approved, the new capped total rate would be 17.5 and the Headlee "factors" would be applied moving forward.

Millage rates are established each year by Village Council as part of the budgeting process. Discussions are held at workshops that are open to the public, and at a public hearing in June. This process would not change if the City Charter is adopted.

Following is a brief historical view of the Village’s millage rates. The Total Allowable Rate includes just Operating and Streets, but the total levied rate includes the GO Bond Debt Millage, which varies year to year and is governed by the amount of debt payment due that year.

<b>Tax Year</b>	<b>Total Allowed Operating &amp; Streets</b>	<b>Total Levied Operating &amp; Streets</b>	<b>Total Levied GO Bond</b>	<b>Grand Total Levied</b>
2014	13.8327	13.3187	0.7375	14.0562
2013	13.8327	12.7539	0.8023	13.5562
2012	13.8327	12.7211	0.8351	13.5562
2011	13.8327	12.7025	0.8537	13.5562
2010	13.8327	12.7112	0.8450	13.5562
2009	13.8327	12.7937	0.7625	13.5562
2008	13.8327	12.8072	0.7490	13.5562
2007	13.8327	12.9353	0.6209	13.5562
2006	13.8327	12.8862	0.6700	13.5562
2005	14.0009	13.0063	0.7000	13.7063
2004	14.0756	13.0750	1.0000	14.0750
2003	14.1864	13.1450	1.1000	14.2450
2002	14.2348	13.0498	1.4000	14.4498
2001	14.8326	12.5598	1.8900	14.4498

In 2002, because we were unable to save enough to pay for larger streets projects, Staff recommended that the Streets millage be bumped up as the GO Bond rate was reduced – while keeping the overall millage rate the same.

From 2003-2006, Council directed Staff to calculate the overall millage rate so that while the Streets millage was being increased, the overall taxes being paid by an individual homeowner remained the same. In other words, so that the annual assessment increase from Proposal A guidelines for the average homeowner was negated, while still being able to increase our Street construction accounts.

Starting in 2007, and continuing through 2013, the Headlee factor was no longer rolling back the millage rate due to economic conditions. The Village’s overall Taxable Value decreased between 2007 and 2011, which resulted in increases being needed in the GO Bond rate. Council directed Staff to calculate the overall millage rate to remain the same during this time period, since some homeowners were seeing decreases in their Taxable Values while others were still seeing increases. In order to do this, adjustments were made to both the Operating and the Streets millage rates, depending on budgetary needs.

In 2014, there was no millage rate roll back due to Headlee. Council did raise the millage rate by .5 mills in the Streets fund in order to make debt payments on a new \$800,000 bond that is being used to fund the Road Maintenance Plan.