

MINUTES OF THE BUDGET WORK SESSION OF THE PORTAGE CITY COUNCIL
May 5, 2015

Meeting was called to order by Mayor Strazdas at 4:30 p.m. The following members of Council were present: Councilmembers Nasim Ansari, Richard Ford, Patricia Randall, Claudette Reid and, Mayor Pro Tem Jim Pearson and Mayor Peter Strazdas. Also in attendance were City Manager Laurence Shaffer, Deputy City Manager Rob Boulis, Finance Director Bill Furry, Deputy Finance Director Lauren VanderVeen and City Clerk James Hudson. Councilmember Terry Urban arrived at 4:35 p.m. and Councilmember Nasim Ansari left at 6:20 p.m.

At the request of Mayor Strazdas, City Manager Larry Shaffer introduced Community Development Director Vicki Georgeau, who indicated some of the grant applicants were present, and directed City Council to the Human Services Fund outlined in the 2015-2016 Budget Document. She reviewed the information found in sections 1, 2 and 3 of the Supplemental Budget.

Ms. Georgeau stated that the total funds available for fiscal year 2015-2016 is \$168,135 with \$125,625 derived from the 0.55% from the General Fund Revenues and \$42,510 allocated from CDBG Funds which is the maximum 15% permitted. She discussed the method of selection of applicants, some of the applicant requests in detail and the funds available for disbursement.

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 2015-16 General Fund and Community Development Block Grant (CDBG) funds available for human/public services. She discussed the method of selection of applicants in more detail, listed some of the applicants and explained their requests and reviewed the funds available for disbursement.

Ms. Georgeau reviewed the suggested funding increases for the existing applicants and the funding for a new applicant, Kalamazoo Anti-Human Trafficking Coalition (KAHTC). She outlined the progress of the Portage Community Center (PCC) as a result of the diversification of its funding base.

Because he serves on the Board of Directors of PCC, Councilmember Ansari indicated a conflict of interest and will not be discussing this portion of the budget nor voting on it when it comes before Council for consideration.

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.

In answer to Mayor Pro Tem Pearson, Ms. Georgeau indicated there were six applicants and the recommendation is to provide funds to each of them; that last year there were five applicants and they were all funded; and Goodwill Industries applied last year, were funded, but did not apply this year. She also indicated that staff reaches out and provides the information to all applicants who have applied for funding the last five years, to the Affordable Housing Partnership, the United Way of the Battle Creek and Kalamazoo Region and the Kalamazoo County Multi-purpose Collaborative Body.

Mayor Strazdas recognized Human Services Board Chair Sandra Sheppard, and discussion followed regarding the application review strategy, the planned subcommittee review of the evaluation process and a summary of conflicts with agency requests with Board guidelines. In response to Councilmember Randall, Ms. Sheppard discussed the reasons for the funding level proposed for KAHTC.

PCC Director Chris Buckley expressed his appreciation for the funding and the increases and gave the example of a need for assistance with requests for Consumers Energy assistance which was up 52% over last year and is expected to go even higher. PCC President Roy Dangel expressed the need to get the information into the hands of the public so those in need can be serviced. Discussion followed regarding the levels of some of the other services in the areas of holiday assistance, food, clothing, tax preparation, financial literacy and financial planning, Head Start and the Strategic Plan.

Mayor Pro Tem Pearson offered support that is not financial from the City of Portage to get information out to the public; for example, he offered the use of the *Portager* which is currently used by Portage Public Schools and the Portage District Library as part of the collaborative effort among the public bodies. Discussion followed.

Kelli Swiatkowski, YWCA, indicated her amazement to find an increase in the funding for the YWCA because year after year there have been cuts in the awarded amounts, and expressed her sincere appreciation for the support of the YWCA Program.

Gryphon Place Assistant Director Lacey Lyons was present and expressed her appreciation on behalf of Gryphon Place and mentioned that the funds would help with the 211 Program and Crisis Services. She echoed the concerns of PCC President Dangel and the need to get the information into the hands of those who are in need of services. Discussion followed. Mr. Dangel paid a special tribute and appreciation to the City of Portage employees who collected and donated over a ton of food to the PCC pantry. Discussion followed.

Next, Mayor Strazdas opened the discussion of the Fund Balance and indicated the need to stay around 24% and indicated any excess could be used to lower the debt or do more with roads. He also disclosed that City Manager Shaffer has discarded the increase in the leaf pick-up millage.

Mayor Strazdas deferred to Mr. Shaffer, who acknowledged the hard work by Deputy City Manager Rob Boulis, Finance Director Bill Furry and Deputy Finance Director Lauren VanderVeen, who were able to "Crunch" the numbers and make this possible.

At the request of Mayor Strazdas, Mr. Shaffer referred City Council to his FY 2015-2016 Proposed Budget - Information Only Communication, dated May 5, 2105, received via Materials Transmitted. He provided an overview of the eight topics covered in the communication and indicated that the attachments were supporting documents that helped lead him to the conclusions in his communication.

Even though he indicated that he does not want to abandon the concept of a Stabilization Fund forever, Mr. Shaffer asked to postpone the conversation until next fiscal year. He indicated after an analysis, Mr. Furry projected a fund balance of 35%, or \$7.7 million, by the close of the FY 2014-2015, and the actual amount will not be known until the close of books and audit in November. If this projection is correct, \$2.4 million would be available in order to achieve the 24% fund balance City Council threshold. Mr. Shaffer proposed that 50%, or \$1.2 million, of the amount above 24% be appropriated for debt avoidance and the other 50%, or \$1.2 million, be appropriated to complete local streets not funded for 2015-2016, and pull them from the FY 2016-2017 CIP sequentially into FY 2015-2016 year. Council shared some thoughts regarding the uncertainty of the effects of eliminating the personal property tax, debt avoidance, retiring debt, loss of large corporate tax bases, doing more with roads, and the appropriate amount of debt. Discussion followed.

Mr. Shaffer continued with his overview of the rest of the items in his communication, including: PASER Ratings of local roads in Portage and the elimination of the proposed millage increase in the Leaf Pickup Fund. Deputy City Manager Rob Boulis discussed using the Recycling Fund for single stream recycling and some of the options available to citizens. Discussion followed.

Mr. Shaffer indicated that a Request for a Proposal (RFP) to outsource Assessing went out Friday, May 1, 2015; there is no impact on the budget, the RFP's are due in the summer and Council will be considering the results at that time; and, if an increase in the effectiveness and efficiency of the Assessing function can be realized, a corresponding recommendation will be presented to City Council. He said a recommendation on a direction to take would be presented for consideration regardless. As a change agent, he said he will continue to push for efficiency and effectiveness in the organization, and that he is not afraid to change. Mayor Strazdas indicated that Mr. Shaffer apologized for not sharing this with Council ahead of time, that he accepted his apology, and Mr. Shaffer promised to give everyone a "heads up" next time. Councilmember Reid asked in the interim, what is happening as far as stabilizing the Assessing Department. Mr. Shaffer responded that serendipitously, two

individuals in the Department have already taken on another job, not as a result of this action, however. One made the announcement on Monday that she would be taking the Deputy Assessor position in Kentwood for which she applied much before the RFP had been released. The other person is taking a promotion with the Kalamazoo County Road Commission, so that leaves two other individuals along with the Assessor and two vacancies. He reasoned that the windshield assessments of twenty percent of the properties each year will be discontinued because it is a complete waste of time and resources, since no information can be gleaned relevant and pertinent to assessing. He also indicated that the profile for Personal Property Tax has been truncated dramatically with the change in the law; that topically the responsibilities have decreased; and procedurally there will be change. He intimated regardless of whether the City goes with an RFP, the Assessor is going to do things differently.

Even though it is a State recommendation, Mr. Shaffer said that a person cannot assess or appraise a property by driving by it and filming it, so there is no connection between the activity and the value it creates in terms of creating accurate assessments. In his estimation, he said that he believes that a much better procedure is looking at building permits, sales and the other statistical data rather than driving around. Mayor Strazdas concurred and explained. Mr. Shaffer indicated that assessing is a mass appraisal process based upon evaluating sales against an existing set of criteria, the Cost Manual; so, when there is a fixed cost standard that is established, the Assessor utilizes the sales to derive a statistical comparison. He said the cross correlation of the two allows the understanding of where the equity and inequity are and where the strengths and weaknesses are based upon those correlations; so, he advocated the use of the standards in the industry like the price related differential, the correlation of variances and the coefficient of dispersions, for example. Discussion regarding the differing opinions on privatizing the assessing process followed.

Mr. Shaffer continued with his overview and reviewed the Senior Center subsidy history and discussion followed regarding cemetery planning using the calculations provided by Deputy City Clerk Adam Herringa. Mr. Shaffer offered to ask Community Development to produce five lots that might be suitable for cemetery use to get the City out 50 years and put these properties on a "watch list" and discussion followed.

Finally, Mr. Shaffer discussed Senior Center trip planning. Councilmember Ansari interjected that he advocated a public private partnership to expand the Portage Senior Center and explained. Discussion followed.

Councilmember Ansari left at 6:20 p.m.

RECESS: 6:20 p.m.

RECONVENE: 6:40 p.m.

City Clerk Jim Hudson cited some of the services provided by the City Clerk staff in the areas of elections, 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, website updates, liquor license application processing, research, legal notices, record keeping, cemeteries, Portage Ordinance Codification and matters before City Council. Discussion followed.

Information Technology Services (IT) Director Devin Mackinder expressed his gratitude that 2014 was truly a transformational year for the Technology Department with a lot of advancements (and late nights), and he indicated that the proposed budget provides for the continued operation using PC Mall (PCM), which increased costs savings. He indicated that with PCM, the City gets competitive pricing for hardware and software purchases, consulting services, computer expertise and a new offsite hosting data center services option in Ohio for offsite processing or future disaster recovery if necessary. He mentioned the fiber connection being installed between Portage and Kalamazoo that will also be an option for low cost disaster recovery if necessary for either city.

Mr. Mackinder noted that we are in the fifth and final year of the third five-year contract with PCM and continue to realize cost and operational efficiencies with this program; he noted that the contract is scheduled for renewal in June. He said the contract has been held at 0.5% increase annually for the past fifteen years; and, the new proposed contract calls for a 3.8% increase applied in increments over the next five-year period. Mr. Mackinder said that under the new contract, he asked that two additional services be included that will provide real savings: network assessment and security health check, which is valued at \$22,000 to \$40,000 per year. He listed some of the other coverages under the contract that will require an 11.5% in additional funding.

Mr. Mackinder summed up and handed out a listing of the projects completed in 2014 and a second listing of the 2015 proposed projects and provided an overview of the smooth implementation of the technology plan. He introduced Operations Manager Maurice Hudson and recognized his tremendous contributions and the contributions of his team to make all of these projects happen for a strong technology footprint for the City. He also thanked the City Council and City Manager for their support.

Mr. Mackinder continued to review the 2015 list, then proudly revealed the two communicator awards recently received by the Portage IT Department, one for the *Media Center* and one for the *My Portage App*. Mr. Shaffer and Council expressed their appreciation and discussion followed.

In reviewing the Cable Television Fund, Mr. Mackinder indicated that the City has a nonexclusive franchise agreement with Charter and

AT&T and discussed Cable activities, cable-related activity and infrastructure. He noted that the budget reflects a continuation of 40% of the franchise fees received from Charter and AT&T go to Public Media Network (PMN) for cable services where 60% of the fees go to the city to maintain the technology and infrastructure projects, and 100% of the public service fees go to PMN, specifically for equipment purchases only. He reflected that the agreement signed four years ago does include the cable casting equipment, but there is some discrepancy whether that is accurate or not. He said that this formula will continue to be implemented in FY 2015; that revenues are projected to be relatively the same as in previous years; and he reviewed some possible initiatives and uses of the revenue. Discussion followed.

Mr. Mackinder addressed the problems with service delivery with the use of Interns who are trying to learn and implement the cable system in Portage Council Chambers. He indicated that PMN sends a full time employee, Nick Eppinga, who is very astute, as evidenced by the error free meetings of late, although he could not make it to the last meeting where there were problems with the monitors on the dais. He indicated that a procedure has been established for the entire operation and is charted on a checklist for use by the PMN representatives; that he touches bases with Nick every week to anticipate any problems that may arise; and, that he will be meeting with Nick this week to solve the monitor or multiplexer issue. Discussion followed. He reviewed the online agenda software implementation which will include replacing the monitors with laptops with split flat screens and explained. Discussion followed.

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 Department has oversight responsibility for all private development and planning for community growth and redevelopment and maintaining quality of life with special emphasis on neighborhoods.

Ms. Georgeau reviewed the Department goals and objectives that are achieved through long term and short term planning such as the 2014 Comprehensive Plan, the Capital Improvement Program (CIP), the Consolidated Plan, Development Review by the Planning Commission or Zoning Board of Appeals, Construction Plan Review and Economic Development. She indicated that the Department serves as liaison to various Boards and Commissions and is involved in neighborhood and protection efforts and administering housing assistance programs for low income residents.

Ms. Georgeau reviewed the Building and Housing Services, Department service indicators, and the number of inspections performed per year, the Planning, Development and Neighborhood Services segment of the budget and the Building Maintenance. Discussion followed.

Ms. Georgeau predicted an increase in revenue from permits, highlighted some of the positive trends in the residential, office, commercial and industrial areas, quantified the projections, and reviewed some of the specific projects. She explained the request for a Zoning Code Administrator to fill the vacancy; she explained that the Department has had a long term relationship with Associated Government Services whose services are enlisted when staff is out on vacations or extended periods of time, and that the budget accounts for a slight increase for this service and explained. Discussion followed regarding the desirable types of construction for Portage.

In answer to Mayor Pro Tem Pearson, Ms. Georgeau indicated that the revenue numbers were close to being commensurate with the current revenue numbers in 2005-2006. In answer to Mayor Pro Tem Pearson, Mr. Shaffer agreed to provide projections of the amount of tax revenue to be realized in six months, around the month of November. Discussion followed.

Ms. Georgeau advised City Council that they would be asked on May 12, 2015, to approve the FY 2013-2014 Community Development Block Grant Program and authorize the Administration to submit the FY 2015-2016 One-Year Action Plan to the Department of Housing and Urban Development on May 15, 2015. Ms. Georgeau referred City Council to Sections 2 and 3 of the Supplemental Budget Book of 2015-2016 and outlined the services that are provided in the FY 2015-2016 One-Year Action Plan, and detailed the program funding breakdowns Section 2. Discussion followed.

Mr. Furry indicated he is joined by Deputy Finance Director Lauren VanderVeen and began to review the Finance division of the operation, including: General Ledger, cash outflows, including Accounts Payable, payroll, debt services and other payments, financial reporting and assistance with the annual audit. He listed some of the activities of the division and changes in the budget.

Mr. Furry reviewed the annual operating budget, the Finance and Budget division which provides assistance in preparing the annual Capital Improvement Program (CIP) budget, the Utility Rate Study and assistance with the audit, management of debt issues and refinancing, cash and investment management, administration of the General Ledger software, analysis and advisory duties, and fiscal compliance with various rules and regulations. He noted that changes in this budget increased owing to the inclusion of the salary and fringes of the new Finance Director here and explained. He also mentioned that this division is responsible for the Comprehensive Annual Financial Report (CAFR) preparation which was outsourced last year to the auditors owing to personnel changes and the need to allow staff to acclimate and adjust to the new BS&A Software and changes in personnel and the structure of the Department.

Mr. Furry said that the Treasury Division accounts for the costs associated with billing, collection and accounts receivable for 36,000

tax bills, over 15,000 quarterly utility bill accounts, and approximately 1,300 annual special assessment bills. He discussed information and services available online and reviewed the Debt Service Funds found on pages 196-7 in the budget document which has been reduced over the years since 2008 as evidenced by the Chart. Discussion followed regarding the CIP debt practices and broad scope items handled by Finance.

Mr. Furry also reviewed the City Attorney budget and indicated that the City Attorney provides general legal services to the City Council and all departments regarding municipal matters. He pointed out that specialized areas of labor counsel and bond counsel are budgeted in the specific departments or programs for which the services are provided.

Mr. Furry indicated that the City Council Budget primarily represents the stipends for the Mayor and City Councilmembers, Michigan Municipal League membership fees, and costs associated with training, various meetings and seminars.

Mr. Furry reviewed the City Manager Department responsibilities, including: oversight responsibility for all phases of city operations, the implementation of City Council policy directives, general supervision and oversight of all departmental operations and oversight of economic initiatives, promotion of city interests, development of administrative procedures intended to improve organizational effectiveness, and administrative responsibility for all city goals and objectives.

Finally, Mr. Furry indicated that on May 12, 2015, a budget hearing will take place to fulfill City Charter state law requirements, all written comments will be accepted from the public and questions proposed will be addressed. He also indicated that on May 26, 2015, City Council will be asked to adopt the General Appropriations Act Resolution to adopt the FY 2015-2016 Budget Resolution, inclusive all of the components, such as the Capital Improvement Program, along with the Salary and Wage Resolution.

Mayor Strazdas summed up and Mr. Shaffer highlighted the major changes in the organization and the effects on the budget, and Deputy Director Rob Boulis explained the details. Discussion followed.

Ms. Georgeau explained the process used to develop the Capital Improvement Program (CIP) Budget, explained that the 10-year plan provides essential services such as streets combined with sidewalks & bikeways, water and sewer, police, fire, public facilities, parks & recreation and debt service. She mentioned that changes were planned to get input from the Planning Commission and citizens on the front end for a more engaged process. She reviewed the guiding principles, and focused on the new strategies with the streets, sidewalks and bikeways segments and on the new initiative and with local streets. She reviewed a few of the bikeway projects in detail for Council,

renewed investment in public safety, Senior Center, Public Facilities Building, hybrid vehicles, energy efficiencies with the City facilities, Eliason Nature Preserve, and a dog park in Lakeview Park. She referred to the Revenues and Expenditures chart on page i and the pie graphs on pages ii & iii and the map on page iv to explain expenditures as compared to revenues in the CIP Budget. Discussion followed.

ADJOURNMENT: Mayor Strazdas adjourned the meeting at 8:53 p.m.

James R. Hudson, City Clerk