MINUTES FROM THE SPECIAL PRE-MEETING
OF THE PORTAGE CITY COUNCIL
OF DECEMBER 5, 2016

Mayor Strazdas called the meeting to order at 9:01 a.m. The following Councilmembers were present: Mayor Pro Tem Ansari and Mayor Peter Strazdas. Councilmember Jim Pearson was present via the conference phone line. Councilmember Patricia Randall arrived at 9:02 a.m. which provided a quorum. Councilmember Claudette Reid arrived via the conference phone line at 9:03 a.m. Councilmembers Richard Ford and Terry Urban were absent with notice and excuse. Also in attendance were City Manager Larry Shaffer, Deputy City Manager Rob Boulis and City Clerk James Hudson.

With regard to Item D.1, Cliffwood Avenue and Archwood Drive Sanitary Sewer Project #418-S, and Item D.2, Cliffwood Avenue and Archwood Drive Water Main Project #316-W, Councilmember Pearson asked what happens now since the City has a petition signed by eleven out of the twelve property owners against the projects. City Manager Larry Shaffer noted that this was a snafu on the part of the Administration since it was presumed that a majority of the property owners would want it; furthermore, the Administration has taken it upon itself to do a better job of surveying and knowing what citizens want. When Councilmember Reid arrived, Mr. Shaffer restated Councilmember Pearson's question and his explanation.

Councilmember Reid asked if the Administration is recommending that we back off and not pursue these projects, and Mr. Shaffer answered in the affirmative. When Councilmember Randall reflected that she thought these projects were really well-received a couple of years ago. Mr. Shaffer agreed but indicated that a "no response" in the survey was taken to mean favorable to the project, so the Administration plans to do a lot better with future surveys. Mayor Strazdas indicated that everyone wants water and sewer, especially if it is free, but when they find out the details and the need for a several thousand dollar check and have to open the wallet, that is when they make or change their decision.

Councilmember Randall asked about the sale of the lot on Archwood Drive because Council was trying to not have to make the buyer install a septic system or a well since water and sewer were supposed to be there for hook-up. Mayor Strazdas pointed out that the City conceivably forced water and sewer installation and hook-up on the major thoroughfares; however, in the neighborhoods, if the majority of the homeowners are ready to make the investment in a water and sewer project, then they get together, and even though they may feel for the person who has a new septic system or a new well, they may vote in favor of the project anyway. He reflected that if the majority of the homeowners have a new septic system or a new well, then they do not see the need to hook-up. Mayor Strazdas recognized that Mr. Shaffer acknowledged the need for the survey to have some real costs in the survey questions. Mr. Shaffer also acknowledged the need for the Administration to attend more neighborhood meetings, get face to face and show the actual project costs before wasting everyone's time. Councilmember Randall concurred.

Mayor Pro Tem Ansari asked how this "fell through the cracks" and Mr. Shaffer indicated it was the result of the card survey used by the City and as the practice has always been, if the property owner does not respond, the assumption is "yes." He also noted that this is the second time the Administration has made this assumption, but there

is a need to change this and the Administration will change this to limit the chances that this happens in the future.

Councilmember Reid asked why 217 Cliffwood Avenue was highlighted in the December 2, 2016 Materials Transmitted and was it because it was for sale. She pointed out that regardless of whether the property is for sale, the vote of the current owner should count, so she wondered why it was highlighted. Mr. Shaffer said he would research why it was highlighted for her. Councilmember Reid said all she could think of was that the person who buys the property may have a different view, but one cannot anticipate the preference of the buyer, and she just found that it was unusual. Councilmember Randall conjectured it could affect the sale, and City Clerk James Hudson issued the caveat that if at the time a water and/or sewer project is legally advertised, the buyer buys the property, the buyer becomes liable for the costs (if the seller cannot be found).

Regarding the Community Development permit fees in Item F.1, 2017 Fee Schedules, Councilmember Reid indicated that Ms. Georgeau said that the fees had not been increased for several years and is recommending a 6% increase across the board with a couple increases different from 6% owing to a different issue. So, she asked for the last increases in these items if possible in order to discern the differences, as she is reluctant to increase everything with one big jump instead of incremental increases as discussed by Council. She then conjectured maybe the increases should be 3% this year and 3% next year, for example. Mr. Shaffer said he would be happy to project that for her, plus he already has them on a spreadsheet. Mayor Strazdas asked for a comparison of the permit fees charged by "our neighbors" to ensure Portage is not charging more than everyone else and are reasonable. Since Portage did not go along with the townships when they merged together as a collaboration group, Portage was singled out, so he wanted to know that Portage is not the highest priced operation around.

Mayor Pro Tem Ansari asked, "How do we define what is reasonable?" Mayor Strazdas responded that Portage needs to be below the median. Councilmember Reid shared that Ms. Georgeau indicated Portage is in the middle when compared with Grand Rapids, Sterling Heights and Kalamazoo and admitted this is not a real broad look and conjectured maybe these are the only places Ms. Georgeau could get information on the fees. Mayor Strazdas asserted his interest is for a focus on local builders since they don't build in Grand Rapids or Sterling Heights; rather, they build in Texas Township, Oshtemo, Vicksburg, etc., and Mr. Shaffer said he would look at those for Council. Mayor Pro Tem Ansari asked generally what is the necessity for the increase in the first place. He expressed his appreciation that the park rates did not increase, that the new ones were not too high, and he asked if an increase in the fees for development is necessary. Councilmember Randall conjectured that technology should make us more efficient than doing some of these things that may be more labor intensive with paper. She agreed with Mayor Strazdas that perhaps no one else but a builder will know, and small business owners are definitely going to know.

Mr. Shaffer referred to a fairly simple chart that he provided that outlines City personnel costs that have gone up versus City income that remains relatively stable. He said the effort is to try to meet our expenses associated with our service through these rates.

Councilmember Pearson interjected an information request he has been getting from small business owners who complain about the fee amount for a temporary sign, and asked for a comparison of what the City charges versus surrounding communities.

Councilmember Reid made the comment that across the board there has not been a reduction in any fees this year and, with the added use of technology and the idea that

there is less labor involved, there are still no commensurate fee reductions. City Manager Shaffer indicated that there will be paybacks realized in the General Fund and the millage rate. He noted that at the Council Retreat on January 23, 2017, staff will provide a comprehensive representation of where those benefits are and the direction of the millage rate, which is downward.

Regarding Item F.2, Final Preliminary Condominium Subdivision for Copperleaf (Phase II) – 3800 West Milham Avenue and 5710 Angling Road, Councilmember Randall asked if this project is going faster than was planned since they are now up to 23 homes. Mr. Shaffer indicated that "Copperleaf is on fire" and "Whispering Rock is on fire" and Joe Gesmundo said they have never had presales like this ever. Mayor Strazdas said the Kalamazoo Builders Association talked about this as a problem and about another problem, i.e. labor. He attributed this situation to the demand in the condominium market and the step up by older retirement group who are looking at a lot of new housing which is great because it is improving undeveloped land in Portage and increasing the tax base. He discussed the need to accommodate these developers, so he asked do we make it easier or more difficult for them to expand. Mayor Pro Tem indicated that Joe Gesmundo is building banks on West Main in Oshtemo and asked if there was a way to attract banks to Portage, and Mr. Shaffer reminded himthat there are banks being built in Portage, too, and cited a new one on West Centre Avenue, for example.

Regarding Item F.4, Health Insurance Contract Renewals, Councilmember Reid cited the Blue Cross Blue Shield of Michigan (BCBSM) Community Blue increase of 17.87% versus the Blue Care network (BCN) Classic Large decrease of 6.08%, and asked for confirmation that BCBSM is experience based on the City of Portage. Deputy City Manager Rob Boulis responded that BCBSM has been experienced rated from day one, and we were told that this past year BCN is also experienced rated. He indicated although we have not seen any numbers on it, we were told last year that they would both be experienced rated. Councilmember Reid asked if they are both being experience rated, why there is over a 20% difference between the changes from last year to this year between the BCN Classic Large and the BCBSM Community Blue, and Mr. Boulis expressed his frustration of not knowing the exact answer for her. He reiterated that we were told BCN Classic Large was experience rated, but we have not seen any numbers on it; however whether the BCN is experience rated as a community or with our internal group still begs the question for the disparity. He pointed out that BCN is a more controlled approach owing to the requirement of a referral from the primary care physician which results in a little better job of controlling costs.

Mr. Shaffer cited the rule of adverse selection in health insurance where enrollees self-select, so the healthy take the option that is the cheapest and the not so healthy, or those with medical issues, choose the more expensive, and this drives experience, so the healthy side shows a decrease because they are not using it as much and the other shows an increase because they need to go into a particular plan and their experience goes up. He reminded Council that this is one of the issues that drove the HMO's versus the indemnity plans all along because the healthy people went into the HMO's because it was the cheapest, thus driving the experience further down which left the most infirmedin the indemnity plans which drove their experience up. With that, he admitted he did not know for sure if this is what is happening in Portage, but suspected adverse selection is playing a role in this situation.

Councilmember Reid asked for a percentage or the numbers as to how many people are in the plans, and noted that if 85% are in the classic plan, she has no concern that the other 15% had an increase; but, if it is the opposite of that, she would have a

concern about that. She expressed her concern for the need to do a better job of looking at other options, and pointed out that other companies were not interested in placing a bid because the City does not guarantee full participation of all employees owing to union contracts, for example. For information only, Mr. Boulis indicated each employee has only one option, and explained that nonunion employees have BCBSM and no BCN option, the IAFF has a different plan from BCBSM and no BCN option, and PPCOA, PPOA AND UAW have BCN. He noted that the City is looking at different plans for the IAFF and for the nonunion group to give them choices.

Mayor Strazdas asked if any of these plans are related to retirees, and Mr. Boulis affirmed that they all have retiree aspects. Mayor Strazdas explained that he raised this question because the State House and State Senate are aggressively pursuing a reduction in benefits for retirees of what was promised which he gleaned from a conversation with one of the Michigan State Representatives, who said he has been contacted by many retired employees, including from the City of Portage, suggesting that this is an "ill will bill" of taking back promises. He indicated that it probably will not get much traction; nevertheless, if it passes and the City is mandated to reduce benefits, this will affect the Council budgeting process. Councilmember Randall stressed that the private sector has done this for decades and is not anything new when they find that they cannot support "those Cadillac programs" as promised because people are living longer and there are more retirees. Mayor Strazdas admitted it was "beyond our control" yet germane to this conversation.

Councilmember Pearson recalled this item from a year ago when the question was asked what do we get for $25,000 and Mr. Shaffer said, "Let's do it" and decide what we get. He referred to the four bullet points contained in the Agenda packet as being fairly generic and asked, again, what the City got for $25,000 from Southwest Michigan First (SMF) last year. Mr. Shaffer responded that SMF worked very hard on the Stryker project that resulted in the sale of the Pfizer property of 288 acres to Stryker Corporation for $8.5 million. He revealed that the City discovered that Stryker had other options in Grand Rapids and out of state, but decided to do it here. He could not determine the role played by SMF in this effort, but he did indicate that it was significant. He said that the City was in touch with Jill Bland from SMF at least three times per week, and SMF will continue to work on projects with Stryker. Councilmember Randall asked prior to the agreement, how often did the City hear from SMF, and Mr. Shaffer could not answer that question before he became City Manager, but he stressed that this year the City has been in constant contact with SMF, and he praised them for the great job they have done with innovative, creative solutions and expressed satisfaction with their performance.

Councilmember Reid echoed the concerns of Councilmember Pearson and that it was her understanding that Council would be taking a look at the SMF performance in the form of a six month report and a one year report. Mr. Shaffer indicated that there have been two reports which he thought were sent to Council and that he would make sure those reports are sent to Council. Councilmember Randall reflected on a perceived increase in contact with SMF by citing the program on Branding by Heather Baker and the fact that Ron Kitchens spoke at the last Council Retreat.

With regard to F.6, Resolution to Support the Vicksburg Non-Motorized Trail Connection Project, Councilmember Pearson indicated he is fully in support of this item, but asked what is the cost of the right-of-way and what other costs are associated with this aspect of the trail. Mr. Shaffer indicated that he called for an appraisal for the Ron O'Brien property and is talking to him, and Peg Giem is talking about deeding the right-of-way across her property at no cost. He pointed out that the principle purpose of this

is to leverage Kalamazoo Area Transit Study (KATS) money to actually build the trail, and this action by Council shows that the City of Portage and the Village of Vicksburg are working together which helps to leverage that money. Councilmember Pearson reflected on his work with corporations, like Stryker and Pfizer, and the liability issues on their property, insurance costs and such. He asked if that cost would be provided to Council within a year, and Mr. Shaffer answered in the affirmative.

Councilmember Randall pointed out that there is no timeframe on this and asked whether this is a part of Map 7, the non-motorized and motorized trail proposal, and Mr. Shaffer answered in the affirmative and stated that the goal is to bring more money into the process to get more grants to build the trails. Councilmember Randall noted that Vicksburg voted to go forward with this at their last meeting and Mr. Shaffer confirmed this. She pointed out that it will not cost Vicksburg any new dollars since the County picks up where their trail ends, and Councilmember Reid responded that the County portion is from E T U Avenue to T Avenue.

In reference to G.4, Communication from Ruth Caputo, 10970 Poplar Bluff Court, Councilmember Randall expressed her recollection that Ms. Caputo had resigned from an active role with the Environmental Board. Mr. Shaffer confirmed that and pointed out that Ms. Caputo was originally referred to as the Former Chair of the Environmental Board on the Agenda Outline, but this is not coming with an Environmental Board endorsement. He said it is really a petition from an individual and the recommendation would be to refer this matter to the Environmental Board; this would allow the Board to consider it as far as developing a full Land Management Plan as a part of an Environmental Action Plan going forward instead of Ms. Caputo being in the position to dictate an agenda for the City and the Environmental Board. As information for Council, Mr. Shaffer also reflected that there may have been some conflict that resulted in Ruth Caputo leaving the Environmental Board. Mayor Strazdas concurred with sending it to the Administration and/or the Environmental Board at the Regular Meeting on December 6, 2016.

ADJOURN: Mayor Strazdas adjourned the meeting at 9:35 a.m.

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James Hudson, City Clerk