

**MINUTES OF THE BUDGET WORK SESSION OF THE PORTAGE CITY COUNCIL**  
**April 30, 2012**

Meeting was called to order by Mayor Strazdas at 3:02 p.m.

The following members of Council were present: Councilmembers Jim Pearson, Patricia Randall, Ed Sackley, Terry Urban, and Mayor Peter Strazdas. Mayor Pro Tem Claudette Reid arrived at 3:03 p.m. and Councilmember Elizabeth Campbell arrived at 3:37 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.

Mayor Strazdas provided introductory remarks and introduced City Manager Maurice Evans, who indicated that the 2012-13 Budget commemorates the 50<sup>th</sup> Anniversary of the City noting that throughout this period the City has practiced an approach to the provision of public services that promotes lower-cost service delivery that has proven to be of added value through a time of serious economic challenges, including: partial or complete privatization of services; the use of part-time, on-call and contracted personnel to supplement full time staff; funding of post employment benefit obligations to lessen or eliminate long-term unfunded liability; altering benefit programs for new hires to limit added liability in the future; and, the City has done this with no layoffs, furlough days, early retirement incentives or neglecting obligations to appropriately fund long-term liability accounts, but has reduced the overall levels of debt and has made additions to the General Fund balance.

Mr. Evans highlighted the 2012-13 proposed budget by indicating that there is a decrease in the overall city tax rate from 10.8916 mills to 10.7778 mills; a decrease in budgeted General Fund expenditures of approximately 2.4 percent; incorporation of a 1.5 percent increase in property tax revenue, resulting from an increase in personal property tax revenue; incorporation of Economic Vitality Incentive Program payments from the State of Michigan; continuation of General Fund support for the Capital Improvement Program (CIP), the Major Street Fund and the Local Street Fund; a decrease in Act 51 moneys left; and an incorporation of a recommendation to increase for the next several years the City Council prescribed fund balance for the General Fund from 13 percent to 25 percent.

He referenced the financial analysis and projection of budget trends shared with City Council at the 2011 Goal Session, indicated city departments have implemented cost containment plans that will be shared during the budget sessions and the city will continue to provide core services. He asked City Council to review the City of Portage Millage Rate History spreadsheet that he handed out asked them to feel free to ask any questions via e-mail or personal contact. Discussion followed.

Financial Services Director Bob Luders indicated that in Fiscal Year 2006-07, City Manager Maurice Evans put together a team whose goal was to reduce the rate of increase of the CIP debt service and to level its growth. His analysis reviewed the past present and future by utilizing Certified Financial Statements, noting that the City of Portage debt is for infrastructure in contrast with other communities that are in debt owing to costs associated with health care and pension liabilities. He referenced and explained three charts provided the City Council: Ten year debt reduction plan, the CIP where the majority of debt lies and the

Debt Service Ratio. Discussion followed regarding the condition of the streets in 2017-18 and how to fund them. Mr. Luders explained the balance between funding and still keeping streets in good shape. Discussion followed regarding unknowns from the State that keep fluctuating and changing and Mr. Luders indicated that losing personal property taxes is the same as losing Pfizer, or \$4 million. 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 benefits, compensation, workers compensation and various legal mandates. The primary goal of the department is to competitive compensation plan for the recruitment and retention of city employees. She reviewed cost control measures and the proactive approach to the defined contribution plans, long-term funded liabilities such as the retiree health plan, the retiree health savings plan for new hires, savings in health insurance costs for non-union and Department Head personnel, and workers compensation. She discussed Public Act 152, insurance carrier contracts, staffing opportunities and the change in funeral leave language to allow employees time away from the job during time of death of a relative. Discussion followed.

Financial Services Director Bob Luders provided a brief background of the department work functions related to the budget, including responsibilities in the areas of management of city contracts and work preparing the city budget. He indicated the primary focus of the Purchasing Department is the procurement of goods and capital improvement of the city and explained. He said that the Department supports the various user departments with 4,000 to 5,000 purchase orders, 25 to 35 sealed bids, the issuance of 50-75 formal contracts and assists in the management of over 225 contracts. He also indicated that the Department also assists in the area of risk and liability, including property and auto insurance through the Michigan Municipal Risk Authority. He then highlighted the United Water Contract, Michigan Municipal Risk Authority contract, personnel reduction, collaboration in purchasing, joint bidding and the City of Portage role in the county wide effort to consolidate 911 Dispatch services in Kalamazoo County. Discussion followed.

City Assessor Jim Bush introduced Deputy City Assessor Brian Oakey and reviewed the highlights of the Department operations and objectives, as well as some specific upcoming changes in the tax system and goals for the upcoming fiscal year.

He said that following a 2.9% decline in Taxable Value for 2011, the City of Portage experienced a slight Taxable Value increase for 2012 primarily due to four Pfizer PA-198 real and personal Tax Abatements that expired so the assets were reported on the regular assessment roll and the purchase of additional new equipment at Pfizer during 2011. He stated that because of the abatement expirations and additional new property, the Pfizer real estate assessment increased 7% and the personal property assessment increased 15%; accordingly, the city reliance on the Pfizer portion of the overall tax base has increased from 16% to 17.5%.

He also revealed that residential foreclosure activity has lightened to approximately 150 per year from 200 last year and that the breakdown of our overall tax base is 81% real property and 19% personal property; with that, he indicated that the City's tax base continues to be well balanced consisting of 55% residential property, 22% commercial property and 23% industrial property.

He also said that Tax Base and Revenue Forecasting is by far the most important activity that will be ongoing beginning next month, and after several years of declining residential values, for 2012 the

residential ratio was 49.24% indicating that the valuation decline has eased, but Commercial and Industrial values have declined the past two years and will probably continue to decline throughout the year and possibly next year.

He said that personal property tax represents 19% of our total tax base and equates to approximately \$4.2 million dollars and, if the legislation is signed into law before year end, those personal property accounts under \$40,000 Taxable Value will be exempted for the 2013 tax year based upon draft proposals. He indicated that approximately 1,400 (or 78%) of our 1,800 personal property accounts are under \$40,000; however, this represents only 3% of our personal property Taxable Value and equates to a tax dollar loss of less than \$150,000.

He reviewed the Board of Review activities, including training, the two residential forums and the one commercial property tax forum, and the plan for additional training opportunities which would lead toward further improvements in this area.

He reported that there are only three pending commercial property tax appeals and accordingly, the city has a very small future property tax refund liability; all residential Michigan Tax Tribunal appeals have either been resolved or have gone to hearing and the city assessments upheld; and, there are no pending residential appeals.

He also reported that the residential inspection program was designed in response to the State Tax Commissions recommendation to inspect 20% of all properties annually, or at least once every five years, and reviewed the Lexington Green neighborhood inspection pilot program that was selected as a test project during 2012 with approximately 400 relatively small inexpensively constructed properties, most all homogeneous in nature. Discussion followed.

Transportation and Utilities Director Chris Barnes introduced Utilities Engineer Kendra Gwin provided an overview of the Capital Improvement Program (CIP) and outlined future improvements to various roadways in Portage for the upcoming construction season. He cited some of the major streets projects, including Mall Drive, Forest Drive, Romence Road and Angling Road. He indicated that Mall Drive, Forest Drive and Romence Road are all part of the KATS Improvement Program and Angling Road is locally funded. Discussion followed.

He also explained improvements to data collection, signaling of the South Westnedge Avenue and maintenance to alleviate congestion, and reviewed some of the projects in the Major Street Reconstruction Program and the Local Street Program

Mr. Barnes then discussed traffic engineering, water and sewer, coordination of railroad signals and crossings, MDOT Contracts, site plan review, road maintenance, street lights, maintenance operations and Austin Lake Bioaugmentation Program. Discussion followed.

Utilities Engineer Kendra Gwin discussed Portage's water storage program, the North 12<sup>th</sup> Street Lift Station, the water main replacement on Forest Drive, the United Water Contract, equipment needs and water quality preservation expenditures. Discussion followed.

RECESS: 5:47 p.m.

RECONVENE: 6:16 p.m.

Parks, Recreation & Public Services Director William Deming introduced Deputy Director of Recreation & Senior Citizen Services Jill Hess, Deputy Director of Streets & Parks Maintenance Ray Waurio and Deputy Director of Fleet & Facilities Rod Russell. He discussed the revamping of the Parks & Recreation Department, significant reductions, bike paths, the use of volunteers, grounds maintenance, cemeteries, parks, Tree City USA, recreation, the ice rink, team sports, Ramona Park Beach, 16 walk/runs this year, collaborations with Portage Community Center, Senior Citizen

Services and cultural activities. Discussion followed. Deputy Director of Recreation & Senior Citizen Services Jill Hess discussed the evidence-based Health Promotion Program, Health Screening, balancing programs with limited facilities, the Portage Senior Center van and the availability of a van from Kalamazoo County Transit Authority. Discussion followed.

Deputy Director of Streets & Parks Maintenance Ray Waurio discussed the repair of major streets, the mill and fill, crack filling, the Local Street Fund, household hazardous waste, Spring Cleanup Program, the Fall Leaf Pick-up Program, equipment replacement and compost management. Discussion followed.

Deputy Director of Fleet & Facilities Rod Russell discussed the Equipment Fund, contractual agreements, the Operation and Maintenance Fund, fuel costs, truck replacements, administrative costs, building maintenance and the Portage Public Schools fuel contract for staff vehicles only. Discussion followed.

Police Chief Richard White introduced Assistant Fire Chief Stacy French, Senior Deputy Fire Chief John Podgorski and Senior Deputy Fire/Police Chief of Administration Deputy Dan Mills. He reviewed efforts in drug and alcohol prevention, work with the County Drug Task Force, Prevention Works, and summarized some of the recent efforts regarding sale of alcohol to minors. He discussed the big red box at the Police Department lobby for drug disposal, the Epic Vehicle and fatal vision goggles at the high school for preparation for prom activities, Secondhand Dealer Licenses, partnership with the Community Development regarding quality of life issues in the neighborhoods, traffic safety, police officer bicycle program, bike helmet cams, half-band all radio communications in 150 mhz range by 2013 with no signal degradation, reaccreditation award for the third year, SWAT Team issues, Fire Mutual Aid Box Alarm System (MABAS), Countywide investigative team, the use of various vehicles for appropriate response to a call, Countywide Hazmat Team (13 agencies), training for Fire Department personnel for Fire Accreditation, Child Safety Seat Program and the closing of the holding facility. He indicated that request for proposals have been received from various vendors regarding the consolidation of dispatch operations in the County and discussed the budget reduction of approximately \$298,000 and explained the reorganization efforts in some detail, including personnel changes, staffing, part time police officers, negotiations and arbitration. Discussion followed.

Mayor Strazdas asked Councilmember Pearson for assurances that he received satisfactory explanation of the \$40,000 personal property exemption and he indicated that he did. Discussion followed regarding the \$10,000 ceiling for City Manager contract approval and, after discussion, Mayor Strazdas asked for a proposal from the Administration to raise the ceiling to as much as \$20,000. Discussion followed.

**ADJOURNMENT:** Mayor Strazdas adjourned the meeting at 6:57 p.m.

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James R. Hudson, City Clerk