

MINUTES OF THE BUDGET WORK SESSION OF THE PORTAGE CITY COUNCIL
APRIL 19, 2011

Meeting was called to order by Mayor Strazdas at 2:00 p.m.

The following members of Council were present: Councilmembers Cory Bailes, Elizabeth Campbell, Patricia Randall and Terry Urban, Mayor Pro Tem Ed Sackley and Mayor Peter Strazdas. Councilmember Claudette Reid arrived at 2:05 p.m. Also in attendance were City Manager Maurice Evans, Deputy City Manager Brian Bowling, Financial Services Director Bob Luders, Finance Director Daniel Foecking, Deputy Finance Director Patricia Fitnitch and City Clerk James Hudson.

City Manager Maurice Evans provided an overview of the proposed budget. He indicated that the City of Portage budget of \$60.3 million, down from the \$61.8 million budget for Fiscal Year 2011-12, and derived after the guidance of City Council at the annual retreat, was a balanced budget. He indicated that the Administration listened to City Council and streets, public safety and water and sewer remain protected with this budget. He indicated that the City is not filling positions, not sacrificing services and not counting on revenue sharing since Governor Snyder could take all of the statutory revenue sharing and property tax revenues are down because property values are down. He also indicated that there are continued staff reductions through attrition; for example, the number of employees is 184, down from 188, when just a few years ago Portage had 215 employees. He listed some of the cost-cutting measures because of the reduction in State Revenue Sharing and lowering of assessments in the city, including: operational reductions, fewer Christmas lights, no tulips and three years of no wage increases except union contracts. Discussion followed regarding the need for extra funding in the Curbside Recycling Fund and the Spring Clean-up Fund because of the storms. He reviewed the planned activity in the Street and Utility Funds. He summed up by saying that the fiscal year 2011-2012 proposed budget is balanced. Discussion followed. Mayor Strazdas announced that the Truth in Taxation Public Hearing (on the budget) will take place, Tuesday, May 10, 2011. Discussion followed.

Benefit Services Director Patti Thompson with Deputy Director Tracy Schmitt explained some of the functions and responsibilities of the Benefit Services Department, including union and non-union benefits, compensation plans, Workers' Compensation and the retiree health savings plan. She explained some of the cost control efforts of the Department including staff reduction, 312 Arbitrations, continuation of the Employee Health Management Program with 94% participation that has been negotiated into union contracts, changes to insurance carriers, a retiree health savings plan and meaningful assignments for workers compensation recipients on restricted duty. Discussion followed.

Financial Services Director Bob Luders provided a brief background of the department work functions related to the budget, including procurement of goods and services and capital improvement of the city. Mr. Luders discussed the Purchasing Department responsibilities in the areas of risk management, management of city contracts, management of city assets, property and auto insurance coverage through the Michigan

Municipal Risk Authority and the joint auction with the City of Kalamazoo. Discussion followed.

City Assessor James Bush indicated that the changes for the Assessor Budget are very minimal, basically unchanged from last year and that the Assessing Department budget is comprised of both the assessing component and the Board of Review component with the Board of Review component increased by approximately \$7,300 to account for the additional Board members compensation and the costs of training. Some of the basic responsibilities of the Assessor Department include keeper of the records related to ownership, homestead exemption and all property records, annually preparing the assessment roll and conducting the Board of Review. He indicated that the Assessor also prepares special assessment rolls, values all city property for insurance purposes, conducts the SWA annual vacancy study and prepares numerous other projects and reports for the Administration and City Council. Discussion followed.

He gave a Summary of the 2011 Assessment Roll saying that the 2011 Taxable Value is down 2.9%; Pfizer Real Estate is down 6% and Personal Property is down 2%; foreclosures continue at approximately 200 per year; and Pfizer reliance has decreased to 15% down from 17%. He indicated that the City Tax Base remains balanced with 54% Residential, 25% Commercial and 21% Industrial, with a breakdown between real estate and personal property as 82% real property and 18% personal property. He indicated that Tax Base and Revenue Forecasting is by far the most important activity that will be ongoing and will begin next month. Discussion followed.

For the 2011 Board of Review, Mr. Bush indicated that for the first time, the Board of Review consisted of two three-member panels hearing assessment appeals simultaneously in separate rooms. Each of the six board members participated in one or more Board of Review training sessions in assessing practices and customer service. He admitted that operating the dual panels had its administrative challenges, but the appointments were handled very smoothly and the Board members did not get backed up or get backlogged with paperwork and Joyce Foondle of Southwest Michigan Governmental Consultants monitored the Board appointments periodically. He said it was her opinion that there could be better uniformity between the two panels in terms of the logic of their appeal decisions. As a result, he is considering additional training opportunities leading toward further improvements in this area and is considering implementing a number of suggestions for improvements for the 2012 Board of Review that were voiced by members at an exit interview conducted. Discussion followed.

He reported that there are no pending commercial or industrial property tax appeals so the city has no uncertain future tax refund liability and all staff is committed to continuing positive public relations with citizens and the business community during extremely difficult economic times.

He indicated that the current residential inspection program was designed in response to the State Tax Commissions recommendation that at least 20% of all properties be inspected annually, in other words every

property would be inspected at least once every five years and is a test project at this time. Discussion followed.

Information Technology Services Director Devin Mackinder indicated that the IT Department reviews emerging technologies and indicated that there are increases in costs savings, customer service and computer expertise as a result of the contractual arrangement between the City of Portage and SARCOM. Mr. Mackinder explained that the \$160,000 in expenditures line item is being set aside for replacement of the current computer accounting system and explained the benefits of switching to a new system. He reviewed some of the service indicators, equipment purchase trends, cell phone usage and the future use of PDA devices by employees. Because of fewer *Portager* Newspapers being published, he is showing a reduction in desk top publishing hours, because of an increase in election activity he is showing an increase in mail processing and because of the demand for information, he is showing an increase in website updating time. Discussion followed regarding the progress of the city dashboard and Governor Snyder's mandates. He explained some of the changes, updates and advances accomplished over the past year in the technology area and announced some of the plans for new technologies for the upcoming fiscal year. He reviewed the Cable Access budget, and indicated he lost two part time employees to Mary Beth Block, who is now in charge of the Communication Services budget as Assistant to the City Manager. Discussion followed.

Streets and Equipment Director Jack Hartman with Deputy Director Ray Waurio explained the Streets and Equipment budget, including: the Major and Local Street Funds; the Routine Maintenance Fund; and the Traffic Services Fund for signals and crossings. Mr. Hartman also discussed the costs associated with administering the routine maintenance for major streets and site plan reviews and plat reviews as service indicators. Discussion followed regarding Act 151 and the subsidization of the local Street Fund using the General Fund, Special Funds, curbside recycling, leaf pickup, the spring cleanup program, brush pick-up program, road maintenance and strip paving. Discussion followed.

Planning Commissioner James Pearson, 3004 East Shore Drive, asked why the recycling fund had an increase of 37% and Mr. Foecking responded that the fund balance is not as large as desired, that the third year is more expensive, that the request for proposal and resultant contract was designed to be that way and that the decrease in the tax base is having an effect on the amount of revenue generated. He then surmised that 0.36 mills is reasonable. Discussion followed.

Parks, Recreation & Property Management Director William Deming with Deputy Director Barry Bacon and Senior Citizen Services Manager Jason Horan reviewed the Parks, Recreation & Property Management budget and emphasized that the department was engaging in increased efficiencies, reducing services, consolidation of duties, contractual services and utilizing volunteers where possible. He indicated that custodial services will be under the Community Development Department and there will be a reduction in tree plantings, flower beds and holiday decorations. Fundraising for cultural activities will be performed by

Cultural Events Coordinator and the special events banners will be eliminated. The livery will no longer be available except for special group tours and the Haunted Forest and Applefest events will no longer be supported by the Parks Department and, after some discussion, concluded that they will be possible only through private efforts. Discussion followed.

Mr. Deming indicated that the Wellness program at the Senior Center will disappear because the grant expired. He reviewed some of the activities provided at the Senior Center, and discussed buildings and grounds, cemeteries, City Center landscaping, perennials, Tree City USA, volunteers, contractual services and cultural activities. Discussion followed.

Police Chief Richard White with Deputy Kit Lirot and Deputy Dan Mills summarized the Police Department budget. Chief White discussed retirements, cross-training and movement of staff to create efficiencies and better serve the public. He mentioned that the Police Department had no lay-offs and pledged to improve customer service. He mentioned that SWEP and KVET will co-locate and share resources. He reviewed alcohol compliance checks and indicated that they will continue, especially during prom and graduation time, and indicated that four businesses were cited and will suffer license restrictions. He reviewed the Unwanted Meds Task Force for the disposal of prescription drugs program, the merging of surrounding county databases funded through Homeland Security for global crime analysis, updates in technology and the first part time police officer positions. Discussion followed.

Fire Chief Randolph Lawton with Deputy Chief John Podgorski provided a brief overview of the City of Portage Fire Department budget. Chief Lawton reviewed emergency management, fire equipment, efforts to control costs, reductions in staffing, fleet mileage and overtime, and indicated that the facilities and equipment continue to age.

Deputy Chief Podgorski reviewed the implementation of road safety data recorders and incident response by location instead of by district and the response to medical emergencies using smaller well-equipped vehicles. Discussion followed regarding the use of these vehicles and the use of volunteers on the fire teams and the elimination of the fire training for volunteer firefighters owing to a lack of attrition.

RECESS: 5:03 p.m.
RECONVENE: 6:00 p.m.

Mayor Strazdas explained the purpose of the Kalamazoo County Public Art Commission (KCPAC) and indicated that the City of Portage has been asked to appoint a liaison to KCPAC. He recommended the City council Mayor Pro Tem Sackley, who indicated that he had been approached to serve for the remainder of 2011 by Kalamazoo Institute of Arts Executive Director James Bridenstine. Discussion followed. Motion by Reid, seconded by Campbell, to appoint Mayor Pro Tem Sackley to serve as the City of Portage Liaison to the Kalamazoo County Public Art Commission for the remainder of 2011. Upon a voice vote, motion carried 7 to 0.

Mr. Foecking introduced Deputy Finance Director Patricia Fitnitch and Deputy Finance Director of Revenue/Treasury Brian Kelley. Mr. Foecking reviewed the Legislative Department Budget, including City Council and Human Services.

Community Development Director Jeffrey Erickson introduced Deputy Director Vicki Georgeau. He provided an overview of the Human Services budget and referred City Council to the Supplemental Budget Recommendation dated April 1, 2011. Mr. Erickson indicated that for

FY 2011-12, a total of \$164,461 of General Fund and Community Development Block Grant (CDBG) Program funds are estimated to be available for human public service funding from two sources: the General Fund allocation is estimated to be \$117,127 (0.55% of General Fund revenue per City Council policy); and the CDBG Program allocation is now estimated to be \$47,334 (maximum of 15% of the estimated FY 2011-12 entitlement grant of \$219,197 and FY 2009-10 program income of \$96,375). He compared and contrasted these figures with the amounts from FY 2010-11 showing reductions for FY 2011-12. He reviewed the breakdown of contribution to Portage Community Center.

Mr. Erickson indicated that the review and approval of human/public service funding is accomplished as part of the annual budget process. He said that the City Administration analysis and funding options were provided to the Human Services Board (HSB) as was the City Administration funding recommendation for human/public services. He said that the HSB considered this information during the January and February 2011 meetings and expressed his satisfaction that the human/public service funding recommendations to City Council by the City Administration and the HSB for FY 2011-12 are in agreement.

He made reference to the Human/Public Service Application Summary Forms for each of the four General Fund applications and the single CDBG Fund application as forms that highlight agency activities for which funding has been requested.

He referenced Table 2 of the FY 2011-12 Supplemental Budget on page 3 of the Communication from the City Manager dated April 1, 2011, that summarizes the current funding, funding requests, application scores and rankings by the City Administration and HSB, and the City Administration and HSB funding recommendations. He noted the agencies, their amounts and the fact that the City Administration recommendation agrees with the Human Services Board recommendation. Discussion followed.

Mr. Erickson pointed out that for FY 2010-11, the recommended human/public service funding best provides for basic human needs and supports core housing assistance and anti-poverty services for the least advantaged in the Portage community.

At the request of Mayor Strazdas, City Council heard about the relationship of Portage citizens from Craig Ross, Portage Community Center Board of Directors and Diane Schrock, Portage Community Center Director, Housing Resources, Inc. (HRI) Executive Director Ellen Kisinger-Rothi, Kelli Swiatkowski, YWCA, and Councilmember Randall,

Catholic Family Services Board of Directors. Discussion followed.

Ms. Georgeau indicated that the Gryphon Place missed the application deadline. Discussion followed.

Mr. Erickson concluded by saying that the CDBG Program will be presented to City Council on the next agenda for approval in order to meet the May 10, 2011 filing deadline.

Employee Development Director Rob Boulis reviewed the Employee Development budget emphasizing department efforts in the areas of recruitment, safety administration, training, labor and employee relations and negotiations.

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, tax abatements, record keeping, liquor licenses, cemeteries and matters before Council. Mr. Hudson indicated that staff continues to upgrade the City Clerk website and staff is currently assisting the Kalamazoo County Clerk with the May 4 Consolidated School Election. Discussion followed.

Transportation and Utilities Director Chris Barnes introduced Utilities Engineer Kendra Gwin. He then outlined future improvements to various roadways in Portage for the upcoming construction season. He reviewed the street and utility portions of the Street Budget, and discussed Street Lighting, Local Streets, Signals and Crossings, the I-94 bridge over South Westnedge Avenue and Municipal Street Fund. Discussion followed.

Utilities Engineer Kendra Gwin discussed water and sewer assessments in general, the administration of the Garden Lane Arsenic Plant Project by United Water (formerly EarthTech), the annual cost to the City of Kalamazoo for utilities, the United Water Contract, and the Water Fund. Discussion followed.

As a result of Mayor Pro Tem Sackley raising the Utilities Workers Union of America criminal charges against two (2) individuals, Mayor Strazdas directed City Manager Evans to provide information on the progress of the actual legal cause of action. Discussion followed.

Community Development Director Jeffrey Erickson introduced Deputy Directors Terry Novak, Chris Forth and Vicki Georgeau. He reviewed some of the Community Development activities, including: Building Services, Planning and Development Services and Neighborhood Services. He cited some of the service indicators and highlighted the permitting amounts thus far for the year, including \$42 million through FY2010-11 versus \$18.2 million in FY 2009-10 and \$45 million for 2008-09. He pointed out that the amount for residential permits was \$14 million this year as opposed to \$11 million last year; for office, commercial and industrial it was \$37 million; for Pfizer it was \$12 million in Building 41; for the Air Zoo it was \$6 million; for Midwest Fasteners on Shaver Road it was \$5 million; for Cole Century it was \$650,000 and for Sam's Club it was \$365,000. He also mentioned the planned senior housing approved by City Council as a new PILOT. Mr. Erickson continued to review the remaining Community Development components in detail and discussion followed.

He referred to the success of the Backflow Prevention Program,

National Insurance Requirements and the Community Development Block Grant Program (CDGB). Discussion followed.

Finance Director Dan Foecking introduced Deputy Finance Director for Accounting and Budget Patricia Fitnich and Deputy Finance Director for Revenue and Treasury Brian Kelley. Mr. Foecking outlined the budget of the City Council and indicated that the City Council sets overall policy and priorities for the city and that the budget primarily represents the salaries of Mayor and Council Members, and Michigan Municipal League membership fees.

Mr. Foecking reviewed the City Manager Department Budget, including: oversight responsibility for all phases of city operations, economic initiatives, representation and promotion of city interests, development of administrative procedures intended to improve organizational effectiveness and administrative responsibility for all city goals and objectives.

Mr. Foecking 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.

He then summarized the Finance Department Budget, including: developing and maintaining sound financial management systems, timely and accurate financial reporting, most notably the Comprehensive Accounting Financial Report (CAFR) Preparation and cash management. He pointed out that processing of accounts payable produced approximately 5,000 checks and a growing number of electronic fund transfer payments and 7,800 payroll checks and direct deposits annually. He listed other primary functions, including: preparation of the annual operating budget, assistance in preparing the annual Capital Improvement Program budget, the Utility Rate Study and the information for bond issues and other financing. He then indicated that the Finance Department is responsible for city-wide budget control, fixed asset management, the Brownfield Redevelopment Authority Fund and the West Lake Weed Management Fund.

Mr. Foecking introduced Deputy Director of Revenue/Treasury Brian Kelley who said that the Treasury Division of the Finance Department accounts for the costs associated with the billing and collection of all city accounts receivable. He indicated that the Treasury interacts constantly with the general public to handle a myriad of queries and to process cash receipt transactions and listed some of the statistics. He indicated that technology is utilized where appropriate and 15% of all payments are performed electronically, 27% are paid at the counter and the rest are paid by mail. When Jim Pearson asked whether any other municipalities were paying online, Mr. Foecking indicated that the City of Portage looked at the program at Mishawaka, Indiana, where in their third year they had 20%+ participation in automatic payments. Discussion followed.

Financial Services Director Bob Luders provided two graphs depicting the Debt Service for the Capital Improvement Program. He pointed out that in FY 2006-07, a management initiative was implemented to reduce the rate of increase of the CIP debt service and level its growth; otherwise,

the CIP debt service for FY 2011-12 would have been approximately \$2.5 million greater. He revealed that Debt Service as a percentage of net operating revenues for combined General Fund, Special Revenue Funds and Debt Service Funds has reached a plateau and should begin to decline in value beginning this year. Discussion followed.

When Mayor Pro Tem Sackley advocated cutting the City Council budget, there was a consensus to eliminate the Mayor Exchange Day fund and to reduce the Training, Meetings and Education Seminars from \$14,000 to \$10,000.

Note that the next steps for 2011-2012 Budget are: on May 10, 2011, the budget hearing required by law will be held simultaneously with the Truth-in-Taxation hearing (where oral and written comments will be accepted at the hearing from the public and any questions that are posed will be addressed). Next, on May 24, 2011, the General Appropriations Act Resolution to adopt the 2011-2012 Budget (including all components such as the Capital Improvement Program) along with the Salary and Wage Resolution and the Reimbursement Resolution (for bonds to be issued in the future) will be on the agenda for City Council approval.

Community Development Director Jeffrey Erickson reviewed the development process for the Capital Improvement Program, and summarized the communication from the City Manager to Planning Commission Chairperson James Cheesebro dated February 7, 2011. Discussion followed.

Mr. Erickson then provided an overview of the categories contained within the 10-year plan: Streets, Sidewalks and Bikeways, Water, Sanitary Sewer, Police, Fire, Public Facilities and Parks & Recreation. Discussion ensued throughout his presentation. He indicated that the emphasis was on streets. Discussion followed.

Mr. Erickson advised City Council that they would be asked to approve the FY 2011-2012 Community Development Block Grant Program and authorize the Administration to submit the FY 2011-2012 One-Year Action Plan to the Department of Housing and Urban Development on May 10, 2011. Discussion followed.

Mr. Evans referred City Council to the proposed Severance Policy found in the Supplemental Budget under Section 5 for their review to be considered for approval at the public hearing.

ADJOURNMENT: Mayor Strazdas adjourned the meeting at 9:26 p.m.

James R. Hudson, City Clerk