A special work session of the Kalamazoo City Commission was held on Monday, February 29, 2016 at 4:00 p.m. in the Community Room at City Hall. The purpose of the meeting was to discuss the final report and recommendations from the Blue Ribbon Revenue Panel.

Roll Call

COMMISSIONERS PRESENT:	Mayor Bobby Hopewell Vice Mayor Don Cooney David Anderson Erin Knott Matt Milcarek Shannon Sykes Jack Urban
COMMISSIONERS ABSENT:	None

Also present were City Manager Jim Ritsema, City Attorney Clyde Robinson, and City Clerk Scott Borling.

Communications

An opportunity was given for general communications, but none were offered.

Presentation re: the Blue Ribbon Revenue Panel's Final Report and Recommendations

City Manager Ritsema delivered a PowerPoint presentation entitled, *City Commission Work Session: New Revenue*. City Manager Ritsema reviewed the mandate and scope of work for the Blue Ribbon Revenue Panel and the Panel's list of potential revenue options. A copy of the slides from this presentation was filed with the papers for this meeting.

In response to a question from Commissioner Anderson, City Manager Ritsema stated the current County Law Enforcement Millage was 1.4491 mills, and the projected millage needed to generate and additional $3.1 million in revenue would be approximately 0.4 mills.

City Attorney Robinson explained there were legal challenges involved with using fee revenue from a regionalized water/wastewater authority. City Attorney Robinson stated the idea of regional cooperation was good, but it was doubtful that utility fee revenue could be used to support the General Fund.

In response to a question from Commissioner Anderson, Assistant City Manager Kisscorni stated several cities already had authority under PA 33 to issue a Public Safety Assessment. The law would need to be amended to add the City of Kalamazoo.

Mayor Hopewell indicated it would be good to find out which cities were added most recently and how that amendatory legislation tracked.

City Attorney Robinson reported the largest City in Michigan that used the Public Safety Assessment was Saginaw. All other communities were much smaller.

City Manager Ritsema provided a snapshot of the projected General Fund deficits from 2017-2021.

Department Presentations re: Impact of Program Reductions

Next, Community Planning and Development Director Laura Lam, Parks and Recreation Director Sean Fletcher, Public Service Director Sue Foune, and Public Safety Chief Jeff Hadley spoke about the service impacts to the community of reducing or eliminating programs from their departments. A list of low impact programs that could be eliminated and a handout provided by Director Foune were filed with the papers for this meeting.

In response to a question from Vice Mayor Cooney, Director Foune indicated the Public Services Department had lost 52 positions over the past few years, and Chief Hadley stated the Public Safety Department had lost 40 officers and 10 civilian positions during his tenure.

In response to a question from Vice Mayor Cooney, City Manager Ritsema stated the Dispatch Authority had just hired an Executive Director, and it would be approximately 18 months for the Authority to be fully implemented.

Commissioner Anderson stated he was trying to fit all of the pieces of the puzzle together, and he suggested the City owed the community an opportunity to talk about the expense side of the budget.

City Manager Ritsema noted the City was going to keep looking at programs and the deployment of resources, but he stated the City would not be able to "cut" its way to prosperity. City Manager Ritsema added that reducing expenditures did not even begin to address the question of how the City could continue to be a great community.

Discussion followed regarding the use of expenditure reductions to balance the budget, and there was a general consensus that further expenditure reductions would be harmful to the City organization and the community's ability to grow. Vice Mayor Cooney and Commissioner Urban expressed a desire to move on with a consideration of the revenue options.

Commissioner Knott expressed appreciation for Director Foune's handout as it illustrated the results of eliminating low priority programs. Commissioner Knott stated the Revenue Panel did the City a disservice by offering recommendations that were out of the City's control an did not solve the structural deficit problem. Commissioner Knott indicated the community wanted the City Commission to take leadership on this issue.

Discussion followed regarding the work of the Revenue Panel and whether the City Commission needed to respond to it.

Mayor Hopewell stated the Panel had admitted its work product did not meet its mandate. Mayor Hopewell stated he was less concerned with consoling the Panel and more concerned about moving forward with the City Commission's work.

Discussion of Revenue Options

City Manager Ritsema and Mayor Hopewell reviewed a chart entitled *Summary of Panel's Work – Potential Options*.

In response to a question from Commissioner Anderson, Management Services Director Tom Skrobola described the concept of a Headlee Override and discussed the City of Dearborn as an example of a successful override. Director Skrobola noted, however, that Dearborn's operating millage was less than the state limit, and the override was accomplished by presenting to voters a completely brand new charter and an increase to the millage rate. Director Skrobola stated there was no example in the state of an override question that, by itself, had been approved by voters.

Regarding the regionalization of the water and wastewater utility, City Attorney Robinson stated revenue from the utility could not be used for the General Fund, as it would be an illegal tax. City Attorney Robinson also noted that all parties involved would need to work well together in order for this option to be successful, and at the present time the stakeholders were simply trying to find common ground in the wake of a lawsuit. Finally, City Attorney Robinson stated utility rates for City residents were likely to almost double if the utility were placed in the hands of a regional authority and rates were equalized.

Discussion took place about privatizing the parking system. It was noted that privatizing the parking system would be giving away one of the chief tools the City had for impacting development in the downtown area. Vice Mayor Cooney and Commissioners Urban and Milcarek expressed support for eliminating this as a revenue option.

In response to a question from Mayor Hopewell, Steve Deisler, Executive Director of Downtown Kalamazoo, Inc., reported one parking ramp and one surface lot had been appraised, but he did not have a value for the whole parking system.

Commissioner Sykes remarked that the five options recommended by the Revenue Panel, even if added together, would not solve the City's structural budget problem, and she urged the Commission to start talking about an income tax. Commissioner Sykes stated residents needed to know that an income tax would spread the tax burden to non-residents and would result in a City property tax reduction.

Vice Mayor Cooney stated he would like to see options for the income tax and the impacts of these options on different groups of people in the community.

Commissioner Urban suggested the City offer a rough income tax proposal for residents to respond to – one that was neither too broad nor too specific. Commissioner Urban also suggested that the City seek feedback from residents on a menu of options for how additional revenue could be invested in the community.

City Attorney Robinson described the income tax as a three-legged stool: the income tax rate; the reduction of the operating millage to 14 mills (or lower) as required by charter; and the personal exemption amount.

Discussion of Revenue Options (cont'd)

City Manager Ritsema added that any revenue collected above the current 20 mills was required to go into a capital improvement fund.

Commissioner Milcarek stated the Revenue Panel did not explore the possible combinations of the variables. Commissioner Milcarek indicated the City could probably reduce property taxes beyond the required 14 mills, possibly making the City's property tax rate lower than neighboring jurisdictions. Commissioner Milcarek noted a lower property tax rate would make the City more competitive with economic development.

In response to a question from Mayor Hopewell, City Attorney Robinson stated the addition of the City of Kalamazoo to PA 33, if approved, would not obligate the City to pursue a public safety millage.

Commissioner Milcarek indicated he did not support pursuing a public safety millage, as it would be another tax on City residents who are already heavily taxed. Commissioner Milcarek stated the Countywide Law Enforcement Millage should be pursed as a long-term option. Commissioner Milcarek offered that the capital improvement millage could help the City get out of the debt cycle for road funding.

Commissioner Sykes stated she did not have enough information to completely rule out privatizing parking system.

Commissioner Anderson observed that a multi-pronged approach to revenue was needed rather than a focus on just one option.

In response to a question from Commissioner Anderson, City Manager Ritsema indicated the City could pursue all 20+ revenue options identified as possibilities by the Revenue Panel, but the issue was staff capacity and a prioritization of where they should focus their efforts.

In response to a question from Commissioner Anderson, City Attorney Robinson stated the City could not advocate for or against ballot questions.

Commissioner Urban remarked that the transportation authorities in Kalamazoo County had worked out a method for advocacy, which involved the creation of a campaign committee of former elected officials and community activists.

In response to comments and questions from Commissioners, City Attorney Robinson explained that a payment-in-lieu-of-taxes (PILOT) for non-profit organizations would need to be voluntary, and he reported that a recent attempt to introduce a mandated PILOT for colleges and universities in Rhode Island was met with stiff opposition. City Attorney Robinson distributed a memo he had prepared for the Revenue Panel entitled *An Overview of the Efficacy of PILOT's*, a copy of which was filed with the papers for this meeting.

Commissioner Anderson suggested the City find ways to be intentional in its regulatory activities and to create a mindset that encouraged development.

Recess

The meeting recessed at 6:20 p.m.
The meeting reconvened at 6:29 p.m.

Clarification of Next Steps re: Revenue Options, a Public Input Process, and Timeframes

When the meeting reconvened, City Manager Ritsema asked the City Commission to provide clarity and direction to staff in the areas of revenue option recommendations, public input recommendations, and a timeframe for moving forward.

Clarity on Revenue Options Recommendations

By consensus the City Commission provided the following direction on revenue options:

Countywide Dispatch – in process; continue moving forward
Countywide Law Enforcement Millage – should be pursued as a possible long-term option
Development Infill – in process; continue moving forward
Privatize the Parking System – not a priority in the short term, but start performing due diligence work such as getting appraisals.
Capital Millage – do not pursue at this time.
Income Tax – move forward with developing a plan to implement; look at the impact of adjusting the variables of an income tax "package" and get public input on those variations; develop a calculator that citizens can use to see the impact of an income tax on them personally; develop a public education strategy to communicate the potential impact of new revenue on the community; when communicating with the public, talk about the elements of an income tax package rather than proposing a particular package.
PA 33 Public Safety Assessment – advocate for change to legislation that would allow the City to use this tool.
Special Assessments for Streets and Parks – do not pursue at this time

Clarity on Public Input Expectations

Discussion took place about the expectations for public input regarding revenue options and possible linkages between community engagement for revenue options and the Imagine Kalamazoo 2025 engagement process.

Director Lam asked Commissioners to identify the results they wanted from a community engagement process, and she indicated the City needed to be careful not to mix the revenue engagement and Imagine Kalamazoo 2025 processes in such a way that the Imagine Kalamazoo process was seen as simply a justification for new revenue. Director Lam noted the revenue question was different than initiatives approved by the City Commission because the final approval would happen through a public vote – the purest form of public participation.

Commissioner Urban suggested the City run the public input process for revenue options separately from Imagine Kalamazoo, but use same language.

Clarification of Next Steps re: Revenue Options, a Public Input Process, and Timeframes (cont'd)

Commissioner Sykes stated she would like to hear what people think about the revenue options, but the need to fight misinformation and the lack of information through public education was more important.

Commissioner Urban stated the City Commission, as a group of elected officials, could not give up its responsibility to make decisions on the revenue options.

Clarity on Timeframe

Commissioner Anderson suggested the City have a ballot question ready for presentation to voters in 2017.

In response to a question from Mayor Hopewell, City Clerk Borling indicated the deadline for having ballot language approved to appear on the November 2016 ballot was August 16th, and the deadline for having ballot language approved to appear on the May 2017 ballot would be sometime at the beginning of February.

City Attorney Robinson stated there needed to be more research on an implementation timeline to determine when the City could begin collecting an income tax, if the ballot measure passed.

City Manager Ritsema stated he would come back to the Commission in a couple of weeks with a pre-implementation plan for new revenue sources.

Mayor Hopewell stated the vetting and implementation of revenue options was multi-faceted and not just about an income tax. Mayor Hopewell noted the City would need to eliminate programs in 2017 if there was no new revenue.

Receipt of the Final Report from the Blue Ribbon Revenue Panel

Commissioner Sykes, seconded by Commissioner Knott, moved to: 1) receive the *City of Kalamazoo Blue Ribbon Revenue Panel Report to the City Commission*; and 2) express appreciation to the members of the Blue Ribbon Revenue Panel for their work on behalf of the citizens of the City of Kalamazoo. With a voice vote the motion passed.

City Manager Ritsema noted the search for potential expenditure reductions for 2017 would focus on areas that did not involve personnel.

Citizen Comments

Next, an opportunity was given for general citizen comments, but no comments were offered.

Commissioner Comments

Finally, an opportunity was given for miscellaneous comments from City Commissioners, but no comments were offered.

Adjournment

Meeting adjourned at 7:02 p.m.

Respectfully submitted,

Scott A. Borling
City Clerk

For City Commission approval on March 21, 2016

Approved by: _____
Bobby J. Hopewell, Mayor
Dated: March 21, 2016

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