

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

City of Hillsdale
Council Chambers
September 8, 2016
6:00 P.M.

Regular Meeting

Members Present: Kitty Aemisegger, President of Committee, Hillsdale Hospice
Tim Dixon, City Council Member
Eric Moore, Moore Insurance Services/Planning Commission
Dennis Wainscott, Hillsdale Justice Project
Laura Smith, City Planning Commission
Jason Kyser, Kyser Construction
John Lewis, Hillsdale College
JJ Hodshire, Hillsdale Hospital

Members Absent: Matt Bell, City Council Member
Adam Stockford, City Council Member
Barry Hill, EDC & BPU

City staff members present were City Manager David Mackie, City Clerk Stephen M. French, Assessor Kim Thomas, Finance Director Bonnie Tew, and Police Chief Scott Hephner.

Call to Order

City Manager Mackie called the meeting to order. City Manager Mackie noted minutes from the previous committee meeting had been distributed by the City Clerk and approval of those minutes could be done at the next meeting.

Budget Presentation

City Manager Mackie provided a brief review of the city budget and reviewed comparisons from previous budgets. Included in his report, City Manager Mackie noted:

1. General Fund expenditures from 2011 to 2016 were fairly consistent and averaged \$4.0 million per year.
2. Property Tax revenues had decreased from \$2.1 million in 2011 to \$1.8 million in 2016
3. The Public Service Department comprised 24% (approx. \$800,000) of the General Fund expenditure budget
4. The number of personnel employed by the City of Hillsdale had decreased from 94 in 2007-2008 to 74 in 2016-2017.
5. Of the Public Service Department road budget, Major Streets accounted for 54%, Local Street expenditures totaled 40%, and 6% was allocated to State Trunklines.
6. 10% of road revenues received from the State of Michigan were utilized for administrative costs, with the remaining expenses shown being actual costs.
7. The State of Michigan may provide additional road funding for winter maintenance following an unseasonably harsh winter that included extreme levels of snow and/or ice.
8. Revenue sharing received by the City of Hillsdale had decreased by nearly 30% since early 2000-2001.

Revenue Sharing White Paper

City Manager Mackie provided a report entitled “The Need for Greater Revenue Sharing with Michigan Cities” written by Dr. Gary Wolfram and discussed the impact on the City of Hillsdale the reductions in revenue sharing had caused. Dr. Wolfram illustrated the City of Hillsdale had received over \$1,100,000 in revenue sharing in 2000-2011, but had only received \$800,000 annual during the past six years.

Finance Director Tew detailed the differences between the Constitutional and Statutory portions of the State’s revenue sharing formulas.

Mr. Moore noted the city had lost nearly \$800,000 per year from the reductions in property tax reductions and Act 51 revenue cuts.

City Manager Mackie also noted the drastic reductions the city has realized in investment earnings due to the extremely low interest rates.

TIFA District Expansion

City Manager Mackie referenced a legal option dated October 19, 2015 from City Attorney John Lovinger that indicated the City of Hillsdale was not allowed to create a separate TIFA District or expand the boundaries of the existing TIFA District. City Manager Mackie noted the TIFA district captured \$80,000 - \$100,000 per year in property taxes for economic development projects within the district.

PILOT Article

City Manager Mackie briefly reviewed an article detailing the various PILOT (Payment-In Lieu-Of-Taxes) revenue models that had been implemented around the United States. City Manager Mackie noted many PILOT agreements mentioned in the article were between local governments, non-profit hospitals, and colleges or universities.

Committee Discussions

Ms. Aemisegger discussed the need to review options for each road classified in the 1-10 PACER rating system. Ms. Aemisegger stated some experts recommend not to fund the worse roads, but to instead maintain the existing roadways in the 5-7 range to extend the life of the roadway. Ms. Aemisegger stated the committee and city staff should review individual streets within the PACER rating to prioritize street improvement projects and determine an appropriate schedule based on available funding. City Manager Mackie stated city staff could review this request and provide a report at the next committee meeting.

Mr. Hodshire stated the committee should be given the anticipated totals that would be generated by each revenue option. Mr. Hodshire stated the true answer for the road funding questions would have to include implementation of multiple funding options, including the city’s role in promoting new economic development in the area. Mr. Hodshire requested that Mary Wolfram be invited to the next meeting to participate in the committee’s discussions on this topic.

City Manager Mackie stated the best-case scenario for annexation would provide the city with approximately \$100,000 in new property taxes, while an income tax would generate nearly \$1.0 million annually.

City Manager Mackie also noted the City Charter permitted the Council to impose up to a 3-mil debt service millage on property owners which could be used for a road repair sinking fund. City Manager Mackie stated the 3-mil addition would create approximately \$365,000 per year for debt service payments.

Next Meeting

It was the consensus of the committee to schedule the next meeting for Monday, October 10, 2016 at 6:00 p.m.

Adjournment

The meeting adjourned at 7:23 p.m.

Stephen M. French, City Clerk