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Billionaire Rescues Michigan City With Cash to End Fiscal Plight.

In Kalamazoo, Michigan, a city besieged by poverty and state aid cuts, Mayor Bobby Hopewell had few options left. The city had already thinned the ranks of the police force and halted work on aging infrastructure, only to keep spending millions more than it brings in.

Then, in July, he landed an unheard-of lifeline. William Johnston, the husband of billionaire Ronda Stryker, and William Parfet, whose great grandfather founded Upjohn Co., agreed to give the city \$70.3 million — a first step toward creating a \$500 million endowment that Kalamazoo will use to put an end to chronic budget shortfalls and pay for a property-tax cut aimed at drawing residents to the 76,000-person city.

“The state of Michigan has not helped us,” Hopewell said. “A philanthropic approach might make sense.”

More than seven years after the U.S. emerged from the worst recession since the Great Depression, cities are turning increasingly to charity, if only for modest relief from pressure caused by swelling pension debts, declining populations and limits on their ability to raise taxes.

After Detroit in 2013 became the biggest city ever to go bankrupt, private donors stepped in to help keep the city’s art collection from being auctioned off and shelter retired city workers from potentially devastating cuts to their pension checks. Flint, Michigan, reeling from a lead-tainted water supply, received philanthropic aid. Even relatively well-heeled cities, including Los Angeles, Jacksonville, Florida, and Boise, Idaho, have boosted staff devoted to raising money for parks, libraries and schools.

“Like all cities, there are definitely limited resources,” said Dawn Lockhart, who was named Jacksonville’s director of strategic partnerships this year. “There is unlimited demand placing an incredible amount of strain on both nonprofits and on the city.”

Nowhere has pushed it quite as far as Kalamazoo, a city 140 miles (225 kilometers) west of Detroit where more than a third of the residents live in poverty.

Since 2009, the city has cut about \$12 million from its general fund, which had operating revenue of almost \$53 million in the 2016 budget year, city documents show. That’s resulted in the elimination about 120 jobs over the past five years, which means it may take residents longer to pay a bill or receive approval for a new building, said City Manager Jim Ritsema.

The initial \$70 million donation, to be used over three years, will be used to close Kalamazoo’s budget deficit and lower the general city property tax by about a third over that time. If the city succeeds in increasing the endowment to between \$300 million and \$500 million, officials plan to cut taxes even more.

“That’s the only strings that have been attached to this, to do greatness for everyone,” Ritsema said.

Parfet and Johnston did not respond to requests for comment.

The donations could help pay for city improvement projects that have been on the shelves without funding, such as lead pipe removal, roadwork, public art, or entrepreneurial programs, Mayor Hopewell said.

Kalamazoo's donation is "quite unusual" because it's being used to solve a budget deficit instead of underwriting specific civic projects, said Robert Collier, chief executive officer of the Council of Michigan Foundations, which is made up of philanthropic organizations in the state.

The financial needs are high for cities in Michigan, where the state constitution limits their power to raise and collect real-estate taxes. And with the state contending with its own financial strain, lawmakers cut revenue-sharing to municipalities by about \$5.5 billion between fiscal 1998 and fiscal 2016, according to an April report by Great Lakes Economic Consulting, a nonpartisan group based in Eaton Rapids. The impact has rippled out to cities including Flint and Detroit, said Daniel Greer, a member of the Michigan Municipal League's trustees.

"We all face the same problems," said Greer, who is a city council member for Jackson, Michigan. Private money has helped to fill the breach. Foundations or philanthropy groups in Michigan donate about \$1.5 billion a year to various organizations, said Collier.

Kalamazoo could solve its budgetary problems without relying on donors, said city commissioner Matt Milcarek, though it would be political challenge. He said it should still pursue instituting a city income tax — a step that voters have rejected twice — in case the endowment is unable to be fully funded or its investments do poorly.

"You could fix the structural problem with an income tax so you're never at a crisis point, and you could still take donations and use the foundation for additional new growth and projects and all the aspirational stuff," he said.

With money scarce, even mundane civic works have been scaled back. When Milcarek moved to Kalamazoo in 2008, he said the city used to the pave roads and streets and replace trees that the city cut down.

"Now, a tree comes down and nothing gets planted in its place," he said.

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