

**FUNDING ALTERNATIVES IDENTIFICATION & RECOMMENDATION  
(F.A.I.R.)  
MINUTES**

City of Hillsdale  
Council Chambers  
January 17, 2017  
6:00 P.M.

Regular Meeting

Members Present: Barry Hill, EDC & BPU  
\*\*JJ Hodshire, Hillsdale Hospital  
Dennis Wainscott, Hillsdale Justice Project  
Laura Smith, City Planning Commission  
John Lewis, Hillsdale College  
Scott M. Sessions, Mayor  
Matt Bell, City Council Member  
\*Adam Stockford, City Council Member

Members Absent: Jason Kyser, Kyser Construction  
Eric Moore, Moore Insurance Services/Planning Commission  
Tim Dixon, City Council Member

City staff members present were City Manager David Mackie, City Clerk Stephen M. French, Jake Hammel (DPS), Kay Freese (HR), Scott Hephner (HCPD, HCFD), Bonnie Tew (Finance), Kim Thomas (Assessor), and Mary Wolfram (Economic Development).

**Call to Order**

City Manager Mackie called the meeting to order and reviewed the meeting agenda.

**Approval of Minutes**

City Manager Mackie stated the November 14, 2016 minutes should reflect that Mr. Barry Hill was absent from the meeting.

Ms. Smith, seconded by Mr. Bell, moved to approve the November 14, 2016 minutes of the F.A.I.R. Committee meeting with the change recommended by City Manager Mackie. By a voice vote, the motion passed unanimously.

**Public Comment**

Mr. Lon King, 18 Foxtail Lane, discussed the poor condition of the city roads that had caused many, costly damages to his vehicles. Mr. King encouraged the committee members

to act on an option that would provide funding for the necessary road repairs. Mr. King stated the well-maintained roads were necessary to increase the existing city population level and economic viability of the city.

### **Special Assessments**

City Manager Mackie then reviewed a report created by City Assessor Thomas which illustrated a hypothetical special assessment district for the Garden, Vine, and Mead improvement project. City Manager Mackie stated the City Charter allowed a special assessment district to provide funding for a capital improvement project and that the special assessment could not exceed 25% of the assessed value of each property within the district. City Manager Mackie stated that using the Garden, Vine, and Mead special assessment district as an example, the special assessment revenue would cover 25% of the total project costs, or \$283,692.63 for the \$1,134,770 project. City Manager Mackie noted the special assessments for the Garden, Vine, and Mead improvement project would average approximately \$4,900 per property and could be repaid by property owners over a 10 or 15-year period at a predetermined interest rate. City Manager Mackie presented the amortization tables for the 10-year and 15-year repayment schedules for review and discussion.

City Manager Mackie stressed the need for the city to make the special assessment procedures fair to all residents by maintaining a consistent percentage for every improvement project.

Mr. Bell voiced objection to the implementation of a special assessment district without support of the affected property owners. Assessor Thomas discussed the procedure for the establishment of a special assessment district and the requirement that a minimum of 50% of the property owners approve of the district prior to its enactment.

Mr. Hill voiced support for having a policy in place that would make special assessment districts fair and equitable for all residents throughout the city.

Mr. Bell also noted that an approved special assessment district could re-prioritize a road improvement project that may not have been a high priority project by city staff.

Mr. Wainscott noted the burden a special assessment payment could place on residents on fixed incomes or those who are living in poverty. Assessor Thomas reported the USDA and the State of Michigan offered programs where residents could petition for assistance if they were unable to pay for the special assessments.

Ms. Smith stated \$4,900 was a consider sum of money, but a 10-year payment plan made the annual payments more palatable to the average citizen. Ms. Smith also stated the property values of homes would increase if a new road project was completed in the affected area. Ms. Smith stated the use of public education and information dissemination about the special assessment system could provide greater fairness about the system.

Mr. Bell stated a super-majority support of Council should be required to implement a special assessment district. Assessor Thomas stated this requirement would require a charter amendment, as the current charter only required a simple majority for Council approval.

Mr. Hill, seconded by Ms. Smith, moved to recommend the establishment of a policy that would require all special assessment districts to fund 25% of the total cost of the project, and that the special assessment rate would not exceed 25% of the taxable value for each parcel within the district. By a voice vote, the motion passed unanimously.

### **Road Repair Options**

City Manager Mackie presented the various funding options that had been discussed to-date by the F.A.I.R. Committee. Those options included:

1. Savings realized with changes to the city budget: City Manager Mackie stated the FY2017 budget earmarked \$300,000 for road repair funding. City Manager Mackie noted any additional funding through changes to the city budget would require dramatic changes in the delivery of city services.
2. PILOT payments by BPU or other non-profit organizations in the city
3. State Grants: City Manager Mackie stated state grants were actively sought, but receipt of grant funding was limited to once every three or four years. City Manager Mackie stated that if the city received funding for the Garden-Mead-Vine project, for example, the city would not be eligible for another, large state grant for a couple of years.
4. Special Assessments

City Manager Mackie then presented two funding options that would require specific approval from city residents:

1. Special Millage: the approval of a special, 4-mil tax would raise approximately \$500,000 per year that could be set-aside for road funding. The approval of a special millage rate would allow a “major” project to be completed every 2 or 3 years.
2. Income Tax: the implementation of a city-wide income tax would generate approximately \$1.0 million per year and would allow a “major” project to be completed every year or two years.

City Manager Mackie stated both ballot questions could be placed before the voters, which would include both a millage and income tax option. City Manager Mackie stated that if both questions passed, the millage would be dismissed and the income tax would be utilized; if both items failed, the city would continue on a status-quo basis.

Mr. Hill noted the income tax and millage options were the only two options that could raise adequate funding for multiple road improvement projects in a timely manner throughout the city. Mr. Hill also questioned the option of additional PILOT revenues that could be solicited from either Hillsdale Hospital or Hillsdale College.

Mr. Stockford stated the problem with a ballot question is that business and property owners who do not live in the city would not have an opportunity to vote on the ballot questions. Mr. Stockford stated business owners also supported the city by paying property taxes and by supporting other businesses in the area.

Mr. Hodshire strongly opposed the implementation of an income tax and discussed the disastrous consequences it would have on Hillsdale Hospital's attempts regarding employee recruitment and retention. Mr. Hodshire stated the income tax would have a devastating, secondary effect on the city as a whole. Mr. Hodshire discussed the need for a multi-faceted approach to road funding that would not center on the sole recommendation of an income tax question.

Mr. Bell noted the residents of Hillsdale had soundly defeated the income tax proposal just four years prior and Council should not re-submit the question to the voters. City Manager Mackie argued the previous income tax question seemed to be abandoned and was set-up to fail by the City Council.

Mr. Hill recommended the income tax be presented to the voters once again as the roads continued to deteriorate and nothing had been done to fund the necessary repairs.

Mayor Sessions objected to a city-wide income tax and discussed the negative effects of an income tax on other Michigan cities. Mayor Sessions noted 19 of the 22 cities with a local income tax had experienced a loss of population after the income tax had been implemented.

Ms. Smith stated the income tax should be the last option for the committee. Ms. Smith stated the city should instead look to its state and federal legislators to demand an increase in funding for local governments.

Clerk French discussed a recent program from the Michigan Municipal League (MML) entitled "Save MI City" which aimed to raise grassroots support for legislation to reevaluate how the state allocated revenue funding to local units.

Mr. Stockford stated lobbying state and federal legislators was vital to obtaining much-needed funding for roads and local governments. Mr. Stockford stated the State of Michigan should also amend the existing TIFA legislation to allow cities to either expand, or add, additional TIFA districts. Mr. Stockford also stated a long-term economic development solution was needed to benefit the City of Hillsdale.

\*Mr. Stockford left the meeting at this point.

Mr. Wainscott voiced support for the committee to request a meeting with state and federal legislators to discuss funding local government and road improvements.

Mr. Bell stated the question must also be asked, "What has happened to the tax money we've already paid?" Mr. Bell stated the model of government in Hillsdale had not changed, even while the funding had been reduced in recent decades. Mr. Bell stated radical reduction of

spending in the FY2018 budget and restructuring of government was necessary to allocate dollars for road improvements.

City Manager Mackie noted one-third of the city's budget was spent on public safety, whether it was police or fire protection.

Mr. Hodshire, seconded by Mr. Wainscott, moved to invite state and federal legislators to the next F.A.I.R. committee meeting so discussion could be held regarding funding local government and road improvements. By a voice vote, the motion passed unanimously.

**Public Comments**

Mr. Lon King discussed the difficulty of finding employees at Hillsdale College due to the location and size of the community, not because of the tax rates or costs of living. Mr. King stated the road improvements were vital for the on-going success of the city.

Mr. Gary Kurtz discussed the poor condition of Westwood Drive and the need for timely reconstruction of that road. Mr. Kurtz discussed the BPU's plan to reserve \$100,000 annually for the project, but noted the roadway would simply not last until all of the money was raised.

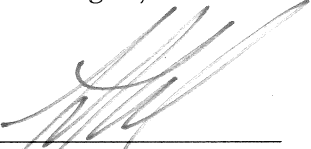
\*\*Mr. Hodshire left the meeting at 7:30 p.m.

Mr. Jack McLain, 1455 Bunn Road, stated the condition of Hallett Road had been that way for years and property owners should have realized that before they purchased property on the road. Mr. McLain noted the importance of educating the public on the available funding options for roadway improvements.

Ms. Penny Swan voiced support for meeting with state and federal legislators before placing an additional tax burden on the residents. Ms. Swan also discussed the programs at the city level, such as expenses used for the airport, which could be eliminated and instead used to fund road repairs.

**Adjournment**

The meeting adjourned at 7:40 p.m.

  
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Stephen M. French, City Clerk

**MINUTES APPROVED 03-13-2017**