

Questions and Answers for VLO Cityhood Committee 8-3-25

In response to the needs of the residents, the Lake Orion Village Council formed a subcommittee to examine the benefits, financial considerations and legal process necessary to incorporate the Village of Lake Orion into the City of Lake Orion.

No official decision has been made on whether to pursue cityhood at this time.

Why change the Village of Lake Orion to a city?

1. The Village of Lake Orion has all of the characteristics of a city without the benefit of controlling all of its finances and taxation.
2. Village residents pay taxes to the Village and the Township. Cityhood would provide a direct financial benefit to the residents by eliminating the Township taxes.
3. The Village of Lake Orion currently provides directly or by contract all of our primary services, with the exception of fire protection. Why pay the Township for services, millages or other benefits we do not receive.
4. The community services needed in a paved high density urban community such as the Village of Lake Orion vary greatly from those of the rural Orion Township community with many gravel roads. Examples are snow removal on all roads, higher frequency police patrolling and leaf pick up. The Village of Lake Orion is not a rural community. The Village population density is 3,763 per square mile. Orion Township's population density is 1,061 people per square mile. The City of Detroit is 5,144 people per square mile.

How is a city different from a village?

Cities and Townships are considered primary local units of government by the State and manage all of their own affairs and finances. A Village is a subunit of a Township and in most cases is highly dependent on a Township for services.

A Village is generally a smaller, rural settlement with a simple infrastructure. Cities are larger, more densely populated urban centers with more complex infrastructure, services, and often a distinct legal and political identity.

What services does the Orion Township provide Village of Lake Orion Residents?

1. Assessing property and collecting taxes for the township, county and schools
2. Conducting local, county, state and national elections.
3. Fire protection services.
4. Library services

What services do the Village of Lake Orion currently provide in house and by contract?

The Village provides the following services in house:

1. Police Services
2. Water Supply Operations and Maintenance
3. Sewer Operations
4. Street and Storm Sewer Operations and Maintenance.
5. Cemetery Services
6. Code and Zoning Enforcement
7. Governmental Administration

The Village provides the following services by outside contract:

1. Village tax collection by contract with Orion Township. Fee based no tax funds used.
2. Building permits and inspection by contract with Orion Township. Fee based no tax funds used.
3. Zoning ordinance and Planning Services by contract with McKenna and Associates. Partially fee based.
4. Engineering Services by contract with Nowak & Fraus. Partially fee based.
4. Sewer and Pump Station maintenance by contract with Oakland County. Paid by sewer bills.

What are some of the advantages of going from a village to a city?

1. Residents could see a reduction in annual property taxes estimated at 2.18 mils.
2. Overlapping government structure, dual tax bills, and confusing service locations would be eliminated.
3. The new City would not have to pay Township millages and assessments.
4. Issues over jurisdiction of Village Clerk vs Township Clerk would be resolved.

What are some of the disadvantages of going from a village to a city?

1. City residents would not be able to run for elected office in Orion Township or vote in Township elections since they would no longer be residents of the Township.
2. The Village would have to contract or provide their own fire protection services.

Will village residents get to vote on this?

Yes, the process includes three decision points for village registered voters to make a choice.

1. Once petition language is approved by the State Boundary Commission and Public Hearings and comments are concluded, the petition must be signed by 5% of village voters within 45 days asking for an election on the issue.

2. An election is then held to elect members and create a Charter Commission to prepare the new city charter.

3. After the new charter is drafted, an election is then held to approve the new charter. Once the charter is approved the village becomes a city.

Would this change affect my property taxes?

Yes, the Village property owners would no longer pay Township taxes. The net overall reduction in property taxes and assessments is estimated at 2.18 mils.

How would the city provide for the services currently provided by Orion Township?

1. Property assessing could be contracted directly with Oakland County. Village, County and School tax collection can be provided by existing Village staff with the addition of a software module from BSA our current Village software provider.

2. Elections can be held utilizing existing Village staff augmented by part time election workers. The additional costs of conducting elections would be procuring voting equipment, supplies and ballots, staff training, part time staffing the polling station and publication of notices. Support is available from Oakland County Elections Division.

3. Fire protection could be provided by contract with Orion Township or another local municipality. Orion Township fire station No. 1 is located in the downtown of the Village of Lake Orion. It would be beneficial for all parties to continue our existing relationship with Orion Township. It is doubtful that a new independent city fire department would be financially viable due to the small size of our service area.

4. Library services would not be provided. However, Orion Township Library services are available to non-residents for a fee.

How would the city pay for the service currently provided by Orion Township.

1. Property assessing and tax collecting could be paid from existing Village tax revenue.

2. Election services could be paid for from existing Village tax revenue.

3. Fire Services could be paid for from a new city fire services assessment equivalent to the current Orion Township Fire Millage.

4. There is no effective change in cost for those desiring to continue using the Orion Township Library. Library services are available to non-residents for \$200 per household. The current Township Library millage of 1.3166. This equates to \$197 in taxes for a \$300k home.

Village residents own a portion of Orion Townships assets. How would the buildings, equipment, land, fire station, etc. be divided?

1. State law provides that some assets be divided on a per population basis. The last census reported the Village population at 2,873 and the Township population at 35,333. That makes the Village percentage ownership of Orion Township by population approximately 8.132%.

2. State law provides that some assets be divided on an assessed valuation basis. The taxable value of the Village in 2025 is approximately \$199,003,290 and the 2025 Taxable Value for Orion Township, not including the Village, is \$2,412,987,650. The Village percentage of ownership of Orion Township by assessed valuation would be approximately 7.619 %

Ownership of the Fire Station would be divided up by method 2. Personal property of the Township such as any moveable assets that are not permanently attached to land or structures such as fire trucks, maintenance vehicles, ambulances, office furniture, etc. would be divided by method 2.

Any share of grants or other governmental funding would probably be divided by method 1.

Negotiations would be made between the city and township regarding final disposition of these assets.

Would the village limits change?

The village would keeping its current boundaries greatly simplify the process. The State Boundary Commission has jurisdiction over the incorporation into a city.

There are currently a few residential properties that have always been located in both municipalities. These boundaries corrections would be better served by a future annexation due to the complexity and cost of making any boundary changes as part of city incorporation.

What effect will incorporation have on the schools?

None.

What effect will this have on Orion Township?

No substantial effect will be experience by Orion Township residents. The Orion Township population will decrease by approximately 8.13% based on the 2020 census. The taxable value of Orion Township will decrease by approximately 7.61% based on 2025 Oakland County assessing values.

The 2025 Taxable Value for the Village of Lake Orion is \$199,003,290 and the 2025 Taxable Value for Orion Township, not including the Village, is \$2,412,987,650.

How long a process is this change likely to take?

The process includes multiple steps, some with specific time requirements and could be completed in less than 2 years. Many villages incorporating into cities have taken 2-3 years.

What is the experience of former villages that are now cities?

In general, the villages that have converted to cities are pleased with the results and would do it again. There have been issues to deal with in every instance, but for the most part the outcomes have proven positive. We are a larger Village and already provide most of the required services.

What is the overall impact to village residents?

The overall impact to Village residents would be to gain centralized community services and a reduction in property taxes. For the most part residents would not notice a substantial change.

Estimated annual savings to Village Tax Payers with Cityhood 6-3-25

Governmental unit providing service	Item Description	Cost
Orion Township	General Operating Millage	\$172,075
Orion Township	Safety Path Millage	\$43,919
Orion Township	Library Operating Millage	\$262,003
Orion Township	Fire Protection Millage	\$468,303
Total paid to Orion Township for Services		\$946,301
City of Lake Orion	Assessing and Tax Collection	\$13,971
City of Lake Orion	Election Services	\$29,545
City of Lake Orion	Library Services	\$0
City of Lake Orion	Fire Protection Services	\$468,303
Total estimated cost to Proposed City for Services		\$511,819
Net savings to new City		\$434,482
Net savings in millage based on TV of \$199 million		2.18 mils
Notes		
Library services are available for \$200 per household from Orion Township as non resident		
This equates to approximately the same cost per household as the current millage		

Estimated cost of Assessing and Tax Collection by Village 7-13-25

Function	Item Description	Units	Unit Cost	Total Cost
Assessing	Software - 1st Year	1	7,097.50	\$7,097.50
Assessing	Software - 2nd Year	1	2,740.50	\$2,740.50
Assessing	County Assessing Contract - Village	1700	30.00	\$51,000.00
Assessing	Assessment Notice - Forms	1700	0.10	\$170.00
Assessing	Assessment Notice - Printing	1700	0.09	\$153.00
Assessing	Assessment Notice - Postage	1700	0.69	\$1,173.00
Assessing	Assessment Notice - Envelopes	1700	0.05	\$85.00
Tax Administration	Software - 1st Year	1	6,537.50	\$6,537.50
Tax Administration	Software - 2nd Year	1	2,152.50	\$2,152.50
Tax Administration	Tax Billing - Summer - Forms	1700	0.10	\$170.00
Tax Administration	Tax Billing - Summer - Printing	1700	0.09	\$153.00
Tax Administration	Tax Billing - Summer - Postage	1700	0.69	\$1,173.00
Tax Administration	Tax Billing - Summer - Envelopes	1700	0.05	\$85.00
Tax Administration	Tax Billing - Winter - Forms *	1700	0.10	\$170.00
Tax Administration	Tax Billing - Winter - Printing *	1700	0.09	\$153.00
Tax Administration	Tax Billing - Winter - Postage *	1700	0.69	\$1,173.00
Tax Administration	Tax Billing - Winter - Envelopes *	1700	0.05	\$85.00
Cost first Year				\$67,173.50
DDA tax collection fee	1% x 1,047,000			-\$10,047.00
VLO tax collection fee	1% x 1,261,800			-\$12,618.00
Current fee paid to Township				-\$24,000.00
Net cost increase from current first year				\$20,508.50
Cost second year				\$60,636.00
DDA tax collection fee	1% x 1,047,000			-\$10,047.00
VLO tax collection fee	1% x 1,261,800			-\$12,618.00
Current fee paid to Township				-\$24,000.00
Net cost increase from current second year				\$13,971.00

Notes:

Does not include credit for costs paid thru Township taxes paid by Village Residents.

No changes in personnel costs are expected by taking on tax collection services.

A 1% tax collection fee on Winter tax bills based on 2024 millage rates of 6.3407 mils & \$199 million TV = \$12,618 revenue to Village

Estimated cost of Election Services by Village 6-3-25

Function		Clarkston	Lake Orion
Election Services	Voting Machine (qty 1)	\$3,500	\$3,500
Election Services	Supplies	\$3,400	\$10,500
Election Services	Postage	\$155	\$465
Election Services	Contractual Services part time staff	\$14,700	\$14,700
Election Services	Publications	\$380	\$380
Net estimated cost of Election Services in presidential election year			\$29,545

Notes

No changes in personal costs are expected by taking on election services
Clarkston has population of 950 so supplies, ballots and postage are x3 for Village
Clerk training is provided by Oakland County
Part time training is available online every two years
Clarkston reports much lower costs in local election only years

Estimated cost of Fire Protection by Village 7-13-25

Function	Item Description	Units	Unit Cost	Total Cost
Fire Protetion	Township Millage	2.9453	199,000,000.00	\$586,114.70
Fire Protection	DDA tax Capture	2.9453	40,000,000.00	-\$117,812.00
Net current amount paid to Orion Township				\$468,302.70

Notes

Township Supervisor previously stated Fire Department did not need DDA capture when offered to return Cityhood providing Fire Protection would be expensive, building and equipment, Staffing

Optional to contract with Oxford Fire Department

THE HOME RULE CITY ACT (EXCERPT)
Act 279 of 1909

117.14 Incorporation or annexation.

Sec. 14. **Whenever an incorporated village is incorporated as a city, without change of boundaries, such city shall succeed to the ownership of all the property of such village and shall assume all of its debts and liabilities.**

Whenever a city, village or township is annexed to a city, the city to which it is annexed shall succeed to the ownership of all the property of the city, village or township annexed, and shall assume all of its debts and liabilities.

Whenever a part of a city, village or township is annexed to a city, the real property in the territory annexed which belongs to the city, village or township from which it is taken shall be sold by the authorities of the city, village or township in which said land was located before such annexation, and that portion of the proceeds of such sale shall be paid to the city acquiring such territory which shall be in the same ratio to the whole amount received as the assessed valuation of the taxable property in the territory annexed bears to the assessed valuation of the taxable property in the entire city, village or township from which said territory is taken.

Whenever a part of a city, village or township is annexed to a city, all of the personal property belonging to any such city, village or township from which territory is detached shall be divided between the township, city or village from which said territory is detached and the city to which the territory is annexed, in the same ratio as the assessed valuation of the taxable property in the territory annexed bears to the assessed valuation of the taxable property in the entire city, village or township from which said territory is taken.

Whenever a new city shall be incorporated, the personal property of the township from which it is taken shall be divided and its liabilities assumed between such city and the portion of the township remaining after such incorporation, which incorporation shall be effective as of the date of filing the certified copy of the charter as hereinafter provided, in the same ratio as herein provided in case of the annexation of a part of a township to a city, and any real property of a township located in such new city shall be held jointly by such city and the remaining portion of the township in the ratio above mentioned. (By Assessed Valuation) Such real estate shall be subject to sale by agreement of the governmental units or may be partitioned in the manner provided by law for partitioning of lands held by persons as tenants in common: Provided, That no cemetery within such territory shall be sold; but to the extent it is owned by the city, village or township within which it is located, it shall become the property of the city to which it is annexed.

Whenever a new city is incorporated from part of a township or townships, such city shall be **entitled to its pro rata share** of the amount thereafter due such township or townships or due any county agency in respect of population in such township or townships **from any future distribution of gasoline and motor vehicle weight tax revenues, intangibles tax revenues, state alcoholic liquor tax revenues, or any other state funds, moneys or grants** which, by law, now or hereafter, are required to be distributed among cities, villages, townships and/or counties of the state, which pro rata distribution shall be determined as follows, to-wit: **(By Population)**

(1) According to the latest federal census prior to date of distribution but since such annexation, if there be such census, showing the respective population of the township or townships and the municipalities affected;

(2) In the absence of such federal census, an official special census shall be taken of the areas detached from each township to form the newly incorporated city and of the entire township or townships from which such area was detached. Such census shall be taken by enumerators appointed by the secretary of state upon application by any one of the municipalities affected by such incorporation, which census shall be taken, as near as may be, in accordance with the provisions of section 6 of this act; the ratio of population between the areas incorporated from each township to form the newly incorporated city and the remainder of the respective township or townships from which the city was incorporated, shall be the basis for determination of the pro rata share of the state funds, moneys or grants to be distributed.

The township or townships from which such incorporated city is incorporated or the county agency receiving the funds, moneys or grants in respect of population in such township or townships shall be liable to the incorporated city for its proper pro rata share of any state funds, moneys or grants received by such township or townships or such county agency, respectively, after the date of incorporation;

(3) In the absence of such federal census and in lieu of an official special census determining the respective

populations of the municipalities affected by such incorporation, the newly incorporated city and each township from which the same was incorporated, may agree, by joint resolution, as to the prorating between them and between the city and any county agency receiving state funds, moneys or grants in respect of population in such township or townships of any funds, moneys or grants distributable by the state, a certified copy of which joint resolution shall be filed with the secretary of state and shall thereafter be binding upon all parties affected by said incorporation.

Whenever a part of a city, village or township is annexed to a city, the city to which such territory is annexed shall be entitled to its proper pro rata share of any of the said state funds, moneys or grants thereafter distributable under the law to the city, village or township from which said territory was detached or to any county agency receiving state funds, moneys or grants in respect to population in such township or townships, determined as follows:

(1) According to ratio of population between the area annexed and the remainder of the township, city or village from which said area was detached, as determined by the latest official federal or state census showing such populations;

(2) If there be no official census by which said respective populations can be determined, then a census shall be taken of the territory detached and the remainder of the territory in the township, city or village from which it was detached as provided above in the case of a newly incorporated city;

(3) In the absence of such federal census and in lieu of taking an official special census, the city to which said territory was annexed and the cities, townships, or villages from which said territory was detached, may agree by joint resolution of their governing bodies as to the prorating of any such state funds, moneys, or grants between them and between the city and any county agency receiving said funds, moneys, or grants in respect to population in such township or townships as provided above in the case of a newly incorporated city, a certified copy of which joint resolution shall be filed with the secretary of state and shall thereafter be binding upon all parties to said incorporation.

The foregoing provisions shall be used hereafter in determining the pro rata distributions of any state funds, moneys or grants between townships or county agencies and any city which has become newly incorporated or annexed territory since the latest decennial federal census, either before or after the passing of this law; but in no event shall the sharing of any distribution of state funds, moneys or grants made previous to the effective date of this act be altered.

The indebtedness and liabilities of every city, village and township, a part of which shall be annexed to a city shall be assumed by the city to which the same is annexed in the same proportion which the assessed valuation of the taxable property in the territory annexed bears to the assessed valuation of the taxable property in the entire city, village or township from which such territory is taken. Assessed valuation shall be determined in every division pursuant to this section from the last assessment roll of the city, village or township which has been confirmed by the board of review.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3317;—Am. 1917, Act 225, Eff. Aug. 10, 1917;—CL 1929, 2250;—Am. 1931, Act 233, Eff. Sept. 18, 1931;—Am. 1947, Act 53, Imd. Eff. Apr. 18, 1947;—CL 1948, 117.14;—Am. 1951, Act 158, Imd. Eff. June 6, 1951;—Am. 1956, Act 77, Eff. Aug. 11, 1956.

Charter Township of Orion
Notes to the Financial Statements
December 31, 2023

permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies. Financial statements for Michigan CLASS may be obtained from the website: www.michiganclass.org.

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 8,453,717	\$ 1,406,039	\$ -	\$ 9,859,756
Construction-in-progress	<u>594,420</u>	<u>373,638</u>	<u>441,843</u>	<u>526,215</u>
Total capital assets not being depreciated	<u>9,048,137</u>	<u>1,779,677</u>	<u>441,843</u>	<u>10,385,971</u>
Capital assets being depreciated				
Safety path	27,139,244	280,891	-	27,420,135
Roads	14,469,256	-	-	14,469,256
Stormwater drains	820,261	-	-	820,261
Buildings and Improvements	35,062,072	8,218,307	3,700	43,276,679
Furniture and equipment	5,202,019	764,435	77,636	5,888,818
Vehicles	5,787,714	135,539	479,895	5,443,358
Land improvements	<u>8,892,381</u>	<u>1,063,937</u>	<u>-</u>	<u>9,956,318</u>
Total capital assets being depreciated	<u>97,372,947</u>	<u>10,463,109</u>	<u>561,231</u>	<u>107,274,825</u>
Less accumulated depreciation for				
Safety path	21,871,418	567,948	-	22,439,366
Roads	6,703,276	524,673	-	7,227,949
Stormwater drains	309,741	21,522	-	331,263
Buildings and Improvements	5,264,901	919,273	2,179	6,181,995
Furniture and equipment	2,893,550	864,094	63,358	3,694,286
Vehicles	4,089,565	451,990	479,895	4,061,660
Land improvements	<u>4,909,662</u>	<u>370,485</u>	<u>-</u>	<u>5,280,147</u>
Total accumulated depreciation	<u>46,042,113</u>	<u>3,719,985</u>	<u>545,432</u>	<u>49,216,666</u>
Net capital assets being depreciated	<u>51,330,834</u>	<u>6,743,124</u>	<u>15,799</u>	<u>58,058,159</u>
Governmental activities net capital assets	<u>\$ 60,378,971</u>	<u>\$ 8,522,801</u>	<u>\$ 457,642</u>	<u>\$ 68,444,130</u>

Charter Township of Orion
Notes to the Financial Statements
December 31, 2023

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 355,893	\$ -	\$ -	\$ 355,893
Construction-in-progress	4,908,143	480,598	1,454,327	3,934,414
Total capital assets not being depreciated	<u>5,264,036</u>	<u>480,598</u>	<u>1,454,327</u>	<u>4,290,307</u>
Capital assets being depreciated				
Land improvements	197,855			197,855
Buildings, additions and improvements	5,067,351			5,067,351
Machinery and equipment	1,003,549	42,626	28,900	1,017,275
Vehicles	925,563		-	925,563
Water system	59,540,541	616,309	-	60,156,850
Sewer system	52,831,550	1,568,505	-	54,400,055
Total capital assets being depreciated	<u>119,566,409</u>	<u>2,227,440</u>	<u>28,900</u>	<u>121,764,949</u>
Less accumulated depreciation for				
Land improvements	166,341	10,505		176,846
Buildings, additions and improvements	960,898	112,538		1,073,436
Machinery and equipment	758,813	72,824	22,101	809,536
Vehicles	822,527	89,473	-	912,000
Water system	28,127,255	1,374,648	-	29,501,903
Sewer system	30,518,403	918,448	-	31,436,851
Total accumulated depreciation	<u>61,354,237</u>	<u>2,578,436</u>	<u>22,101</u>	<u>63,910,572</u>
Net capital assets being depreciated	<u>58,212,172</u>	<u>(350,996)</u>	<u>6,799</u>	<u>57,854,377</u>
Business-type capital assets, net	<u>\$ 63,476,208</u>	<u>\$ 129,602</u>	<u>\$ 1,461,126</u>	<u>\$ 62,144,684</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 1,469,490
Public safety	1,379,096
Public works	871,399
Total governmental activities	3,719,985
Business-type activities	
Water and Sewer Fund	<u>2,578,436</u>
Total primary government	<u>\$ 6,298,421</u>