

**MINUTES OF BUDGET WORK SESSION #1
OF THE PORTAGE CITY COUNCIL
APRIL 21, 2020**

Mayor Randall called the meeting to order at 5:04 p.m. The meeting was held virtually per the Governor's Executive Directive 2020-02 in light of COVID-19. The following members were present via the WebEx meeting platform: Councilmembers Chris Burns, Richard Ford, Lori Knapp, Claudette Reid, Terry Urban, Mayor Pro Tem Jim Pearson, and Mayor Patricia Randall. Also in attendance on the WebEx meeting platform were Deputy City Manager Adam Herringa, Deputy City Manager Mike Carroll, and Finance Director Bill Furry. In attendance in Council Chambers was City Manager Joe La Margo, Communications Manager Mary Beth Block, Deputy Finance Director Lauren VanderVeen, and City Clerk Erica Eklov. Of note, all department heads were also present and available via the WebEx platform.

At the request of Mayor Randall, City Manager Joe La Margo began his presentation and recognized Bill Furry, Lauren VanderVeen and the various department heads for their efforts in putting together the proposed Fiscal Year 2020-2021 Budget, especially in light of the current COVID-19 global crisis. Mr. La Margo then reviewed the proposed budget and highlighted recent changes resulting from the economic effects of the COVID-19 emergency. He also noted that the budget will be balanced with no impact to core services, but relayed that much of the planning going forward will heavily rely on wants versus needs.

City Manager La Margo then introduced Deputy Finance Director Lauren VanderVeen, who highlighted the three funds slated for discussion: General Fund, Streets Fund, and Utilities Fund. Director VanderVeen next reviewed the budget assumptions, noting that Property Tax Revenue included no changes proposed to overall millage rates and a taxable value increase estimate of approximately 3 percent. The Fund Balance threshold of 24 percent and current levels of service are both expected to be maintained with no changes to the utility rates proposed.

Ms. VanderVeen then presented the proposed City Council and Human Services budgets, noting the Humans Services Board chair was available via WebEx to answer any questions. Councilmember Reid inquired whether the Human Service proposal still accurately reflected the biggest needs of Portage, especially in light of the recent COVID-19 crisis. She suggested that the Humans Services Board review its recommendations to verify whether any modifications were needed before the budget was finalized. City Manager La Margo deferred to Human Services Board chair Fiorella Spalvieri, who responded that the Board had funded both food pantry services that had applied, as well as nearly all the other grant applicants. Community Development Director Chris Forth offered that staff have recently met with the local organization representatives to discuss current needs and noted additional outside emergency funds to address COVID-19 would also be assisting these organizations. Director Forth stated that the greatest needs will not be now, but likely in the future to address eviction avoidance and housing assistance. Councilmember Urban supported Councilmember Reid's suggestion for the Human Services Board to perform a second review of its recommendations. Councilmember Burns noted he serves on the board of the Kalamazoo Loaves and Fishes, and as such would be abstaining from the discussion on funding. Mayor Randall stated that she hoped the Human Services funding would be supplemented with future support from Representative Upton, as well as Senators Stabenow and Peters.

Ms. VanderVeen next reviewed the Office of the City Manager noting recent personnel changes. She then presented the budget for the new Public Information Office. Councilmember Reid inquired about the positions noted. Ms. VanderVeen clarified that three positions would be full-time and two part-time

positions equated to one full-time in the budget. City Manager La Margo noted one staff member splits her time between public information and the Farmer's Market program.

There being no further questions, Deputy Director VanderVeen next reviewed the proposed budget for the Finance and Treasury departments. City Manager La Margo noted the new position of Deputy Director of Revenue/Treasury in light of the upcoming retirement of Finance Director Bill Furry. Deputy Director VanderVeen noted the proposal was a reestablishment of a previous position to ensure oversight for the Treasury Office. City Manager La Margo stated that he planned to recommend the promotion of Deputy Director VanderVeen to Interim Director following Mr. Furry's retirement. Deputy Director VanderVeen further noted the planned transfer of the Deputy Director of Benefits & Compensation back to the Human Resources Department. Councilmember Reid asked for clarification regarding the positions quoted. City Manager La Margo responded.

Ms. VanderVeen next reviewed the Technology Services budget noting the assumption of the PCM contracted staff. City Manager La Margo stated that the assumption of the contract staff was not planned but the city had realized a \$30,000 annual savings through the elimination of the contract.

Ms. VanderVeen then presented the budget for the Office of the City Assessor, highlighting the addition of the Property Appraiser II position. She then moved on to the budget for the City Attorney, noting no significant changes. City Manager La Margo stated that he is planning to schedule a Committee of the Whole meeting in early May to discuss the current City Attorney contract coming due soon.

Deputy Director VanderVeen then reviewed the budget for the Office of the City Clerk, noting a \$130,000 increase in marijuana fee revenue and a \$29,000 increase in the Elections fund due to the presidential election in November 2020. Councilmember Reid asked how the costs of the varying elections are borne by government entities. City Clerk Eklov responded with a funding explanation for local elections but deferred to Deputy City Manager Herringa to explain funding breakdowns for a presidential election. Deputy City Manager Herringa responded that the city must fund a majority of a General Election like that in November. Mayor Randall urged the City Clerk to ensure public health provisions for the upcoming May 5th election. Councilmember Urban inquired about the process of opening absentee ballots. City Clerk Eklov responded that the law currently mandates absentee ballots may only be opened and counted on Election Day, which is becoming increasingly intensive with the introduction of No Reason absentee voting.

Ms. VanderVeen next presented the Human Resources budget. Councilmember Reid inquired about the Health Management Program (HMP). Human Resources Director Shannon Hertz responded that the HMP is a separate budget but staff had included an increase of \$20,000 in the event the city pursued an outside vendor. Councilmember Reid asked about the status of the process and Director Hertz responded that staff are reviewing the last of the potential vendors and hope to have a recommendation soon.

Next, Deputy Director VanderVeen reviewed the Purchasing Department, followed by the Parks and Recreation Department. Ms. VanderVeen noted the Farmer's Market was now part of a separate division. City Manager La Margo highlighted the increase to the Ramona Park wages due to past difficulties in recruiting. Mr. La Margo noted small adjustments and reallocations had been made to ensure expenditures and uses matched going forward.

City Manager La Margo then reviewed the Senior Center budget, noting the new building's construction was part of the Capital Improvement Program budget. He stated the new Center would not be completed in the upcoming fiscal year. Councilmember Urban asked for confirmation that the noted

position change from one full-time to two part-time was done at the request of the current employee. City Manager La Margo confirmed.

Deputy Director VanderVeen next covered the Public Works Department budget. Councilmember Reid asked for clarification regarding the cemetery positions.

Next, the Public Safety – Police Division budget was reviewed. City Manager La Margo deferred to Chief Nicholas Arnold, who explained the recommendations for new Patrol Officers. Mayor Randall asked the City Manager to ensure that any proposed positions in the new budget can be sustained while still addressing effects from COVID-19. Councilmember Burns asked for Chief Arnold's opinion regarding Patrol Officers as compared to School Resource Officers, noting support for the latter program. Chief Arnold replied that discussions with the schools are ongoing, pending final commitments from the schools. Deputy Director VanderVeen reviewed the Division's proposed changes for the upcoming fiscal year. Councilmember Reid inquired how the first full year participating in the Kalamazoo County Consolidated Dispatch Authority. Chief Arnold responded the set-up has been working well.

Following review of the Police Division, Deputy Director VanderVeen next presented the Fire Division budget. Councilmember Urban inquired about the elimination of the two bubble firefighter positions. Chief Arnold responded that two of the original bubble positions had been absorbed after recent staff retirements.

With regard to the Community Development Department budget, City Manager La Margo deferred to Interim Director Chris Forth who explained proposed position assignments. Councilmember Reid inquired about the increase for the ICSC Conference, questioning the need for a city booth at the event and associated costs. The City Manager responded that the booth was expected to showcase Portage for a national audience in an effort to recruit potential commercial/retail/restaurant that would fit well with the community. Mayor Randall stated the idea was recommended by both City Manager La Margo upon his arrival, as well as local developers who have noted other communities make similar efforts to market themselves.

Deputy Director VanderVeen then presented the City-Wide Services budget containing expenditures that benefit the city as a whole, such as Street lights, Lake Special Assessments and invasive species control and professional services for Lake Center District, LEED community certification, deer population management, etc.

Presentation of the Major Streets Fund followed. Councilmember Reid inquired about the increased spending proposed for the roadside maintenance budget, asking for clarification regarding routine maintenance as compared to proposed improvements. She stressed eliminating costs where possible in light of the COVID-19 effects. City Manager La Margo confirmed staff would cut where possible as the city moves forward. The discussion then shifted to the Local and Municipal Streets Funds.

Following a brief break, Deputy Director VanderVeen proceeded with presentation of the Sewer and Water Funds. Mayor Pro Tem Pearson inquired whether the increase to the Capital Outlay would be reimbursed by the representatives of Trade Center Way. Interim Director Forth responded that the cost will be captured in part once the Tax Increment Financing expires.

At the request of the City Manager, Deputy Director VanderVeen presented the Fiscal Year 2020-21 revenues and associated COVID-19 impacts. She relayed that state revenues will be the most impacted, while Personal Property Taxes will only be somewhat affected. City Manager La Margo deferred to Deputy City Assessor Meshia Rose who confirmed that the current fiscal year tax base has already been

set. Ms. Rose any effects wouldn't be evident until the 2022 tax base since the 2021 sales study ends March 31, 2020. Councilmember Reid stated she understands 2022 will be the resulting year but asked when the city would initially see the impacts, noting the 2008 economic downturn became truly evident by 2010. Ms. Rose responded that staff plans to monitor the market during the upcoming summer in order to have estimates by fall 2020. Deputy Director VanderVeen closed the revenue impact presentation stating that influences on several other revenue sources remain unknown at this time.

Finance Director Bill Furry presented on the planned reallocations to the millages for the upcoming fiscal year. He stated that reallocation is proposed to put more resources in the General Fund to support core services such as Public Safety and help maintain the 24 percent fund balance. City Manager La Margo stated that the city is working to spend down as compared to building the fund balance in order to sustain the General Fund. Councilmember Reid inquired as to the outcome of the current fiscal year's Spring Cleanup Program if it was postponed to the following fiscal year due to the Governor's Executive Orders. Finance Director Furry responded that if the program dollars were not spent this fiscal year, then the fund balance would carry forward to the next fiscal year.

Deputy Director VanderVeen closed the presentation by presenting the city's planned response to the expected declining revenues due to COVID-19. She stated that staff will be monitoring revenues and adjusting city expenditures accordingly. She noted the City plans to implement budget safeguards such as quarterly budgeting, increased budget status meetings with departments and delayed purchasing. Councilmember Burns inquired when staff expected to have more complete revenue information for the state. City Manager La Margo responded that the city has received the best information from the Michigan Municipal League's April 20th update but the city will not know for certain, pending a potential second wave of COVID-19. City Council then began debate regarding the potential for utilizing the part of the 24 percent fund balance to support operations. City Manager La Margo asked City Council for the opportunity to confer with the Budget Team and respond to Council at the next budget session on May 5th. Councilmember Reid expressed concern that the city's analysis may not be conservative enough, noting the state will also be seeking to fulfill financial shortcomings.

There being no further presentations, Mayor Randall encouraged City Council to ask questions. There being none, City Manager La Margo confirmed that City Council intended to continue discussion of the budget at the Budget Review Session scheduled for May 5th. City Council was urged to continue reviewing the budget documents and submit questions to Mr. La Margo in advance of the next session.

Adjournment: There being no further comments, Mayor Randall adjourned the meeting at 8:00 p.m.

Erica Eklov, City Clerk