

**MINUTES OF THE BUDGET WORK SESSION #2
OF THE PORTAGE CITY COUNCIL
MAY 5, 2020**

Mayor Randall called the meeting to order at 5:02 p.m. The meeting was held virtually in accordance with 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 Mike Carroll and Finance Director Bill Furry. In attendance in Council Chambers were City Manager Joe La Margo, Communications Manager Mary Beth Block, Deputy Finance Director Lauren VanderVeen and Deputy City Manager Adam Herringa. City Clerk Eklov was excused due to the May 5th Special Election. Deputy City Manager Herringa acted as the City Clerk. Of note, various 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 Capital Improvement Plan. Mr. La Margo then reviewed the various funds that contribute to the overall City Budget. With regard to the Leaf Pick Up/Spring Cleanup Fund, Mr. La Margo shared that the Spring Cleanup program that had been delayed due to the COVID-19 crisis had been rescheduled and assured City Council that staff would make every effort to ensure residents are notified. Deputy City Manager Carroll confirmed that resumption of the program was permissible under Governor Whitmer's revised Executive Order.

With regard to the Community Development Block Grant (CDBG) funds, Councilmember Reid inquired as to how recent additional funding related to COVID-19 would be allocated. Acting Community Development Director Chris Forth stated that no determination has been made but the Human Services Board would be reviewing options and making a recommendation within the next month.

With regard to the Cable Television Fund, Councilmember Reid noted an increase in revenues and questioned how the fund could be increasing as more customers seem to be cutting traditional cable services. Director of Information Technology Devin Mackinder and Deputy Finance Director Lauren VanderVeen speculated but indicated they would research and respond.

Under Fleet and Facilities, Councilmember Burns inquired as to expenses related to gasoline and diesel fuel. Department of Public Works Director Rod Russell explained that costs for the current fiscal year were lower due to the light winter and that, despite current low fuel prices, he stated his preference for keeping anticipated expenses at proposed levels given that prices could easily rise to pre-COVID levels. Councilmember Urban inquired if there is a contract in place for fuel and Mr. Russell responded in the negative.

There being no further questions on other funds, City Manager La Margo introduced the proposed Capital Improvement Program (CIP) and indicated that, since creation of the proposed CIP, anticipated revenues have declined due to the impact of COVID-19. In response to anticipated reductions in revenue, Mr. La Margo stated that a thorough review of the proposed CIP was conducted and projects were prioritized. Mr. La Margo stated that his preference is for City Council to approve the CIP as

presented with the understanding that certain projects may need to be delayed and City Council would be kept apprised. Councilmember Burns inquired as to the possibility of inflation and whether projects would cost more should they be delayed. Director of Transportation and Utilities responded that significant inflation was not anticipated when it comes to major street projects. City Council next reviewed PASER ratings of the streets and what impact a delay may have. Mayor Randall speculated that construction costs, which were on the rise last year, may decrease as a result of the pandemic. In response to an inquiry from Mayor Pro Tem Pearson, Mr. La Margo and Ms. Gwin reviewed policies regarding sidewalk installation. Councilmember Reid asked about the installation of asphalt curbs v. concrete curbs on local streets. Mr. La Margo stated that city staff would review the installation of the two types of curbs for consistency and quality.

In response to an inquiry, Mr. La Margo stated that City Administration would likely be coming to City Council to request authorization to issue bonds in the amount of \$6.9 to \$7.3 million early in the next fiscal year. Such issuance would result in maintaining or a slight reduction in debt levels. Should revenues exceed the conservative projections, City Administration would return to ask for additional bonding authority.

Mr. La Margo next moved through each CIP fund category and highlighted projects identified to move forward and those that may be subject to delay. During the review, Councilmember Reid inquired if previously approved projects (such as the airport water main) had associated funding. Mr. La Margo explained that while a project has been authorized it does not necessarily equate to funding being in the bank and available. He continued by stating that a review of authorized projects is underway and a future Committee of the Whole meeting on this topic is likely.

With regard to the new Community Senior Center project, Mr. La Margo gave a review of current donations involving pledges and actual dollars in the bank. He continued by explaining that city funding will likely be necessary beyond what was initially pledged and Councilmember Reid noted that Council action would be necessary to alter previous Council action in this regard. Mayor Randall expressed optimism that additional pledges may yet come in but that fundraising has been challenged by the pandemic. In response to an inquiry from Councilmember Urban, Mr. La Margo reviewed the rationale for identifying projects that should proceed v. those that may proceed should funding be available.

Following the review of CIP projects, Deputy Finance Director Lauren VanderVeen and Finance Director Bill Furry reviewed the bonding necessary to complete the various levels of projects. Mr. La Margo shared that he recognized City Council's desire to avoid taking on additional debt and reviewed the impact various bonding levels would have on the city's debt level. Mr. Furry then reviewed the recent bond sale and how it supports previously approved projects. Transportation and Utilities Director Kendra Gwin reviewed the construction schedule for the major street projects.

Councilmember Reid asked why City Council should approve the proposed CIP when it appears several projects will not happen. Mr. La Margo explained that revenue estimates could be off and having projects pre-approved can take advantage of should funding be available. He continued by stating that any additional bonding and major projects would require Council approval regardless. Ms. VanderVeen explained that, similar to the plan for the operating budget, staff would be providing updates to City Council on a regular basis. Councilmember Burns shared his support for either making updates to the proposed CIP at this meeting or requesting that City Administration provide City Council with, at a minimum, quarterly updates on the CIP and project status. Mayor Pro Tem Pearson concurred and

shared his preference for quarterly updates. Councilmember Urban referenced the fact that City Council must approve debt issuance so he was comfortable leaving in all of the proposed projects.

Due to the low interest rates in the current municipal bond market, Mr. La Margo stated that he would likely request authorization to proceed with a bond issuance early in the fiscal year. Mr. Furry indicated that he had checked with a financial advisor who concurred that an early bond issuance would likely be in the best interest of the city. Mr. Burns pointed to the city's current debt profile and stated that, based on his experience, it is very reasonable. He noted that while other communities may have lower debt, they also have significant pension and other post-employment liabilities.

Ms. Vanderveen next reviewed outstanding questions identified in the first budget review session such as the employee wellness program, reallocation of some funding by the Human Service Board, maintenance funding for the Department of Public Works (DPW) and funding for services such as removing diseased trees.

Mr. La Margo next reviewed proposed changes to various millages that would be reduced to afford a corresponding increase to the general fund millage. He and Ms. VanderVeen explained that this would be a one-time endeavor to help offset the impact of the pandemic on operating funds. In response to an inquiry, Mr. Furry reviewed the timing of State of Michigan distributions to municipalities (such as ACT 51 dollars).

Mr. La Margo provided a brief summary of the two budget sessions and there was consensus that a third budget review session was unnecessary. He then complimented Mr. Furry and Ms. VanderVeen for their work in putting together the proposed budget and thanked department heads for their support and willingness to identify potential changes in light of the impact of the pandemic

Adjournment: There being no further comments, Mayor Randall adjourned the meeting at 7:33 p.m.

Adam Herringa, Deputy City Manager