

**Village of Dexter  
Citizens Advisory Committee  
“City Study Committee”  
Final Report – March 7, 2007**

Study of the Village of Dexter Incorporating  
and becoming a Home Rule City

On May 22, 2006 the Dexter Village Council adopted a resolution to establish a City Study Committee to explore the advantages and disadvantages of incorporating the Village of Dexter into a Home Rule City. The committee was tasked with recommending back to Village Council whether or not to proceed with becoming a City. The Committee, which was comprised of 17 community members from diverse backgrounds, met 11 times over an eight-month period from August 2006 to March 2007. During the meetings, the committee reviewed other city group studies, analyzed data on transition costs and tax implications, received a number of guest speakers and conducted a Citizens input Open House. Guest speakers to meetings included: representatives from the City of Chelsea (a neighboring community that recently became a City); past Village Presidents and elected officials of the Village, the Dexter Village Treasurer; and Township Supervisors from Scio and Webster townships. In addition, information on the process to become a city was received from The Michigan Municipal League as well as an attorney from Miller Canfield who specializes in City status transition. The report that follows is the culmination of that effort.

## Process

The process of becoming a city is a 14-step process that is outlined in Exhibit A under “Timeline for Incorporation” published by the State of Michigan.

In addition to the regular meetings of the City Study Committee, an Open House was held for the public on February 28<sup>th</sup>, 2007 with citizens and government leaders in attendance. (Complete comments from the Open House can be found in Exhibit B). Throughout the estimated 2-3 year process to become a city, there will be additional opportunities for citizens to provide input and ultimately vote on city status.

Establishing a city study committee, collecting community input, and producing this report is step 1 of the 14-step process.

## Population Comparison

In 2004 there were 533 Cities and Villages in the State of Michigan (*see table 1*). Of the 260 Villages, the Village of Dexter was 36th, based on population. By the end of 2006, the Village had grown to approximately 3,500 residents, which put Dexter as one of the top 10 largest Villages in the State of Michigan. When compared to the 273 Cities in Michigan, the Village of Dexter is larger than 133 Cities, based on 2006 SEMCOG population estimates.

### Incorporation Status for Cities and Villages in Michigan (*source: Michigan Municipal League, 2004*)

<i>Table 1</i>		273 Cities			260 Villages	
Population Range	Number in Range	Home Rule	Home Rule Fourth Class city Act	Special Charter	Home Rule	General Law
Over 50,000	25	25				
25,00-50,000	20	20				
10,000-24,999	44	43			1	
5,000-9,999	53	51			2	
2,000-4,999	113	78	2		9	24
750-1,999	140	45	1		11	83
Under 750	138	3	4	1	25	105
<b>Totals</b>	<b>533</b>	<b>265</b>	<b>7</b>	<b>1</b>	<b>48</b>	<b>212</b>

Village of Dexter -->  
Current est. 3,500

## Becoming a City

To most people the word “City” means large, noisy, impersonal place where lots of people live. The word “Village” suggests small, quaint town where people know their neighbor. While some of these perceptions may be true, and can be found within a short distance, the true difference is very simple. Villages are part of a township(s) with residents who pay taxes to and receive some services from the township(s). Cities are independent of townships, and provide all of the services to their residents. (For more information on the basic structure of home rule cities, review [Exhibit C.](#))

Whether a municipality chooses to become a city, or remain a village, is not dependent on population or area, but on the form of government that is deemed to best serve the taxpayers and residents. It is this question the committee has attempted to answer to the best of our ability.

While concerns over future growth were brought up many times, the Committee settled on a position that annexation and growth issues are independent from the form of government we should have in the Village of Dexter. Therefore, annexation and growth issues were not considered when determining the Committee’s recommendation.

## Transition Costs

To determine the incremental costs of becoming a city, the Committee reviewed all the services the Village currently provides; in addition to the services that the Village would take on if it became a city. After careful review, it was determined that there were only 2 (two) main functions that are not currently provided by the Village: property assessments/appraisals, and elections. See table 2 for a summary of the estimated incremental costs associated with providing these services.

**Table 2**      **Incremental Costs to become City (est.)**

<b>Appraising Function</b>	<b>One-Time Expenses</b>	<b>Estimated Annual Exp.</b>
- Contracted Appraiser (est. \$15 per parcel 2000)		\$30,000.00
<b>Elections</b>		
- Running elections and associated costs		\$15,000.00
- Purchase of new equipment	\$15,000.00	
<b>Misc.</b>		
- Name Change, Application Fees, Legal, etc.	\$15,000.00	
- Webster TWP Settlement (for 12 years)		\$23,000.00
- Miscellaneous annual expenses		\$5,000.00
<b>Total Estimated Incremental Expenses for New Services</b>	<b>\$30,000.00</b>	<b>\$73,000.00</b>

**Appraising:** Currently done by the townships, could be contracted out to professionals for between \$15 and \$20 per parcel, costing approximately \$30,000 per year.

**Elections:** In order to run elections, the Village would need to purchase their own equipment, for an estimated cost of \$15,000. Therefore, there would be some non-reoccurring up front costs in order to take over elections, in addition to annual costs.

*(Transition Costs continued)*

**Miscellaneous Costs:** While there are a number of miscellaneous costs, from application fees, legal fees to name change costs, by far the largest transitional expense will be the payment to Webster Township. The terms of a prior boundary agreement with Webster Township stipulates that should the Village ever become a City that the Village would pay Webster Township for a period of 12 years, 1.16 mills.

## Staffing Needs

Through discussions with the Village Manager and the Village Treasurer it appears no incremental full-time personnel would be necessary to assume the assessing and election functions. Specialized services (i.e. assessing) would be handled by experts hired on a seasonal, part-time, or contractual basis. A firmly established village of Dexter organizational goal for any future full-time staffing needs is to exhaust every other possibility (private contracting, part-time, seasonal) to satisfy future needs before adding full-time employees. Employee legacy costs associated with adding full-time staff must be managed whether we are a City or a Village. This isn't a topic the City Study committee would have researched because all communities in Michigan are under a mandate to deal with postemployment benefit funding liabilities.

## Tax Implications

In order to understand the tax implications, the Committee analyzed how property owners are currently being taxed. A review of current taxation by the various taxing authorities was undertaken. *(Table 3 below)*

<i>Table 3</i>		Scio S.E.V.: 161,432,047		Webster S.E.V.: \$20,980,727	
<i>collection Periods</i>	<i>Government Entities</i>	<b>Scio Twp<sup>1</sup></b>		<b>Webster Twp<sup>1</sup></b>	
		<i>Millage Rates</i>	Tax Revenue	<i>Millage Rates</i>	Tax Revenue
<i>S</i>	Village-(all areas)	13.5562	\$2,188,405	13.5562	\$284,419
<i>W</i>	<b>Townships</b>	<b>1.4513</b>	<b>\$234,286</b>	<b>3.6666</b>	<b>\$76,928</b>
<i>W</i>	Library	1.6709	\$269,737	1.6709	\$35,057
<i>W</i>	DCS –Debt	8.5000	\$1,372,172	8.5000	\$178,336
<i>W</i>	Dexter Schools <sup>2</sup>	18.0000	\$850,364	18.0000	\$377,653
<i>S</i>	State Ed. Fund	6.0000	\$968,592	6.0000	\$125,884
<i>S</i>	County	5.5024	\$888,264	5.5024	\$115,444
<i>W</i>	WISD	3.9970	\$645,244	3.9970	\$83,860
<i>W</i>	WCC	3.7249	\$601,318	3.7249	\$78,151
Total Taxes collected			\$8,018,383		\$1,355,733
Residential Millage Rate (PRE)		<b>44.40</b>	<b>mils</b>	<b>46.62</b>	<b>mils</b>
Non-Residential Millage Rate		<b>62.40</b>	<b>mils</b>	<b>64.62</b>	<b>mils</b>

<sup>1</sup>Most current Millage Rates & Taxable Values collected from each taxing authority.

<sup>2</sup> Not collected on Primary Residential Units (PRE rate),

<sup>3</sup>Current total taxes collected by townships that would be partly eliminated under city status.

S-Collected in summer, W-Collected in winter, PRE - Primary Residential Unit

*(Tax Ramifications continued)*

The highlighted line in Table 3 shows that in addition to the 13.56 mills that residents are currently taxed in the Village, they are taxed an additional 1.45 and 3.66 mills in Scio and Webster townships respectively. That translates into what village resident’s pay to respective townships, \$234,286 to Scio Township and \$76,928 to Webster Township. (See table 4 for a breakdown of township millages and fees)

**Table 4 Breakdown of Township Millage & Fees**

Scio Township		Webster Township	
Type	Mills	Type	Mills
Gen. Millage <sup>1</sup>	0.9513	Gen. Millage <sup>1</sup>	0.7899
PDR (open space):	0.5	Headly rollback:	0.3701
	<b>1.4513</b>	public safety:	2.0
		PDR:	0.5
			<b>3.66</b>

				Total 1% Fee
Scio Admin. Fee <sup>2</sup>	\$58,300	Webster Admin. Fee <sup>2</sup>	\$10,713	\$69,013

<sup>1</sup> Millage rate as of 12/31/06

<sup>2</sup>1% administrative fee collected by townships that would be transferred to the Village.

If the Village became a City, it is the township millage and fees, shown above, that would be eliminated and which would represent a tax savings opportunity to village property owners. While some of the tax revenue captured from the township would be retained by the City of Dexter to pay for services the City would now take on, most of the township taxes would be eliminated.

As a way to illustrate how this could work, the committee used the estimates for incremental annual costs found in table 2, and estimates in table 5 below “Effect on Village General Fund”, to determine a realistic scenario.

Table 5 below shows the effect on our General Fund by adjusting the millage rate .25 mills and taking over the 1% administrative fee currently charged by the townships for tax collections.

**“City” Scenario**

*Eliminate all Township tax except .25 mills + collect the 1% administration fee collected by the Townships.*

**Table 5 Effect on Village General Fund**

.25 Mills captured from Scio	.25 Mills captured from Webster	Total Mills captured from Townships	Revenue Captured from 1% Twp Admin Fee	New Revenue 1% Admin Fee on Current Village Tax	Estimated Total NEW Revenue
\$40,358	\$5,245	\$45,603	\$69,013	\$24,728	\$139,344

<b>Estimated Total New Village Revenue</b>	139,344
<b>Estimated Incremental Annual Expense for New Services<sup>1</sup></b>	\$73,000
	\$66,344

<sup>1</sup> From Table 2 on page 3

***(Tax Ramifications continued)***

From the example above, you can see that the additional revenue (\$139,344) would be enough to cover the estimated incremental costs (\$73,000) required to take over assessing, elections, and other incremental functions, plus leave a small surplus for unanticipated transitional expenses. While this scenario is an example of how the finances could work, it appears that becoming a city will not cost our residents any additional tax dollars.

In addition, by only capturing .25 mills, the remainder of the township taxes could be eliminated and would represent a savings to our taxpayers (in this example: 1.2 mills for village residents living in Scio, and 3.41 mills for village residents living in Webster.) While it appears that all property owners would see some level of savings, Village residents that live in Webster Township will realize a greater tax savings.

To see how this might affect individual taxpayers, see table 6 below, “Effect on individual taxpayers”. Please keep in mind that these are estimates only based on the scenario in table 5.

**Table 6****Estimated Effect on individual property owners**

Taxable Value		Scio Residents est. Annual Savings	Webster Residents est. Annual Savings
100k	Village Resident	\$120	\$341
150k	Village Resident	\$180	\$511
200k	Village Resident	\$240	\$682
100k	Business Owner	\$120	
250k	Business Owner	\$300	
500k	Business Owner	\$600	
1 Million	Business Owner	\$1,200	
2 Million	Business Owner	\$2,400	
5 Million	Business Owner	\$6,000	

**Impact on Business Property Owners**

The most significant tax savings would impact businesses (*see table 6*), especially large businesses of the size that occupy our industrial park. Lower tax rates could provide a benefit by retaining as well as attracting additional investment into our industrial park and further stabilizing the Village’s overall financial outlook.

**Effect on Townships**

Based on current data, Scio Township would experience a \$234,000 reduction in tax revenue or 21% of its property tax revenue. Webster Township would experience \$77,000 reduction in tax revenue or 17% of property tax revenue. However, the total impact to Webster Township would not be fully felt until after the 12-year period that was stipulated per a prior boundary agreement. Both Scio and Webster Township Supervisors indicated that the loss of tax revenue probably would not impact their staffing levels.

## **Municipal Boundaries**

All of the assumptions, calculations and recommendations in this report are based on current Village boundaries. It is our recommendation that the official description of the current Village boundaries be obtained from the State Office of the Great Seal and used when submitting the application to the State of Michigan Boundary Commission.

## **Public Image**

The idea of Dexter becoming a City has caused some concern that we would give up our "small town" feel. The idea that the Village would give up our "small town feel" by simply changing our name is unlikely. We need look no further than the City of Chelsea, our neighbor to the west. When representatives from the City of Chelsea made their presentation to the committee, they clearly stated that very little had changed with regard to the character or "feel" of Chelsea since becoming a city and the transition was seamless to residents.

## **Considerations City vs. Village**

Initial reactions from several members of the committee questioned, what are the compelling reasons to become a city? A taxpayer in Scio Twp would save approximately \$10 to \$20 per month, while a taxpayer in Webster Twp would save approximately \$30 to \$40 per month. For that amount of savings why go through the exercise? Below is a list of consideration to becoming a city, which the Committee acknowledges is not an exhaustive list and recognizes that as the process to become a City proceeds additional considerations will be brought forth.

1. Village residents will see an immediate reduction in their property taxes.
2. Simplification of government – currently, village residents are part of two local governments. One for village purposes and one for township purposes. The residents of a City of Dexter will have only one local government instead of multiple layers of government.
3. A City gets more respect from other Cities, the County, and the State, than a Village. Specifically, legislation developed by the State is written for Cities and Townships.
4. The subservient relationship of a Village to a Township would be eliminated.
5. Write our own City Charter, assess and tax our own property and in general, have more control over our future.
6. Receive bills, pay taxes, and ask questions for all city, county and school taxes at one location.
7. Vote for city, county, school, state and national elections at a single location within the city.
8. Residents will lose the opportunity to run for office or vote in Township elections.
9. There will be many powers granted a City through its Charter. Questions like: Will there be a City Income Tax? Or Will the Mayor be permitted to perform marriages? These and many other questions will need to be addressed in a City Charter, and the City Charter put before the community for a vote.

## CONCLUSION

The Members of the City Study Committee would like to thank the Dexter Village Council for this worthwhile opportunity to be a part of one of the biggest decisions that the Village will ever make. The Committee has been objective, diligent and resolute in its desire to bring a recommendation to Village Council.

## RESOLUTION

At a regular meeting of the City Study Committee, called to order by Chairman Coy on March 7, 2007 at 7:00 p.m., the following resolution was offered:

Moved by: Stacey                      Supported by: Gergely

**Whereas, the City Study Committee has been objective, diligent and resolute in its desire to bring a recommendation to the Village Council, and**

**Whereas, this report is submitted in support of the following recommendation.**

**NOW, THEREFORE, BE IT RESOLVED that the City Study Committee does recommend that it is time to pursue City status, and that Village Council should take the next step toward this end.**

Ayes: Waggoner, Stivers, Stacey, Rush, Jones, Miller, Gergely, Foster, Flowers, Bellas, and Coy

Absent Ayes: Beall, Conlin, Sprague, Vickers, and Wall

Nays: Gochanour

Absent Nays: None

Absent: Beall, Conlin, Sprague, Vickers, Wall

RESOLUTION DECLARED ADOPTED THIS 7<sup>th</sup> DAY OF MARCH 2007.

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John Coy, City Study Committee Chairman

Listed below are the members of the City Study Committee. The Committee would like to dedicate this report in memory of John Wensel, who passed away during this endeavor.

John Coy, Chair	Libby Beall	Steve Gergely	Carol Jones	Bob Stacey	Kandie Waggoner
Rich Bellas	Lori Flowers	Gary Gochanour	Jon Rush	Scott Stivers	Bart Wall
Pat Conlin	Wanda Foster	Mary Ellen Miller	Aaron Sprague	Michael Vickers	John Wensel, Posthumous