

**MINUTES OF THE BUDGET WORK SESSION OF THE PORTAGE CITY COUNCIL
APRIL 30, 2019**

Mayor Randall called the meeting to order at 5:01 p.m. The City Clerk called the roll and Councilmembers Richard Ford, Lori Knapp and Claudette Reid, Mayor Pro Tem Jim Pearson and Mayor Patricia Randall were present. Councilmembers Chris Burns and Terry Urban were absent with excuse. Also in attendance were City Manager Laurence Shaffer, Deputy City Manager Rob Boulis, Finance Director Bill Furry, Deputy Finance Director Lauren VanderVeen and City Clerk Adam Herringa.

At the request of Mayor Randall, the Budget Review Session began with a summary of the City Clerk and City Manager departmental budgets. City Clerk Herringa reviewed his proposed budget and highlighted the addition of an election and election law changes as the reason for an increase in his proposed budget. In response to an inquiry from Mayor Pro Tem Pearson, Mr. Herringa explained that the increase in the "Advertising" portion of his budget last fiscal year was due to consolidation of legal notice publication from multiple departments into a single department. In response to an inquiry, Mr. Herringa reviewed his new role with the Office of the City Manager and related time commitment. Deputy City Manager Boulis and City Manager Shaffer further explained the succession plan and work in which Mr. Herringa would be engaged.

Deputy City Manager Boulis then reviewed the proposed budget of the Office of the City Manager. He reviewed various line items and indicated that one area of increase in the proposed budget over last year was for the ability to purchase new printers for the office. Councilmember Ford inquired, as it related to Purchasing, whether administrative time was being saved due to the increase from \$20,000 to \$40,000 in the purchasing limit for items that must receive City Council approval. Mr. Boulis explained that the effort to solicit multiple bids had not changed but there had been time saved in not needing to prepare items for City Council review. In response to an inquiry, Mr. Shaffer stated that he would research and respond as to how many contracts have recently fallen in the \$20,000 to \$40,000 range.

Finance Director Bill Furry then reviewed a series of charts indicating financial status of a variety of funds both for the present day and over time. Mr. Furry discussed in detail historic debt levels and current debt service. Mr. Furry indicated that the interest paid on debt has been dropping annually as the city has focused on paying off debt. Mr. Shaffer explained that the effort to pay down debt and reduce interest payments is setting up the city to be able to better handle an economic downturn. Mayor Pro Tem Pearson inquired as to what would constitute a healthy level of debt and how much farther the city has to go to reach this level. Mr. Furry explained that, currently, all of the max 2.0 millage levy of the Capital Improvement Program (CIP) is used to pay debt service. He would like to see a max of 2/3 of the CIP millage go toward debt service. This would equate, he stated, to a debt level of between \$35 to \$40 million.

In response to an inquiry about what it would take for the city to obtain a AAA bond rating Mr. Furry explained that it would be difficult. Lowering debt, he stated, would help but might not be sufficient. Mr. Furry stated that he would research further what it would take and, at the request of Mayor Randall, would get a listing of all AAA cities in Michigan. Regarding the advantage of better interest rates by moving to a AAA rating, Mr. Furry and Mr. Shaffer stated that the result would be negligible. However, Mr. Shaffer stated obtaining such a lofty rating is an excellent aspirational goal. Mr. Shaffer continued by commenting that to help manage fluctuations in debt the city needs to work on equalizing

road paving and funding on an annual basis and avoid boom and bust cycles. Mr. Shaffer also mentioned the increased cost of asphalt and the hope of getting an additional asphalt company or two in the area. Councilmember Reid recalled a prior discussion about balancing out street construction projects over the years and inquired if the city was near to reaching this point. Mr. Shaffer responded in the negative indicating that due to the recent recession it was still a few years away.

Mayor Pro Tem Pearson inquired as to the annual contribution of the General Fund to the CIP and Mr. Furry commented that it is currently around \$1.2 to \$1.4 million. Councilmember Reid inquired as to whether this amount should be reduced and Mr. Furry explained that such a reduction would allow the General Fund a greater reach. Mr. Furry then reviewed the debt level of next fiscal year (FY) should the proposed budget be adopted. Mr. Shaffer commented that the city has been and continues to make great efforts at reducing debt.

Mayor Pro Tem Pearson inquired as to the proposed Community Senior Center and status of fundraising efforts. Mayor Randall provided an update as to current financial status, goals, potential donations, grants and possibility of state funding. She stated that the campaign will go public later this year and expressed confidence that the fundraising effort will be successful. Councilmember Reid expressed concern if fundraising efforts go on too long that construction costs will rise. Mayor Randall commented that her goal is for construction to begin next year and City Manager Shaffer shared that there is a substantial buffer to account for the potential of increased costs.

Councilmember Reid inquired as to the status of the proposed new Fire Station No. 2. Mr. Shaffer shared that the project was put out for bid again and the estimated costs remain at approximately \$6 million. He continued by stating that the upcoming Committee of the Whole meeting will focus exclusively on the proposed fire station.

Mayor Randall thanked city staff for their work in putting together the proposed budget. Mayor Pro Tem Pearson inquired as to the components of a \$300,000 line item in the proposed budget of the Police Division. Deputy Finance Director Lauren VanderVeen reviewed the item and its components. In response to an inquiry, Ms. VanderVeen confirmed that some of the component costs would go away in the future as contracts expire. Mr. Boulis responded to an inquiry about the LEIN interface and explained that while the new Dispatch Authority needs access to LEIN, so does the Police Records Division. Mr. Shaffer pointed out that towards the end of each fiscal year City Administration and the Finance Department closely monitor expenditures as end-of-year surpluses can be used to help fund projects.

Councilmember Reid referenced the receipt of federal funds and whether Human Resources is tracking the hiring of persons with disabilities. She mentioned that 7% of employees should fall within this hiring classification. Mr. Boulis stated that he was uncertain as to whether this was being tracked or monitored. Ms. Reid emphasized that the city needs to track the hiring of persons with disabilities similar to tracking the hiring of male and female employees. She continued by stating that the city should have an idea as to the number of employees that have a disability. Mr. Boulis commented that he does not believe the city specifically tracks this number but has made accommodations such as hearing assistance and larger computer monitors. Mr. Shaffer stated that staff would research and report on this matter.

Councilmember Reid inquired if, with the proposed budget, a greater emphasis could be placed on lowering the millage. She inquired as to the impact if the millage rate were to be decreased. Mr. Shaffer stated that lowering the millage is not a great budget tool and emphasized his belief that it is best to keep millage rates stable as opposed to raising and lowering based on economic conditions. He pointed out that the goal of the proposed budget is to avoid debt, pay down debt and generate good surpluses that can be used to pay down additional debt and invest in the community.

Mayor Randall commented that the more tax dollars the city generates the more it seems to spend. She inquired, as it relates to the proposed fire station, whether cutting the project could result in tax relief. Mr. Shaffer responded in the affirmative and Mr. Boulis pointed out that, since this is a CIP project, the primary result would be reduced bonding. Mayor Pro Tem Pearson inquired as to when the City Council might be asked to vote on the proposed fire station and Mr. Shaffer indicated it would most likely occur on May 21st and not the same night as the COW meeting on the topic.

Councilmember Ford inquired as to the status of funding for human service organizations. Mr. Shaffer explained that he would be meeting with the representative of Kalamazoo Youth for Christ to explain the situation. He continued further by stating that the Human Services Board had readjusted the proposed funding.

Councilmember Reid inquired specifically why the millage rate should not be lowered. Mr. Shaffer stated that the proposed budget avoids debt and pays down debt, invests in the community via the CIP and that priorities would have to be readjusted should a large millage decrease be implemented. In addition, he stated, raising the millage rate during tough economic times would be a difficult prospect. He concluded by emphasizing the practical approach of the proposed budget.

Mayor Randall commented that she would like to see an increased millage reduction in the proposed budget and Councilmember Knapp inquired as to the level of the 24% fund balance. Councilmember Reid commented as to the rationale for maintaining the fund balance but inquired about a 2% reduction in the General Fund. City Manager Shaffer reviewed the impact such a reduction might have on the budget and possible ways such a reduction might be funded. Mr. Furry indicated that a 1% decrease would equate to approximately \$220,000 and 2% would be approximately \$440,000. Mr. Shaffer emphasized the greater feasibility of a 1% reduction. Councilmember Reid shared her belief that 1% does not sound like much and expressed support for a 2% reduction. Mayor Randall asked Mr. Shaffer to review two scenarios reflective of a 1% reduction and 2% reduction.

Councilmember Reid inquired as to when the city might realize tax revenue from recent major industrial development projects. Mr. Shaffer explained that it may be a few years due to the enactment of a P.A. 198 Tax Abatement and brownfield designations related to the projects.

Mr. Boulis next utilized the opportunity to brief City Council on the status of the City Manager search. He explained that Slavin Management Consultants had been hired to conduct the search. Mr. Boulis continued by reviewing steps, procedures and timelines of the search process. Mayor Pro Tem Pearson inquired as to when candidate interviews might occur and Mr. Boulis shared that the earliest would be mid-August. Mr. Boulis, in response to an inquiry, explained that all interviews are open to the public. Mayor Pro Tem Pearson pointed out that in the search for a director of the Kalamazoo County Consolidated Dispatch Authority candidates were recorded answering several interview questions asked by the consultant. These videos were then shown to the search team. He stated that he found these

recordings to be quite valuable and Councilmember Reid concurred. Mayor Randall commented that, in regard to the last search for a city manager, she did not like the “Skype” interviews and found those candidates participating via Skype to be at a disadvantage.

Councilmember Reid next inquired as to the status of medical marihuana licensing in the City of Portage. Mr. Shaffer deferred to City Clerk Herringa. Mr. Herringa reviewed the permit status of applicants and indicated that four provisional permits had been issued. He continued by sharing that a lottery would be held this coming Thursday at which the remaining permits would be determined. Councilmember Reid commented that she would like to hear from staff regarding how the medical marihuana process played out and any changes that should be made to improve the current Medical Marihuana Ordinance. Mayor Pro Tem Pearson pointed to a public forum held by the City of Kalamazoo regarding recreational marihuana and inquired if it was attended by City Attorney Randy Brown. Mr. Boulis commented that there was a lengthy newspaper article about the forum and Mr. Shaffer commented that he was glad the City of Portage took action regarding recreational marihuana several months ago. Mr. Shaffer emphasized the value in waiting to enact a Recreational Marihuana Ordinance until State regulations are known. City Manager Shaffer commented that no complaints have been received with regard to the current operating medical marihuana facility in Portage.

Mayor Randall reminded everyone of the upcoming Committee of the Whole Meeting.

Adjournment: There being no further comments, Mayor Randall adjourned the meeting at 7:14 p.m.

Adam Herringa, City Clerk