



MINUTES
Committee of the Whole Special Meeting
Wednesday, May 13, 2020 @ 3:00 p.m.

Via Zoom Meeting: <https://us02web.zoom.us/j/89543044385>
Meeting ID: 895 4304 4385

CALL TO ORDER

Council President Spadafore called the meeting to order at 3:00 p.m.

PRESENT- via audio/video

Councilmember Peter Spadafore
Councilmember Adam Hussain
Councilmember Carol Wood
Councilmember Patricia Spitzley
Councilmember Kathie Dunbar
Councilmember Brandon Betz
Councilmember Jeremy Garza
Councilmember Brian T. Jackson- unexcused

MEMBERS PRESENT- via audio/video

Sherrie Boak, Council Staff
Mayor Schor
Jim Smiertka, City Attorney
Shelbi Frayer, Chief Strategy Officer
Jack Brower, Budget Director
Lisa Hagen, Assistant City Attorney
Judy Kehler, Treasurer
Kim Coleman

Public Comment

No public comment at this time.

Discussion

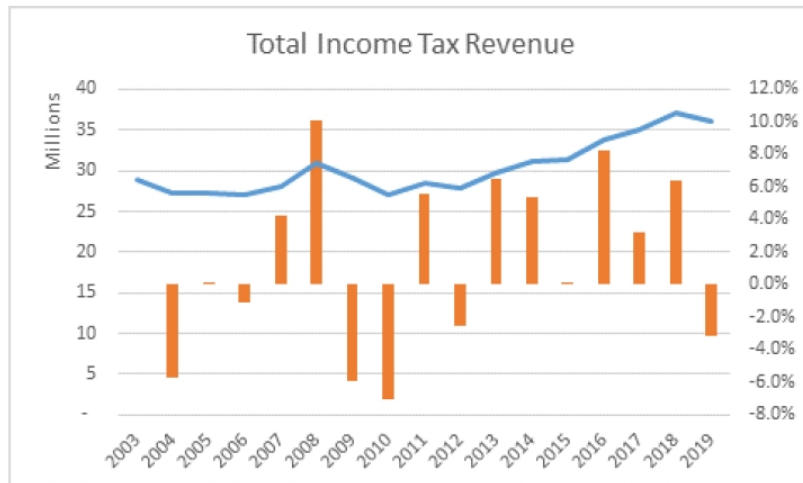
FY2020/2021 Proposed Budget Continued Discussion

Council President Spadafore briefly noted that there were adequate presentations at past meetings, so this meeting would be review the responses to the unanswered questions from previous meetings, then take new questions and also review the HRCS Agency document that was not able to be reviewed on May 11, 2020.

Council Member Questions: May 11, 2020 COW Meeting

To preface, the unemployment rate was only 4.3% in March because the estimates were made in the second week of March, before the entire state shut down. As such, I'm not confident in our estimates for our 20% loss in revenue.

Looking at our historical changes in income tax, our best available comparison would be the 2009 and 2010 reductions in income tax. The two years together amounted to an approximately 14% decline. The Finance and Treasury/Income Tax departments continue to coordinate on our estimates for the next fiscal year. We will continue to present information as it becomes available, and Council may also revise the budget over the course of the fiscal year.



Which executive order are we assuming will be finished by June 1? What level of phase-in of the economy will we be at to hit the 20%? (The Governor has made a 6 step plan)

Via Treasurer Kehler: We are working under the conditions of the most recent EO. We do not know when the Stay Home order will end, therefore, we do not what will be allowed and what won't be allowed. In order to project the impact to revenues we have to make certain assumptions.

Adding back manufacturing, lawn care service, parking enforcement, and other non-essential retail curbside, as well as the opening of other big box stores will increase our tax revenues. So, how we adjust after June 1st will depend on the next version of the order and what is allowed. While it is true that the Governor has a six step plan, we still do not know the timeframe of moving from Phase 3 to Phase 4. We also do not know when the curve will be flattened, as things continue to change daily with the number of cases.

What makes Lansing different from other municipalities that are assuming 30% revenue declines?
What characteristics are we basing this estimate on?

Via Treasurer Kehler: Unfortunately, I only had a few minutes to address the Committee Of the Whole on Monday night. What I meant to say is that counties, townships and cities are choosing income tax revenue decline scenarios that range from 20% to 30%. The scenarios are based on characteristics that

are unique to each taxing jurisdiction. Each municipality has its own diverse mix of commerce or industry. Lansing is different from the majority of the other income taxing jurisdictions based on the following:

Many of Lansing's top employers (State of Michigan, MSU, Sparrow, General Motors, Auto Owners, Lansing Community College, Peckham, Jackson National Life, etc.) shifted their employees to Work from Home (WFH) arrangements instead of moving to direct lay-offs or job eliminations. WFH arrangements are more favorable for income tax revenues than lay-offs or job losses.

Another favorable factor to consider is the LEAP/EDC rescue grants. The Greater Lansing Region received \$600,000, with approximately \$200,000 received directly by Lansing businesses. The EDC has also released \$340,000 to Lansing businesses, with more funding to support Lansing businesses expected through EDC and CDBG funding. Not every municipality or township provided business owners with this financial assistance. These COVID-19 funds will enable businesses to remain open and retain employees.

For the current FY, we must consider the fact that after the strike, GM employees received substantial bonuses for tax year 2019. Only cities with GM plants/facilities will realize this "bump" to revenues.

What does it look like if we don't hit our 20% target? Where will we make additional cuts?

The administration and departments are exploring all available options. We will continue to provide quarterly budget updates to Council which may include proposed adjustments and cost savings as we continue to refine our revenue estimates based on real time information.

Mr. Brower submitted the above document on May 13 before this meeting, and at this time read the document for the Committee.

Council Member Wood asked Ms. Kehler to speak to income tax projections specifically with the East Lansing residents and workers in the City of Lansing. Ms. Kehler started by first stating in 2018 there were 3,227 returns for E.L. resident working in Lansing, so with those called home to work from home for 3 months they will be able to complete an exclusion schedule on their wages during that time. If they all do that, it would be a total loss of \$258,000.

Council President Spadafore asked for a brief change in questioning, because Ms. Coleman with HRCS just came into the meeting and had another one at 3:30, therefore the discussion was now going to move the HRCS Agency Distribution handout. Ms. Coleman came into the meeting and went through the spreadsheet breakdown on the agency allocations. The process used which required the agencies to meet the requirements, a timeline to submit, review and recommendations by the HRCS Advisory Board and final department review and adjustments. Council Member Wood asked the OCA if she could speak on the topic since her job (RSVP) receives funds from the HRCS department. Ms. Hagen stated the Council Member Wood cannot participate in the decision, however can ask question as long as it is not promoting her organization. Council Member Wood referenced the document and asked why they were proposing to award funds to new applicants when their budget is reduced by \$214,000, and also of that \$214,000 reduction were there agencies in the reduction that were approved for funding previously. Ms. Coleman stated that the agencies listed as new were recommended by the Advisory Board, and those that were eliminated were programs previously reported and funded that would probably not go on this year anyways. Council Member Hussain asked what steps were done to make sure there were no conflicts of interest in the process this year. Ms. Coleman stated the Advisory Board had to complete the same

Ethics Board paperwork elected officials and City employees fill out on any conflicts. They did not receive anything that eliminated them from the decision process. Council President Spadafore referred to the list and one agencies that violates the Human Rights Ordinance regarding LGBTQ, and they were removed last year but appear to be added in this year. He asked what rule the City holds these agencies to for human rights. Mayor Schor noted that the program from that Agency in question is not the program in the past that did not comply, but a different program and after a discussion with the OCA, they believe that the program listed does comply. It was noted that HRCS will have language in the contract and that can be provided to Council once the contract is signed. Council President Spadafore then asked when these \$1.5 million in funds will be distributed because with the budget in front of them, and if GF is reduced that is all for HRCS. Mr. Brower responded that it can be restructured, but in the past they were quarterly payments, and Council President Spadafore stated that quarterly would satisfy his current concern. Mayor Schor did note that if they are quarterly payments and the organizations are counting on a year of them, it could affect their organization, so the Administration would want to be specific with the agencies. Council Member Spitzley noted her concern that the City is looking to operate the same in these current economic conditions, and asked if they the City needs to look at reducing by a percentage to other items. Council President Spadafore asked if there was anything in the HRCS organization funding contract that states the funds need to go to the residents of Lansing, not to "keep the lights on" in their building. Ms. Coleman acknowledged they intended to include a statement to where funds should go as part of the contract. Ms. Coleman then had to leave the meeting.

Council Member Wood continued her questions to Ms. Kehler, asking Ms. Kehler how she made the projection determination on her worksheet. Ms. Kehler provide an example of if an employer had 5,067 employees and of those there are 1,033 that are Lansing residents, meaning 4,033 would only be paying the .5% income tax, and if those are working from home could get the earlier mentioned exemption during the time worked at home. And without knowing when business and offices will open back up, it is hard to predict the impact. Council Member Wood asked Ms. Frayer and Mr. Brower if the full faith in credit on the bonds for the Lansing Center and Stadium will be connected to the City of Lansing. She then asked if LEPFA cannot make the bond payments is the City of Lansing going to be tied to them. Ms. Frayer confirmed. Council Member Wood then asked for the bond schedule now for the debt service for those bonds, and when the Administration looked at reducing the subsidy to the Lansing Center, did they determine if that reduction will affect their payment of those bonds. In conclusion Council Member Wood wanted to know the bond payments and what discussion has been made on the LEPFA resources to make those payments. Ms. Frayer offered to send Council the debt schedule for all bonds and details on the debt service. Mr. Lefler entered the meeting to state these are under TIFA, that being paid by captured taxes. If there is a reduction in LEPFA it is not being used. Mr. Brower stated he would provide details before the next meeting. Council Member Wood then asked the Administration if they considered taking a flat percentage from all departments to make the reductions. Ms. Frayer admitted it would be easier to do that, but in doing what they did they were able to make sure there was minimal impact to City services and personnel. She also pointed out that the savings spreadsheet the Committee does reflect \$4 million in savings but those are one time savings, so in future years they will have to continue to find savings. Council Member Spitzley asked if there were departments taking cuts and other departments not. Ms. Frayer noted that if reviewing the line item budget, some departments are easier to cut. An example was that the Parks Department cannot currently provide services, so they could do one time cuts. The Administration tried to keep public safety with no cuts, therefore trying not to impact services or people. Mr. Brower also referenced the savings spreadsheet for individual cuts, but noted that in the future they could consider priority based budgeting and review to see what services are mandatory or required regulations. Council Member Dunbar briefly referenced the budget season in 2010 and stated she would not support across the board cuts. Council Member

Wood asked Ms. Frayer to explain the health administrative cost savings of \$2 million and casualty at \$400,000. Ms. Frayer explained the City used to have three (3) agents and after an RFP they were able to sign with one (1) agenda in January, 2020. They also looked at all practices and that resulted in about \$300,000 in savings. They then put out a bid for health care plans and received 12. After review they were still able to maintain PHP and BCBS, and in turn negotiated newer rates. Beginning July 1 they will start the open enrollment, same plan, same product and she assured them the employees would not feel the effects. Regarding the casualty, Ms. Frayer informed the Committee that the policy was \$1million and the agent was with the City for years. However by doing an RFP, they were able to get involved in a "pool system" that drives costs down. Council Member Wood asked what percentage was self-insured, and Ms. Frayer confirmed they are switching most to self-insured so not too many will be fully insured. Council Member Wood referenced a comment at the last meeting where it was stated by the Administration that Hunter Pool not opening this year would be a savings of \$16,000 but the Parks Director said \$20,000 plus additional savings without lifeguards. Mr. Brower stated it would be \$15,000 with other operational savings but he could get a clear answer. Mayor Schor added that the number of \$20,000 was for the whole summer which begins in this fiscal year; June.

Council Member Wood acknowledged that the Charter does state the Council has to adopt the budget by the third Monday in May; May 18th, however asked the OCA if there is anything in the State's Emergency Orders that would allow under this emergency situation it can be put on hold. Mr. Smiertka stated he was not aware of anything but would look into it. Mr. Smiertka then referred back to an earlier statement by Ms. Frayer on insured noting that the City is self-insured for \$1 million but has coverage up to 7 million.

Council Member Wood asked the OCA if there is anything that prohibits Council from passing a two month budget or half of the budget at this time. Mr. Smiertka stated they are required to adopt a balanced budget, and in his opinion if they adopt a portion of the budget, they would still have to continue through the budget adoption process because a full balanced budget would not have been. Anything would have to be fashioned so it does not violate the uniform budgeting act. Ms. Frayer added to the discussion that every day they get new information, and currently her department is working on this fiscal year's year end amendment for June, and that will impact how they start in July. She continued that they are already planning for an amendment to the FY2020/2021 Budget once businesses and offices are reopened. Council Member Wood voiced her concern that by adopting a budget that they know will be amended in 30 days is not being realistic to the residents and tax payers of Lansing. Therefore to provide a budget that they can expect, she was looking for options before supporting anything. Council President Spadafore noted that some schools are looking at 1/12 or 2/12 budgets for appropriations to satisfy the State law and it would be balanced, so he was interested in exploring the same options as Council Member Wood. Mayor Schor responded that in his opinion the Council would be passing a budget with a budget amendment in 2-3 months, and he could not confirm or deny that passing a 3 month or 1/12 budget is allowed under uniform budgeting act. Council President Spadafore clarified that they would pass a full fiscal year budget, but only fund 1/12. Mr. Brower spoke on the discussion that if it is a 1/12 budget it would impact the operational contracts and require him to detail the contracts and distributions differently. Council President Spadafore pointed out that if they adopt a balance budget and in 2-3 months have to amend it, the contracts will be impacted then also. Ms. Frayer explained that when they sign a vendor contract, it encumbers the funds for that contract so they cannot be used anywhere else, however she would refer to OCA for a legal opinion. Mr. Smiertka stated again that the City has to have a balanced full budget. Council President Spadafore explained again that it would be a 12 month budget, but reduced appropriation and revenue and a 1/12 budget might satisfy all requirements. Ms. Shelbi stated that unless there is money coming in to match expenditures, they would not have a balanced budget. Mr. Brower assured the Council that he will continue to provide options and report quarterly to the Council and if they adopt a full budget he would have an entire year to look at figures. Council

Member Wood reminded Mr. Brower that quarterly reports are required per the Charter, so stating the Administration will provide them is not a reassurance. Lastly she noted that with the recent voluntary furloughs and the unknown effects of June, there are a lot of unknowns Council has to review. Mr. Smiertka read the Charter to the Council, stated they “shall” adopt. Council Member Betz asked what the opinion was of the FHT since their recommendation has always been a multi-year budget. Ms. Frayer again stated in her opinion that doing a 1/12 budget is not an option in the Charter. Council President Spadafore again clarified that it would be an annual budget but appropriate funds can be appropriated monthly, and his question to the Council and OCA is if they should. If they considered it, they would take the 2020/2021 budget with 1/12 of the funding making up that budget. Council Member Spitzley spoke in opposition to the idea of a 1/12 budget, but would prefer a complete budget with amendments and in her opinion that would be easier to explain to the residents. Council Member Wood replied to the question asked earlier by Council Member Betz on the FHT, noting that the FHT is an advisory board, but Council has to make the final decision. Mr. Lefler came into the meeting, and speaking as a City municipal advisor, stated that Lansing is no different than any other municipality in Michigan trying to adopt a budget. As it relates to adopting Council could relay to the public that they are passing a budget but that there could be the potential for reductions going forward. He concluded by stating that a multi-year budget should be a goal, in his opinion. Council Member Betz asked that there is a benefit to being able to engage the Administration in the future on all amendments instead of getting the amendments and being told “this is what you have to do”. In his opinion he supported monthly budgets and Council should determine what cuts and negotiate, not just be presented an amendment. Mayor Schor stated his expectation is to provide recommendations and he looked forward to any suggestions.

Council President Spadafore noted to the Committee that at the May 18th Council meeting the Ingham County Health Department Director will be present for a brief presentation. The State Revenue meeting is May 15th so there could be more budget changes coming because of that. Council Staff sent the Committee the draft Budget Policies that will need to be adopted on May 18th as part of the budget, therefore he encouraged any recommendations to be provided to staff prior to the meeting.

Council Member Dunbar asked the Mayor and the LPD Chief Green for details on their practices for enforcement of people not wearing masks in businesses, what the recourse do business owners will be, what steps are in place for City staff if someone comes in not wearing a mask, and what right do business owners or have to say so people are not provided service if they aren’t wearing one or do they make accommodations. Mayor Schor stated that the businesses are a private entity, and if the owner says “no mask no service”, and if they enter anyways that is trespassing and they can call LPD. LPD can ask them to leave because it is trespassing and obstruction. Mayor Schor went on to state that the Governors Executive Order says in any enclosed public space they have to wear masks. If they are relying on the Executive Order, there could be trespassing in private businesses. Regarding opening City buildings, Mayor Schor noted they do not anticipate opening buildings until they are comfortable with that. They are working from home and are working on the options for City Hall, Foster, LPD, LFD and other City public buildings. Chief Green came into the meeting, agreeing with the Mayor, noting that if the businesses had the signage up it would help substantiate a trespassing case. Council Member Dunbar asked about if someone has a disability and can’t wear a mask, what rights do the business owners have. Mr. Smiertka noted that under the ADA, the private business might have the right to have them prove they are not able to have a face covering, however that was only his initial thought. Mayor Schor then read the Executive Order to the Committee, noting he was reluctant to have the LPD as a health official.

Adjourn

The meeting adjourned at 4:33 p.m.

Respectfully Submitted by,
Sherrie Boak, Recording Secretary,
Lansing City Council

Approved by the Committee on May 18, 2020