

Cass Lake Village

Finance Committee Progress Update

Today's agenda



Scope of Current Financial Challenges



Advantages of Being a Village



Expenses



Income



Next Steps



Scope of Current Financial Challenges 30 year projection

1

13 Additional
Bridges @ \$800k
each = \$10MM

2

Water Main
Replacement
\$8MM

3

Roads
Replacement
\$2MM

4

Per Household
cost \$87k

Scope of Current Financial Challenges

- **We have 15 bridges. Greer Rd has been replaced. Algonquin has a grant to replace it. That leaves 13 bridges. DOT standards have the useful lifespan of the bridge at 80 years. Our bridges are over 100 years old.**
- **Our water system is over 100 years old. The lifespan of water mains is 50 years.**
- **We own this infrastructure, and it's our legal responsibility to maintain it as a community.**

How did we get here?

- **100 years of kicking the can down the road and making it someone else's problem**
- **We ignored depreciation. Basically when you use something like your car, every time you use it it's worth a little bit less, and you pay for it in your lease. In our case, we have been driving over the roads and bridges and using the water and only paying the bare minimum to keep it going, but we haven't been covering the depreciation. That has added up.**
- **As an HOA we lacked the financial tools we needed to to maintain our infrastructure (grants, low cost loans etc)**

What can we do about it?

- Obviously we can't fix a lot of these problems today. We have \$1.6 million on hand. This will be a long term solution.
- We learned that in order to get outside assistance we really need to be a village or city to qualify
- We can continue saving money toward an infrastructure fund to make it easier to fix in the future

Advantages of Being a Village

- **Greater sovereignty compared to an HOA**
- **Our only vehicle to borrow money as an HOA is a special assessment district which involves paying the township a 27% administration fee plus interest. As a village we have more borrowing options beyond the township**
- **Control our own zoning, allowing for additional construction in the neighborhood on some lots WB doesn't allow us to build on now**
- **Additional annual income streams - Constitutional Revenue Sharing and Michigan Transportation Fund Act 51**
- **Ability to borrow for from the State of Michigan for water improvements at a subsidized interest rate (2.5%)**
- **Municipalities qualify for federal grant funding; HOA's do not.**

Potential New Sources of Revenue

- **Constitutional Revenue Sharing (\$50k annually)**
- **Road funding (\$30k annually)**

How is a village millage different from an HOA fee

- **A village millage/tax is a fee charged to a homeowner that is based on the taxable value of the home. Those who own more expensive properties pay more and those in less expensive properties pay less**
- **All properties are taxed, including vacant lots**
- **The Charter sets the maximum millage rate, but the rate charged to homeowners is set annually but cannot exceed the maximum millage rate in the charter**
- **In the event the village passed we would no longer be charged an HOA fee**

Expense Projection - Existing/New/Village Overhead

- **Current expenses excluding any major bridge or water expenses is approx \$100k**
- **Last year we ran at a deficit of \$68,349 and that includes \$800k grant for the bridge**
- **Review Spreadsheet**
 - **Millage Examples**
 - **Potential Revenue**
 - **Expenses**

Revenue - Continued

Property tax revenue estimates are based on the total taxable value of all homes in the village.

- **Prop A - Allows for an annual increase in taxable value, the lesser of 5% or the rate of inflation (presently 2.9%). Allows for the uncapping of taxable value when the property is sold/transferred.**
- **Headlee Amendment limits property tax revenue resulting from increased taxable values to the amount the millage was originally generating. Because of this, municipalities are required to "rollback" or decrease the millage rate annually as the total taxable values increase to maintain the dollar amount the millage originally generated.**

Next Steps for the Finance Committee

Discussions on the horizon:

- Should we engage a outside professional in regards to the operating millage rate?
- How much should we save for infrastructure annually?
- What the water bill needs to be to cover operating costs?
Metered vs non-metered?
- Propose a MAXIMUM operating millage rate to the Charter Commission. This is the one time we will be able to set this rate. We may want to consider for the charter that the maximum operating millage rate is equal to the maximum allowed by law. This leaves it open to discussion post charter approval, instead of determining an operating millage without fully understanding the true operating costs of a village.



Thank you