

	A special work session of the Kalamazoo City Commission was held on Thursday, July 28, 2016 at 6:00 p.m. in the Governing Board Room at Metro Transit, 530 North Rose Street. The purpose of the meeting was for the Commission to review and discuss revenue options for the City of Kalamazoo.
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 on Revenue Options: Income Tax	City Manager Ritsema delivered a PowerPoint presentation entitled <i>Kalamazoo's Future Revenue Options</i>. A copy of the presentation was filed with the papers for this meeting. After the first eight slides an opportunity was given for Commissioners to ask questions regarding the income tax proposal. In response to a question from Commissioner Sykes, City Manager Ritsema confirmed that an increase in tax exemptions would lower the tax liability, but there would be a corresponding decrease in revenue. City Attorney Robinson distributed and reviewed a document entitled <i>City Income Tax Survey</i>. In response to a question from Commissioner Milcarek, City Attorney Robinson indicated the law allowed for exemptions based on Adjusted Gross Income (AGI) but did not make allowances for a tiered AGI exemption based on family size. In response to a question from Commissioner Milcarek, Management Services Director Tom Skrobola indicated the revenue figures in the chart entitled "Income Tax & Corresponding Property Tax Rollback" were net of administrative costs. City Manager Ritsema noted an income tax calculator would be made available on the City's website sometime during the next week.
Presentation on Revenue Options: Foundation for Excellence	City Manager Ritsema finished his presentation, which included the introduction of a new, philanthropic approach to the City's structural revenue problem called the "Foundation for Excellence."

Commissioner Urban suggested the City combine the income tax and Foundation for Excellence in order to take away the threat of an income tax in three years. Commissioner Urban wondered whether the philanthropic approach was offered because of the threat of an income tax.

Commissioner Anderson stated the philanthropic approach was an unbelievable opportunity. Commissioner Anderson remarked on his years as a City Commissioner and the frustration of having to live with scarcity and spending reductions because of state laws that limited the revenue options for cities. Commissioner Anderson noted the City was facing deficits and spending reductions again, and the recommendations of the Blue Revenue Panel did not balance the budget. Commissioner Anderson stated that with the Foundation for Excellence he was able to dream for the first time. Commissioner Anderson indicated courage was needed to step out and take advantage of this opportunity.

Commissioner Milcarek observed that if the Foundation for Excellence was not funded after three years the City Commission would need to put forward an income tax proposal or restore the property tax levy to 19 mills. Commissioner Milcarek expressed concern about the need to have an income tax discussion in three years with the "property tax gun to our heads."

In response to a question from Commissioner Milcarek, City Attorney Robinson stated the City Commission was authorized to levy a property tax of up to 19.27 mills without a vote of the people.

Commissioner Urban stated he did not want to push the revenue problem down the road and suggested having a ballot question in the near future that would create a trigger for an income tax in three years if the Foundation for Excellence was not funded.

In response to questions and concerns from Commissioner Sykes about trust and transparency, Mayor Hopewell announced William Johnston and Bill Parfet were the donors. Mayor Hopewell remarked on their history of philanthropy and indicated they would help the City raise the funds for the long term sustainability of the Foundation. Mayor Hopewell clarified the \$70 million donation was to provide the City with some relief while fund raising took place.

Vice Mayor Cooney stated he wanted to celebrate the Foundation for Excellence and did not want to talk about an income tax. Vice Mayor Cooney spoke about the need to eliminate poverty in order to help young people take advantage of the Kalamazoo Promise.

Commissioner Anderson, seconded by Commissioner Knott, moved to direct the City Manager to continue working on the Foundation for Excellence model and to bring a detailed proposal to the City Commission, including answers to Commissioners' questions and a draft Memorandum of Understanding (MOU), with all haste but not later than the end of September.

Presentation on
Revenue Options:
Foundation for
Excellence (cont'd)

Motion to Continue
Working on the
Foundation for
Excellence

Motion to Continue
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Commissioner Milcarek questioned whether the philanthropic approach was contingent on the City not pursuing an income tax.

Mayor Hopewell clarified that he and City Manager Ritsema approached the donors with the Foundation for Excellence idea, not vice-a-versa, and the details would be in documents that needed to be developed.

Commissioner Urban expressed support for the motion but highlighted the need for assurances the City Commission would remain in control and that all Commissioners would be involved. Commissioner Urban suggested he would make a separate motion to get assurance of a way forward with an income tax option that would not push the structural revenue problem down the road.

Commissioner Milcarek indicated the first priority for the City Commission was to solve the City's structural budget deficit. Commissioner Milcarek observed that the income tax would put the solution in the hands of voters, while the Foundation for Excellence would put the solution in the hands of donors. Commissioner Milcarek expressed concern about the philanthropic approach because the City would be relying on someone else for its long term stability, and he preferred to have citizens in control. Commissioner Milcarek stated the Foundation for Excellence was a fascinating idea, but it would create a new stakeholder in government that did not currently exist. Commissioner Milcarek questioned what control or influence the donors would have.

Commissioner Anderson stated there was time to talk about an income tax, but the City Commission needed specific details on the Foundation for Excellence.

Commissioner Sykes indicated the details of the Foundation for Excellence proposal would be very important, and she supported the motion for the sake of getting more details.

Commissioner Urban expressed support for the motion but indicated he probably would not vote to approve the Foundation for Excellence approach without the delayed activation of an income tax.

Commissioner Milcarek stated he wanted to see the structural deficit problem solved in a permanent way and asked if the donors were willing to explore a combined model. Commissioner Milcarek stated his "yes" vote was for the exploration of these options.

Mayor Hopewell indicated an MOU would cover the details of the arrangements for a Foundation for Excellence.

When an opportunity was given for citizens to comment on the motion, the following people addressed the City Commission:

Paul Kriner, City resident, asked for more citizen involvement in this process, especially if tax increases were discussed.

Barbara Blumhardt, City resident, stated residents needed more details about the philanthropic approach.

Brandon Dorrington, City resident, stated more funding was needed for youth, and there needed to be more citizen involvement.

Richard Stewart, City resident, stated the City needed to contain costs and address the mismanagement of the past 10 years.

Michael Jefferies, City resident, thanked the City for trying to be creative in getting more revenue while not taxing citizens. Mr. Jeffries asked the City to keep residents involved in the process.

Derek Wissner, City resident, noted the City was getting citizen input through Imagine Kalamazoo 2025 (IK2025), and he questioned why people were arguing about accepting funds.

Mattie Jordan-Woods, City resident, thanked City Manager Ritsema for thinking of the philanthropic approach and remarked on the need to reduce the workload on City employees.

Mike Seals, non-resident, commended the City for considering the philanthropic approach and encouraged the City to grab this opportunity as long as the donors gave up control of the funds.

Garrylee McCormick, City resident, commended the City for looking at this option.

Nathan Dannison, City resident, stated he would love for his non-profit organization to donate to the Foundation, and he questioned how a 10-mill property tax levy would compare to other cities.

Dana Underwood, City resident, remarked on how the philanthropic opportunity was surrounded by feelings of excitement but also fear and distrust. Ms. Underwood encouraged people to live with both emotions and address concerns through resident involvement.

Zach Lassiter, City resident, thanked the City and stated the philanthropic option was better than an income tax. Mr. Lassiter noted the motion was to explore this option, not approve it.

Chan Pratt, City resident, noted the City Manager was introducing this as an idea, not slipping it in the back door. Mr. Pratt encouraged the City to not throw away a blessing because it did not come in expected form.

Bruce Martin, City resident, urged caution because a large amount of money would need to be raised in three years to fund an endowment. Mr. Martin expressed frustration with the City's reliance on the property tax and encouraged Commissioners to keep exploring an income tax.

Jacob Johnson, City resident, stated it was sad that the City needed private donors to invest in public education and City

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government. Mr. Johnson questioned how the Foundation for Excellence would help him and his family.

Linda Teeter, City resident, thanked the City Commission for its leadership and noted the different set of leadership skills were needed now – skills to build instead of cut.

Sherri Welsh, City resident, discussed the shortcomings of the work of the Blue Ribbon Revenue Panel and stated this opportunity felt like a second Kalamazoo Promise.

Patti Owens, City resident, remarked on the different emotions that were being expressed, and she stated there would be great responsibility with this opportunity.

Tomas Minto, City resident, stated change was scary, but the Foundation for Excellence would give the City options, as long as there was separation between the City and the donors.

Max Tibbitts, City resident, expressed support for the motion.

Strick Strickland, City resident, stated the City had a great group of leaders who could get the work done. Mr. Strickland stated change was not scary if you were fully aware of the challenges facing the City.

Wayne Collier, Jr., City resident, encouraged the City to use the new money in creative ways, hire minority contractors, and not just give funds to the usual people.

Kris Mbah, City resident, thanked the City for presenting the philanthropic option and highlighted the need for transparency. Mr. Mbah encouraged the City to engage citizens authentically.

Von Washington, non-resident, stated he had never met the Kalamazoo Promise donors, but he worked for them and trusted them. Mr. Washington indicated it was time for the City to leverage the Kalamazoo Promise with this opportunity.

Commissioner Milcarek asked for an opportunity to further discuss an income tax and to make sure staff had direction in this area.

Mayor Hopewell stated the intent of the presentation was to lay out a concept, not the details, and he noted that at some level this would be a leap of faith. Mayor Hopewell explained it was staff who did the work to move ideas forward and noted the City's form of government was a representative democracy, not a pure democracy. Mayor Hopewell stated Imagine Kalamazoo 2025 was the vehicle for citizen to submit ideas, and City leaders needed to do their best to hear from the entire community. Mayor Hopewell stated the Foundation for Excellence would support the Kalamazoo Promise and make Kalamazoo a great place.

With a roll call vote this motion passed.

AYES: Commissioners Anderson, Knott, Milcarek, Sykes, Urban,
Vice Mayor Cooney, Mayor Hopewell

NAYS: None

Commissioner Milcarek urged the City Commission and City Administration to not dismiss the income tax option, and he asked whether the income tax calculator would be available on the City's website.

In response to Commissioner Milcarek, City Manager Ritsema indicated the income tax calculator would be made available on the City's website sometime during the next week.

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

Finally, an opportunity was given for miscellaneous comments from City Commissioners.

Commissioner Milcarek stated money was powerful and he remarked on the need for the City Commission to protect the City and its citizens from corruption. Commissioner Milcarek observed that funding individuals through the Kalamazoo Promise was very different than funding government. Commissioner Milcarek stated there needed to be full autonomy and full accountability.

Commissioner Urban expressed support for preserving the income tax option because the City might need it.

Commissioner Knott thanked City Manager Ritsema and Mayor Hopewell for thinking of the philanthropic approach and stated the community was fortunate to have such generosity. Commissioner Knott urged the City to hold state officials accountable for the harm they had inflicted on urban areas.

Commissioner Sykes stated she was incredibly skeptical and fearful of the philanthropic approach. Commissioner Sykes indicated trust was a big issue for her, and she would be looking for no contingencies or conditions between the donors and the City. Commissioner Sykes urged the Commission to stop taking donors into consideration when making decisions, and she noted the named donors supported the state legislature that had been hostile towards cities. Commissioner Sykes suggested getting a commitment from the donors to help eliminate laws that hurt cities, and she expressed support for continuing to explore an income tax.

Commissioner Anderson stated he had never been in a meeting where there was special consideration given to donors when making a decision. Commissioner Anderson noted the leadership of both major political parties had made continuous moves to limit revenue options for cities

Motion to Continue
Working on the
Foundation for
Excellence (cont'd)

Citizen Comments

Commissioner
Comments

Commissioner
Comments (cont'd)

since the 1960's. Commissioner Anderson expressed complete support for the Foundation for Excellence and the philanthropic approach.

Vice Mayor Cooney stated the only way the Foundation for Excellence would work was for the donors to place their money on the table and walk away. Vice Mayor Cooney expressed gratefulness for people who cared so much about the City. Vice Mayor Cooney indicated the philanthropic approach was both a great opportunity and a great challenge.

Mayor Hopewell stated caution was appropriate and complete separation between the donors and City governance was absolutely necessary. Mayor Hopewell indicated there was much work to be done, and the donors would help us build the base of the Foundation.

Adjournment

The meeting adjourned at 8:54 p.m.

Respectfully submitted,

Scott A. Borling
City Clerk

For City Commission approval on September 6, 2016

Approved by: _____
Bobby J. Hopewell, Mayor
Dated: September 6, 2016

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