

SPECIAL MEETING OF THE CITY COUNCIL

December 12, 2022

The meeting was called to order by President McGee at 5:33 PM.

President McGee called the roll. Absent members: 0 Present Members in person 12 (Bartley, Givner, Jourdain, Maldonado Velez, McGee, McGiverin, Murphy-Romboletti, Puello, Rivera_I, Rivera_J, Tallman, Vacon). Present Members on Zoom 1 (Anderson-Burgos).

The Pledge of Allegiance was recited.

President McGee stated that the meeting was called to take the tax classification vote but the late file order would have to be taken up first.

Motion was made and seconded to suspend the necessary rules to take up Late File A out of order.

MCGEE -- That the City Council subsidize the revenue of the sewer budget from the tax levy in FY23 by \$24,919.00 and remainder funded by sewer receipts.

Motion was made and seconded to take final action, noting it would be necessary for taking the tax rate vote.

UNDER DISCUSSION:

President McGee welcomed Mayor Garcia into the chambers to discuss the financial condition of the city before the vote takes place.

Mayor Garcia read from a prepared letter:

Good evening, Councilors. Last year when we met around this time to set the tax rate, I mentioned that next year will be our year where we can work together to better manage our municipal finances in a way that will allow us to better navigate our municipal service needs and sustain a decent tax rate. We hit the ground running with a clear plan that has resulted in some good news - (which I have to give credit to all of you for being so supportive):

- The tax rate is going down, and not just by a little bit depending on which shift you select. Through the many options available to you to vote on, there is an opportunity to lower the rates for residential and commercial.
- More good news, you don't have to use free cash or any reserves to reduce the levy amount. This means the budget is balanced!
- And not only is it balanced, we left \$1.9 million on the table, uncommitted, unappropriated.
- Even without the ARPA revenue replacement, our budget is still balanced.

Now if I was sitting where you are or for any member of the public watching, you may be asking - how did we do that? We were able to achieve this using a combination of factors - outside of our normal budgeting practices - this includes:

- Multiple years of new growth. Property values went up \$12 million in FY23, even as the value of our #1 taxpayer (the mall) went down.
- Additionally, we maintained conservative revenue estimates of local receipts. This means, we budgeted for much less of what we anticipated to collect. As planned, we collected more than we budgeted which will strengthen our free cash potential and allow us to better mitigate shortfalls and plan for - and invest in - our capital needs; because, as I like to say, "you get what you plan for."

So, where do we go from here?

- I can't stress to you enough how important right now is. In fact, I do think we are sitting in a moment in our city's history where your decision today on the tax rate can and will determine the trajectory of our city's future. Will we make a decision that feels good in the short-term or will we make a decision that can set us up for some real success in the future for as long as we stick to the plan?
- Any decision you make today with these favorable tax rate choices will result in a very modest increase in the average single family home tax bill. And that is because the residential values have doubled in Holyoke in the past 20 years, currently just under \$2 billion in value. Meanwhile (and this may surprise you as much as it surprised me) commercial real estate has remained flat during that same time period.
- And during that time period, the commercial tax rate has continued to grow while their values remain stagnant.
- We need to acknowledge what this means.
- The only way we can achieve sustainable growth and stability to the extent that I know is possible is by growing our commercial tax base. For that reason, we need to correct the course.
- Tonight, you have an opportunity to send a strong message to the business community, not to just those that are here, but business across the state, and make a major step by lowering the commercial tax rate below its current rate, and even lower than \$40.
- What does this mean for our residents? This is going to help them in the long-run by shifting the tax burden off the residents in the future creating a more equitable system for everyone, especially for our most vulnerable like seniors and those on fixed-income.
- Sort of like how our earlier residents planned for the long-run (things we are benefiting from today because of the sacrifices made at that time) when they built the canals; or when they made the decision to purchase back the dam.

While I acknowledge this is certainly the most difficult decision the Council has to make every year, I hope you will consider my recommendation which I must admit is indeed a very progressive decision to right the course; to help plan for and support a much more sustainable tax base; and select a shift between 1.6300 and 1.6450. Or, if not palatable, consider selecting a shift that gets commercial under the \$40 rate and residential under the \$19 rate. Whatever you do select, because the decision is yours, I'm happy to report we're going to be alright.

Councilor McGiverin noted that the mayor informed him the previous week that a small deficit existed within the sewer budget. He then stated that after the deficit was identified by outside auditors, DLS instructed that the deficit needed to be appropriated for under the recap sheet before the Council could take its tax rate vote.

Motion was made and seconded to suspend the necessary rules to allow City Auditor or Mayor Garcia to speak on this matter.

Councilor Jourdain suggested that the Council was going to approve the transfer, and asked if anyone actually had any questions about giving them the funds. He then suggested that it was a perfunctory vote and that they were just going to say they needed it to balance the account.

Councilor McGiverin stated that the Councilor Jourdain's points were correct and that it wasn't unusual to take a similar vote to this at this time of year. He then stated that while he would vote for it, he believed it was wrong to use property tax funds in the general budget to pay for the sewers. He emphasized that sewers should be paid by ratepayers.

---> Passed two readings and Adopted on a call of the roll of the yeas and nays--Yeas 13--
Nays 0--Absent 0.

MCGEE, MCGIVERIN -- That the City Council vote to set a MRF for (FY23) tax Classification.

Councilor McGiverin asked if the transfer vote just taken would impact the figures for the tax rate.

Tanya Wdowiak, City Auditor, stated that there would be no changes as the transfer was included in the figures.

Councilor McGiverin asked if it would change the tax levy/

T. Wdowiak stated that it did not but would have if they had voted against it, reiterating that it was included in the figures.

President McGee explained the process for the benefit to those who had not done this before. He stated that three motions would be taken at one time and that the third motion would be the first to be voted on. He then stated that if none of the three pass, another three motions would be taken.

Councilor Jourdain made a motion to set the CIP shift to 1.720, which would provide a residential rate of \$18.64 and a commercial rate of \$40.67. Councilor Vacon seconded the motion.

Councilor Tallman made a motion to set the CIP shift to 1.7050, which would provide a residential rate of \$18.74 and a commercial rate of \$40.32. Councilor Bartley seconded the motion.

Councilor Vacon made a motion to set the CIP shift to 1.7150. Councilor Jourdain seconded the motion.

President McGee stated that the motion would result in an \$18.67 residential rate and a \$40.56 commercial rate.

Councilor Vacon stated that her recommendation would give a slight reduction to businesses along with residents. She then stated that because there would be an increase in actual tax bills no matter what rate was chosen, the goal with this motion was to keep the bill increase below \$200 for homeowners.

Councilor Anderson-Burgos asked for residents what the tax rate was at that time.

President McGee stated that the rate for 2022 was \$19.26 for residential and \$40.60 for commercial.

Councilor Jourdain emphasized that Holyoke had the highest residential tax burden in Western Massachusetts as well as the 4th highest in the state. He then stated that Holyoke residents were paying 21.4% of their per capita income, adding that Brockton was at 21.9%, New Bedford at 21.5%, and Lynn at 23.3%. He then stated that Chicopee's average residential tax bill for a single family home was \$3,819. He then noted that with the rate he was proposing, Holyoke would be at \$4,404. He then stated that Springfield's average was \$3,678. He further emphasized that they were representing a poor community and they needed to start voting like that. He then stated that trickle down economics had not worked and questioned that anyone would give commercial tax breaks and put the burden on people who were barely keeping finances together. He also noted that while rates were higher than neighboring communities, values were radically less than those communities. He also stated that even with the rates he proposes, there was no avoiding that the bills would go up. He then questioned the notion of going down to around \$38 on the business rate, leading to residential tax bills going up 7.7%. He suggested that helping businesses in the long term required getting more aide from the state, noting that there was a high number of exempt properties, and the mall had lost \$4 million in value. He also emphasized that natural gas was going up 32% and electricity was going up 10%. He also noted that the Holyoke tax levy was radically less than many other communities, but the rates were so high because there wasn't enough of a tax base. He then suggested that residential values were going up 7.7%, rates should go down 7.7%.

Councilor McGiverin suggested that shifting the tax burden was one of the most confusing votes the Council makes every year, emphasizing that it was a necessary vote. He also suggested that property taxes were one of the ugliest means for raising revenue to provide services residents need and look for. He noted that the still covered the expense of trash pickup while residents in many other cities had to pay for it. He also noted that the DPW had done well with snow clearing the day before and the parks were reasonably well maintained. He also suggested that Police and Fire often faced big city problems in a small city setting. He also emphasized that the city does what it can to support education, with a focus on helping families find good jobs and break the poverty cycle. He suggested that comparing Chicopee and Springfield to Holyoke was an apples and oranges comparison. He also suggested that offering businesses less than a \$40 rate was missing the point of what property taxes are about. He also questioned looking at the commercial rate through the lens of only large businesses, adding that

the bug picture needed to consider small businesses such as mom-and-pop shops, bodegas, grocers, and boutiques. He emphasized that the state decides how municipalities raise taxes, adding that the state doesn't want to deal with property taxes because it already gets retail taxes, hotel and meal taxes, and income taxes. He suggested that those are where big dollars come out of people's pockets. He then stated that new growth in Holyoke required making it economically possible to have a business in the city, noting that initial construction had the same costs anywhere in the state. He reiterated he would not vote for a commercial tax rate over \$40.

Councilor Vacon noted that a large project in the city would be coming to fruition in the next year that would be paying the commercial rate. She then stated that she sought feedback from those who own residences and businesses in Holyoke by asking them which rate would have the worse effect on them if it went higher. She added that she said the home rate would affect them more. She then stated that the new project understood what the rate was when they proposed and began the project.

Councilor Bartley noted that they had also expanded the project from 4 floors to 5 floors. He also emphasized that the City Council had been involved in approving that project and assuring that they would be paying the commercial rate.

President McGee stated that the first vote would be for the shift of 1.7150, with a rate of \$18.67 for residential and \$40.56 for commercial.

---> Motion to set the CIP shift to 1.7150 was received and denied on a call of the roll of the yeas and nays Yeas 5 (Bartley, Jourdain, Puello, Tallman, Vacon)--Nays 8--Absent 0.

President McGee stated that the next vote would be for the shift of 1.7050.

Councilor Jourdain stated that rate would be \$18.74 for residential and \$40.32 for commercial, adding that it was proposed by Councilor Tallman.

---> Motion to set the CIP shift to 1.7050 was received and denied on a call of the roll of the yeas and nays --Yeas 6 (Bartley, Jourdain, McGee, Puello, Tallman, Vacon)--Nays 7--Absent 0.

President McGee stated that the first vote would be for the shift of 1.720, with a rate of \$18.64 for residential and \$40.67 for commercial.

---> Motion to set the CIP shift to 1.720 was received and denied on a call of the roll of the yeas and nays 5 (Bartley, Jourdain, Puello, Tallman, Vacon)--Yeas--Nays 8--Absent 0.

Councilor Maldonado Velez made a motion to set the CIP shift to 1.6950. Councilor Givner seconded the motion.

President McGee stated that the motion would result in an \$18.81 residential rate and a \$40.08 commercial rate.

Councilor Givner made a motion to set the CIP shift to 1.690. Councilor Maldonado Velez seconded the motion.

President McGee stated that the motion would result in an \$18.85 residential rate and a \$39.97 commercial rate.

Councilor McGiverin made a motion to set the CIP shift to 1.680. Councilor Murphy-Romboletti seconded the motion.

President McGee stated that the motion would result in an \$18.92 residential rate and a \$39.73 commercial rate.

Councilor McGiverin noted that the argument about residential rates having a greater impact was because with businesses, they can raise funds through what they sell, offsetting the increase. He then suggested that people are going to be hit either way. He then stated that he would prefer to shift the burden in a way that would allow the city to attract new business. He then stated that that a lot of vacant buildings needed to be replaced and a lot of new construction needed to be built across the city. He suggested that the city needed to send a message by choosing the lowest possible choice, which would at least get the city out of being number one in the commonwealth.

Councilor Jourdain questioned how the Council could purport itself to be progressive. He suggested that it appeared this version of progressive meant taking the burden from the businesses, giving them breaks, and putting it on the backs of people who can least afford it. He then questioned that while this had been the attitude for 30 years, where was the business that came from it. He stated that they already had among the lowest bills in the area. He further stated that the lowest values in the area were the only reason the rate was higher than neighboring communities. He noted that two family home values had gone up 18% in the last year. He questioned if residents would still be around to see the supposed breaks that would come in the future by shifting the burden away from businesses. He then questioned if it was fair, or progressive, to have one group going up 5.4% while the other group could go down 1%.

Councilor Anderson-Burgos suggested it had nothing to do with that.

President McGee stated that he would not allow that, and that it would be one at a time.

Councilor Anderson-Burgos apologized and stated that his mic was meant to be off.

Councilor Givner stated that she appreciated the complexity and the work that went into putting together the figures, and the impact on homeowners, being one herself. She also expressed respect for businesses that the city needed to keep and attract. She then suggested that should

not be compared to Springfield or Chicopee. She then expressed respect for needing to attract more businesses and suggested that the rate should be under \$40. She then suggested that it was not fair to blame increasing home values on the tax rate, noting it was something the city did not have a lot of control over. She added that there wasn't a way to get away from bills going up even with the rates going down.

Councilor Murphy-Romboletti stated that she believed the commercial tax rate should go below \$40. She noted that while this was the first time she was voting on the tax rate, she had watched the meetings for the last decade and had seen the same trajectory over that time. She added that she was not on the Council to be a part of it continuing to do the same things. She also questioned the narrative that lowering the tax rate for businesses meant that they did not care about residents of Holyoke. She suggested that they needed to think about the long term. She also stated that she had watched the city put the shift on businesses for years and that the commercial values had not gone up in 20 years. She suggested that all 3 of the current motions were reasonable and would bring the rate down for both commercial and residential taxpayers.

Councilor Rivera_I noted that as this was his first time taking part in setting the tax rate, he believed he needed to listen in order to make an informed decision. He then expressed agreement with the concerns expressed by Councilor Jourdain regarding not raising residential rates, noting the expected increases in energy rates. He then expressed agreement with the point from Councilor Murphy-Romboletti in that the rates had been increased for businesses for years and it had not changed anything. He then asked for faith in the approach the mayor wanted to take.

Councilor Jourdain recognized the difficulty in this vote for new councilors. He then asked for consideration of the impact of residential values going up along with the rates. He recalled that the public spoke loudly when they voted against a tax override a few years earlier. He then suggested that when values go up, rates should go down the same percent to produce the same amount of taxes. He noted that values had not gone up for commercial properties, leading to stability in their bills. He then emphasized that residential taxpayers had not enjoyed the same stability but had seen rapid increase. He noted he was not in favor of increases but living within our means and getting fair state aid, adding that the city was not. He then echoed Councilor McGiverin's point that the property tax system was rigged against communities like Holyoke. He then suggested that it was not right to go up 5.4% on residents while going down 1% on commercial. He further suggested Councilor Tallman's past motion could be supported as a compromise.

President McGee noted for the benefit of members of the public that had recently arrived, the Public Safety meeting would immediately follow the completion of the special meeting for the tax classification.

Councilor Vacon asked for consideration of the people who had lived here all their lives, bought and paid their homes off, many who had become widowed, or retired couples on fixed incomes. She stated that between inflation among all of the other expenses, adding a further tax burden would be pushing them to not being able to afford to live in their paid off homes. She added that

many were working two jobs to stay in their homes. She also questioned the sentiment that \$30 or \$40 wasn't much, noting the multiplier effect of many costs going up at the same time.

Councilor Tallman stated commercial values had remained stagnant while residential rates had increased. He added that even with bringing the rate down, it would still add up to \$200-\$300, a lot for those who may be struggling and living on fixed incomes. He then questioned what happens if the commercial rate goes down and new businesses do not come in. He then stated that the burden would have to shift even more to those who own properties. He noted that the city provides a lot of services that other communities do not. He added that many other communities have a greater number of commercial properties to cover the cost of bills. He suggested that there should be a compromise somewhere in the middle. He stated that it would be difficult to vote for any one the three current rates being proposed.

Councilor McGiverin, noting the cost increases for utilities, energy, and fuel, emphasized that the bill when going out to eat had not stayed the same. He then suggested votes to protect residential ratepayers would still lead to business raising their prices. He suggested that this would hurry people more than one-time quarterly expenses. He added that protecting the commercial rate would also protect new construction and the rehabbing of old buildings to protect residential homeowners and enhance their income by making the city more profitable for businesses. He noted that a proposal for a new business at a church on Pleasant and Hampden wasn't happening because banks wouldn't finance it.

Councilor Maldonado Velez noted that in a meeting with the City Auditor a few months earlier, he learned how the tax rate was set and felt that it needed to be fixed. He suggested that there wasn't much of a choice in that someone was being burdened either way. He then emphasized that he was looking at it from the perspective of a renter who would see increases passed on to him. He emphasized that renters were sharing in the tax burden. He added that it would help if there were more job opportunities for people to have the income. He stated that his proposal would bring the commercial low, send a message, but also not put all of the burden on the residential.

Councilor Jourdain questioned if anyone really believed that Stop and Shop would not increase their prices even if their rates went down. He emphasized that businesses have an ability to pass their costs through while seniors and the working poor did not. He then questioned if someone could go to their boss and ask for more because their tax bill went up. He then asked for consideration of ability to pay and a fair distribution on increases.

Councilor McGiverin asked for consideration of someone going to their boss and asking for an increase who then could be laid off because the commercial rate goes up. He stated there were two sides of the story and that the big picture needed to be considered.

President McGee stated that the first vote would be for a shift of 1.680, leading to a residential rate of \$18.92 and a commercial rate of \$39.73.

---> Motion to set the CIP shift to 1.680 was received and denied on a call of the roll of the yeas and nays Yeas 4 (Givner, McGiverin, Murphy-Romboletti, Rivera_J)--Nays 9--Absent 0.

President McGee stated that the next vote would be for a shift of 1.690, leading to a residential rate of \$18.85 and a commercial rate of \$39.97.

---> Motion to set the CIP shift to 1.690 was received and denied on a call of the roll of the yeas and nays --Yeas 6 (Anderson-Burgos, Givner, Maldonado Velez, McGiverin, Murphy-Romboletti, Rivera_J)--Nays 7--Absent 0.

President McGee stated that the next vote would be for a shift of 1.695, leading to a residential rate of \$18.81 and a commercial rate of \$40.08.

---> Motion to set the CIP shift to 1.695 was received and denied on a call of the roll of the yeas and nays--Yeas 3 (Maldonado Velez, Rivera_I, Rivera_J)--Nays 10--Absent 0.

Councilor Jourdain made a motion to set the CIP shift to 1.705, with an \$18.74 residential rate and a \$40.32 commercial rate. Councilor Bartley seconded the motion.

Councilor Maldonado Velez made a motion to set the CIP shift to 1.700. Councilor Rivera_I seconded the motion.

Councilor McGiverin made a motion to set the CIP shift to 1.685. Councilor Anderson-Burgos seconded the motion.

President McGee stated that the shift of 1.685 would have a residential rate of \$18.88 and a commercial rate of \$39.85.

---> Motion to set the CIP shift to 1.685 was received and denied on a call of the roll of the yeas and nays Yeas 5 (Anderson-Burgos, Givner, McGiverin, Murphy-Romboletti, Rivera_J)--Nays 8--Absent 0.

President McGee stated that the shift of 1.700 would have a residential rate of \$18.78 and a commercial rate of \$40.20.

---> Motion to set the CIP shift to 1.700 was received and denied on a call of the roll of the yeas and nays --Yeas 3 (Maldonado Velez, Rivera_I, Rivera_J)--Nays 10--Absent 0.

President McGee stated that the shift of 1.705 would have a residential rate of \$18.74 and a commercial rate of \$40.32.

---> Motion to set the CIP shift to 1.705 was received and denied on a call of the roll of the yeas and nays--Yeas 6 (Bartley, Jourdain, McGee, Puello, Tallman, Vacon)--Nays 7--Absent 0.

Councilor Anderson-Burgos made a motion to set the CIP shift to 1.690, with an \$18.85 residential rate and a \$39.97 commercial rate. Councilor Givner seconded the motion.

Councilor Jourdain made a motion to set the CIP shift to 1.700. Councilor Vacon seconded the motion.

Councilor Givner made a motion to set the CIP shift to 1.685. Councilor McGiverin seconded the motion.

Councilor McGiverin stated that he seconded Councilor Givner's motion due to it being the only one of the current motions under \$40. He suggested that under \$40 would help market the city better.

President McGee stated that the motion would result in an \$18.88 residential rate and a \$39.85 commercial rate.

---> Motion to set the CIP shift to 1.685 was received and denied on a call of the roll of the yeas and nays Yeas 4 (Givner, McGiverin, Murphy-Romboletti, Rivera_J)--Nays 9--Absent 0.

President McGee stated that the next motion of 1.700 would result in a rate of \$18.78 for residential and a \$40.20 rate for commercial.

---> Motion to set the CIP shift to 1.700 was received and Adopted on a call of the roll of the yeas and nays Yeas 7--Nays 6 (Anderson-Burgos, Bartley, Givner, McGiverin, Murphy-Romboletti, Puello)--Absent 0.

Adjourned at 6:51 PM.

Brenna Murphy McLee