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FINANCIAL REVIEW COMMITTEE

CITY OF LATHRUP VILLAGE
27400 Southfield Road, Lathrup Village, Michigan 48076

RECOMMENDATION TO CITY COUNCIL TO INCREASE AND SUSTAIN GENERAL FUND REVENUE

SEPTEMBER 23, 2024

The Issue:

The Financial Review Committee was formed in early 2024 and tasked with examining how to grow Lathrup Village's General Fund balance and do so in a sustained manner. The City Council established this committee because it has become increasingly difficult to pay for necessary City expenditures with the current revenue collected from the residents and business community. Over the last several fiscal years, the City has been forced to use funds from its General Fund account to fully cover its annual expenses; as a result, the City's General Fund fund balance has decreased from approximately $1.591M to $1.242M to $583K. This is an untenable trend that cannot continue if the City is to remain fiscally stable.

Each year, the City prepares a balanced budget using the best information available at the time. However, as the year progresses, amendments to the original budget are made to cover unplanned expenses (e.g., repairs, equipment replacement, grant matches, consulting services, additional legal services, etc.) and increasing costs. These unexpected expenses ultimately result in reductions from the General Fund's fund balance to cover these costs.

While the City has always been conservative with its expenditures, over the last several years, the City has continually reduced General Fund spending to balance the budget. For example:

- The Recreation Director position was eliminated and the department's funding was reduced.
- The City stopped transferring money from the General Fund to the Road Funds.
- Necessary equipment expenditures and repairs are continually deferred.
- The Our Town Magazine is no longer published.
- Significant code enforcement, landscaping, streetscaping, planning, and service drive maintenance expenses have been shifted to the Downtown Development Authority.
- Fewer meetings and events are recorded and/or streamed.
- The City has hired less experienced staff who can grow into positions rather than more experienced candidates at significantly higher salaries.

In the past, the City has also outsourced large budget expenditure items such as fire service, public safety dispatch service, police lock-up, animal control, technology assistance, property value assessing service, the Building Department, and the Department of Public Works. The City has also converted retirement benefits from a defined benefit program to a defined contribution program to save on fringe benefit costs. The only significant cost center that has not been outsourced is Lathrup Village's police department, which the Committee did not consider, given the high importance of community policing to the City's residents and businesses.

Cuts and spending reductions such as the examples noted above have made it possible for the City to continue to balance its budget—the fiscal year 2025 budget is balanced. However, the City has reached a point where making any significant additional expense reductions will require the City to cut desired and necessary services for the residents. Plainly put, it is becoming impossible to continue to deliver the services demanded by our residents with the existing revenue stream. To add to the challenge, the City is expecting large expense increases in areas like policing costs, equipment replacement, necessary repairs, building maintenance, pension funding, etc. in the next year. It is expected that the new police contract alone (at the end of 2024) will make it impossible to balance the fiscal year 2025 budget without a reduction in services. Below is an explanation of why the City's revenue has declined over the last decade and why this issue will only continue to get worse over time.

<u>The Cause of the City's Revenue Issue</u>:

There are several reasons that, when combined, have significantly diminished the City's revenue stream and will continue to do so. As the City's revenue continues to decrease, operating the City at current service levels becomes increasingly more difficult. The various factors that contribute to this revenue reduction are discussed below.

Proposition A and the Real Estate Market Crash of 2008 – Proposition A is a Michigan State tax law that is designed to control increases in homeowner property taxes. Property taxes are the primary source of revenue for the City and they are based upon the taxable value of a resident's home. Proposition A ensures that the maximum annual increase in the taxable value of a home is limited to the lesser of the inflation rate or 5%. This means that while the market value of a home can increase dramatically over time, the taxable value will increase at a much slower rate. This law has worked to keep the taxable values on resident homes depressed. Over the last couple of decades, on average, the State has seen low inflation and high market value gains, resulting in many long-term homeowners having homes with very high resale value, but a very low taxable value. While this law has been effective at keeping taxable values low, when it was passed by the legislature in 1998, their assumption was that property values would always increase.

Unfortunately, in 2008, the real estate market crashed and taxable values fell nearly in half. This resulted in the City losing almost half of its revenue. While the market recovered over the years and market values are currently much higher than those of 2008, because of Proposition A's strict limitation on taxable value growth, the taxable value recovery has occurred at a dramatically slower pace. Today, 16 years after the crash and a full market recovery, the City's aggregate taxable value is STILL less than it was in 2008! As a result of this revenue loss and very slow revenue recovery, the City is functioning with less revenue and services than it did before 2008. Many long-term residents remember the "old days" when the City could provide more service and be more flexible with its spending; they wonder what happened. The market crash combined with Proposition A devastated the City's revenue stream and changed City finances dramatically.

While the City had to operate with less revenue for the past 16 years, it did so while costs continued to rise, which put further pressure on the City's budget. In addition, for decades, infrastructure needs (roads, equipment, buildings and grounds, sidewalks, maintenance, etc.) were not attended to, which freed up the City's revenue during that time and allowed the City to maintain services and balance the budget (and slowly grow the General Fund). However, these maintenance and repair deferrals can no longer be ignored; unfortunately, their costs have a substantial negative effect on current City finances. For example, the City could not afford to fund roads from the General Fund, which caused a significant decline in the quality of the City's roads and resulted in a road millage. Further, the City has not been able to afford to replace equipment that has outlived its useful life, which results in continuous and very expensive repairs. The City's Capital Improvement Plan has identified nearly $20M in capital needs, a large portion of which is a result of past Councils' deferred spending. Some of these capital needs can no longer be ignored and their cost will further strain the City's budget.

The Headlee Amendment (Headlee) – Headlee is similar to Proposition A in that it was designed to control how much tax revenue a city can collect from its residents. In years when the aggregate taxable value of a city increases, Headlee requires the city to lower its operating millage rate to ensure it collects no more revenue than it did the prior year (with an inflation adjustment). For example, the table below shows a city that has a chartered millage rate of 10 mills and a taxable value of $100M. That city would collect $1M in revenue. If in the next year, the aggregate taxable value of this city increases to $110M, then the city would be required to lower its assessed millage rate to 9.0909 to ensure it only receives that same $1M in revenue.

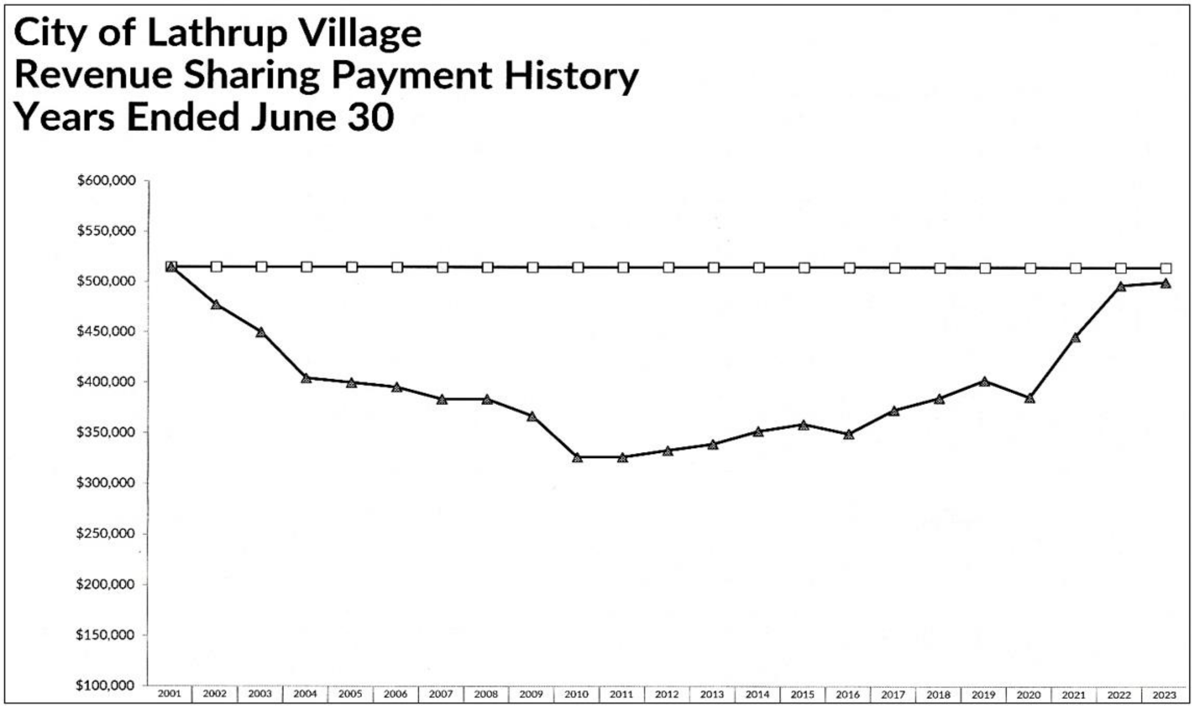
	Year 1	Year 2
TV:	$100 M	$110 M
Millage:	10 Mill	9.0909 Mill
Revenue:	$1M	$1M

Given that the aggregate taxable value of the City almost always increases on an annual basis, the general operating millage will continue to fall. Unfortunately, in the rare instance where the aggregate taxable value of a city decreases (e.g., the market crash in 2008), the city is not permitted to raise the millage rate. This means the assessed millage rate will perpetually decrease.

The City's chartered general operating millage rate is 20 mills. By 2010, annual Headlee reductions had decreased the chartered rate to 16.08 mills. This lowered millage rate produced approximately 20% less revenue than what would be expected from the chartered rate. Because Headlee was dramatically affecting the City's budget, a Headlee Override was placed on the 2010 ballot and approved by the voters by more than a 2 to 1 margin. The approved Headlee Override allowed the City to restore its assessed millage rate back to the chartered rate of 20 mills. However, as the taxable value of the City continued to rise over the last 14 years, Headlee has once again continued to lower the City's re-established 20 mill rate—it has now decreased down to 17.3001 mills. This means that the City is currently collecting less revenue than our City charter requires while costs continue to rise and new expenses and needs continue to occur.

The only way the City can increase its property tax revenue is to build new structures outside of the business district. Because the City is already completely built out, Lathrup Village has no method of increasing its property tax revenue. The City is facing a perpetually lowered millage rate with no opportunity to counteract this reduction effect on property tax revenue.

State Shared Revenue – Lathrup Village and its residents send significant tax dollars to the State of Michigan. The State is required both statutorily and constitutionally to return a proportion of those funds back to the City. Unfortunately, about 20 years ago, the State began balancing its own budget by refusing to return the full amount owed to its municipalities. As you can see in the chart below, in 2001, the City was receiving approximately $525K in revenue sharing, but the State began reducing this amount down to as low as about $300K. From 2002 to 2020, the Michigan Municipal League calculated that Lathrup Village lost almost $2M in revenue sharing it was due. Again, similar to the effects of Proposition A and Headlee, this put further pressure on the City budget and caused more deferred maintenance and spending.



Other Factors – In addition to the influences noted above, other factors also stress the City budget. Runaway inflation over the past three years has made nearly everything more expensive. In the past three years, the inflation rate was 7.5%, 6.5% and 3.4%. This means that everything the City purchases, from office supplies to police cars to salaries, is significantly more expensive, while our revenue remains flat.

Technological improvements and changes to the law also make it more difficult for the City to make ends meet. The City currently has significant expenses that did not exist 10 or 15 years ago that place additional pressure on the budget. Video camera vests, mandated training, software licenses, building security, sanitation, data security, data archiving, and social media are just a few examples. At the August City Council meeting, the necessary purchase of TASERs for almost $45K was approved. In 5 years, these TASERS will need to be replaced again at a higher cost. Ten years ago, these funds were available for other uses.

While the City has other revenue sources (e.g. building permits, district court fines, cable television franchise fees, cell tower leases, etc.), it has little ability to significantly increase revenue from these sources. Lastly, the City also pursues available grants and has received approximately $4.5M in grant income over the last 8 years. However, most of these grants offset spending from funds other than the General Fund (e.g. the Water and Sewer Fund, Major Road Fund, etc). In addition, many grants require the City to provide matching funds, which would come from the General Fund and further reduce its balance.

All of these factors together combine to put enormous pressure on City's finances. The City has been proactive over the years in determining ways to decrease expenditures. However, the City has reached the point where there are no significant expenses left to cut that will not affect services to the residents. Large expense increases are expected in fiscal year 2025 (e.g., the new police contract, potential pension payments, etc.). Long deferred expenses and repairs have been reaching the point where they can no longer be avoided if the City is to maintain its current service levels. As an example, in August, the City Council approved the long-overdue purchase of a new lawnmower and pickup truck for the DPW at a cost of almost $70K. There are many more looming capital expenses in this category (e.g. a crumbling DPW building, a failing HVAC system in City Hall, a backhoe that is long past its useful life, roof replacements at multiple facilities, DPW furnace replacement, etc.). The City revenue issues described above make it difficult to pay for the day-to-day operational expenses and nearly impossible to do so for those expenses that are imminent. Necessary capital expenditures have reached the point where they can no longer be deferred, which exacerbates this financial issue. Worse of all, the resident-desired, lower priority expenditures that make Lathrup Village a desirable place to live (e.g., replacement of outdated playground equipment, recreational programs, a recreation coordinator, an updated community room, tree maintenance and replacement, more parks, etc.) are virtually impossible.

While the discussion above helps to explain why Lathrup Village struggles with generating sufficient revenue, residents often wonder how that can be the case when residents pay some of the highest tax rates in Michigan. Unfortunately, while that is true, the City does not retain most of the taxes that are collected. Only about 30% of collected property taxes are used for general City operations. And, of the 30% the City retains, over half of that amount is used to pay for police and fire services, leaving little remaining for City operations. See Appendix B for more information on how property tax dollars are allocated.

As the City's financial consultant noted, "Lathrup Village has a revenue problem, not a spending problem." The Finance Review Committee agreed and felt if the City cannot determine a way to increase its revenue in a sustained manner the City will need to begin searching for new ways to cut costs. This could include reductions in staff, reductions to policing, elimination of the use of the Southfield Public Library, periodic City Hall closures, elimination of remaining recreational programs, etc.

The Committee is making the following recommendations for increasing revenue and avoiding any cuts in services provided to residents and businesses. The recommendation has been split into both a long-term and a short-term recommendation.

Long-Term Recommendation:

The Committee researched and discussed a variety of potential recommendations to increase the City's revenue. For a discussion of those items that were considered, but **not** recommended, please see Appendix A of this document.

In the Fiscal Year 2023 independent audit of the City's finances, it was noted, "A Headlee rollback will need to be considered by the City Council and voted on by the citizens to maintain the same level of services." After significant committee discussion of the positive and negative aspects of the limited options available to municipalities for raising revenue, the Committee agreed with the auditor's assessment and recommends that the City Council add a ballot question to approve a Headlee Override to the November 2025 ballot. While this could be done at an interim or special election, the Committee felt strongly that this ballot question should appear during an election that would have the largest resident turnout, which would be a November election. The deadline for including a ballot question as part of the November 2024 election has passed, which means, the City would propose the ballot question during the November 2025 election.

The Committee recommends that the Headlee Override ask voters to restore the Headlee-lowered general operating millage rate from the existing 17.3001 mills to the chartered rate of 20 mills and to restore the lowered refuse (trash) millage rate from the existing 2.5948 rate to the chartered rate of 3 mills.

	Current Millage Rate	Proposed Millage After Headlee Override	Difference
General Operating	17.3001	20.0000	2.6999
Refuse	2.5948	3.0000	0.4052
Total	19.8949	23.0000	3.1051

Note: The current millage rates will be subject to another round of Headlee reductions prior to the November 2025 election. Adjustments to these figures may be necessary once next year's Headlee application is complete.

Further, it is recommended that the ballot question include the locking of the charted millage rates for ten years, as other municipalities have done, which would protect these chartered rates from being lowered by Headlee for ten years. This would ensure that the City has the funds needed to operate for at least ten years and that Headlee would not return the City to a diminished revenue state. If approved, this would restore the assessed millages by 3.1051 mills, but not increase the millage rate beyond that which should be assessed according to the City Charter. The effect this increase will have on residents will be discussed below.

The Committee felt this option would increase revenue back to chartered levels and sustain that revenue for ten years. Approval of this Headlee Override would provide the City some breathing room in its budget to address increasing costs while simultaneously providing some additional funds to begin addressing deferred maintenance and capital expenditures. Because the City passed a similar Headlee Override in 2010 by greater than a 2 to 1 margin, the Committee is hopeful that residents would be willing to support such a measure again. The Committee fully understands that a tax increase could be a contentious issue for some city residents. However, to maintain the quality of life that Lathrup Village residents expect, increased revenue from a Headlee Override is necessary. The punitive tax laws and other factors discussed above, leave no choice for built-out cities like Lathrup Village other than to eventually cut services.

Short-Term Recommendation:

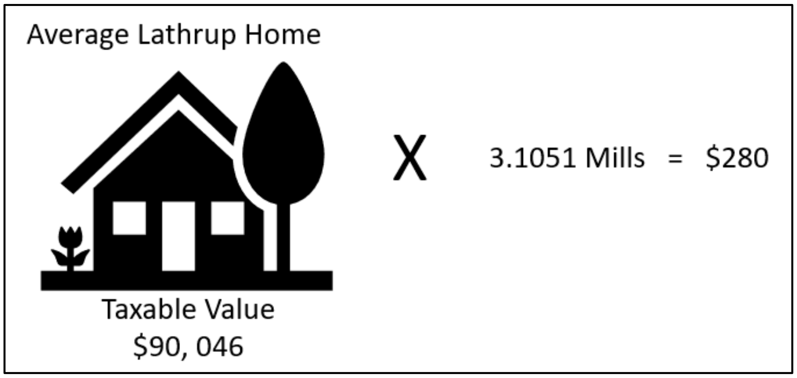
Unfortunately, placing a Headlee Override on the November 2025 ballot means waiting a year for this election and its result. If a Headlee Override is approved by the electorate, additional revenue would not be received by the City until August of 2026 with the summer tax bill. This means that the City would continue to remain in a strained budget situation for the next two years. Given the expected increases in expenses associated with fiscal year 2025, this delay would almost certainly result in budget cuts.

To avoid this situation, the Committee recommends that the City Council use its authority to enact a Public Act 33 of 1951 Special Assessment for Public Safety. Under this Act, cities with a population under 14,500 people can levy up to 10 mills for public safety operations and 10 mills for public safety capital. This would allow the City Council to determine its monetary needs for fiscal year 2025 and determine the expected shortfall. Once that shortfall is determined, the City Council would have the authority to levy the corresponding millage to the 2025 summer tax bill to make up that difference. The resulting funds would be earmarked for Public Safety and could cover the increased cost of the new police contract, as well as some existing public safety costs. This would forgo the use of some of the General Fund dollars for Public Safety, freeing up those general funds for other operational uses.

The Committee recommends that the proposed City Council resolution to provide this authority specifically state that the authority expires after one year. This is because PA 33 authority is recommended only as a stop gap measure until the Headlee Override can be voted upon by the electorate. Further, the Committee recommends that the establishing resolution also limit the levying authority of the City Council to a maximum of 3.1051 mills. This millage figure is simply the millage amount that would be restored had both the general operating and refuse (trash) millages been set back to their respective chartered rates of 20 and 3 mills. While the Committee believes that it is unlikely the City would need to levy this entire amount, it believes City Council should have the flexibility, if needed.

What Does This Mean for Residents:

As noted above, an approved Headlee Override would add 3.1051 mills to the tax bill of Lathrup Village residents. The current average taxable value of a home in Lathrup Village is $90,046. Applying the 3.1051 mills to this average taxable value would result in an additional tax of $280 to the average homeowner. To calculate their potential tax burden, homeowners can multiply their actual taxable value from their most recent Oakland County property tax assessment (mailed to resident homes in March) by .003105.



As with any millage in the State of Michigan, due to existing tax laws, those longer-term residents who have been protected by Proposition A will have a lower tax burden, while newer homeowners will have a higher tax burden. Unfortunately, in Michigan, there is no manner in which millage-based tax rates can be applied evenly to all residents within a municipality. The chart below illustrates the distribution of a Headlee Override cost by homeowner taxable value.

Homes Affected	Taxable Home Value	Headlee Override Cost per Year
43% - Mostly long-term residents	$0 to $75,000	Less than $233
51% - Mostly residents who bought 4 to 10 years ago	$75,000 to $150,000	$233 to $466
5% - Mostly residents who purchased recently	$150,000 to $200,000	$466 to $621
1% - Mostly residents purchasing high value homes recently	Over $200,000	More than $621

Appendix C provides a table showing the tax burden based on various homeowner taxable values.

Next Steps:

If the City Council accepts this recommendation, it will need to work with the administration and City Attorney to follow the various steps (public hearings, resolutions, approvals from the Attorney General and Governor, etc.) required to both enact the Public Act 33 Special Assessment and place the Headlee Override on the November 2025 ballot.

In addition, if this recommendation is approved, the Committee will next begin working on a multi-faceted education plan to educate the residents on all aspects related to this recommendation. This would include Town Hall programs, FAQ documents, videos, etc.

The Committee would like to acknowledge Michael Greene, City Administrator, and Michelle Townsend, City Finance Director, for their invaluable assistance to the Committee. The Committee would be happy to meet with the City Council to discuss this recommendation further if so desired.

This recommendation is made unanimously by the following voting members of the Infrastructure Committee:

Bruce Kantor, Committee Chair
Mayor Pro Tem

Saleem Siddiqi

Deborah McDonald

Regina Jones

Timothy Hillman

<u>Appendix A – Funding Options NOT Recommended</u>

The committee invited a Plante Moran consulting partner, who both specializes in municipal finance and is intimately familiar with Lathrup Village accounting and finances, to present the potential options available to municipalities to generate additional revenue. The Committee discussed each option with the consultant and then held subsequent meetings to debate the feasibility of each presented option for Lathrup Village. The following is a listing of the other various funding options that were considered by the Financial Review Committee but were **<u>not</u>** recommended to the City Council for consideration.

- <u>A Road Millage</u>: - Implementing a road millage would provide dedicated funds for road improvement and repaving. In turn, the City could then use the General Fund dollars presently spent on road repaving for other purposes. However, since the City does not currently spend General Fund money on road pavement projects, collecting road millage dollars would not free up General Fund dollars to be used elsewhere.

- <u>Lean on the (Downtown Development Authority (DDA) to Share More Funds with the City</u>: The City currently has a great relationship with the DDA. There is an existing cost-share agreement between the parties, where the DDA transfers funds to the City to help pay for staff salaries, beautification, code enforcement, gardens, landscaping, and other expenses. The DDA is also amenable to supporting other City expenditures as they arise. For example, the DDA agreed to purchase a new Code Enforcement vehicle for the City and was a Title Sponsor of the Lathrup Village Music Festival. As the DDA is already contributing significant funds to the City and has its spending priorities, receiving significantly more funds from the DDA is unlikely. That said, the City should continue to work with the DDA when new cost-sharing opportunities present themselves.

- <u>Replace the Refuse (Trash) Millage with a User Charge</u>: The City charter allows the City to levy 3 mills for trash and recycling services. The revenue generated from this millage covers the expense of trash and recycling services—General Fund money is not used. This option would simply move the revenue collection from a millage to a monthly utility bill and would not generate additional money for the General Fund. This option would only be feasible if the City was using General Fund dollars to pay for trash services, which it is not. The administration of such a program would add significant additional costs.

- <u>Special Assessments for Infrastructure</u>: The City is not currently spending General Fund dollars on infrastructure projects, especially given recent major projects to improve the road, water, sidewalk, water, and sewer systems. These projects were all fully funded via other non-General Fund monies. There would be little opportunity to save General Fund dollars by assessing infrastructure costs to the residents for these types of projects. This is because the City is not currently funding any infrastructure projects from the General Fund.

- Debt Millage: The City's current debt is nearly fully funded. The road project debt is paid for via a road-specific millage and the Capital Improvement Bond cost is fully funded via both a surcharge on the water bill and the capital component built into the water rate. The only other long-term debt payments are for sewer projects that occurred in 2006 and 2009. The debt payments for these projects will be complete in 3 to 5 years and only account for approximately $120K per year. Further, these debts are paid for from the Water and Sewer fund. Therefore, there are no General Fund debt payments that could be offset by a debt millage.

- Publicity Millage: There is a Michigan State Act that allows municipalities to levy a millage to cover publicity and communication costs. The maximum amount that can be collected under such a millage is only $50K, which is not significant enough to address the City's revenue issue.

- Public Act 345 Public Safety Retirement: Public Act 345 allows municipalities to levy a tax dedicated to funding Public Safety pensions and other post-employee benefits (e.g. retiree healthcare). This option would only make sense if the City was making significant yearly payments into the pension fund. A decade ago, the City contributed $1M to fully fund its MERS pension program, which made subsequent yearly contributions unnecessary. Recently, however, the General Accounting Standards Board changed its funding methodology. This change resulted in the City's pension funding percentage decreasing to 76%. The program has recommended that the City contribute approximately $350K, which will put a strain on future budgets. However, given the City is not currently making annual payments nor does it have the revenue to do such, there would be no General Fund monies to free up by taking advantage of Public Act 345.

- Lower the Operating Millage and Introduce a Public Act 33 Public Safety Assessment: The City could choose to lower its operating millage and then dynamically make up the difference each year by initiating a Public Act 33 Safety Assessment. This would allow the City Council to dynamically determine how much additional revenue would be needed each year and to assess the corresponding amount to resident taxes. It was felt this option would add too much uncertainty and unpredictability to City finances. It would also rely on City Council action each year, making city finance a political issue. Since the City Council has the potential to change every two years and there is no guarantee that future councils will be willing to levy the required funds, this option was considered to be high risk. It would also make planning and budgeting exceedingly more difficult.

- Do nothing and cut services: - It was agreed that this option is counter to the establishment and purpose of the Committee. The Committee does not believe that cutting services is in the best interest of the residents or the future of the City. However, it was noted by the Committee that if the final recommendation is not accepted and acted upon by the City Council, or if it is acted upon and residents vote to reject this initiative, the City Council and the administration will have no choice but to begin cutting services relied upon by Lathrup Village residents and businesses. It is recommended that the City prepare a list of services that would be cut by a failed millage. This will help residents to have a realistic understanding of the implications of revenue levels remaining as they are currently.

Appendix B – Property Tax Allocations

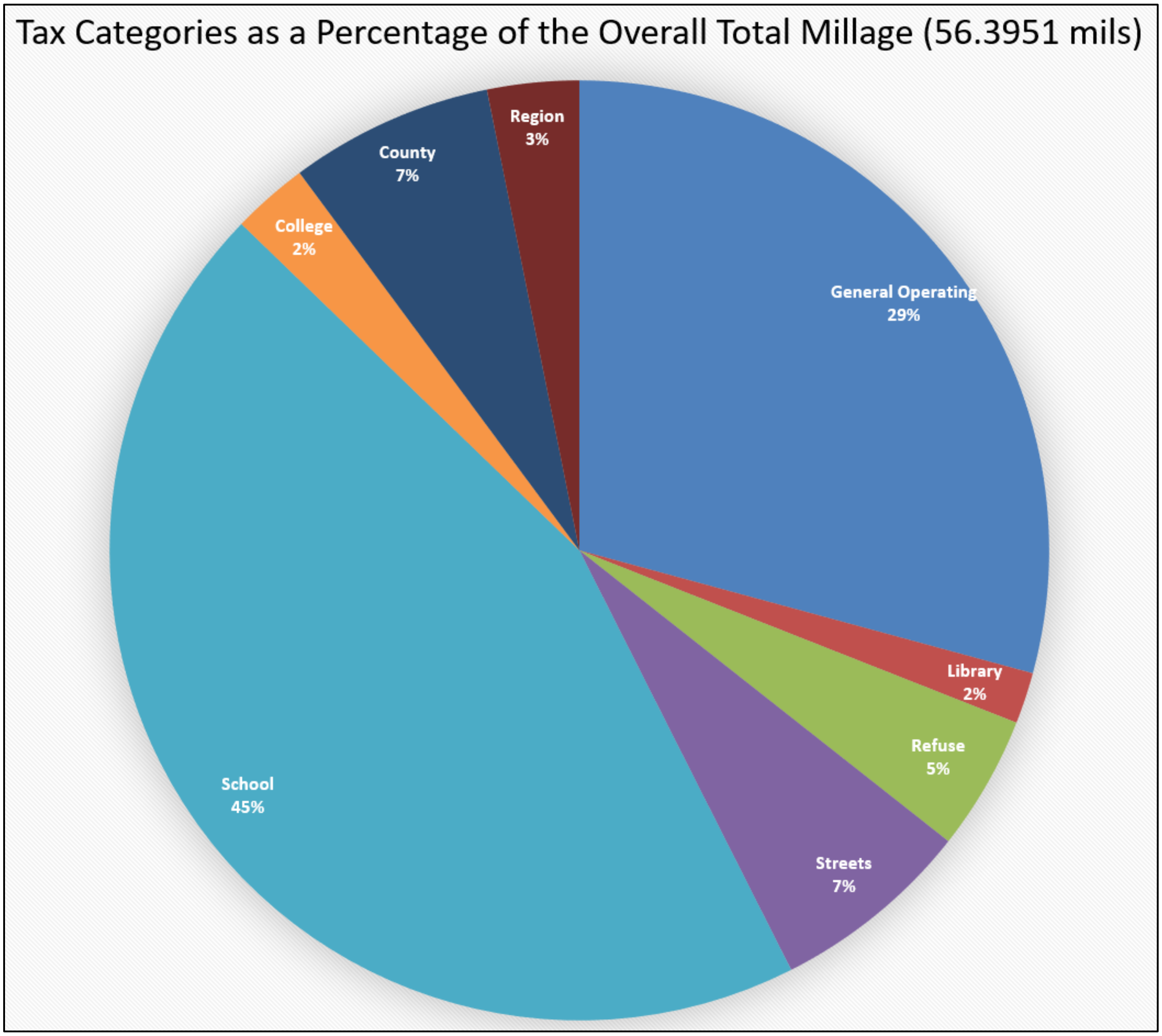
Lathrup Village residents pay a total millage rate that is one of the highest total rates in the State. The chart below shows both the statutory millage rates along with the actual assessed rates. The assessed rate is always equal to or lower than the statutory rate. The assessed rate can be lower either because of Headlee rollbacks or because the governing body has decided not to assess the full rate.

As the table below indicates, residents are currently levied a total of 56.3951 mills against the taxable value of their homes.

Tax	Annual Statutory Millage Rate	FY 23/24 Annual Millage Rate (Headlee Reduced)	FY 24/25 Annual Millage Rate (Headlee Reduced)
General LV Operating	20.0000	17.3001	17.3001
Refuse	3.0000	2.5948	2.5948
County Operating	5.2600	3.9686	
County			
Parks & Rec	0.3500	0.3431	
Huron Clinton Metropark	0.2500	0.2070	
Detroit Zoo	0.1000	0.0945	
Detroit Inst of Arts	0.2000	0.1945	
OCPTA	0.9500	0.9500	
Road Millage	3.9307	3.9307	3.9307
Schools			
Sinking Fund	0.7000	0.6911	
School Debt 2017 - no limit	1.5000	1.5000	
School Debt 2023 - no limit	4.0600	4.0600	
School Supp <18	16.9698	9.9058	
State Education	6.0000	6.0000	
College (OCC)	1.4891	1.4891	
Intermediate (Spec Ed)	3.8983	3.1658	
Total	68.6579	56.3951	23.8256
School Operating (non-PRE)	18.0000	18.0000	
DDA Operating (in DDA district)	2.0000	1.8823	1.8823

Given this high property tax rate, residents are often puzzled as to why the City would not have the revenue it needs. This is because the City keeps only about 30% of resident property taxes for general operations.

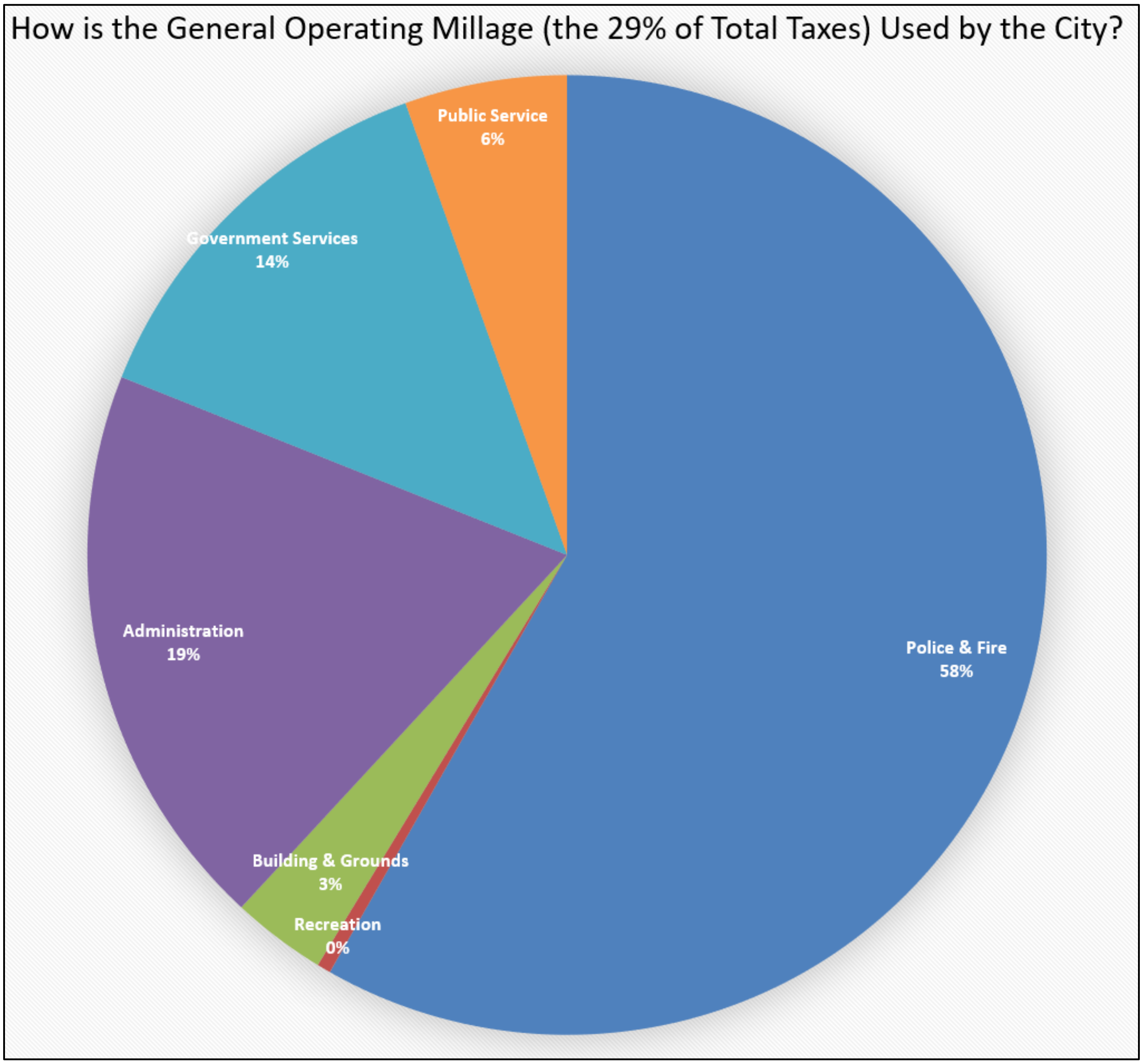
The chart below shows how resident tax payments are allocated:



As the pie chart shows, 47% of the overall tax payment is allocated to education. 7% goes to Oakland County. 3% is associated with regional taxes for the DIA, Metroparks, etc. 7% is used to pay for the recent repaving of 8.28 miles of residential roads. 5% is dedicated to trash and recycling services and 2% goes to provide library services to Lathrup Village residents. The remaining 29% of property tax payments are used to fund all City operations.

The following chart explains how the City uses the 29% of property tax payments that remain for City operations.

As the pie chart below shows, almost 60% of the portion of the tax payments kept by the City (the 29% discussed previously) are used to fund police and fire services. This leaves only 6% to fund the DPW, 14% for government services (communication, engineering, planning, building department, cable TV, etc.), 19% for staff salaries, 3% to maintain the City buildings and grounds, and almost no money for recreation services.



To put this in monetary terms, if a resident receives a $4,000 tax bill, just over $1,200 remains with the City for operational purposes. Of that amount, a little more than $700 is allocated to public safety, leaving about $500 to fund all of the other various City operations. Given the overall needs of the City, this is a relatively small amount.

Residents are correct that Lathrup Village residents pay very high tax rates, but unfortunately, only a small percentage of the total property tax payments are available to the City to fund its services and operations.

Appendix C – Cost by Taxable Value Table

The average taxable value in the City of Lathrup Village is $90,046. At 3.105 mills, a Headlee Override will cost the average resident $280. To calculate an exact cost, multiply the taxable value (not market value) from the Oakland County Tax Assessment by 0.003105. The chart below displays the cost of the Headlee Override for Homeowners at various taxable values:

How much will the Headlee Override millage cost?

Taxable Value (not Market Value)		Average Cost/Year
$20,000	…………………	$62
$25,000	…………………	$78
$30,000	…………………	$93
$35,000	…………………	$109
$40,000	…………………	$124
$45,000	…………………	$140
$50,000	…………………	$155
$55,000	…………………	$171
$60,000	…………………	$186
$65,000	…………………	$202
$70,000	…………………	$217
$75,000	…………………	$233
$80,000	…………………	$248
$85,000	…………………	$264
$90,000	…………………	$279
$95,000	…………………	$295
$100,000	…………………	$311
$105,000	…………………	$326
$110,000	…………………	$342
$115,000	…………………	$357
$120,000	…………………	$373
$125,000	…………………	$388
$130,000	…………………	$404
$135,000	…………………	$419
$140,000	…………………	$435
$145,000	…………………	$450
$150,000	…………………	$466
$155,000	…………………	$481
$160,000	…………………	$497
$165,000	…………………	$512
$170,000	…………………	$528
$175,000	…………………	$543
$180,000	…………………	$559
$185,000	…………………	$574
$190,000	…………………	$590
$195,000	…………………	$605
$225,000	…………………	$699
$285,000	…………………	$885
$300,000	…………………	$932
$315,000	…………………	$978