



# FIRE AND POLICE RETIREMENT PROPOSAL FREQUENTLY ASKED QUESTIONS

**VOTE**  
***March 10, 2020***

### [Frequently Asked Questions on the Fire and Police Retirement Proposal](#)

#### ***What is the Fire and Police Retirement Act?***

The Fire Fighters and Police Officers Retirement Act, also known as Public Act 345 of 1937, authorizes the creation of an Act 345 millage and thus a new funding source for police and firefighter retirements. In Huntington Woods, our police and fire services are provided by the City's Public Safety officers who are cross-trained in both professions.

#### ***Why do residents need to vote on this?***

All new millages must be voted on by the taxpayers so the proposal has been placed on the March 2020 ballot.

## Fire and Police Retirement Millage FAQ

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### ***Why is the City asking voters to consider the retirement proposal?***

Funding the public safety retirement obligations through a dedicated millage, frees up funds in the General Fund budget for things like road improvements.

In 2018, the City Commission created a Long Term Budget & Planning Committee to review the City's long-term financial health. One of the charges was to recommend a long-term road improvement strategy. The recommended plan requires that a source of funding be identified. Because there is little room to levy an additional millage dedicated to roads, an alternative strategy was recommended to fund the public safety retirement obligation with a separate millage that can be levied outside of the charter cap. The plan is to then redirect the funds currently being used for retirement obligations, towards the new road strategy.

### ***If the retirement proposal passes, when does the millage get levied for the retirement obligation?***

The new millage will be collected on the summer tax bill beginning this year (2020) and cannot be collected for more than 25 years.

### ***What is the road improvement strategy that is being recommended and how is it different?***

The Budget Committee recommended that the City adopt a 20-year plan to bring the roads into "good" condition (as defined by the Pavement Surface Evaluation and Rating [PASER] system) by the end of the first three years and then to maintain them at that level for 20 years and beyond.

This plan would entail (a) issuing a \$4.5M bond, which would require annual repayments of \$331,000, and (b) increasing the average annual spend on road maintenance by \$234,000. The total annual expense increase to the City for this plan would be the sum of those two figures, *i.e.*, \$565,000.

At present, the average condition of all asphalt roads in the City is poor according to the PASER rating system, even with the City's conscientious efforts to maintain the roads. The City's historical practice has been to approve capital bonds to finance major road reconstruction, and to fund minor repair activities such as crack sealing and cold patch repair with Act 51 revenue from the state of Michigan.

In contrast, the new road plan calls for a mix of repair strategies, including heavy maintenance, reconstruction and minor repair. This approach is more efficient because it addresses road conditions before they reach a critical point of deterioration. For every \$1 spent on road maintenance to prevent deterioration before the critical point is reached, it costs \$4 - \$5 to repair or reconstruct a road that has passed that point.

## Fire and Police Retirement Millage FAQ

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Consequently, this plan would reduce road maintenance and repair costs (compared to the City's historical practice) even after year 20 because the roads would continue to be in “good” condition at that point.

### ***How much will my tax bill change if the retirement proposal is approved?***

The estimated millage for the first year is 2.4160 mills with the average millage over 20 years being 2.1030 mills.

The millage would vary, depending on funding needs in any given year, and is not expected to be greater than 2.7 mills and could range as low as 2.0 mills or even lower. Thus, the likely maximum annual tax increase on a home with a \$250,000 taxable value (or a value of \$500,000) is estimated at not more than \$675.

The 2.0 - 2.7 range is based on assumptions and analysis by the Municipal Employees' Retirement System of Michigan (MERS). MERS believes the 2.0-2.7 range would fund the retirement obligation over 20 years. The City Commission set a maximum cap of 3.0 mills in any given year. This is intended to provide a cushion in the event of an economic downturn negatively impacting the MERS assumptions.

Tax impact examples based on taxable value assumptions:

<u>2020 Estimated taxable value</u>	<u>First year tax bill impact</u>
\$150,000	\$362
\$200,000	\$483
\$250,000	\$604
\$300,000	\$725

There is a link on the City's website to a tax calculator that will compute the impact on your tax bill using your actual taxable value. The City's website is [www.hwmi.org](http://www.hwmi.org).

### ***Why use a retirement millage to fund road improvements?***

With ever-rising costs and the City nearly at its millage cap, Huntington Woods faces significant challenges with regard to financing critical infrastructure projects. Aging roads need to be repaired or reconstructed. Combined storm and sanitary sewers, most of which were installed in the 1920s, need to be maintained and improved. In addition, City employee post-retirement benefits are funded to 43 percent and represent a significant financial burden for the City and could potentially adversely impact the City's bond rating which increases the cost to borrow money.

## Fire and Police Retirement Millage FAQ

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There are no apparent sources for additional revenue from the County, State or Federal government. Restrictions exist that limit the nature and amount of revenues Huntington Woods residents can put to a vote through ballot initiatives.

The Budget Committee recommended the new retirement millage under Public Act 345 for no more than 25 years dedicated to funding Public Safety employee retirement costs. Act 345 has been used by neighboring cities and is an exception to the 20 mill cap that Huntington Woods may legally levy.

The resulting revenue would free up to \$800,000 in the General Fund that is currently allocated for Public Safety retirements. The \$800,000 would be more than sufficient to cover the \$565,000 increase in expenses for the 20-year road plan.

Among the advantages of this millage—aside from freeing up revenue in the General Fund for the road plan and other uses—is the increased certainty of being able to fund retirements regardless of economic conditions. Greater certainty is a benefit to the City as it engages in planning activities as well as an assurance to the public safety retirees.

### ***What happens if the retirement proposal doesn't pass in March?***

The City will maintain the current road maintenance budget and no road construction will be planned.

### ***If the retirement proposal is approved, how quickly would the road construction work begin?***

If the retirement proposal is approved in March, the City will sell bonds for the road reconstruction as soon as April. The engineers are working over the winter to design the road construction project in anticipation of the retirement proposal being approved so work can begin as soon as this summer.

### ***What roads are proposed for reconstruction as part of the recommended road strategy?***

The following roads are in the first phase of the road construction project:

- Borgman (Huntington to York)
- Kingston (Coolidge to Berkley)
- Kingston (Berkley to Henley)
- Kingston (Scotia to Newport)
- Humber (11 Mile to Borgman)
- Talbot (Newport to Meadowcrest)

## Fire and Police Retirement Millage FAQ

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The next phase of the road construction project has not been identified.

### ***My road needs to be repaired and it is not proposed for this project. When will it get done?***

Depending on the cost of the first phase of the road construction project, there will be a second phase of construction. Roads that are priority for reconstruction are those that are in poor condition and have water main break history. Roads that are not reconstructed will be addressed with the most appropriate repair strategy depending on the condition of the road.

### ***Is this the only referendum on the March 10<sup>th</sup> ballot?***

The March 2020 election is the presidential primary. In addition to the City's retirement proposal, the Oakland County Art Institute Authority millage renewal is on the ballot. Because the election is a presidential primary, voters will have the choice of voting a Republican ballot, a Democratic ballot or a ballot without a presidential primary option.

### ***What is the retirement language that is on the ballot?***

#### FIRE FIGHTERS AND POLICE OFFICERS RETIREMENT AND RETIREMENT SYSTEM PROPOSAL

Shall the City of Huntington Woods, County of Oakland, Michigan, be authorized to establish a retirement and retirement system for the benefit of its fire fighters and police officers, create a board to manage the system, and fund the system by levying an annual tax for a period of not to exceed twenty-five (25) years in an amount not to exceed three mills (\$3.00 per \$1,000 of taxable value) in any year, all in accordance with the provisions of Michigan Public Act 345 of 1937, as amended?

YES

NO

### ***What if I have questions about the retirement proposal?***

Questions can be directed to the City Manager at 248.581.2632 or [asullivan@hwmi.org](mailto:asullivan@hwmi.org). The City will be holding a public informational meeting on Monday, February 3rd at 7 p.m. at City Hall to answer questions on the retirement proposal and the recommended road improvement strategy.