



## CITY of NOVI CITY COUNCIL

Agenda Item 5  
May 7, 2012

**SUBJECT:** Consideration to adopt resolution placing a question on the August 2012 ballot whether to amend the Novi City Charter, Section 9.1(b) to increase the maximum millage amount for specific street and highway improvement purposes from 1.0 mills (reduced by the Headlee Amendment to .7719 mills) to 1.5 mills, beginning with the 2013 tax year.

**CITY MANAGER APPROVAL:** 

**BACKGROUND INFORMATION:**

The **current** provisions of the Novi City Charter, Chapter 9 (relating to taxation) state as follows:

"The City shall have the power to lay and collect taxes for municipal purposes.

The annual, general ad valorem property tax levy shall not exceed:

- (a) For general municipal purposes—six and one-half tenths of one percent ( $6\frac{1}{2}$  mills),
- (b) For specific street and highway improvement purposes—one tenth of one percent (1 mill),**
- (c) For Novi Public Library—one tenth of one percent (1 mill),
- (d) For establishing and maintaining parks and recreation purposes— one-half tenth of one percent ( $\frac{1}{2}$  mill), and
- (e) For acquiring, constructing, improving, and maintaining drain, stormwater, and flood control systems in the City of Novi—one-tenth of one percent (1 mill)
- (f) For the operation of the City of Novi Police and Fire Departments, including the payment of personnel and purchase of equipment— one and eight-tenths of one percent ( $1\frac{8}{10}$  mills) of the assessed value of all real and personal property subject to taxation in the City, exclusive of any levies authorized by general statute to be made beyond Charter tax-rate limitations. This tax limitation may be increased for a period not to exceed three (3) years at any time by a majority vote of those electors in the City of Novi voting thereon at any regular City election or special election called for that purpose.

All Charter tax-limitation increases, granted for a period not to exceed three (3) years, by a majority vote of the electors of the City, pursuant to the Charter in effect as of February 24, 1969, shall continue in effect under this Charter for the unexpired period."

The attached resolution proposes an increase in the maximum amount of mills available under subsection (b) from 1 mill to 1.5 mills.

The language has been reviewed informally by the Attorney General's Office. If the City Council determines to adopt the resolution, a 3/5 vote of the Council Members is required. The resolution can then be sent to the Governor's Office for approval. Upon approval by the Governor, the resolution and proposed question will be sent to the Oakland County Clerk for placement on the August ballot.

**RECOMMENDED ACTION:** Adopt resolution placing a question on the August 2012 ballot whether to amend the Novi City Charter, Section 9.1(b) to increase the maximum millage amount for specific street and highway improvement purposes from 1.0 mills (reduced by the Headlee Amendment to .7719 mills) to 1.5 mills, beginning with the 2013 tax year

	1	2	Y	N
<b>Mayor Gatt</b>				
<b>Mayor Pro Tem Staudt</b>				
<b>Council Member Casey</b>				
<b>Council Member Fischer</b>				

	1	2	Y	N
<b>Council Member Margolis</b>				
<b>Council Member Mutch</b>				
<b>Council Member Wrobel</b>				

**Place, Melissa**

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**From:** Hanson, Cortney  
**Sent:** Tuesday, March 20, 2012 12:04 PM  
**To:** Pearson, Clay; Hayes, Rob; Smith-Roy, Kathy; Schultz, Thomas  
**Cc:** Cornelius, Maryanne  
**Subject:** → Deadlines for local proposal on ballot ←

Information as requested by Clay at leadership regarding deadlines to place a millage on the ballot.

**Filing Deadlines: County and Local Proposals**

To be placed on the August 7 <sup>th</sup> ballot:	
<b>By May 15, 2012</b>	Petitions to place county and local questions on the August primary ballot filed with county and local clerks. (If governing law sets an earlier petition filing deadline, earlier deadline must be observed.) (168.646a)
<b>By May 29, 2012</b>	Ballot wording of county and local proposals to be presented at the August primary certified to county and local clerks; local clerks receiving ballot wording forward to county clerk within two days. (168.646a)
To be placed on the November 6 <sup>th</sup> ballot:	
<b>By Aug. 14, 2012</b>	Petitions to place county and local questions on the November general election ballot filed with county and local clerks. (If governing law sets an earlier petition filing deadline, earlier deadline must be observed.) (168.646a)
<b>By Aug. 28, 2012</b>	Ballot wording of county and local proposals to be presented at the November general election certified to county and local clerks; local clerks receiving ballot wording forward to county clerk within two days. (168.646a)

Thank you,



**Cortney Hanson | Deputy City Clerk**  
City of Novi | 45175 W. Ten Mile Road | Novi, MI 48375 USA  
t: 248.347.0456 f: 248.347.0577

[cityofnovi.org](http://cityofnovi.org) | [InvestNovi.org](http://InvestNovi.org)  
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# **JOHNSON | ROSATI | SCHULTZ | JOPPICH**

A Professional Corporation

34405 W. Twelve Mile Road Suite 200 ~ Farmington Hills, Michigan 48331-5627  
Phone: 248.489.4100 / Fax: 248.489.1726  
www.johnsonrosati.com

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Thomas R. Schultz  
tschultz@jrsjlaw.com

May 3, 2012

Mayor Robert J. Gatt  
City of Novi  
45125 W. Ten Mile Road  
Novi, MI 48375

City Council Members  
City of Novi  
45125 W. Ten Mile Road  
Novi, MI 48375

RE: Ballot Question Resolution – Increased Road Millage

Dear Mayor Gatt and Council:

Enclosed is a proposed Resolution to place on the ballot for August 7, 2012, a question whether the Novi City Charter should be amended to increase the millage amount available for specific street and highway improvement purposes. The millage amount available is currently 1.0 mills (reduced by the Headlee Amendment to approximately .7719 mills). The Resolution would ask the voters to authorize an increase in that amount to 1.5 mills beginning with the 2013 tax year.

As indicated in earlier correspondence, under the Home Rules Cities Act, the City Council needs to approve the submission of the question to the electors by at least a 3/5 vote of the Council members. If Council adopts the enclosed Resolution, it will be sent to the Attorney General's Office for formal review and to the Governor's Office for approval. Typically, the Attorney General provides correspondence to the Governor's Office accepting the language, and formal correspondence comes from the Governor's Office approving the question.

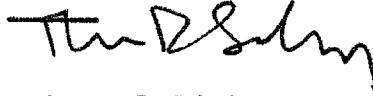
We have had informal correspondence with the Attorney General's Office, which has reviewed the question and has indicated no objection to it.

If you have any questions, please do not hesitate to call.

May 2, 2012  
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Very truly yours,

JOHNSON, ROSATI, SCHULTZ & JOPPICH, P.C.

A handwritten signature in black ink, appearing to read "Thomas R. Schultz". The signature is written in a cursive style with a horizontal line under the first name.

Thomas R. Schultz

TRS:jah  
Enclosure

cc: Clay Pearson, City Manager  
Maryanne Cornelius, City Clerk  
Victor Cardenas, Assistant City Manager  
Kathy Smith-Roy, Finance Director

**CITY OF NOVI**

**OAKLAND COUNTY, MICHIGAN**

**RESOLUTION APPROVING SUBMISSION OF BALLOT  
PROPOSITION TO ELECTORS**

At a meeting of the City Council of the City of Novi, Oakland County, Michigan, held on the \_\_\_\_\_ day of \_\_\_\_\_, 2012, at the City Hall, 45175 West Ten Mile Road, Novi, Michigan 48375-3024.

PRESENT: \_\_\_\_\_

ABSENT: \_\_\_\_\_

The following resolution was offered by \_\_\_\_\_ and seconded by \_\_\_\_\_:

**WHEREAS**, pursuant to Act No. 279, of the Public Acts of Michigan, of 1909, as amended, The Home Rule Cities Act, an amendment to the City Charter may be proposed by the legislative body of the City on three fifths (3/5) vote of the seated members; and

**WHEREAS**, the City Council has determined that it is appropriate to submit Charter Amendments to the electors of the City at a special election to be held on August 7, 2012.

**NOW, THEREFORE, IT IS HEREBY RESOLVED** by the City of Novi City Council as follows:

1. That the following proposition shall be submitted to the electors of the City at a special election to be held in the City of Novi on August 7, 2012:

**Charter Amendment Proposal 1**

“Shall the Novi City Charter, Section 9.1(b), be amended to increase the millage amount for specific street and highway improvement purposes from 1.0 mills (which has been reduced by the Headlee Amendment to .7719 mills) to 1.5 mills beginning with 2013 tax year, resulting in the authorization to collect an estimated additional \$ 2,172,006 dollars in the first year.”

2. That upon adoption of the proposed amendments, the affected provisions of the City Charter would read as follows:

**Section 9.1. Taxation**

The City shall have the power to lay and collect taxes for municipal purposes.

The annual, general ad valorem property-tax levy shall not exceed:



- (a) For general municipal purposes—six and one-half tenths of one percent ( $6\frac{1}{2}$  mills),
- (b) For specific street and highway improvement purposes—one and one-half tenth of one percent ( $1\frac{1}{2}$  mill),
- (c) For Novi Public Library—one tenth of one percent (1 mill),
- (d) For establishing and maintaining parks and recreation purposes—one-half tenth of one percent ( $\frac{1}{2}$  mill), and
- (e) For acquiring, constructing, improving, and maintaining drain, stormwater, and flood control systems in the City of Novi—one-tenth of one percent (1 mill)
- (f) For the operation of the City of Novi Police and Fire Departments, including the payment of personnel and purchase of equipment—one and eight-tenths of one percent ( $1\frac{8}{10}$  mills) of the assessed value of all real and personal property subject to taxation in the City, exclusive of any levies authorized by general statute to be made beyond Charter tax-rate limitations. This tax limitation may be increased for a period not to exceed three (3) years at any time by a majority vote of those electors in the City of Novi voting thereon at any regular City election or special election called for that purpose.

All Charter tax-limitation increases, granted for a period not to exceed three (3) years, by a majority vote of the electors of the City, pursuant to the Charter in effect as of February 24, 1969, shall continue in effect under this Charter for the unexpired period.

3. The Clerk is hereby directed to do all things necessary to provide for the submission of the aforesaid proposition to the electors of the City at a special election on August 7, 2012.

AYES:

NAYS:

ABSENT:

ABSTENTIONS:

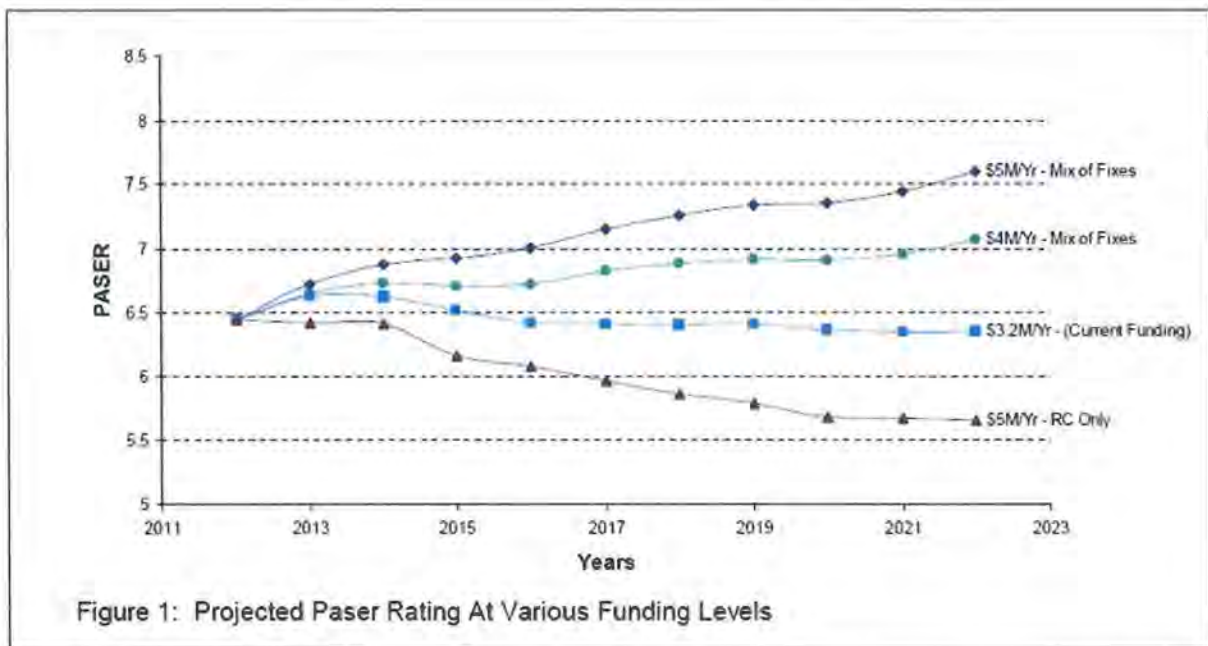
The resolution was adopted.





## POSTSCRIPT: Looking Ahead

Paying for the right mix of services requires balancing our property tax millage rates. As presented at the March 12, 2012 City Council meeting, the current annual road funding level of approximately \$3.2 million is not sufficient to maintain and rehabilitate Novi's roadway pavement conditions at an acceptable level. If the *status quo* funding level is maintained, then the City's overall average Pavement Surface Evaluation and Rating (PASER) would continue to **decline** to even more unacceptable levels, as illustrated by the blue line below:



A recurring feedback theme we increasingly hear from Novi residents and businesses – both via the bi-annual survey and anecdotally – is the need to improve the condition of roads in the City of Novi. Now may be the time to look at ways in which to structurally increase road funding opportunities.

One option would be to amend the City Charter to allow the maximum millage for the Municipal Street Fund to be raised from its current maximum of 1.000 mill to 1.500 mills. Doing so would annually generate more than \$2.1 million of additional revenue (over and above what the current Headlee-capped millage rate of 0.7719 provides), based on projected adjusted taxable values from the recently-completed Fiscal Analysis. This additional revenue would allow a total road investment of over \$5 million per year, which is estimated to bring Novi's overall pavement PASER rating *up* to an average of over 7.5 in ten years – a significant and sustainable improvement compared to current conditions.

As shown above, this would be accomplished by implementing a "mix of fixes" based on different pavement conditions, ranging from routine and capital preventive maintenance, to rehabilitation and reconstruction projects. In comparison, a \$5 million investment in reconstruction only (a "worst first" strategy) would quickly yield a significantly lower average PASER rating over the same ten-year period, as indicated by the declining red line in Figure 1.



The following table depicts total and additional revenue projections for FY13/14 and FY14/15 based on raising the Municipal Street Fund millage to 1.500 mills. The table also shows additional road projects that could be completed with an increased millage, including a **substantially augmented, 40% more than the current \$3.2 million, Neighborhood Road Program** and several significant major road projects (the projects listed are in addition to those presented in the Capital Improvement Program for these two years). Please note these projects are as-listed in the CIP and not absolutes, they are subject to change. As noted on the table, annual expenditures on local/neighborhood streets would comprise roughly 70% of the additional funding, while major street funding would make-up approximately 30%, both of which are based on the distribution of lane-miles between road categories.

**Novi dedicated Municipal Street Millage: Taxable Value & Property Tax Revenue with new 1.500 Maximum cap**

	Property Tax Year Fiscal Year	2013 FY 13/14	2014 FY 14/15
<b>Adjusted Taxable Value</b>		\$2,958,115,000	\$3,068,277,000
<b>Municipal Street Fund - Revenue</b>			
Proposed New Millage (Assumed to go into Effect Tax Year 2013)		1.5000	1.5000
Less Existing Millage		<u>0.7719</u>	<u>0.7719</u>
Proposed Additional Millage		0.7281	0.7281
<b>Proposed Revenue Generated by Additional Millage</b>		<b><u>\$2,172,006</u></b>	<b><u>\$2,234,012</u></b>
<b>Additional Road Projects - Expenditures</b>			
<i>Local Street Fund Projects - Additional</i>			
Expanded Neighborhood Road Program/Other Local Street Projects		\$1,300,000	\$1,300,000
To Fund Balance (15%)		\$195,000	\$195,000
<i>Major Street Fund Projects - Additional</i>			
11 Mile Road Repaving Taft to Beck		\$490,000	
13 Mile Road Rehabilitation (Novi to Meadowbrook)			\$435,690
To Fund Balance (15%)		\$73,500	\$65,354
<i>Municipal Street Fund Projects - Additional</i>			
Signal Modernization Novi Road at 13 Mile (mast arm)		\$43,750	\$175,000
Sidewalk/Pathway Capital Preventive Maintenance Program		\$50,000	\$50,000
To Fund Balance (10%)		\$9,375	\$17,500
<b>Total Additional Road Project Expenditures</b>		<b><u>\$2,161,625</u></b>	<b><u>\$2,238,544</u></b>

**Notes and Assumptions:**

1. Taxable value and resulting property tax revenue based on March 23, 2012 Fiscal Analysis.
2. Using the more conservative adjusted total taxable value is appropriate.
3. Pro-rated contributions into each fund balance are necessary for capital expenditures.
4. Based on lane-miles, project expenditures are split approximately 70% to local and 30% to major roads.

While we do not have ballot language in final form, it is likely that the ballot question could, based upon the City Council's direction, look something like this:

"Shall the Novi City Charter, Section 9.1(b), be amended to increase the millage amount for specific street and highway improvement purposes from 1.0 mills (which



has been reduced by the Headlee Amendment to .7719 mills) to 1.5 mills beginning with 2013 tax year, resulting in the authorization to collect an estimated additional \$2,172,006 dollars in the first year?"

To have this or similar language on some future ballot for voter consideration, the City Attorney would propose this or similar ballot language to an Assistant Attorney General, who would informally review the language. Next, the City Council would put the approved language in a resolution and then formally submit that to the Attorney General's office and the Governor's office for final approval to place it on the ballot.

Road infrastructure and its associated right-of-way improvements eligible for expenditure have been most discussed. In keeping with our balanced Novi approach, there may be additional needs for future discussion.

During the January 2012 City Council early budget input session, there was interest in exploring options for the **Parks, Recreation, and Cultural Services millage**. A restoration of the Parks, Recreation and Cultural Services millage to .5000 through a Headlee Override Ballot Proposal would generate an additional \$338,000 for the Parks, Recreation and Cultural Services Fund which would be used for improving infrastructure and the development of parks facilities within the parks system. These capital projects have been identified as enhancements that will improve infrastructure and enhance Parks, Recreation and Cultural Services in Novi.

The projects identified are currently outlined in the Capital Improvement Plan, though funding sources have not been identified, other than if there were a millage consideration.

### Novi dedicated Parks and Recreation Millage: Taxable Value & Property Tax Revenue with Headlee Rollback

	Property Tax Year Fiscal Year	2013 FY 13/14	2014 FY 14/15
<b>Adjusted Taxable Value (Source: 12/19/2011 Property Tax Primer)</b>		\$2,958,115,000	\$3,068,277,000
<b>Parks and Recreation Fund - Revenue</b>			
Proposed New Millage (Assumed to go into Effect Tax Year 2013)		0.5000	0.5000
Less Existing Millage		<u>0.3857</u>	<u>0.3857</u>
Proposed Additional Millage		0.1143	0.1143
<b>Proposed Revenue Generated by Additional Millage</b>		<b><u>\$338,113</u></b>	<b><u>\$350,704</u></b>
<b>Additional Parks Projects - Expenditures</b>			
Pavilion Shore Park Development	\$	220,000	
ITC Community Sports Park Pathway Resurfacing	\$	95,445	
Lakeshore Park Asphalt Paved Parking Lots and Drive			\$ 337,000
ITC Community Sports Park Asphalt Parking Lots			
<b>Total Additional Parks Project Expenditures</b>		<b><u>\$315,445</u></b>	<b><u>\$337,000</u></b>

**Assumptions:**

1. The more conservative adjusted total taxable value is appropriate.
2. Funding for Pavilion Shore Park and Greenway Development stay funded through 14/15



## Budget Message

The City Council will need to decide on whether to proceed with just a road question at this time, or to provide some combination of millages. We believe that the roads question is the most pressing and provides the most direct benefit at this time for the entire Novi community.

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Mayor Pro Tem Staudt noted it would be appropriate to give City staff time to review the language and defer any action on the Ring Road until next week and given the tight time line of the schedule for ballot language, it may have to go to the November ballot.

1. Discussion for deliberations on any road millage question to the public for 2012.

Mr. Pearson noted this was discussed in the budget letter. The option to rebalance the total millage rate would be either a Headlee Override or Charter Amendment. The road millage or street millage was a topic in the postscript of the budget that is currently at .7 and change. It's not doing the job and won't, going into the future. Mr. Hayes commissioned a study by OHM (Orchard, Hiltz & McCliment) that showed it's not just the current PASER ratings that pose an issue, but that these roads would continue to decline without enough dollars coming in. The neighborhood road programs could be increased by as much as 40% as well as anything related such as sidewalks, beautification, etc. There are a couple options for the August or November elections.

Member Margolis noted the road bond question is indicative of the City taking time to look at having a dedicated road millage and increasing it to 1.5 and keeping the total rate at 10.2. It's dedicated to the streets. The total millage rate would be under the current millage rate and even the proposed reduced millage rate. This is what is projected to improve the roads. A dedicated road millage of 1.5 makes sense. The debt millages are expiring so that allows the City of Novi to bring this in under the current millage. She will support this and the reason we can do this is that we've reduced our debt so much; this will give citizens the ability to decide what they want for roads.

Member Wrobel noted the most prominent comment he receives is on the quality of the roads. Many were built in the late 80's and 90's so it will be up to the residents to see if they want to improve the quality of the roads.

Member Casey also supported the concept of rebalancing the millage. As direction is received from voters, the Council can do all of this and still hold to the reduced millage.

Member Fischer supports for all the reasons stated. Bringing it down to 10.2, along with the additional 1.5, this is a good package to bring to the residents.

Member Mutch noted that viability is important to the long term success of the City. Whether it's water, sewer or roads, that must be maintained. Right now, we don't have that and he hoped voters would support it too. We as a City will have to do the educational piece about the reasons why it is important.

Mayor Pro Tem Staudt noted that with the 10.2, next year we have a further reduction and we also have additional items that will allow the City to stay at the 10.2. This proposal is an increase, but a most necessary increase to maintain the aging roads. This allows the City of Novi to start catching up. The extra money will be invested in the City for the long haul. This doesn't go away and it can go up or down at the discretion of Council. It is very clear that we

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need these funds. We also need to increase funding for sidewalks and bike paths. He would like to see it in the same proportion.

Mayor Gatt noted that most of the email he receives from residents is about road complaints. This is necessary as the roads are crumbling as they age. If we want to maintain the same quality of roads, it is necessary, and it seems there is no better time. He felt it was imperative to have this question presented to the voters.

Discussion was held that this item would come back to Council in the form of a resolution.

**AUDIENCE COMMENT** – None

**ADJOURNMENT** - The meeting was adjourned at 8:59 p.m.

\_\_\_\_\_  
Robert J. Gatt, Mayor

\_\_\_\_\_  
Maryanne Cornelius, City Clerk

\_\_\_\_\_  
Transcribed by Jane Keller

Date approved: May 21, 2012