

**MINUTES OF THE COMMITTEE OF THE WHOLE WORK SESSION
OF NOVEMBER 3, 2015**

Mayor Strazdas called the meeting to order at 6:01 p.m. The following Councilmembers were present: Nasim Ansari, Richard Ford, Patricia M. Randall, Claudette Reid and Terry Urban and Mayor Peter Strazdas. Mayor Pro Tem Jim Pearson arrived at 6:02 p.m. Also present were City Manager Larry Shaffer, Deputy City Manager Rob Boulis, Finance Director Bill Furry, City Attorney Randy Brown and City Clerk James Hudson.

Mayor Strazdas reviewed the agenda for the evening and indicated that the discussion would be on funds that are available that are not dedicated to the budget with a presentation on the City debt a presentation on the Standard & Poor's (S&P) Rating and what it will take to get the City to a higher rating, a presentation on debt management, and a presentation on the Fund Balance. He then deferred to City Manager Larry Shaffer.

Mr. Shaffer referred to the previous Committee of the Whole Meeting and provided a synopsis of the budget proposal changes, the specific dollar amounts discussed at that meeting, the debt reduction fund, the stabilization fund and the projected ten-year Capital Improvement Funding changes.

He deferred to Finance Director Bill Furry to allow him to present his team's PowerPoint presentation, analysis and discussion regarding the S&P Analytical Framework; Debt & Contingent Liabilities Score; City of Portage Debt Score; Debt Service as a % of Expenditures; Debt as a % of Revenues without additional borrowing; Debt as a % of Revenues with new debt per Capital Improvement Program (CIP); Callable Debt; Michigan Cities with AAA S&P Rating and no budget stabilization policy; City of Portage General Fund History; City of Portage projected additional funds available for FY 2015/16; City of Portage projected additional funds available per Capital Improvement Program (CIP); and a recommended Resolution for the General Fund Reserve Policy for the City of Portage.

Mr. Shaffer concurred with Councilmember Urban and indicated that he does not recommend going down to 9% in the Fund Balance, that he does recommend being stable with 24% in the Fund Balance and going below 20% is unimaginable, even with the largest possible Debt Stabilization Fund at 15%. He expressed his appreciation for having various accounts and funds set aside in various venues as this strengthens the City's financial position, and stressed that the flexibility of an unappropriated Fund Balance is very important as a financial stabilization tool and that the Budget Stabilization Fund should be an additive, but not a substitution for the Fund Balance. Mayor Strazdas distinguished the two Funds, concurred with Councilmember Reid that the Budget Stabilization Fund amount discussed is \$300,000 outside the Fund Balance and discussion followed.

Councilmember Randall expressed her hope of reducing the Fund Balance as this was her understanding of Council's objective over the last several years, restated their role was to provide services and suggested the need for a review of the return on investment when considering cash funds and what the City is paying to borrow as this is opportunity costs; also, as the Budget Stabilization Fund grows, the City is increasing the Fund Balance well beyond the proposed 25.2% which is the opposite direction of her understanding of Council's objective over the last several years. Discussion followed.

Council focused on the Fund Balance and the Debt Stabilization Fund and whether the Stabilization Fund should be a part of the Fund Balance or in addition to the Fund Balance. Discussion followed. Mr. Shaffer stressed the importance of the inflexibility nature of the Debt Stabilization Fund since, when it becomes needed during the “shocks” in the economy, it is available and, if not, it still provides an enhanced financial profile for the City. Discussion followed.

Mayor Pro Tem Pearson asked for some numbers to explain the opportunity costs for paying off a bond, for example, as mentioned by Councilmember Randall, and for some numbers to help explain what does AAA S&P Rating mean for stabilization versus bond rates. He said he was in favor of the \$300,000 for the Debt Stabilization Fund, but not the \$1 million, and that he was in favor of it being part of the Fund Balance.

Councilmember Urban indicated that he “sorted it out for himself” and found that the difference between AAA S&P Rating and AA S&P Rating is 0.5%. He indicated that he was probably not in favor of creating the Debt Stabilization Fund; moreover, if it is created, he indicated that it should only be funded at \$300,000. He pointed out that the City is at the maximum *Charter* allowable millage rate, so there is no flexibility with that, and he explained this is the only upside for having a Debt Stabilization Fund to help with a catastrophic event.

Councilmember Reid expressed her concern with the uncertainty of what is needed in the Debt Stabilization Fund versus what can be put into it because there has been no stated goal in this regard. Mr. Shaffer explained that the statutory limit of 15% generates roughly \$3.4 million and he explained that he wants to build that amount over time and explained. Discussion followed.

Mayor Pro Tem Pearson pointed out that this Council cannot commit future City Councils to a Debt Stabilization Fund amount, and Councilmember Randall objected because a 24% Fund Balance plus a 15% Debt Stabilization Fund puts the City at a 39% reserve fund amount. She said it would be very difficult to get a new millage passed when the City is holding back 39% of the revenue that is “just sitting there making very little money” and explained. She expressed her disbelief that there are very many Portage families holding back a 39% reserve and spoke in favor of using the funds to provide services such as repairing local streets, for example. Discussion followed.

Councilmember Urban reminded Council that approving the Ordinance at the Regular City council Meeting also requires a super majority to put money into the Debt Stabilization Fund. Discussion followed. Mayor Strazdas summed up with an analysis of the discussion as it relates to the proposed Ordinance, the current policy of a 24% Fund Balance and the amount that should be placed in the Debt Stabilization Fund should the Ordinance ultimately be passed. Discussion followed.

City Manager Larry Shaffer recapped the discussion and informed Council that they are going to consider approving a budget transfer of \$2,961,755 from the General Fund to the Capital Improvement Fund to fund major and local street projects, the relocation of a Park trail, and the purchase of a fire pumper truck and, a budget transfer of \$427,227 from the Local Streets fund to the Capital Improvement Fund to fund local street projects. He indicated that there is no request to allocate the \$300,000 to fund the Debt Stabilization Fund as this is only the first reading if the Ordinance passes. He explained the process and the timeline associated with the process and offered to craft different policies for Council consideration.

Mr. Shaffer noted a consensus for a 24% Fund Balance and that the Morehouse College Glee Club would not be coming to Portage this fiscal year; that in conversations with Senior Citizens Advisory Board Member Monifa Jumanne, it might make sense to have an event in 2016 that focuses on local choirs, local music and a local event and work within the framework of the 2016 budget, then solicit private dollars for the Morehouse College Glee Club event in 2017 as an opportunity for the City to demonstrate its commitment to diversity as part of a recognition of celebrating the achievements of Dr. King. There were no statements of citizens.

ADJOURN: Mayor Strazdas adjourned the meeting at 7:02 p.m.

James Hudson, City Clerk