

BUDGET REVIEW SESSION #2
APRIL 25, 2023

Mayor Patricia Randall called the Budget Review Session to order at 04:01 PM in Conference Room #1 at Portage City Hall.

ROLL CALL: Councilmembers Lisa Brayton, Chris Burns, Lori Knapp, Victor Ledbetter, Terry Urban, Mayor Pro Tem Jim Pearson, and Mayor Patricia Randall were present.

ABSENT: None.

ALSO PRESENT: City Manager Pat McGinnis, Chief Development Officer Peter Dame, Deputy Finance Director (Accounting & Budget) Aaron Coeur, Deputy Finance Director (Revenue & Treasury) Grant Taylor, and City Clerk Erica Eklov. Various department directors were present via video conferencing.

FUND BALANCE & DEBT UPDATE: City Manager McGinnis introduced the session and the topics slated for review. He then deferred to Deputy Director of Finance (Accounting & Budget) Aaron Coeur. Deputy Director Coeur began by reviewing the Fund Balance status, including the Audited Fund Balance of \$15,314,186 that includes unused American Rescue Plan Act (ARPA) funds, Budgeted Use of Fund Equity (BUFE), FY 21-22 PO rollover, etc. He then reviewed the current threshold amount of 24 percent and provided a comparison of different percentages, as well as highlighted the proposed FY 23/24 budget that contains no BUFE plans. Councilmember Knapp inquired about the percentages to which Deputy Director Coeur confirmed. City Manager McGinnis discussed his upcoming plans for the May 9th City Council meeting budget resolution proposal and what he would like to include.

Councilmember Knapp asked for clarification regarding the proposal to modify the Fund Balance threshold percentage, to which City Manager McGinnis responded. Mayor Randall asked Councilmember Burns to relay the guide he referenced during the prior meeting to maintain good governmental ratings.

Deputy Director Coeur then presented the current status of the city's debt. He relayed that \$6,938,072 in city debt had been paid off during the year, which would start the upcoming fiscal year at the lowered amount of \$54,394,127 with a proposed 10-year amortization. He additionally stated that the FY 2023-24 CIP included \$3,368,066 in bonding with the amount paid off to be \$6,330,673, with a further debt reduction of to \$51,431,430 for FY 2024-25. Mayor Pro Tem Pearson asked about comparison to other communities. Deputy Director Coeur next presented the comparison compiled by the City Administration and noted opinions provided by the city's Bond Counsel. He compared Birmingham, Bloomfield Charter Township, Farmington Hills, and Novi (with mention of Cascade Township), highlighting the per capita income of each, as well as their common locations surrounding Metro Detroit. Deputy Director Coeur noted that rating organizations, such as Standard and Poor, tend to be more favorable toward east Michigan communities than west Michigan communities. Councilmember Urban asked if the comparison included communities that mimicked Portage with its dedicated Capital Improvement Program (CIP) millage with the City Charter. Deputy Director Coeur responded that all had a dedicated CIP millage but he was uncertain whether they were Charter provisions.

Councilmember Burns spoke regarding the rationale behind the debt rating and its effects on the city's borrowing options and rate status. Deputy Director Coeur confirmed it would change rates by five percent. Councilmember Burns expressed his concern with the efforts required to increase the bond rating in exchange for resulting higher rates. Mayor Randall asked whether Councilmember

Burns was comfortable lowering the percentage for use and he confirmed he would prefer to use any excess fund balance to address debt. Councilmember Urban asked why the City Council was being asked to take a position on debt. City Manager McGinnis responded with his preference to gain direction from the elected officials regarding the preferred balance between eliminating debt versus funding expenditures. Councilmember Urban spoke about prior actions and positions by the Council and inquired about the City Administration's position on debt levels. Additional discussion followed.

Mayor Pro Tem Pearson asked when the city had improved its rating to AA+, noting the actions and city efforts leading up to the change. Councilmember Knapp stated that she did not believe a City Council statement was necessary but noted she was uncomfortable with \$65 million in city debt. Mayor Randall asked Councilmember Knapp as to what amount with which she would be comfortable. Councilmember Knapp responded with a preference of \$55-60 million and lowering it over time. Councilmember Urban explained his position. Councilmember Knapp asked the remainder of the City Council for their positions. Mayor Pro Tem Pearson preferred a 20 percent Fund Balance threshold. Mayor Randall relayed the statement she had read in the budget document from the Finance Department and her preference of 20 percent. Councilmember Burns explained his rationale for avoiding a formal statement. Councilmember Urban stated his hesitancy to lower the percentage as it pertained to emergency events and expressed concern about depending on federal or state funding assistance.

Councilmember Burns asked for clarification regarding the dollar amount entailed in the proposed change. There was discussion regarding smaller dollar amounts entailed between a 20 and 24 percent balance. City Manager McGinnis presented a State of Michigan graph of the city's population debt levels lowering per capita. City Manager McGinnis asked Deputy Director Coeur to explain how it might affect future borrowing.

CAPITAL IMPROVEMENT PROGRAM REVIEW: Deputy Director Coeur next presented the status of the Capital Improvement Program (CIP) with regard to expenses and revenues by type. Councilmember Urban asked about the CIP millage basis. Deputy Director Coeur responded that it was entailed in the Property Tax type. Deputy Director Coeur then provided an update regarding the status of the ARPA funds and the current timeline as it relates to the prior and current year CIPs. City Manager McGinnis provided additional details regarding recent federal discussions and potential federal claw backs for un-spent funds. He noted a range of positions amongst the Council regarding the allocation of ARPA funds for city infrastructure improvements. There was additional discussion regarding the timing of the presented projects. Mayor Randall asked about the investment of the ARPA funds in the interim. Deputy Director of Finance (Revenue & Treasury) Grant Taylor responded that the funds were making \$800 per day at five percent interest. City Manager McGinnis noted that the illustrated projects were missing the proposed Department of Public Works garage relocation for 10-20 acres at \$600,000. Mayor Randall inquired about former farmland, noting the city's compost site. Mayor Pro Tem Pearson asked about excess Pfizer land. Councilmember Burns inquired about the future use of the garage's current location. City Manager McGinnis explained that an income-producing, mixed-use property was desired. Mayor Pro Tem Pearson noted prior Planning Commission history desiring such a use and commended the plan.

Deputy Director Coeur then presented the fiscal year carry-over projects, including the ongoing Bishop's Bog Preserve trail improvements and the Lakeview Park renovation. Councilmember Knapp and Mayor Pro Tem Pearson noted the plan for an amphitheater remained in the CIP document. Mayor Pro Tem Pearson inquired about the plan for the former West Lake Drive-In property. Parks Director Kathleen Hoyle and Public Works Director Rod Russell responded. City Manager McGinnis asked the members of Council whether they desired to move up the project. There

was additional discussion regarding the details of the property improvements. Mayor Randall inquired whether the benches or swings proposed could be included as memorials. Mayor Pro Tem Pearson noted that the current plan was temporary, pending a permanent Lake Center Area use.

Discussion then moved to the proposed archery park on South Westnedge Avenue. City Manager McGinnis presented the CIP project proposal for the archery property. Parks & Recreation Director Hoyle summarized the project timeline. Mayor Pro Tem Pearson asked why the archery park received priority from other projects. Director Hoyle responded that staff hoped to increase tourism and revenue from the archery tournaments. Councilmember Urban urged that installation of a security fence was necessary at minimum to prevent off-road vehicles trespassing. Discussion regarding the type of fencing, appropriateness, and repurposing ensued. Mayor Randall asked how many adjacent residences had already installed property fencing. Director Hoyle responded less than fifty percent, approximately. There was additional discussion regarding fence continuity and property maintenance concerns. Mayor Pro Tem Pearson asked Director Hoyle to further explain the other CIP improvements delayed by the archery project, to which she responded. Mayor Randall asked whether the city had explored a land-swap with Portage Public Schools since they had expressed such a demand for an archery facility and cited school property on South Westnedge Avenue in which the city is interested.

Councilmember Knapp asked about the City Council's goal with the subject property and if it needed immediate answers. Mayor Pro Tem Pearson responded that the designated funds could be utilized for other projects. Councilmember Urban asked if the city planned to demolish the existing building at the subject property. Director Russell and Director Hoyle confirmed plans for demolition. City Manager McGinnis asked both directors to detail the amount of funds delegated for the demolition and security. Mayor Randall suggested using the demolition funds on that project and reallocating the remaining to improve the West Lake property.

STATEMENTS OF CITIZENS: Mayor Randall acknowledged the citizens present, noting their Portage Central High School apparel relating to the proposed city archery park.

Jeff Jewett, Assistant Coach at Portage Central High School, stated he had relocated to the area at the beginning of the pandemic from Nebraska from an existing program. He highlighted that the sport is considered a club sport and not a school sport, so kids must wait until school sports practices are over to start, creating late nights for the kids and adults involved. He highlighted that archery attracts non-mainstream kids as an outlet for activities and socializing. He elaborated on the adult interest in their program.

Kate Overhill, Portage Public School Teacher and Central High School Archery Coach, also introduced herself. Both Ms. Overhill and Mr. Jewett noted their archery program now has over 200 kids. Ms. Overhill further explained that archery can attract a wide range of citizen types, as well as attract a regional interest.

Councilmember Urban asked about the max shooting distance allowed. Mr. Jewett responded from 70 to 80 meters during Olympic level competitions. Councilmember Urban responded that distance was his main concern regarding safety.

Councilmember Brayton asked for the coaches to expound on archery safety measures and the number of incidents. The coaches responded with zero issues, noting they had handicap students participate with future interests in paralympic competitions.

Mayor Pro Tem Pearson asked about the October 2019 agenda memo noting 700 kids participate in archery. Ms. Overhill confirmed that all middle school students are required to complete archery as part of the physical education program. Mayor Pro Tem Pearson then asked whether Schrier Park had been considered for archery, citing concerns about a singularly-designated park use.

Councilmember Knapp thanked the coaches for attending and providing the skilled input regarding consideration of the park. Mayor Randall spoke regarding the responsibility of the city.

CAPITAL IMPROVEMENT PROGRAM REVIEW (CONT'D): Councilmember Knapp asked about the Farmer's Market project history and scope, noting mention of an indoor facility. Director Hoyle and City Manager McGinnis responded. Councilmember Knapp then asked about the priority of Lake Center District projects and the status of those improvements, such as Portage Road. Transportation & Utilities Director Kendra Gwin responded.

The CIP presentation then moved on to bikeways and trailways. Councilmember Urban expressed concerns about the Northwest Trail Extension project, including \$150,000 for a feasibility study for a bridge over the US 131 highway when he was aware from prior discussions that the Michigan Department of Transportation (MDOT) would not allow another bridge in that area. Director Hoyle responded that city staff had met with MDOT representatives who were in favor of the project. Councilmember Knapp expressed concern about better uses for the designated funds than a pedestrian bridge. Members of Council echoed her concerns. City Manager McGinnis offered to push the project out while the city focuses on the other Austin Lake Trail project in the interim. Mayor Randall expressed a preference for seeking interconnectedness with city neighborhoods currently without such provisions.

Deputy Director Coeur then presented the water and sewer system projects. Councilmember Urban asked for a brief explanation of the Storm Drainage Improvements Program. Director Gwin responded. Councilmember Urban asked which lift station was scheduled for replacement this year. Director Gwin responded.

Deputy Director Coeur then presented the Police and Fire Division projects, followed by the Building Improvement projects. Councilmember Burns asked about the cost to remove the City Hall fountain and other funds entailed in the project. Public Works Director Russell responded with an itemized cost explanation. Mayor Randall asked which portions of the project will be performed in-house as opposed to contracted. Director Russell responded.

Councilmember Urban asked whether additional electric vehicle charging stations are planned. Director Russell confirmed. Councilmember Urban stated that the charging station aspect needs additional City Council discussion, noting the existing chargers are not super-chargers and require long-duration visits.

Mayor Randall asked for an itemization on each item before the expenditures are made if they exceed the City Manager purchase threshold.

ADJOURNMENT: Mayor Randall adjourned the meeting at 06:08 PM.

Erica L. Eklov, City Clerk