Exploring Opportunities for Collaboration among Calumet Area Municipalities

This report examines the demographic and fiscal pressures faced by Calumet area municipalities and explores possibilities for various forms of cooperation, service sharing, or consolidation, focusing on Calumet Charter Township, Village of Calumet, and the Village of Laurium. The goals are to: (1) start a conversation, (2) provide accessible and clear information, and (3) examine advantages and disadvantages of multiple scenarios. Information comes from summarizing demographic data, analyzing fiscal conditions for each municipality, interviews with 14 community members, and reviewing case studies and Michigan laws and procedures. Population across the area has declined by about 80% since its peak in 1910 and continues to decline each decade in the villages. Poverty rates are high and incomes low across the area, and particularly in the Village of Calumet. Along with loss of population and businesses over the years, fairly stagnant and low property values, and cuts to revenue shared by the state, municipal revenue has been stagnant or declining. Both villages have among the lowest taxable property valuation per capita in the state.

Under these conditions, those who remain in the villages must pay more for municipal services. Both villages are taxing residents at the maximum allowable without going to a referendum vote. All of this means that despite low incomes, village residents are burdened with a high tax rate (over 17 mills in Laurium and over 20 mills in Calumet, plus village properties pay 2.3 mills to the township). Despite these challenges, the Village of Laurium has maintained a good level of services for those taxes, in comparison to a declining level of service in Calumet.

Budgets for both villages, especially Calumet, are balanced due to fiscal austerity, but are “bare bones” with very little room for cushion, for investing in capacity building or futures planning, or to pay for regular maintenance or investment in new equipment. Fiscal conditions in Calumet Charter Township are good. Taxes are low (5.1 mills), but the township has a less dense population and doesn’t provide many services. Most of the property valuation is in the township area, so despite the low rate, the township raises considerably more money in taxes than the Village of Calumet and a similar amount as the Village of Laurium.

Given these realities, the research team analyzed the advantages and disadvantages of five different potential outcomes, including: (1) no change in municipal structure (status quo), (2) intergovernmental agreements for shared services, (3) revenue sharing, (4) Village of Calumet dissolves, and (5) Village of Calumet and Laurium consolidate into a city.

**Status Quo:** The key advantages are that there is no time invested in researching, planning, implementing, or adjusting to changes and each municipality would retain its own sense of identity, local control, and independence. Disadvantages are that village revenues would likely continue to stagnate or decline, while costs would likely increase with inflation and with needs to replace aging equipment and maintain infrastructure. This combination poses potential for service cuts, especially in the Village of Calumet, and for a downward spiral of people moving out of villages (especially Calumet where fewer services/advantages are offered) into the township where taxes are much lower. Ultimately, the Village of Calumet government could fail and be taken over by the state, which would mean non-local control of the process of dissolution. There is also potential for continued deterioration of downtown buildings and services (less regular snow removal, etc.). Key is to recognize that problems and deterioration in the downtown villages, especially Calumet, has negative consequences on all the area municipalities, as Calumet attracts tourists and visitors and serves as the primary business district for the area.
**Service Sharing:** Municipalities could make agreements to share services such as fire and/or police, waste management, and/or road maintenance/snow removal. One way to do this is through a special district or authority, like the North Houghton County Water and Sewage Authority. Advantages are that such agreements don’t require formal political procedures and can be made through negotiations and contracts with interested parties. Sharing services can (though not always) improve efficiencies and provide better services at a reduced cost. Disadvantages are that efficiencies are not always gained and residents/businesses give up some local control. The greatest potentials for sharing in the Calumet area are in fire, with three fire halls within 1.5 miles of each other; police: combining the Calumet and Laurium departments could make the entire area safer without increasing expense; and snow removal: currently the greatest expense and challenge for both villages.

**Revenue Sharing:** One way to handle revenue disparities between local municipalities within a broader area/region is through revenue sharing whereby funds raised in the higher value areas (typically outskirts or suburbs) are shared with downtowns/cities under the recognition that all residents of the broader area use and benefit from the health of the downtown/city. This is a common strategy in metropolitan areas that has proven especially effective in the Twin Cities metropolitan area and also on the northern Minnesota Iron Range. Revenue sharing can be decided through negotiations and contracts between interested parties, and it can be raised to meet specific needs, such as street repairs, police, or plowing. Key advantages are to raise needed funds for services in highly tax burdened villages, especially Calumet, and to incentivize cooperation between municipalities for community and economic development. Disadvantage is that township residents and businesses would need to be willing to share funds with the villages.

**Village of Calumet Dissolution:** With a dissolution commission and plan, the Village of Calumet could dissolve and the territory become unincorporated township area after a majority vote of citizens in both the Village and the Township. This could happen in conjunction with creation of a special downtown district that might retain an increased level of service and different tax structure. Advantages would be a significantly reduced tax burden for those in the Village of Calumet, potential for increased efficiency and service improvements (depending on arrangements), and reduced competition between current village and township. Disadvantages are: a reduction in funds from state-shared revenue coming to the area (~ about $100,000), Act 51 road money (~$50,000/year) would likely be redistributed to the county at a lower rate, some services could be lost in Village and/or deteriorate (depending on arrangements), and taxes would likely increase in the township to support fire/police/roads in the current village area.

**Villages Merge to City:** Laurium could become a city and merge with the Village of Calumet to become a consolidated city. This would require majority votes in each of the villages and annexing a land bridge to geographically connect the two. Advantages include: potential for increased efficiency and service improvements, an increase in state-shared revenue funds from the state with designation as a city, opportunities for more comprehensive area-wide planning, and potential for developing a regional identity and increased economic development. Consolidation could also result in modest tax reduction for village residents. Disadvantages are that this is a long process requiring significant up-front investment, efficiencies may not be realized for years, potential for loss of local representation, and the Township would lose a modest amount of revenue from property taxes in the former village areas and the annexed land.