BUDGET REVIEW SESSION #1
MINUTES FROM APRIL 23, 2024

Mayor Patricia Randall called the Budget Review Session to order at 02:00 PM in Conference Room #1 at Portage City Hall.

ROLL CALL: Councilmembers Chris Burns, Nicole Miller, Terry Urban, Jihan Young, Mayor Pro Tem Jim Pearson, and Mayor Patricia Randall were present.

ABSENT: Councilmember Vic Ledbetter.

ALSO PRESENT: City Manager Pat McGinnis, Chief Operating Officer Adam Herringa, Chief Development Officer Peter Dame, City Clerk Erica Eklov, Finance Director Lauren VanderVeen, and Deputy Finance Director (Budget) Aaron Coeur. Various department directors and deputies were present via video conferencing.

OVERVIEW OF PROPOSED FY 2024 - 2025 BUDGET: Following introductions, City Manager McGinnis provided a brief summary of the current budget proposal's preparation. Finance Director VanderVeen began by presenting the meeting's agenda and budget timeline, including the strategy to build the city's budget, development of the Capital Improvement Program (CIP), and operating budget development with the annual review of the utility rates. She then noted a balanced budget of $105 million in revenue and $103 million in expenses. Director VanderVeen next reviewed the assumptions including property tax revenue, static millage levels, fund balance, and a six-percent increase of taxable value.

Additional topics covered by Director VanderVeen entailed the General Fund Balance, plus three Parks and Recreation projects currently over budget which require additional funding. Councilmember Burns inquired about the cash liquidity to ensure the fund balance is sufficient. Director VanderVeen confirmed it was sufficient. Mayor Randall asked for confirmation regarding the current amount in the balance of the General Fund. Director VanderVeen confirmed the fund balance was currently 58 percent.

Councilmember Urban requested clarification regarding the figures presented. There was additional discussion regarding the 20 percent fund balance and the Parks Department's projects. Director VanderVeen quickly touched on the line item budget regarding part-time positions before moving on to the individual department budgets.

CITY COUNCIL: At 2:17 p.m. Director VanderVeen presented the City Council budget. Councilmember Burns asked about the salary information presently at $51,500, despite the budget showing an increase to $69,000.

Mayor Pro Tem Pearson asked about the Human Services Funding line included in the Council's department budget, specifically regarding the lack of funding for the non-profits Lending Hands and Twelve Baskets. City Manager McGinnis responded that the City Administration utilized the recommendations from the Human Services Board (HSB) of which there would be a representative during the regular meeting that evening. Councilmember Young provided additional information from her former HSB service, noting the impartial review process with a review of the weighted questions and outside grant funding for the applying organizations or other rationales, including the percentage of Portage residents served. She encouraged asking the HSB rep during the meeting.

Mayor Pro Tem Pearson noted the reasoning was not listed in the budget information. He then asked about the staff recommendation of $20,000 to Twelve Baskets in addition to the entities in the HSB's recommendation. Chief Development Officer Dame responded, explaining the inability of the HSB to recommend Twelve Baskets for funding in light of delinquent code issues with the property but the desire to continue funding while addressing the code matters. CDO Dame also noted the provisions of the funding contract as approved by the Council due to code requirements. Mayor Pro Tem Pearson explained Twelve Baskets was working on a new building to meet the large community demand and the desire for the Council to supplement the two noted organizations with an amendment to the HSB's recommendation during the regular meeting. There was additional discussion regarding the steps required for a Council amendment and Council direction.

Councilmember Urban asked Mayor Pro Tem Pearson if he was seeking to alter the percentage allocation. Mayor Pro Tem Pearson responded that he was only seeking a one-time adjustment. Councilmember Young responded that she was uncomfortable making exceptions for certain organizations following the intensive HSB review, citing the grading criteria to which all applicants were beholden, concerned with a precedent and overriding based on Portage population served. Mayor Pro Tem Pearson responded he was not seeking to alter the HSB recommendation and direction, just proposing a budget revision.

Mayor Randall asked CDO Dame if there were any additional options, via Community Development Block Grant or otherwise, to assist in addressing the issues. CDO Dame stressed the need to address the life-safety items in the new building, which would allow for next steps. Mayor Randall noted the political implications relating to Lending Hands and the desired collaboration, worried about taking on a new applicant while not continuing to assist the existing organizations in need. She cited a recent contact by a community member praising the services provided specifically by Lending Hands. Mayor Pro Tem Pearson highlighted prior instances of going outside the HSB recommendation for the Portage Community Center during instances of building needs, and those organizations with professional grant writers as opposed to the less formal, local organizations. Councilmember Urban cited prior city efforts from the 2000s to institute objective scoring systems, and while the city boards invest a large amount of effort in reviews and recommendations, they are still *advisory* boards to the City Council, and therefore do not dictate policy. He then expressed concerns about the human service provisions held via contract and the need to maintain the stipulations as required, especially life safety should something happen. Mayor Pro Tem Pearson asked about the Lending Hands application and CDO Dame responded with the holes in the submission.

Councilmember Young spoke to the Mayor's notation of Ripple Effects and the struggle for local non-profits to sufficiently complete grant applications and what could the community do to assist with grant funding or assistance. Mayor Pro Tem suggested allocating $5,000 to Lending Hands if they re-submitted their application from two years prior and Twelve Baskets be permitted to focus on their existing building.

Councilmember Burns recommended discussing the issue with the HSB and suggest urging the two organizations apply for double the funding the following year. Mayor Randall noted the small aspect of the HSB funding in the budget but the time it annually entails. City Manager McGinnis also responded regarding Councilmember Burns' question regarding the Councilmember salary line and staff found the benefits had been moved from one location to be in-line with the salary line item. There was additional discussion regarding the likely mistake of doubling the Council stipend line and need to correct the overage.

FINANCE & PURCHASING: Director VanderVeen noted the department's total budget of $1,169,660 and includes the addition of a part-time Treasury clerk.

CITY ASSESSOR: Director VanderVeen presented the Office of the City Assessor and noted the contract with WCA Assessing would be up in 2025, which the City Administration anticipated renewing. Councilmember Burns asked if the City Administration was happy with the firm to which City Manager McGinnis confirmed.

PUBLIC INFORMATION: Mayor Randall asked about the revenue support in funding the department, noting the cable access franchise fees. City Manager McGinnis responded, and Director VanderVeen noted Cable access revenues were on the decline.

HUMAN RESOURCES: Director VanderVeen noted an 18.6 percent increase in the department's budget that included a five percent cost of living increase, the Kalamazoo Neighborhood Housing Services Down Payment Assistant Program for $50,000 to match a grant from the Kalamazoo Housing for All millage to encourage living and working in Portage, and a potential employee daycare assistance program. At the request of the City Manager, CDO Dame elaborated on the Down Payment Assistance program details. Councilmember Young asked for clarification about "city employees". CDO Dame confirmed it was a purposefully open-ended program to allow additional employer participation. Mayor Randall asked about community outreach efforts regarding the program. CDO Dame confirmed a partnership with Southwest Michigan First, with the first year plan to lead by example, followed by expansion in subsequent years. Mayor Randall asked about the use of any overages in later years. CDO Dame noted the City of Kalamazoo has a similar program that Portage is looking to mimic and use for retention/attraction.

City Manager McGinnis and COO Herringa elaborated on the Tri-Share Program and the details of the state daycare assistance program. COO Herringa relayed that the program was brought to the City Administration's attention by staff and stated it was currently in use by the Kalamazoo County Consolidated Dispatch Authority. Mayor Randall asked whether the funds were a "use it or lose it" structure. COO Herringa confirmed Tri-Share would administer the funds, following annual approval by the Council. There was additional discussion regarding the specifics of the proposal.

Councilmember Burns asked about a difference of $74,000 in the Human Resources budget. Human Resources Director Hertz responded that the amounts were included in professional services for a wage study and new furniture. Councilmember Burns asked about the previous wage study and the expected schedule for future reviews. Director Hertz responded that every three-to-five years was currently planned due to the nature of the economy with the hope of eventually spreading out the reviews to a minimum of every five years. There was additional discussion with Councilmember Burns regarding the line item increase notation, market rate adjustments, and additional factors.

TECHNOLOGY SERVICES & CABLE TV FUND: Director VanderVeen then reviewed the Technology Services budget, noting the adjustment of full-time staff from six to 5.7 due to a staffing adjustment with one employee changing from full-time to part-time. Following the department review, Director VanderVeen next reviewed the Cable Television Fund.

Councilmember Urban asked about revenue in light of recent fiber installation by MetroNet. Director Mackinder responded that the Michigan Metro Act regulated funding.

(Councilmember Urban stepped out at 3:13 p.m.)

CITY ATTORNEY: Director VanderVeen reviewed the City Attorney's budget, relaying that $312,604 is the contracted rate, plus $75,000 to cover anything over the contracted amount, as other options are explored. She closed by noting the current contract expires August 31, 2025.

PARKS & RECREATION: Director VanderVeen reviewed the Parks & Recreation Department, highlighting an increase of 0.3 in positions compared to the prior year and revenue increases due to team sports and special events contributions. Mayor Randall asked what the full-time Farmer's Market Manager does during the winter months. Director Hoyle responded.

SENIOR CITIZEN SERVICES: Director VanderVeen reviewed, highlighted staffing changes of consolidating three part-time positions into a full-time Building Coordinator position.

PUBLIC SAFETY: Director VanderVeen highlighted the significant changes proposed for the Police Division, including new police personnel hire expenses, to be offset by Community Oriented Policing Services (COPS) grant funding and the addition of a full-time Intelligence Analyst.

Councilmember Burns asked Public Safety to highlight the personnel shifts and elaborate on the specifics of the organization, duties, and oversight(s). Director Armold responded. Councilmember Burns then asked for additional information about the reductions and additions, as well as youth services. Director Armold and Deputy Director VanderWiere relayed that consolidating three to four lieutenant positions created the assistant chief position, with eight patrol officers stemming from the COPS grant. Director Armold then relayed the end of the School Resource Officer contract, scheduled to expire at the end of the school year, will be renewed with the district. The Police Drug Law Enforcement item had shifted from 2023-24 because the K-9 unit had been classified in a different location. Councilmember Burns then asked about the COPS grant revenue and future reimbursements. Deputy Director Coeur responded that the grant reimbursements would be deposited in a separate fund with refunds to the accounts completed internally.

Mayor Pro Tem Pearson asked about a prior notation of the police patrol parking lot enclosure. Chief Armold responded that the proposal had been delayed in the CIP to FY 2028-29. Mayor Pro Tem Pearson then asked about the number of vehicle break-ins over the last several years with the current lot. Chief Armold confirmed there had been none, highlighting a suggestion by Public Works Director Russell to have a local, city-owned training facility, while the current training is held at a Nazareth location at the cost of $6,500 for one event.

Director VanderVeen next presented the Fire Division budget. City Manager McGinnis asked for staff to relay an update regarding the Fire Station 3 improvements. Assistant Chief Jed Wild responded regarding the driveway pavement replacement and garage door upgrades, replacing the concrete floor drains in the vehicle spaces at Fire Stations 1 and 3. There was additional discussion regarding the upcoming improvement projects to enhance gender equity efforts.

Councilmember Burns asked about the TASER project with the noted reduction of TASER quantities and concerns for officer safety. Deputy Chief VanderWiere responded with information regarding current TASER models and plan for upgrades, stating that at most 20 officers would be on duty carrying TASERs with 25 models meeting the need.

Mayor Randall asked about Fire Station #2 and a prior demolition of an adjacent house. Chief Armold was unsure of the status and deferred the matter to Public Works.

Councilmember Burns next asked about the Fire Division's capital improvement and the acquiring of new vehicles, apparatuses, and cost expectations. Deputy Director VanderWiere confirmed that Councilmember Burns statement about costs rising and noted that apparatuses are increasing in price as well as longer delays in build-times.

CITY CLERK: Director VanderVeen reviewed the Clerk's Office budget next, highlighting the creation of one full-time position and a decrease in capital outlay of $75,000. She deferred to Clerk Eklov to explain the new position further. Clerk Eklov relayed the staff comparison with other departments around the state, current industry trends, and expectations for the department moving forward.

Mayor Randall inquired whether the proposal would eliminate the need for temporary election staffing expenses. Clerk Eklov confirmed it would, except for the Presidential elections. City Manager McGinnis inquired about the cost drivers and trends. Councilmember Burns relayed voter expectations for election administration. Mayor Randall noted increased time commitments with recent law updates.

CITY MANAGER: Director VanderVeen reviewed the City Manager's Office budget, including the addition of $100,000 for Inclusion Support Efforts. Mayor Pro Tem Pearson asked for additional details regarding the inclusion plans.

City Manager McGinnis responded that they desired efforts related to diversity, equity, and inclusion, to entail a review of city policies, procedures, etc. on a single-year basis to provide to the Council. Councilmember Burns asked the City Manager to share what other municipalities have done in this area. City Manager McGinnis responded.

Director VanderVeen reviewed the non-department General Fund, including citywide services (streetlights, professional services, and lake assessments), and transfers 4out in support the CIP and lower bonding requirements.

Councilmember Burns asked about the increasing costs of the citywide services line item. Director Gwin confirmed the increasing costs of electric and utility costs. Councilmember Burns asked about the city consultant recommending a transition to LED streetlights. Director Gwin reported that the process with Consumers Energy was more expensive for the upgrade. Councilmember Burns then inquired about the relationship with Consumers. Director Gwin responded, citing the additional collaboration with Midwest Energy.

Mayor Randall asked about the utility boxes remaining in various neighborhoods, some unsightly, potentially abandoned, and the possibilities for remediation or elimination with the city's beautification efforts. Director Gwin and City Manager McGinnis responded with potential options.

PUBLIC WORKS & RELATED FUNDS: Director VanderVeen reviewed the various sub-items with the Public Works Department, highlighting a 0.04 FTE increase over the prior FY and a potential property lease with Kalamazoo County Consolidated Dispatch Authority (KCCDA). COO Herringa explained the KCCDA matter as currently ongoing. Mayor Randall asked about other parcels previously for sale along the subject street. COO Herringa responded that KCCDA was seeking a built-out location.

(Councilmember Urban returned at 3:59 p.m.)

City Manager McGinnis further elaborated, noting the major technology requirements of the KCCDA that would also support city services at that location.

Councilmember Burns asked about expected timelines. COO Herringa responded that it would be summer 2024.

There was a review of the Parks Maintenance and Cemeteries, followed by the Cemetery Perpetual Care Fund. Mayor Randall inquired about use of the principal revenue. City Manager McGinnis and Director VanderVeen responded. City Manager McGinnis noted the plan to transfer a portion of the fund balance to the Community Foundation under state law provisions in an effort to improve interest earnings and returns. There was additional Council discussion regarding frustrations with the state law provisions.

Director VanderVeen moved onto the Major Streets budget. At the request of the City Manager, Director Russell explained the proposed addition of two new street sweepers, citing a need to more frequently sweep the city's residential streets, beyond what Veolia Water performs. He noted it would assist with road maintenance by increasing water drainage. Councilmember Burns asked for clarification regarding the budgeted account for the two new proposed street sweepers.

The Local Streets budget was reviewed next. Mayor Randall asked whether department staffing and scheduling were affected by a lack of snow plowing from the prior warm winter. Director Russell responded that it has helped the department by allowing additional time for a more thorough completion of existing tasks, interdepartmental support, and supplementary or preventative maintenance.

Director VanderVeen covered the Curbside Recycling Fund next, citing a ten percent increase over the prior year. City Manager McGinnis cited the upcoming contract expiration of the citywide recycling contract with Best Way Disposal and the plan to wait to see about pairing contracts to pursue single-waste hauling around June 2025. There was additional discussion regarding the possibility of adding a city compost program as well. Councilmember Burns asked about the long-term millage rate approach and Councilmember Urban asked for the General Fund maximum. Director VanderVeen responded.

****BREAK: 4:40 – 4:50 p.m.****

TRANSPORTATION & UTILITY FUNDS: Director VanderVeen presented the budget of the Transportation & Utilities Department and its various funds including Major/Local Streets Reconstruction and Water & Sewer Utilities. Councilmember Young inquired whether the proposed budget included state-required lead removals. Councilmember Urban asked whether the city continued to audit the City of Kalamazoo for rate true-up. Director Gwin responded that following an outside consultant's review, they were not. Councilmember Urban then asked about the reason for the 12 percent rate increase, to which Director Gwin responded that it was a result of responsible disposal of "sludge" in the system.

Councilmember Burns relayed the three-faceted recommendation from the City Council Utility Rate Study Committee included in the evening's Regular Meeting agenda, including exploring water affordability options in the City of Portage.

Mayor Pro Tem Pearson asked about the number of water shut-offs regularly performed. City Manager McGinnis responded that it was usually between 16-20 each quarter. Councilmember Young asked if site visits were done. Director VanderVeen relayed they were not. Councilmember Young proposed collaborating with local agencies or the police patrol to perform home visits to ensure all options are explored. City Manager McGinnis confirmed Treasury staff are very supportive and integral in ensuring water shut-offs are avoided or assisted, offering area support organizations and outlets when possible. Deputy Director of Treasury, Grant Taylor, also provided the various steps and options provided by staff and the various programs relayed to customers by staff. There was additional discussion regarding water rates, history of rate adjustments, and expectations for future years.

COMMUNITY DEVELOPMENT RELATED FUNDS: Director VanderVeen reviewed the Community Development Department's general budget, noting the 33 percent increase in expenses as a result of four additional positions for a new Rental Inspection Program and $300,000 for a Façade Improvement Program along Portage Road.

Councilmember Burns asked for additional details regarding the proposed Rental Inspection Program. CDO Dame responded that four additional staff were proposed, with the program starting in January to entail the same tasks as the City of Kalamazoo program model. He cited several staff that had relayed tours of local Portage rental properties that were unpleasant and illustrated a need for such an inspection program.

Councilmember Young urged staff to review how the program is being conducted regarding inspections, staff performance, and citizen complaint reporting. CDO Dame responded.
Mayor Pro Tem Pearson stated that surprise inspections would not be well-received by landlords and asked how this related to the City Council's priorities. He further relayed Housing Strategies was listed as second while Rental Housing Inspections was thirteenth. City Manager McGinnis responded. Mayor Pro Tem Pearson expressed his concerns about the importance of the program among the Council and the negative side effects of high city costs and increased rental rates. Mayor Randall asked CDO Dame about his buy-in. CDO Dame responded.

Councilmember Burns expressed concern regarding the program and requested a Committee of the Whole meeting and community forums with potential landlords to gauge need and interest. He suggested the possibility of implementing the program at a later date by way of a budget amendment. Mayor Randall also stated the need for additional information on the program before supporting it. Councilmember Young expressed support for the program, noting the number of landlords as compared to the number of residents renting in the city and the need to maintain safety in the city. Mayor Pro Tem Pearson responded to Councilmember Young stating that implementing a rental program without public input could result in negative responses with potentially increased rates by landlords as a pass-thru cost. Councilmember Young asked CDO Dame whether the program's proposal was for each unit of a property or only select units. CDO Dame responded that all units would be inspected. There was additional discussion regarding the desired order of next steps regard the program.

City Manager McGinnis relayed the introduction of the proposed Facade Improvement Program following prior Council discussion regarding incentives. Mayor Pro Tem Pearson expressed concern with the program funded by taxpayers. City Manager McGinnis noted related grants and marijuana sales-tax revenue. There was additional discussion regarding funding options.

Director VanderVeen subsequently reviewed the Community Development Block Grant Program portion of Community Development's budget, noting no significant changes, and followed with review of the County Housing Millage fund for single family home rehabilitation grants. CDO Dame confirmed the city's recent receipt of the county grant.

REVIEW OF PROPOSED CAPITAL IMPROVEMENT PROGRAM (CIP): Director VanderVeen reviewed the initial details of the Capital Improvement Program (CIP). Councilmembers noted the time left before the start of the Regular Meeting and agreed to postpone the remaining review of the CIP for the second Budget Review Session. There was additional discussion regarding changing the date to match the next Regular Meeting date and add the matter to the evening's New Business agenda.

STATEMENTS OF CITIZENS: (Mr. John McNeil introduced himself at the start of the meeting and was present until 5:45 p.m.) No public comments.

ADJOURNMENT: Mayor Randall adjourned the meeting at 05:53 PM.

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Erica L. Eklov, City Clerk