

**MINUTES OF THE BUDGET WORK SESSION OF THE PORTAGE CITY COUNCIL**  
**May 2, 2017**

Meeting was called to order by Mayor Strazdas at 5:00 p.m.

The following members of City Council were present: Richard Ford, Jim Pearson, Patricia Randall, Claudette Reid and Terry Urban, Mayor Pro Tem Nasim Ansari and Mayor Peter Strazdas. Also in attendance were City Manager Laurence Shaffer, Deputy City Manager Rob Boulis, Finance Director Bill Furry, Deputy Director of Accounting and Budget Lauren VanderVeen and City Clerk James Hudson.

Mayor Strazdas, Council, staff and the following representative applicants from the local non-profit organizations introduced themselves: Michael Evans from Kalamazoo Literacy Council, John Hilliard from Lending Hands, Linda Snyder from Goodwill Industries, Kathy Brown from the YWCA and Erin Lambeth from Gryphon Place.

At the request of Mayor Strazdas, City Manager Larry Shaffer introduced Community Development Director Vicki Georgeau and described what she would be presenting to Council. Ms. Georgeau directed City Council to the Human Services Fund outlined in the 2017-2018 Budget Document and the information found in sections 1, 2 and 3 of the Supplemental Budget.

Ms. Georgeau stated that the total funds available for fiscal year 2017-2017 is \$179,056 with \$139,330 derived from the 0.55% from the anticipated General Fund Revenues and \$39,726 allocated from Community Development Block Grant (CDBG) Funds. She discussed the method of selection of applicants, some of the applicant requests in detail, the funds available for disbursement and a review of the recommendations. Discussion followed. Mayor Pro Tem Ansari recused himself from the discussion owing to his membership on the Portage Community Center Board, and indicated he would be abstaining on this portion of the Budget at the Budget hearing.

Ms. Georgeau briefly described the process utilized by the Human Services Board (HSB). She referred City Council to the Human/Public Service Funding Applications. Using the Supplemental Budget, she then outlined the Fiscal Year 2017-18 General Fund and Community Development Block Grant (CDBG) funds available for human/public services.

Ms. Georgeau explained how the increases were made possible under the formula requirements of the CDGB funding model, the City Council General Fund allocation and increased program income. Discussion followed regarding potential topics for the Council Retreat, the Portage Community Center Grant Writer, and the number of hours it takes to place an application. Discussion followed.

Mayor Strazdas asked the applicants to speak on their behalf and each of them expressed his or her appreciation to Council and staff and expounded on the services, the benefits provided by his or her organizations and how they all collaborate with one another for better coverage of the needs of the community.

Ms. Georgeau reviewed the Community Development budget, both the operating portion in the General Fund and the Community Development Block Grant (CDBG) Program as it relates to Human Services. She indicated that the Budget is flat, but there is an increase in permit revenue of \$500,000 to \$650,000 and pointed out that the hiring of a part time Permit Clerk and the benefits derived from having an extra person in the office has been welcomed.

Ms. Georgeau disclosed the increase in revenue from permits, highlighted some of the positive trends in the residential, office, commercial and industrial areas, quantified the projections, and listed and reviewed some of the specific projects for the future.

In answer to Councilmember Pearson, Ms. Georgeau mentioned that commercial developments in Oshtemo Township and residential developments in Oshtemo, Texas and Antwerp Townships (Mattawan) pose competition for Portage in the County. Discussion followed regarding the environmental challenges of remaining developable property in Portage, the list of some of the current developments, and the use of Code Enforcement to enhance and stabilize neighborhoods. Discussion followed.

She explained that the additional part time Permit Clerk keeps track of projects and allows inspectors and staff to provide better response and better monitoring to see that the projects are being done properly.

She mentioned that the Department is still using AGS (Associated Government Services, 8721 Gull Road, Suite B, Richland) for simple projects and makes creative use of the Electrical Inspector, who is not as busy as the Building Inspector. Discussion followed.

Ms. Georgeau advised City Council that they would be asked on May 9, 2017, to approve the Community Development Block Grant (CDBG) Program 2017-2021 Consolidated Plan and authorize the Administration to submit the 2017-2021 Consolidated Plan and the FY 2017-2018 One-Year Action Plan to the Department of Housing and Urban Development (HUD) on May 15, 2017. Ms. Georgeau explained the process and referred City Council to Sections 2 and 3 of the Supplemental Budget Book of 2017-2018 and outlined the services that are provided in the FY 2017-2018 One-Year Action Plan. She detailed the program funding breakdowns outlined in Section 2, mentioned an expected decrease in funding and explained the home buying programs and housing assistance programs. Discussion followed.

Ms. Georgeau introduced the Capital Improvement Program (CIP), described the new "open house" feature for public input, and outlined the use of the September survey. She explained the process and summarized the draft 10-year document. She indicated that the CIP provides investments in streets combined with sidewalks & bikeways, local street enhancements, trails and parks. In answer to Councilmember Pearson, Ms. Georgeau indicated that the Road Diet on Portage Road which would cost about the same as actually implementing the changes, and the placement of temporary barrels would give the driver the perception that he or she is entering a construction zone. Discussion followed regarding the Road Diet experience in Paw Paw, the speed of the vehicles on Portage Road, possible location of traffic signals, winter driving, three ongoing, planned projects that have to be considered together, and "pop-up" bike lanes with the use of signage. Discussion followed.

In answer to Councilmember Urban, Ms. Georgeau indicated that an intersection may not warrant a traffic signal, but may warrant another technique owing to traffic volumes, but a roundabout may be more expensive, so the funds may need to be acquired, plus there is the challenge of obtaining additional right-a-ways. Ms. Georgeau indicated that once the CIP is approved, Staff would go into the engineering phase for the first one-half of the year, and the construction would take place in the Spring of 2018; nevertheless, there is a proposed roundabout for Portage Road and East Osterhout Avenue in the CIP. Discussion followed.

Owing to the expressed interest of Council, Mayor Strazdas offered that time be set aside for a Committee of the Whole discussion on this matter along with the citizens who may provide input.

Ms. Georgeau referred Council to the maps and the listing for the proposed major and local streets, sidewalk & bikeway, water and sanitary sewer reconstruction that will be addressed by the CIP. Discussion followed.

Ms. Georgeau mentioned some new projects in the CIP: the Lovers Lane realignment project, continued improvement of traffic signals, and road reconstruction and water main replacement on Lakeview Drive. Discussion followed. Ms. Georgeau continued with a review of sidewalks & bikeways, including some new projects for sidewalks & bikeways and water and sanitary sewer reconstruction in the CIP. Discussion followed.

Ms. Georgeau reviewed the progress of the construction of Fire Station No. 2. She mentioned the need for the replacement of outdoor sirens, plus the new CIP items of "fire station alert system" and "real time situation monitoring software." Discussion followed. For the Police, she explained that the "replacement of the uninterrupted emergency power source" for the police station is in the CIP.

Ms. Georgeau proceeded with listing projects contained in the CIP, including an input option project designed to bring people together as a neighborhood group to identify issues and projects, then bring the community together to engage in projects. Discussion followed.

Ms. Georgeau discussed improvements and additions to Parks & Recreation, including: Celery Flats Interpretive Center, Pickle Ball Courts, and acquisition of the Michigan Department of Natural Resources (MDNR) land in the Southwest corner of the City. Lastly, she reviewed debt service and discussion followed.

RECESS: 7:00 p.m.

RECONVENE: 7:10 p.m.

City Clerk Jim Hudson cited some of the services provided by the City Clerk staff in the areas of Freedom of Information Act Requests, City Attorney and Department service requests, Youth Advisory Committee, the Portage Public Schools District Advisory Council, Boards and Commissions recruiting and processing, software updates, liquor license application processing, research, legal notices, record keeping, cemeteries, Portage Ordinance Codification and matters before City Council. He highlighted the duties of the office under State Election law and discussed the proposed grant from the State of new election equipment that will be used for the first time at the November 7, 2017 General City Election. Discussion followed.

Mr. Furry reviewed the changes in the City Manager Department, including an extra \$40,600 for an Assistant City Manager during the second half of the fiscal year and an additional \$10,000 to the Cultural and Community Events line item.

In answer to Councilmember Pearson, City Manager Larry Shaffer indicated that the position would be responsible for many issues currently addressed through a task force approach: individual performance evaluation; system evaluation as measured against output as with the Code Enforcement and how does that translate into value or a return on investment to the City; the internal energy task force regarding conservation initiatives; and the future treatment of the purchasing function as the current Purchasing Manager could retire.

Councilmember Reid asked for an explanation of why the Cultural and Community Events is at \$30,000, up \$10,000 from last year. Mr. Shaffer mentioned the Diversity Event and the Martin Luther King, Jr. Event, and indicate that this year, the City is looking to do more in the Martin Luther King, Jr. Event in the way of getting better entertainment and more than one activity for Black History Month. He agreed with her that this line item should be with the Parks Department and would be moved, but it was thought that initially it was suited in the City Manager Budget because it fell outside of the normal and typical duties of a Parks Department. Discussion followed regarding other diversities and cultures that could be celebrated.

There was a consensus to adopt Councilmember Randall's suggestion that a survey question could be used to identify a direction for this initiative.

Mr. Shaffer introduced Human Resources Director Shannon Hertz, who indicated she would be highlighting four areas in her Department: employee training and assistance, maintenance of diverse applicant pool for applications & resumes, and constantly review hiring practices and to look for opportunities to effectively increase demographic diversity, and safety. She stressed that a top priority is with the Police and Fire Departments to utilize hiring practices that ensure recruiting addresses their needs. She indicated that the Department is refining the hiring process so they can be more proactive and prepared for the candidates. She noted that the Department is developing department staffing plans to help identify internal candidates, and growth and development remains as a large driver of retention, along with providing the tools and support for employees to help them on their career path with the City, including leadership and compliance training. She indicated that another retention tool is the Benefits Package, so the plan is to make the employees more aware of the value of the Package. She mentioned the plan to use CivicQuest Software that will be rolled out this year as a means to provide better information service for employees, plus it allows the employee to access the information both from the workplace and from the home. She discussed training goals and safety plans, field inspections and safety audits. Discussion followed regarding the efficiency and effectiveness now realized by the Human Resources Department, the use of innovation and automation by the Department, Workers' Compensation as a function of the Finance Department, the ADP Payroll System, and training. Discussion followed.

City Manager Shaffer indicated Finance Director Bill Furry and Deputy Director of Accounting and Budget Lauren VanderVeen have done an incredible job with the Budget. Deputy Director Lauren VanderVeen referred Council to the budget book and noted that the Finance Department consists of three divisions, Accounting, Finance & Budget and Treasury. Overall, she said the Finance Budget decreased approximately \$38,000 from fiscal year 2016/17.

She reviewed the Accounting Division which is made up of four staff who handle the mechanics of the department, such as processing payroll and accounts payable, monitoring employee benefits and workers' compensation, handling bank transfers for several types of payments and tax collection distributions, along with bank reconciliations, and preparing most of the accounting journal entries. She also indicated that the Department continues to encourage vendors to accept electronic payments to reduce the cost of check printing and mailing.

She reviewed the Finance and Budget Division which includes those who prepare and monitor the budget, assist with the CIP and Utility Rate Study, coordinate the annual audit, manage debt and refinancing,

oversee cash and investments, handle financial analysis and advising, and ensure compliance with rules and regulations. She indicated that the Deputy Director of Revenue and Capital Improvements position was eliminated for the 2017/18 budget, which affects both the Finance & Budget Division and Treasury Division. She said combined with reductions in printing & publishing (\$8,000) and a new lower audit services contract (\$3,000), the 2017/18 budget shows a decrease of over \$20,000.

As mentioned previously, she said the eliminated Deputy position also affects the Treasury Division, and indicated that the overall decrease for the 2017/18 budget is approximately \$17,000. Finance Director Bill Furry said that the Treasury oversees all city monies collected, billing tax and utilities and a variety of other charges, and stressed that the Treasury staff is very detail oriented. He indicated that in the first 9 months of this fiscal year, 76% of all transactions were checks, electronic payments accounted for 21%, credit card payments were 2% of the total, and 1% was cash. Discussion followed regarding payroll checks and the use of credit cards in lieu of petty cash. Discussion followed.

Mr. Furry reviewed the City Council budget which includes the stipends for Mayor and Council Members, fees for Michigan Municipal League membership, and funds for training, various meetings and seminars. The electronic communication allowance has been reclassified, and the allowance for miscellaneous charges was increased and explained. Discussion followed.

Mr. Furry reviewed the City Attorney budget which is the budget for general legal services to the City Council and all departments regarding municipal matters. There is no change to this budget for 2017/18.

Mr. Furry explained that the Contingency Budget is an attempt to balance the General Fund Budget versus having expenditures exceed revenues, but all told, there was always revenues exceeding expenditures. He also explained that as an offset to the reductions the Administration asked departments to make in the operating budgets, \$50,000 was included to cover contingencies. He cited Michigan Public Act 2 of 1968 established the requirements for accounting, budgeting, and auditing for local units, which indicates that "an estimate should be made for amounts needed for deficiency and contingent or emergency purposes, ... not intended to be an account to make expenditures, but rather a temporary classification for unforeseen or unanticipated expenditures." He said it is not expected that this amount will be used, but in the event of a serious shortage in a departmental budget, the City Manager may approve a budget amendment to reduce this appropriation and increase another. Discussion followed.

Next, Mr. Furry covered the Debt Service section including Special Assessment debt. He said that the Capital Improvement Fund supports payments on General Obligation debt, Michigan Transportation

Fund debt, and Building Authority debt. He indicated that the Building Authority Debt fund has held a larger fund balance than necessary for some time, so the funding transfer for next year was reduced by \$35,000 so those funds could benefit the CIP.

He mentioned that the tax capture in the Downtown Development Authority (DDA) has improved in recent years as the decline in taxable values has abated, so the supporting transfer from General Fund was omitted. He said that as the values in the Local Development Finance Authority (LDFA) have declined, the fund will draw some on fund balance until new construction is completed in the district. He indicated that the LDFA was eligible for a reimbursement of \$219,000 from the state for personal property tax losses in 2016/17 and explained. Discussion followed. He said that the calculation of the reimbursement is based on a comparison to 2013 values, as is the case with the General and other funds reimbursements, so an increase is possible for next year. Lastly, he said that the Special Assessment Debt Service Fund is supported by payments received from assessed property owners and explained.

He reminded Council that the next steps will be the budget hearing a week from tonight, and on May 23rd, where they will be asked to adopt the General Appropriations Act Resolution to adopt the 2017-2018 Budget inclusive of all components including the Capital Improvement Program, along with the Salary and Wage Resolution. Discussion followed.

Mayor Strazdas asked for the discussion of the Fund Balance to resume. City Manager Shaffer indicated that he recommends maintaining a 24% Unappropriated Fund Balance in the General Fund especially considering the City Council has no interest in a Tax Stabilization Fund; and, if there is to be further erosion of the Unappropriated Fund Balance, that Council take it down as little as possible. He indicated that these have been good years for the City of Portage, and the City should be in really good shape for two to three years, so it is time to build reserves and take steps to go from the AA Stable to AA+ Standard and Poor's Bond Rating. He said reserves are important to the financial plan of the City, and it is important to show a commitment to a conservative fiscal approach. He recognized the wisdom of Council to move the Unappropriated Fund Balance from 40% to 24% which is reasonable, and he inferred that any change should be very modest, and only for debt avoidance. Discussion followed.

Mayor Pro Tem Nasim Ansari reiterated that the State requirement is 13%, advocated going down to 20% and asked what number is acceptable. Discussion followed regarding any additional funds that might be available in November somewhere in the area of \$650,000.

Councilmember Reid advocated not going down at all, regardless, as it is important to maintain stability and, if there are extra funds in November, use them for debt avoidance or reducing debt.

Councilmember Ford expressed his reluctance to go below 24%, and indicated that the surplus is incalculable and there may not be any.

Councilmember Randall expressed her interest in obtaining the AA+ Bond Rating, indicated that the City has too much debt, and offered a compromise to bring it down 1% or 2% and use the funds in the CIP project area to save interest as to allow the funds to be used for the taxpayers who are currently paying the tax.

Councilmember Pearson concurred at 1% and, if there is a need for money, Council can increase it to 24-25%, and it is better to use the money wisely rather than letting it sit around at a low interest rate. He advocated 23%, nothing radical. Mayor Pro Tem Nasim Ansari said he is willing to go down to 22% and give the residual back to the taxpayers.

Mayor Strazdas indicated that roads still have a gap; that there is discussion to get down to a 15 PASER Rating; so, there is a need for \$1.5 million each year to do that. He challenged Council to decide whether they want better roads or lowered debt. Discussion followed.

Mayor Strazdas thanked City Council and Mr. Shaffer for an engaging discussion. City Manager Shaffer thanked Mayor Strazdas and City Council for the process. Discussion followed.

**ADJOURNMENT:** Mayor Strazdas adjourned the meeting at 8:40 p.m.

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James R. Hudson, City Clerk