

MEMORANDUM

To: Mayor Farmer and City Council Members
Date: October 19, 2004
From: Blue Ribbon Committee on City Finances
Subject: Recommendation to Study Feasibility of Ypsilanti City Income Tax

As we reported this past June, our committee continues our broad study of the finances of the City of Ypsilanti. We have examined expenditures and revenues, discussed the status of city services with the city manager, finance staff, department heads, and union leadership and conducted one public meeting. We made initial recommendations to you at that time and we have much more to do.

The City of Ypsilanti does face a long term, structural challenge. While there will always be opportunities for additional cost cutting, the structural financial problems facing the City will not be resolved by looking only at further expenditure cuts.

We reviewed the status of our findings at our September 15th meeting. That review concluded with a motion by our committee: "It is the sense of the Blue Ribbon Committee that a City Income Tax offers the most fruitful means of revenue enhancement to address the structural budget problems facing the City."

We need more information and are not, by any means, at the point of recommending that City Council proceed to have the voters enact a City Income Tax. We are recommending that the City Council consider employing a firm to evaluate the feasibility and revenue potential of a City Income Tax.

We discussed several issues in making this recommendation and issues that must be evaluated in exploring all options for resolving the City's structural budget problems. Among those were:

- ? A City Income Tax is but one option in an array of options our committee has recommended or will continue to study.
- ? We recommend this study, because an income tax may offer an opportunity to more equitably provide revenues to the City including contributions from those who benefit from City services, but do not contribute by paying property taxes or other taxes or fees.
- ? If an income tax were feasible, we would evaluate a number of variables that could be in a tax proposal including:

- Total revenue that could be generated.
 - Exemptions that could be incorporated to minimize inequitable impact on groups of people in the City such as low income households, senior citizens or students.
 - Opportunity for reducing property taxes.
- ? We are mindful that, if an income tax were imposed, we should not view an income tax as a means for overburdening current or future residents of the City. Providing necessary and appropriate City services in the most efficient manner must continue to be the operational approach of the City.
- ? Finally, an informed population, both residents and non-residents, is critical to moving forward on a City Income Tax should the study prove it feasible. Our committee will work with City Council on an education effort when, and if, appropriate.

Thank you for your consideration of our recommendation for a study.