

MAY 3RD HOWELL TOWNSHIP MILLAGE ELECTION PROPOSAL
FACT SHEET

Why did Special Assessment districts go in?

The Township was petitioned by 51% or more of the property owners in each district to construct sewer and water lines.

How an assessment got on my property?

After petitions were received, the Township held at least 2 public hearings in each district, including one hearing after the cost projections were received from our engineers for the construction. This cost covers only the transmission lines being constructed, not the sewer or water treatment plants. The cost of each project was divided among the benefitting properties according to the number of current, proposed or possible home taps--or REU's--allocated to each property. This resulted in special assessments being placed on the tax rolls. Each property owner received a notice of the assessment amount or REU's prior to the final public hearing and had an opportunity to object.

What is an REU?

An REU is a residential equivalent unit. One single home (or its equivalent) is allocated one REU.

What is a System Equity Fee or Tap-In Fee or Hook-Up Fee?

The System Equity Fee is an additional fee for each REU that covers the property's share of the costs of the water and sewer treatment plants, including bonds and construction costs.

What is a bond?

A bond is like a mortgage for the financing of a public project. The Township sells bonds, receives the money to construct a project, and then repays the bonds over a period of years with interest. Those interest and principal costs are then allocated to each benefitting property's tax bill as special assessments, usually over a period of 20 years.

What happens when property taxes with special assessments become delinquent?

In March each year, the Township is mandated to turn over our delinquent property taxes to the County. The County then pays the Township for all delinquencies and is then responsible for collecting the taxes. Once taxes for any particular property are delinquent for three consecutive years, the County has the State of Michigan put the property up for tax sale.

What is a tax sale?

Properties that go to a tax sale are advertised in the local paper for any interested parties to buy. At the first tax sale, a purchaser must pay all of the three years of delinquent taxes, special assessments, interest and penalties in order to purchase a parcel.

What is a scavenger sale?

If properties do not sell at the first tax sale each year, then they go to a scavenger sale. The lowest bid on each property is a minimum of approximately \$50. If the property sells at this sale, all of the three years of delinquent taxes, special assessments, interest and penalties are lost to the Township. This situation is what has caused the Township shortfalls in special assessments to cover the full interest and principal payments on our bonds. Because many properties have not sold at the first tax sale, but have been sold for low prices at the scavenger sale, the County back-charges the Township for the payments that were made each year on the delinquent tax rolls. This year the Township had to reimburse the County \$1.7 million dollars due to properties being sold at the scavenger sale.

What happens when the township acquires property through the scavenger sale?

Some of the Townships in the County, including Howell Township, have purchased some of the delinquent properties at the scavenger sale at a very low price. We hope to resell these properties in the future when land values stabilize and recoup some of the delinquent special assessment funds needed to pay future interest and principal on the bonds.

What happens when a developer or private party buys at the scavenger sale?

Some properties are being purchased at the scavenger sale by private parties for virtually nothing. Then, the new property owners often do not pay their taxes and special assessments for up to another 3 years. If property values do not stabilize within that time, then the property will simply let the property go to tax sale again with virtually no investment. This potentially will cause taxes and special assessments to be lost for another three years.

Why has the Township placed a 2 mill ballot question on the May 3rd election?

As a result of the substantial delinquencies in our special assessments, the Township had an independent firm perform a Rate Study to examine what increases in sewer and water user fees would be needed to offset future shortages in the Township's bond payments. Based on the study's recommendation, the Township Board increased the debt portion of each water bill by \$3.54/1000 gals. The study also recommended that sewer user fees would have to increase by 300%--an increase to \$18.28/1,000 gals to meet the shortfall on the sewer bonds. To lighten this increase in rates, the Township Board increased the debt portion of the sewer user fee to \$9.00/1,000 gals, which is still substantial. However, even this substantial increase will not be sufficient to meet the anticipated sewer bond shortfall. To seek the additional revenues needed, the Township Board placed the millage question on the May 3rd ballot, because the "Full Faith and Credit" of the Township was pledged to secure the bonds.

What does the cost of 2 mills mean to the average homeowner, and how is it calculated?

If your home is worth \$200,000, and has a taxable value of \$100,000, two mills would result in an additional tax payment of \$200 per year.

If the millage proposal is passed, when would it be on my tax bill and for how long?

The ballot proposal is asking for 2 mills for five years. If the millage is passed, each taxpayer in Howell Township will have 2 mills added to their tax bill beginning in December of 2011. The Township Board will review the status of the sewer and water funds at least every six months to determine if we can shorten the five years.

Who is eligible to vote on this proposal?

Only registered voters of Howell Township can vote. In order to be a registered voter you must be a resident. The last day to register for this election is April 4, 2011.

What happens if the millage is not passed?

If the millage is not passed, another source of revenues will be needed. The user fees on the sewer users will likely have to be increased even more than they already have been increased. This would place a more substantial burden on business and residential users, which might cause more delinquencies on taxes, special assessments and user fees.

What else is the Township doing to help pay the bonds and keep them from becoming delinquent?

The Township has tightened its budget dramatically over the past several years by getting vendors to reduce their charges by 10%, reducing Township staff, shortening the work week by four hours a week, freezing wages, agreed reductions in pay by elected officials, reduced legal fees by approximately 75%, reduced the number of paid holidays, and required employees to pay a greater share of the cost of health benefits. We have investigated refinancing of our bonds, but a recent report from our bonding financial advisor shows no cost savings or benefit would be derived from refinancing. We have also worked with our legislators to introduce legislation that may help Howell Township and other municipalities across Michigan that are experiencing similar problems due to bond payment shortfalls.

What if the Township cannot generate enough money to pay the bonds?

If the Township were not able to make its bond payments and go into default, the State could assign an Emergency Financial Manager to take control. This financial manager or a court could place a millage on every property in the Township, in whatever amount necessary to retire all of the Township's debt, without a vote of the people.