
Jeff Ragan Has A Different View

“A Response to the City Manager’s Roundtable Presentation”

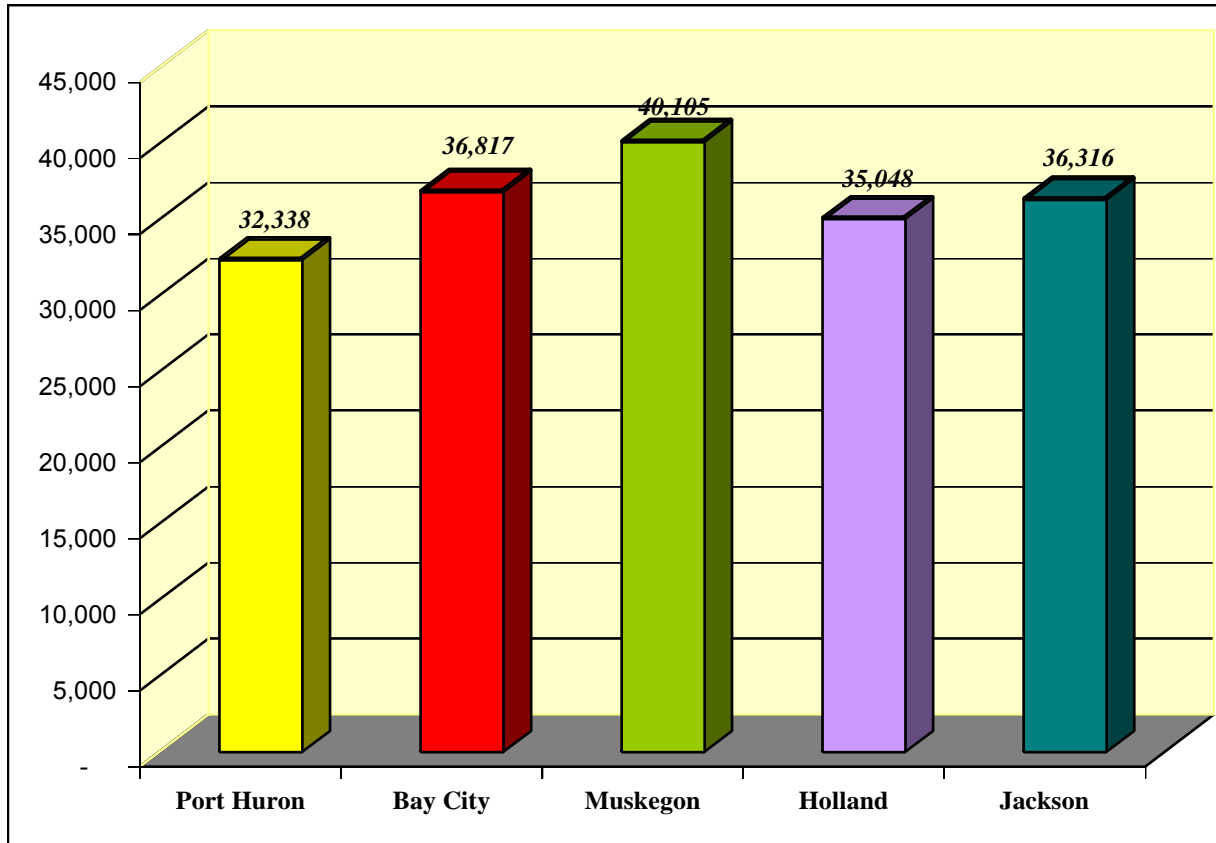
As a prelude to the Roundtable discussions, held in Port Huron, the City Manager gave a presentation, that provided a background basis of facts, that would enlighten the citizens. Facts can lead to more than one conclusion. It is my purpose to interpret the presented facts in a different manner.

The Manager’s report gives considerable emphasis to a Community Benchmarking Study, in which Port Huron is compared in various aspects to Bay City, Muskegon, Holland and Jackson, cities of similar size.

Several years ago, a citizens group, came to the conclusion that we should model ourselves after the city of Holland. More recently, the city of Royal Oak has been suggested as a model.

As we contemplate the awful prospect of being a city in receivership, we might find other cities in worse shape than ourselves. Muskegon stands out in the Manager’s report as being worse in nearly every comparison, except employment. Is the blight, crime and declining property values, that they experience a picture of what our future holds?

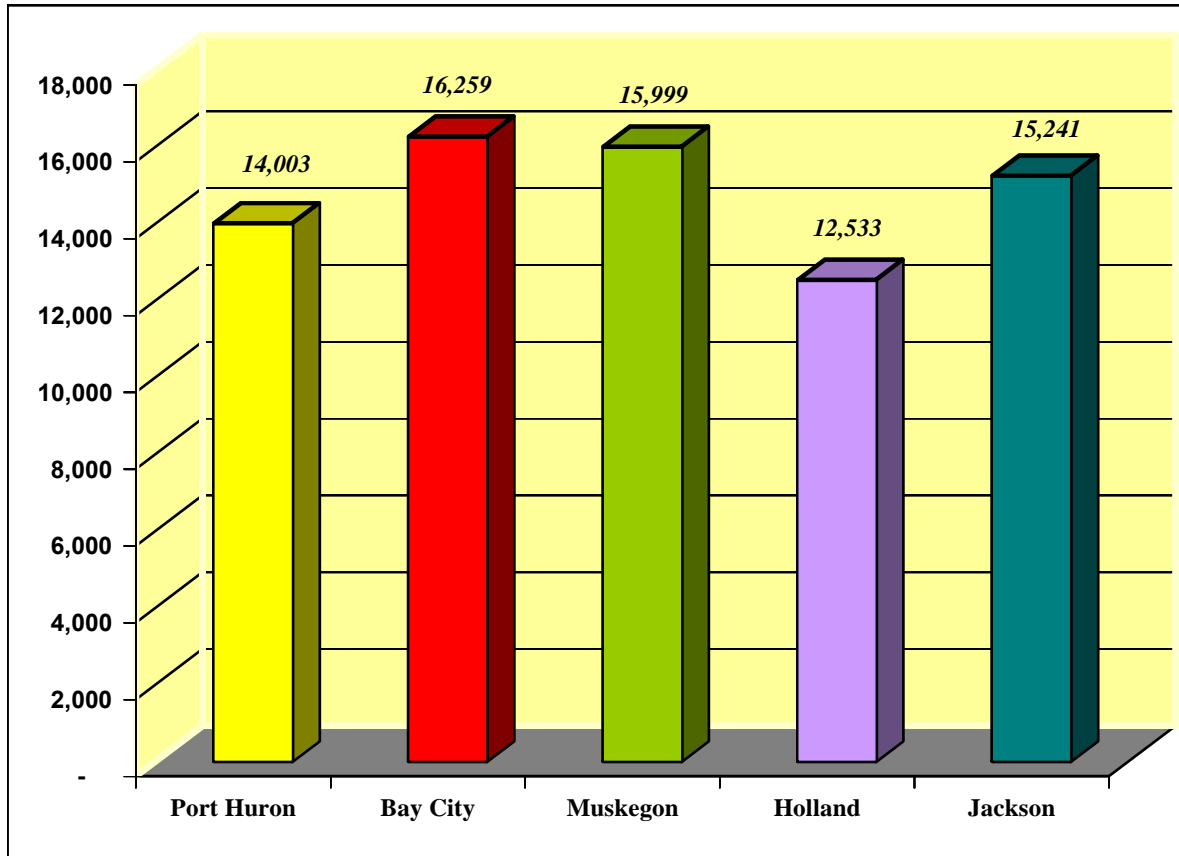
Total Population



These cities are similar in population and age, but have their own unique histories, priorities and pattern of development. None of them face the problem of Combined Sewer Separation.

Source: City Manager's 2007-2008 Roundtable Presentation

Total Housing Units

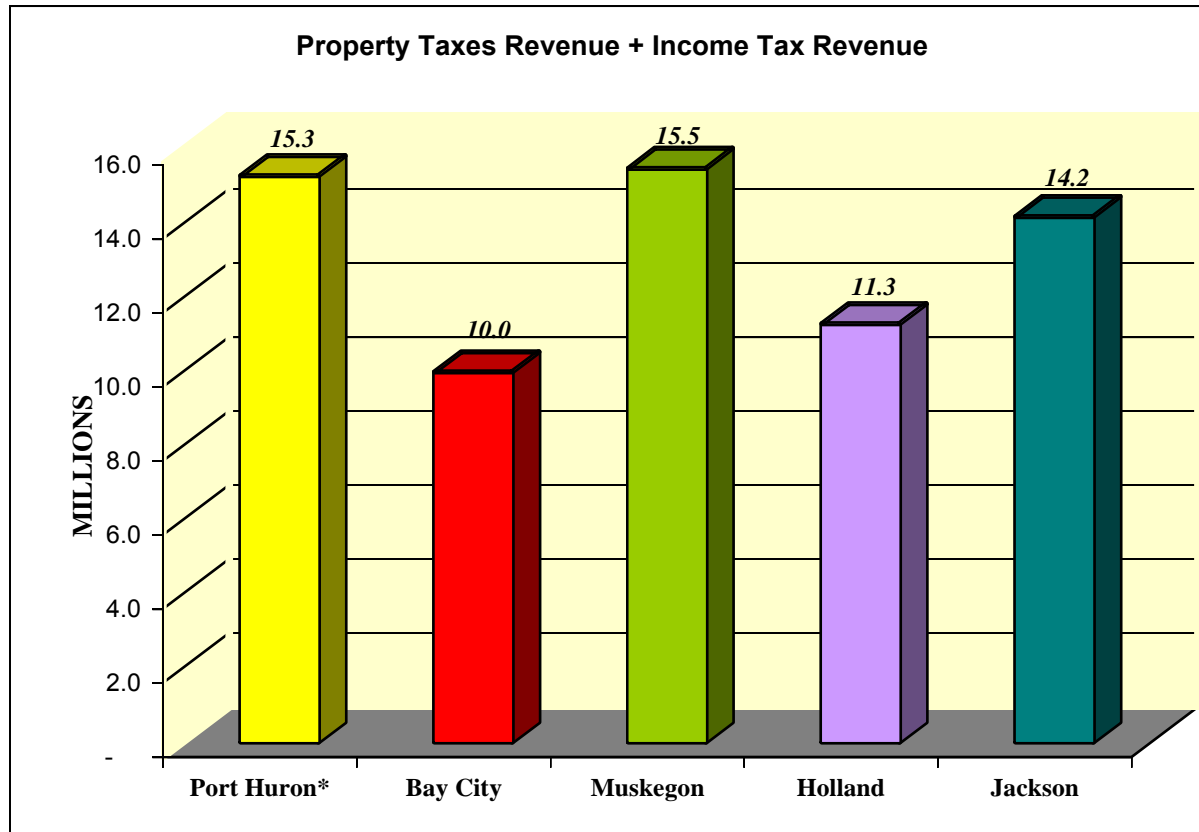


Of these cities, only Muskegon has a lower owner occupancy rate, and higher vacancy rate.

Source: City Manager's 2007-2008 Roundtable Presentation: Comparative Demographics

	Pt Huron	Bay City	Muskegon	Holland	Jackson
Owner Occupied:	53%	65%	52%	64%	54%
Vacant:	7%	6%	9%	4%	7%

Tax Burden

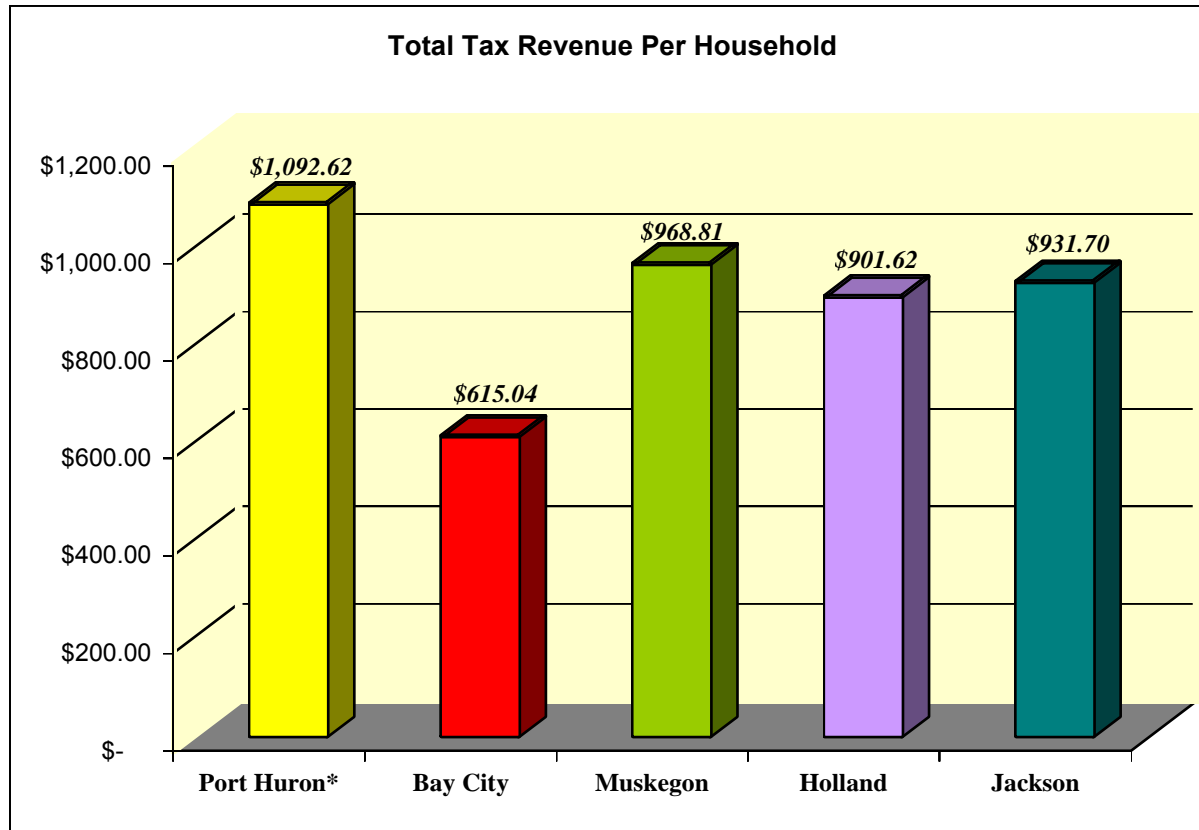


The City Manager's report indicates only \$8 Million in Property Tax, however, an additional \$884,000 is paid by property owners into the various TIFA funds. The real tax burden from Property Tax and Income Tax is better reflected here.

Source: City Manager's 2007-2008 Roundtable Presentation

* Includes the Total Real Estate Tax paid by property owners - including TIFA Revenues

Tax Burden



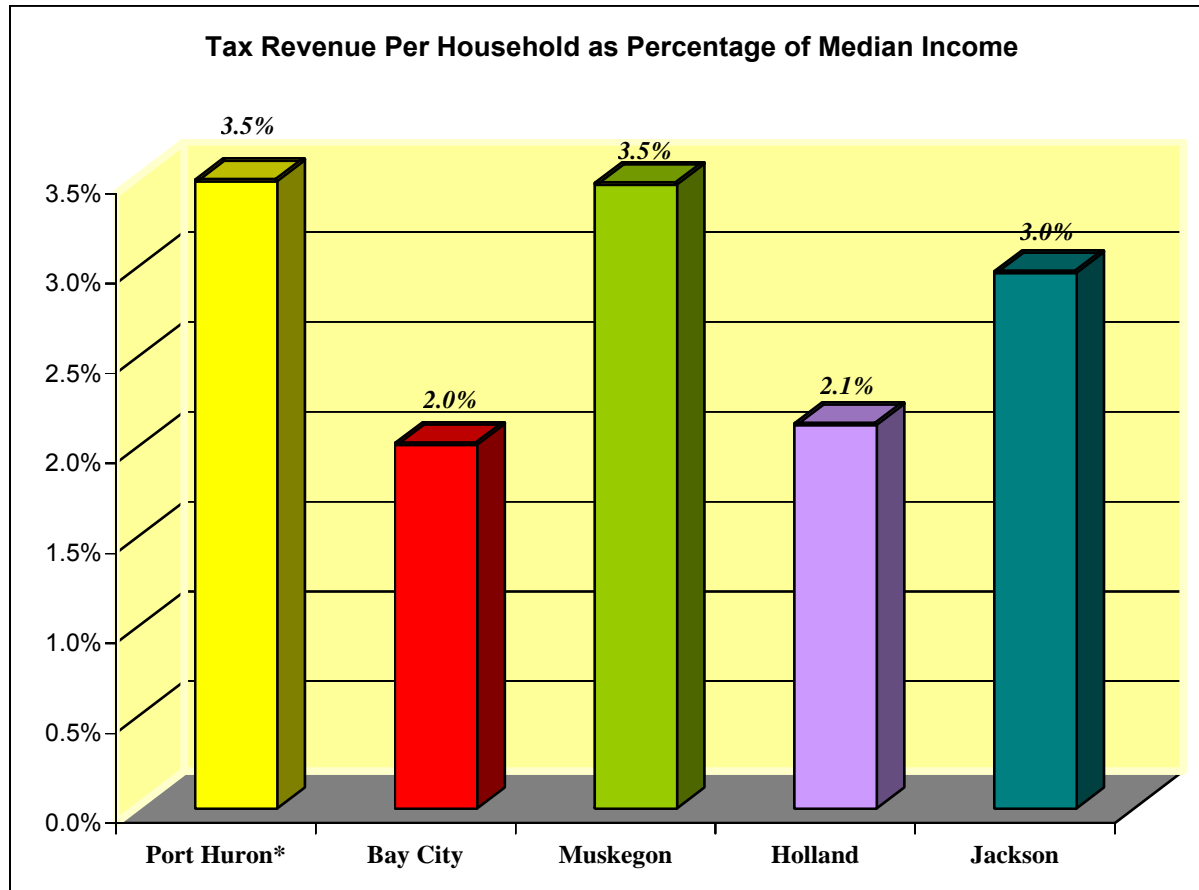
*We're #1!
Not even
Muskegon can
keep up with us
when it comes
to taxation.*

*This does not
include city
taxes for streets,
refuse, and
buses.*

Source: City Manager's 2007-2008 Roundtable Presentation

* Includes the Total Real Estate Tax paid by property owners - including TIFA Revenues

Tax Burden



*We're still #1!
The median income of Port Huron is 32% lower than the State average. We are over-taxed and it doesn't matter whether the increase comes in the form of a tax or an increase in water rates - we cannot afford it.*

Source: City Manager's 2007-2008 Roundtable Presentation

* Includes the Total Real Estate Tax paid by property owners - including TIFA Revenues

Summary of Comparison to Michigan Cities

There may be some value in comparing cities of equal size, but it is limited. Can we be like Holland? Can we avoid being like Muskegon? Are we really comparing "apples to apples" - it is doubtful.

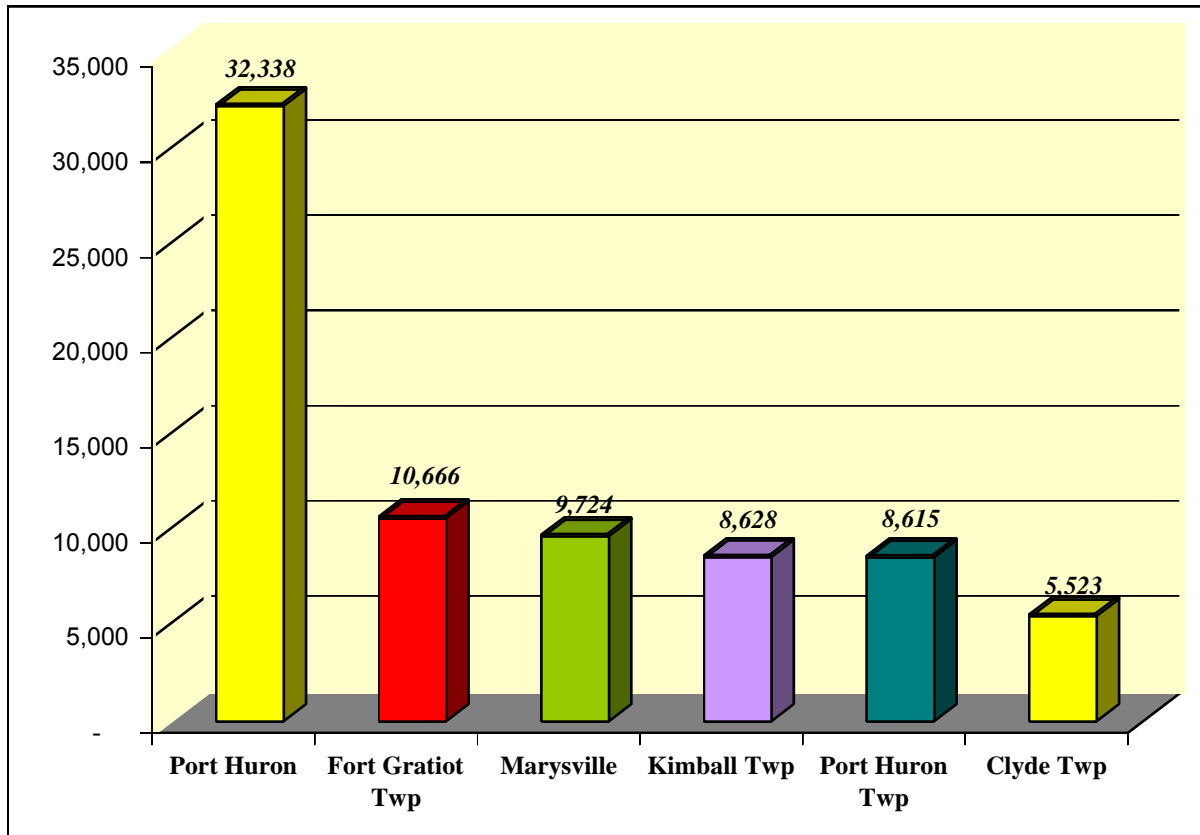
Are people making housing choices between these communities - probably not. It is more likely that people in the Blue Water Area area are making choices between Port Huron, Marysville and the surrounding townships.

Ronald Reagan once said that "people vote with their feet". If that's true, the population trends seem to indicate that the people in the Port Huron area favor the communities surrounding Port Huron. In 1950, 66.4% of the population resided in the City of Port Huron, while Marysville, Fort Gratiot, Port Huron Township, Kimball and Clyde totalled 33.6%. Today it is nearly reversed, with 39.9% living in Port Huron, and a 11% loss of population.

In this comparison, we are certainly not comparing "apples to apples". People in the townships have opted to forego many of the services offered by the city. Minimal recreation programs, if any; reduced fire and police services; no TIFA's; no subsidizing the marinas, or McMorran; no subsidizing the construction of factories or subdivisions for the middle class, or housing for the poor, or condominiums for the wealthy. No studies on tourism, waterfront development, downtown development, etc. They seem attracted to a more self-sufficient life style and lower taxes.

Information in the balance of this report is taken from the City Manager's presentation, as well as the St. Clair County Annual Report on Taxes.

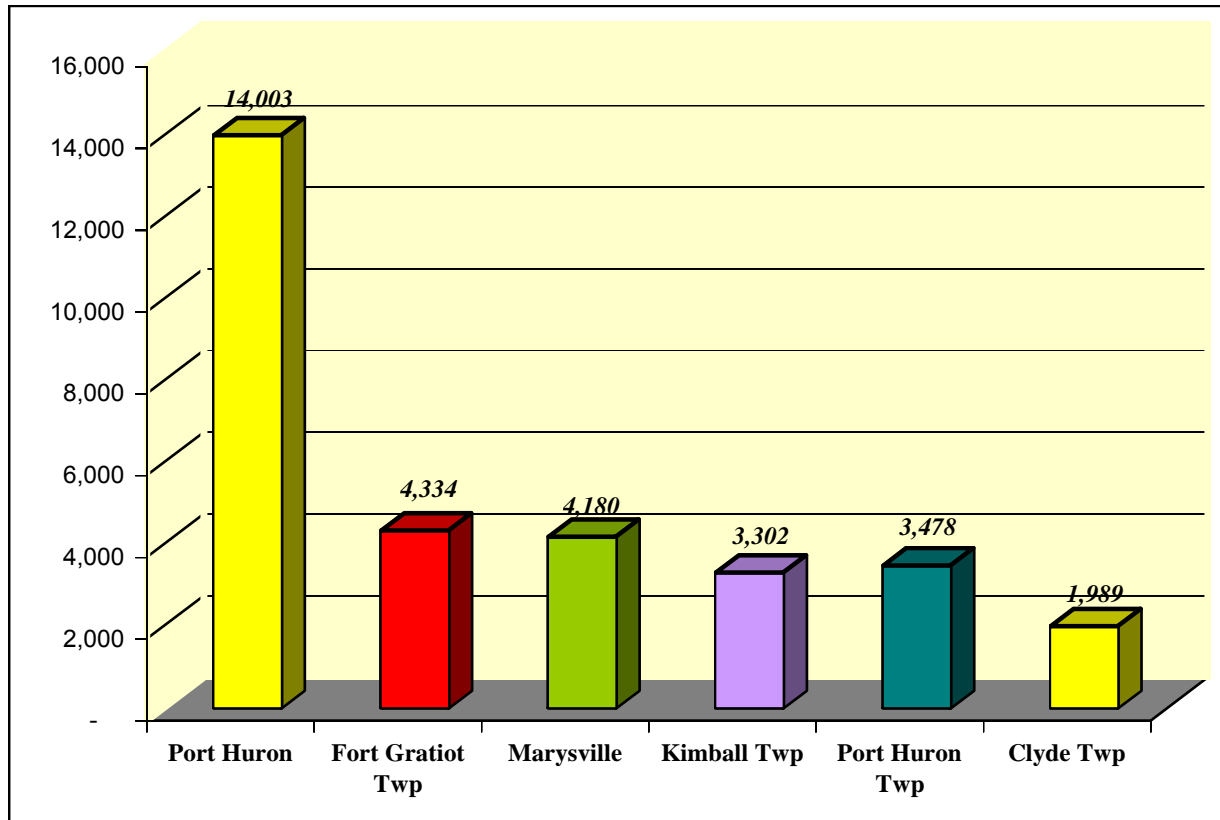
Total Population



The trend continues. Areas outside the city are growing, while our population declines. The value of our tax base erodes as our business district, rental units and single family homes experience increasing rates of vacancy.

Source: City Manager's 2007-2008 Roundtable Presentation: 2000 Census data

Total Housing Units

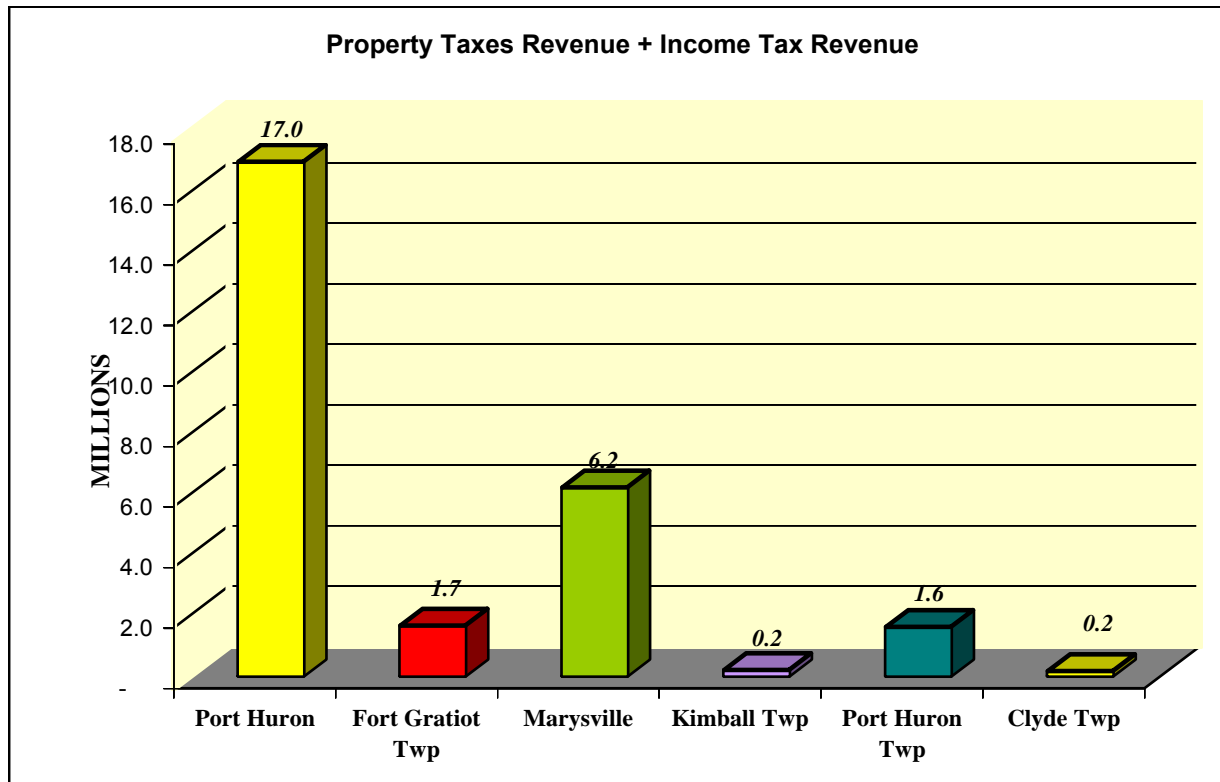


Housing Values, percentage of home ownership, and occupancy rates are stronger in the surrounding areas, compared to the City of Port Huron.

Source: City Manager's 2007-2008 Roundtable Presentation: 2000 Census data

	Pt Huron	Ft Grat	Marysville	Kimball	PH Twp	Clyde
Median Housing Val	84,400	138,500	129,700	100,500	124,300	138,800
Ownership Rate	53%	82%	84%	88%	61%	87%
Vacancy Rate	7.4%	6.0%	3.7%	5.5%	4.8%	2.9%

Tax Burden



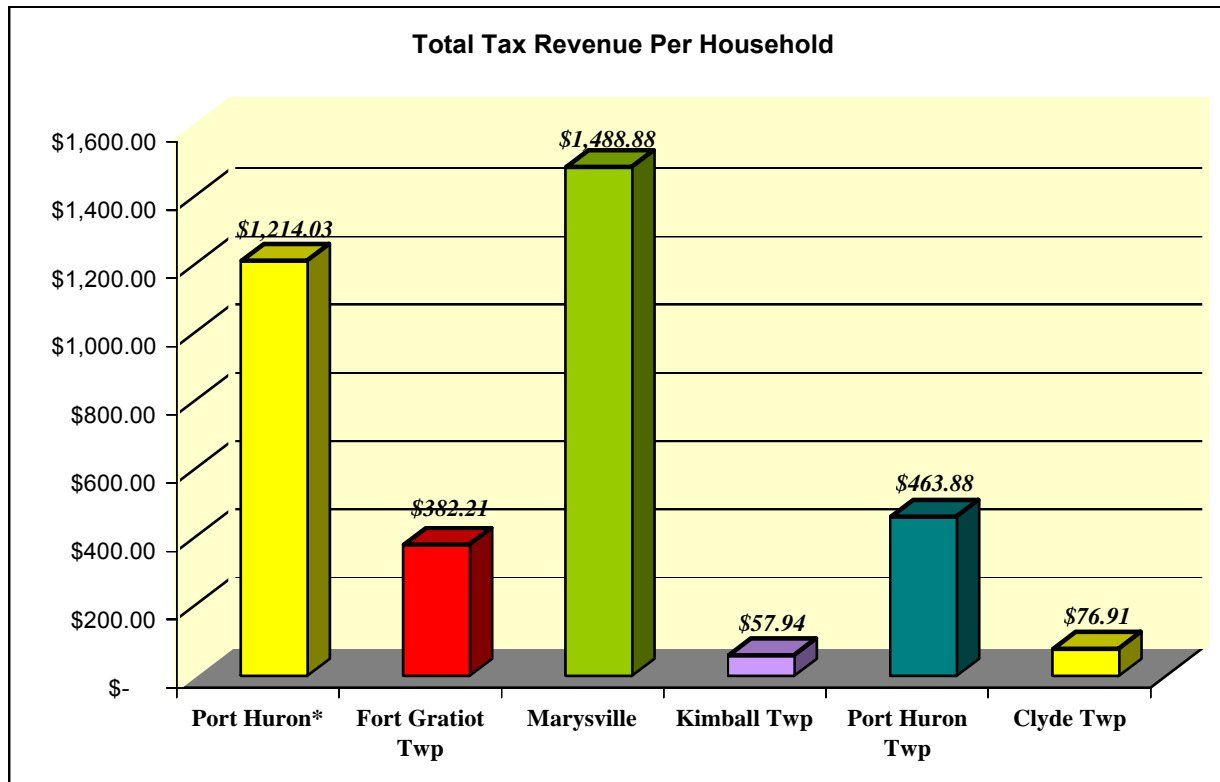
Some municipalities report road or street repairs as separate items, others include it in General Operating Budget. This report adds them back, so that an "apples to apples" comparison is achieved.

Source: City Manager's 2007-2008 Roundtable Presentation

* Includes the Total Real Estate Tax paid by property owners - including TIFA Revenues

* Also includes street millage, as does the other municipalities.

Tax Burden



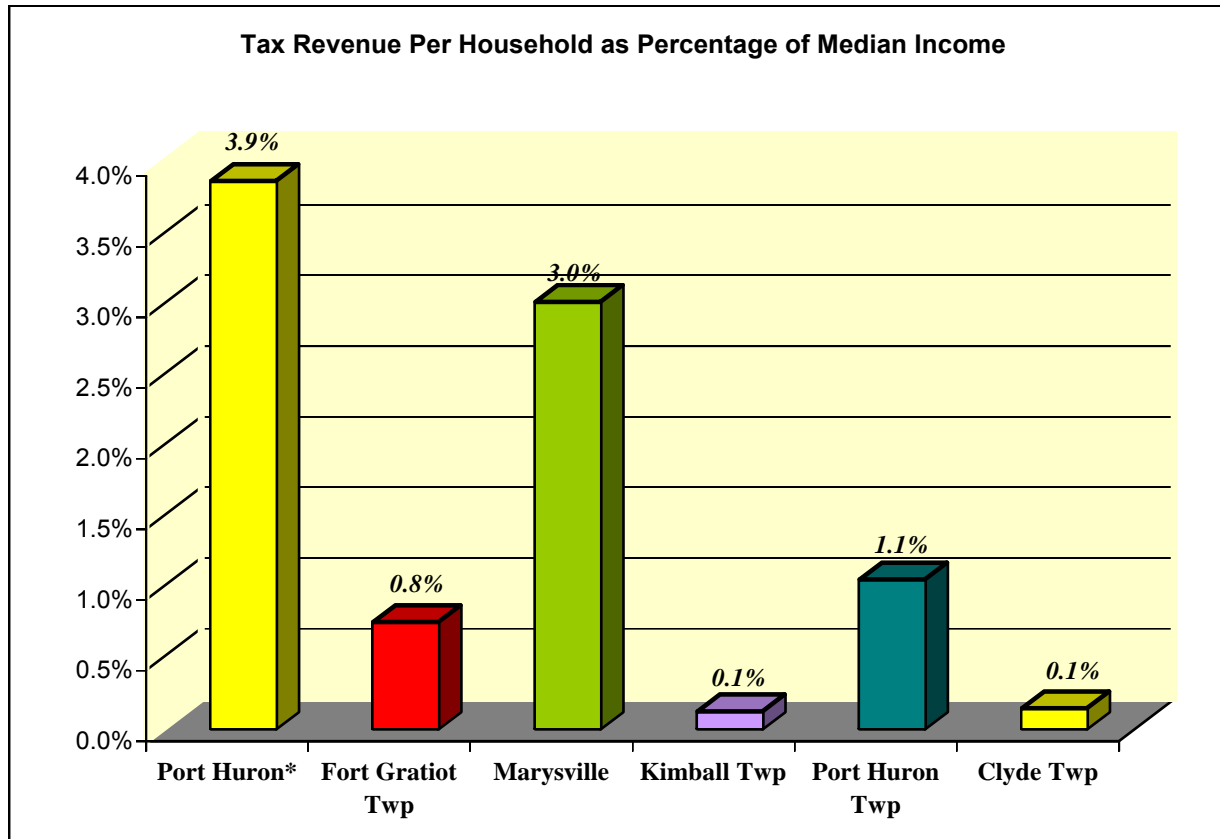
Marysville's 14.4 mills coupled with a median housing value 50% higher than Port Huron creates more tax per household, even with the city income tax. Port Huron is second at 11.3 mills plus the income tax. The townships are a tax bargain by comparison.

Source: City Manager's 2007-2008 Roundtable Presentation

* Includes the Total Real Estate Tax paid by property owners - including TIFA Revenues

* Also includes street millage, as does the other municipalities.

Tax Burden



Comparatively the tax burden on the Median Household Income of the people of Port Huron seems excessive. The more rural townships of Kimball & Clyde have only the basics, while Port Huron Township and Fort Gratiot, offer more. It's a matter of choice.

Source: City Manager's 2007-2008 Roundtable Presentation and census data

	Pt Huron	Ft Grat	Marysville	Kimball	PH Twp	Clyde
Median Hshld Inc	31,327.00	50,736.00	49,299.00	47,627.00	43,978.00	53,986.00
Tax/Hshld	1,214.03	382.21	1,488.88	57.94	463.88	76.91

Summary of Report

After reviewing the City Manager's Presentation to the Roundtable groups, it is not surprising to see his findings influencing the group. They did not have time to reflect, digest the presented facts, and look for other conclusions. They were not given the report ahead of time. They had only minutes to arrive at solutions to problems that were forty years in the making.

His presentation does not provide facts leading us to believe that an increase in water rates is justifiable or reasonable, it guides us to that conclusion by presenting options that are designed to be unacceptable - cuts in services or sales of assets. They may be unpleasant alternatives, but this time, we must consider both.

Supply side economics suggests that when tax rates become too high, an increase in revenue can be achieved by lowering the rate. The corollary is that an increase in rates or fees will actually decrease revenue. That's where we're at! With 47% of our housing stock being rental housing, and with "For Rent" signs, competing with "For Sale" signs, it is predictable that an increase in water rates cannot be "passed along" to the tenants, without increasing vacancy rates even more. Landlords are pressed to the wall. Call a Realtor, and ask about rental units and witness how many are vacant. Vacant homes do not use water. Vacancies soon lead to foreclosures. Homes in foreclosure do not use water. These events will cause a decrease in property tax revenue and city income tax revenue. An increase in any tax will most likely be counter productive – only to prompt our city leaders to demand more increases. There is never a problem that a politician can't fix with more taxes.

For the short run we must sell city assets and cut city spending. For the long run we must reduce taxes!