



CITY OF OTSEGO

Otsego, MI 49078

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Public Act 33 of 1951 Cover Letter

Dear City of Otsego Property Owner,

The City of Otsego is proposing to establish a Public Safety Special Assessment District over the entire City to assist funding its police and fire services (Public Safety). The special assessment intends to raise an estimated \$400,000 annually. The process is in accordance with *Public Act 33 of 1951 (PA 33)*.

The 2021-2022 Public Safety Fund Budget is \$1.4M. Roughly \$1M of that is subsidized by the General Fund. The General Fund is used to fund not only public safety, but all of the other services and departments in the City. The Public Safety budget has significantly increased over the last decade and the budget forecast shows continued cost increases. A once strong General Fund fund balance has been dwindling for multiple years. We have been encountering Public Safety costs steadily increasing while not receiving the same amount of revenues as years past. Despite cost cutting measures and other budgetary adjustments, overall City General Fund revenues have not kept pace with increases in costs and mandated services. Some of those reasons are as follows:

- **State Shared Revenue Loss**
- **Headlee Amendment Effect on Tax Revenue**
- **State Removal of Personal Property Taxes**
- **Drop of Property Values During Great Recession**

During the Great Recession, the City cut in all possible areas. Including significant cuts in personnel and have since not replaced those positions. The City of Otsego has been absorbing these significant revenue shortfalls by using General Fund fund balance to fill the gaps year after year. Unfortunately we are now at the end of the line that something must change to continue to provide the same quality public services that you are accustomed to.

The largest expenditure of the General Fund is the Public Safety Fund. The Otsego Police Department (OPD) and the Otsego Fire Department (OFD) are models of excellence in our community. However, excellent service comes with a price tag. Additional steps are needed to fund City services. Without taking those steps, the City will be required to make difficult cuts that will be felt within both the police and fire departments. Those potential cuts could be:

- **Removal of 24/7 coverage by the OPD and/or**
- **Removal of the OPD Detective position and/or**
- **Removal of Medical Calls by the OFD**

PA 33 permits the City to fund police and fire services by special assessments to properties in the City. To this end, the City Commission proposes to levy 4 mills to all property within the City. This is estimated to provide \$400,000. The City intends to use 50% of the special assessment revenue to fund operations and the other 50% for future replacement of fire trucks. OFD will need to replace 3 vehicles within the next 5 years. These 3 vehicles are overdue for replacement. They are safe, but plans for their replacement should not be put off any longer. The costs of those vehicles are over \$3M, so the securing of those funds for those purchases needs to begin

immediately. *PA 33* is a tool to fund Public Safety, including the future purchase of fire trucks. It is a method that hundreds of municipalities across the state utilize. It is a significant step to fill the funding gap that has been created by rising costs and revenue shortages from the State of Michigan, while simultaneously providing a resource to fund expensive large fire truck purchases going forward.


To better understand what this cost will look like for you and your family, review the table below demonstrating your costs based off of your property's Taxable Value and the 4 mills calculation. The 2022 Tax Roll will be completed in the coming months and you will receive a statement with those details. In the meanwhile you can reference your 2021 Taxable Value found at <https://bsaonline.com/?uid=140>. In general, there should not be a large difference.

4 mills can be calculated by multiplying .004 by your taxable value

Taxable Value of \$50,000	\$50,000 X .004 = \$200
Taxable Value of \$100,000	\$100,000 X .004 = \$400
Taxable Value of \$150,000	\$150,000 X .004 = \$600
Taxable Value of \$200,000	\$200,000 X .004 = \$800

The City Commission has deliberated on this subject extensively for over a year and this appears to be the best tool to fix the City's financial problems, in relation to funding Police and Fire operations and budget for future fire trucks. The only down side is obviously the additional burden to property owners' checkbooks. The City Commission wish to be as transparent as possible throughout this process. This included multiple public discussions throughout 2021 and 3 scheduled fall/winter Special Informational Meetings (1 canceled due to COVID) to solely discuss *PA 33*. Each step of the way the City Commissioners have wanted to inform as many property owners of these details as soon as possible. However, the aforementioned Special Informational Meetings even after extensive advertising did not garner the attention we were seeking. In response to that we will be hosting an additional opportunity to discuss the City financial situation and the utilization of *PA 33* on February 7, 2022 with a presentation at a City Commission meeting. This will better explain all of these details.

To summarize; the City is seeking to utilize *PA 33* to provide additional revenue to fund Police and Fire services at 4 mills across the entire City. *PA 33* would provide for an additional \$400,000 total. \$200,000 would go towards the Police and Fire Operations and \$200,000 would go towards investing in future fire truck replacement purchases. The 1st step of that is to create a Public Safety Special Assessment District over the entire City. There will be a Public Hearing on February 21st at City Hall at 7 pm to hear from property owners on the topic. There would be an additional Public Hearing before the completion of *PA 33*. Thank you for your time and I anticipate answering your questions at an upcoming meeting.



Sincerely,
Mayor Cyndi Trobeck