

City of Ann Arbor

FY 2010 2-Year Financial Plan

April 2009

Outline

1. Brief Comments on Economy
2. Revenue & Expenditure Projections
3. Budget Strategy
4. Administrator's Recommended Budget
5. Budget Process

State's Economic Environment

- Michigan's economy is one of the weakest in the U.S. and is not expected to significantly rebound in the near future.
- Michigan's 12% unemployment rate remains the nation's highest.
- The domestic auto industry remains on shaky financial ground and its future is unknown.
- It's not clear what the local impact may be from the economic stimulus package.

City Environment

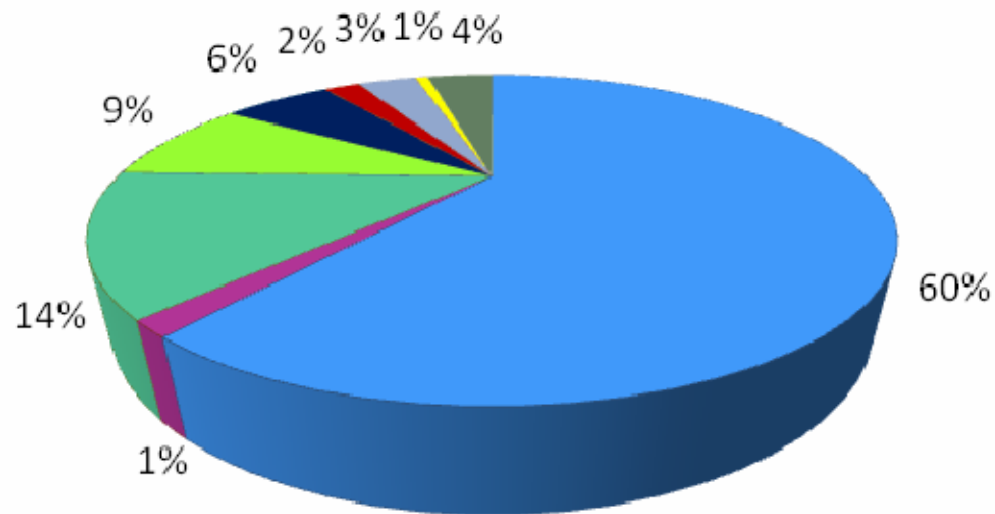
- For years Michigan's restrictive system for funding local municipalities has resulted in cuts in Ann Arbor.
- Property tax revenues are declining due to lower assessed values, Pfizer's departure, and lower new construction.
- State-shared revenue is assumed flat, but there is a risk of decline since sales taxes are reportedly down 19%.
- The decline in the world's financial markets (over 50% from their highs) are projected to have a major impact on the City's required contributions for employee pension costs.

2. Revenue & Expenditure Projections

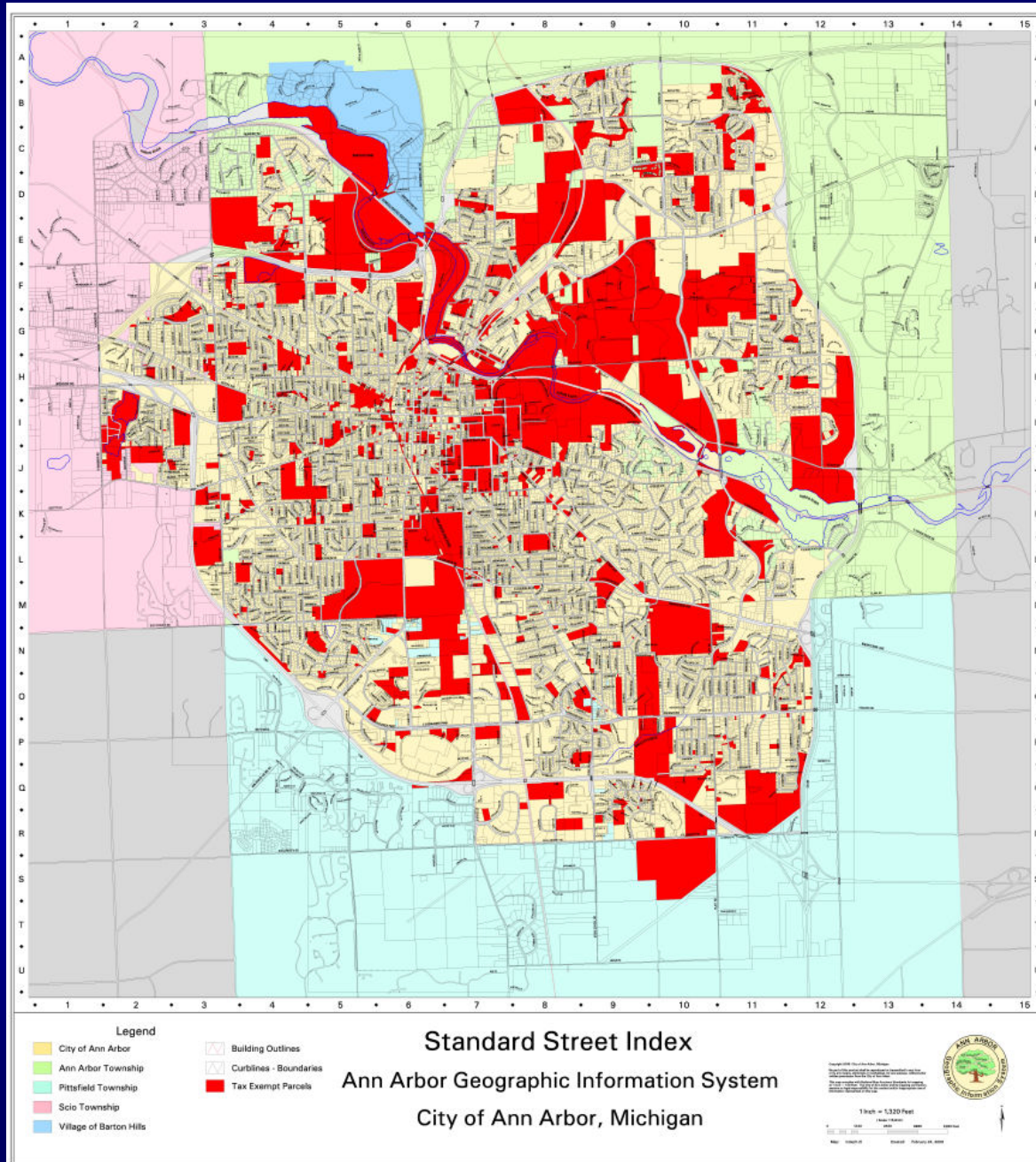
Primary Sources of General Fund Revenue

1) Property Taxes & 2) State Shared Revenue

- PROPERTY TAXES
- LICENSES, PERMITS & REGISTRATION
- STATE SHARED REVENUES & GRANTS
- CHARGES FOR SERVICES
- FINES & FORFEITS
- INVESTMENT INCOME
- OPERATING TRANSFERS
- MISCELLANEOUS REVENUE & CONTRIBUTIONS
- MUNICIPAL SERVICE CHARGE & OTHER TRANSFERS

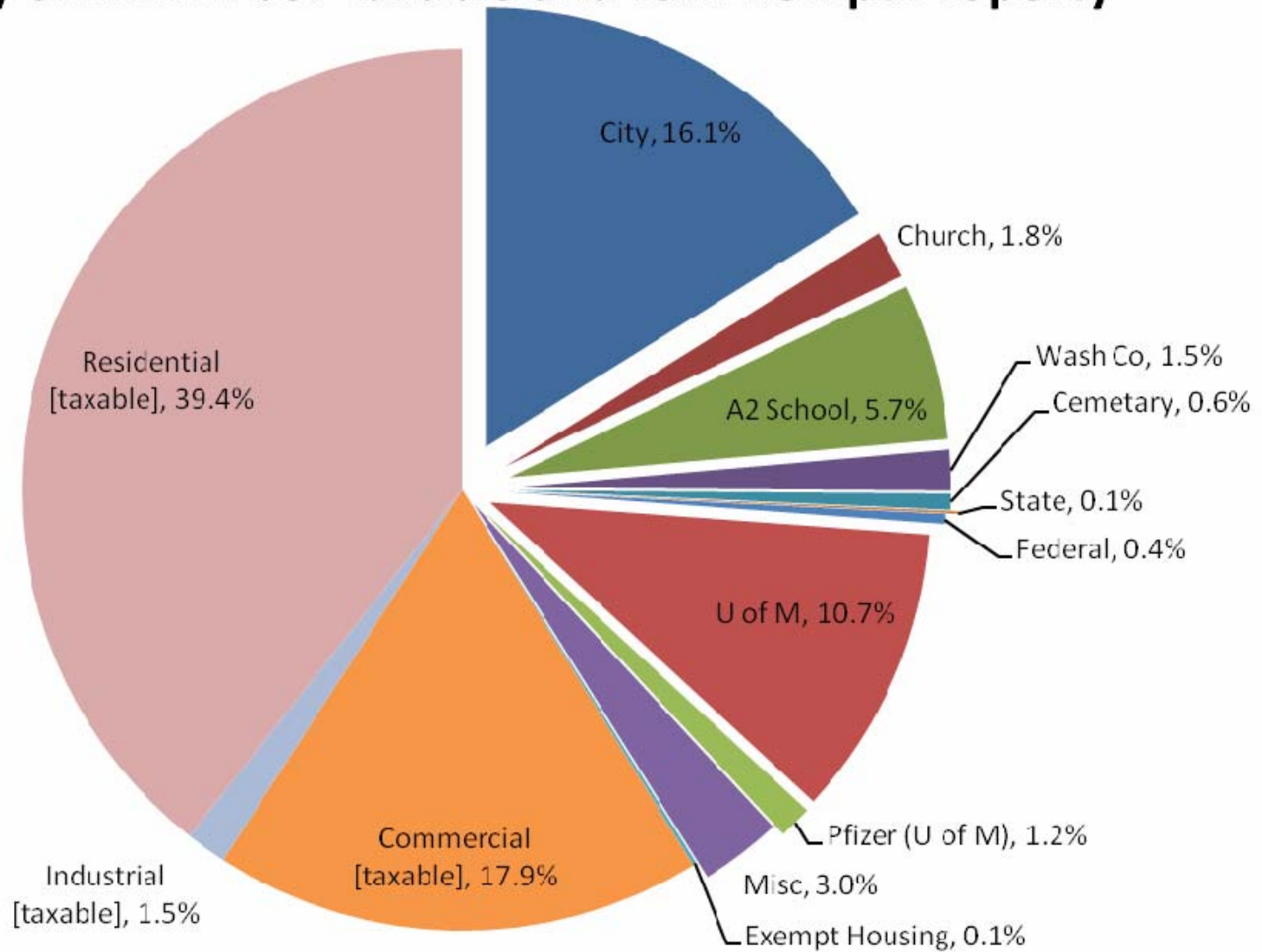


40% of Property is Tax Exempt



Break-down of Tax Exempt Property

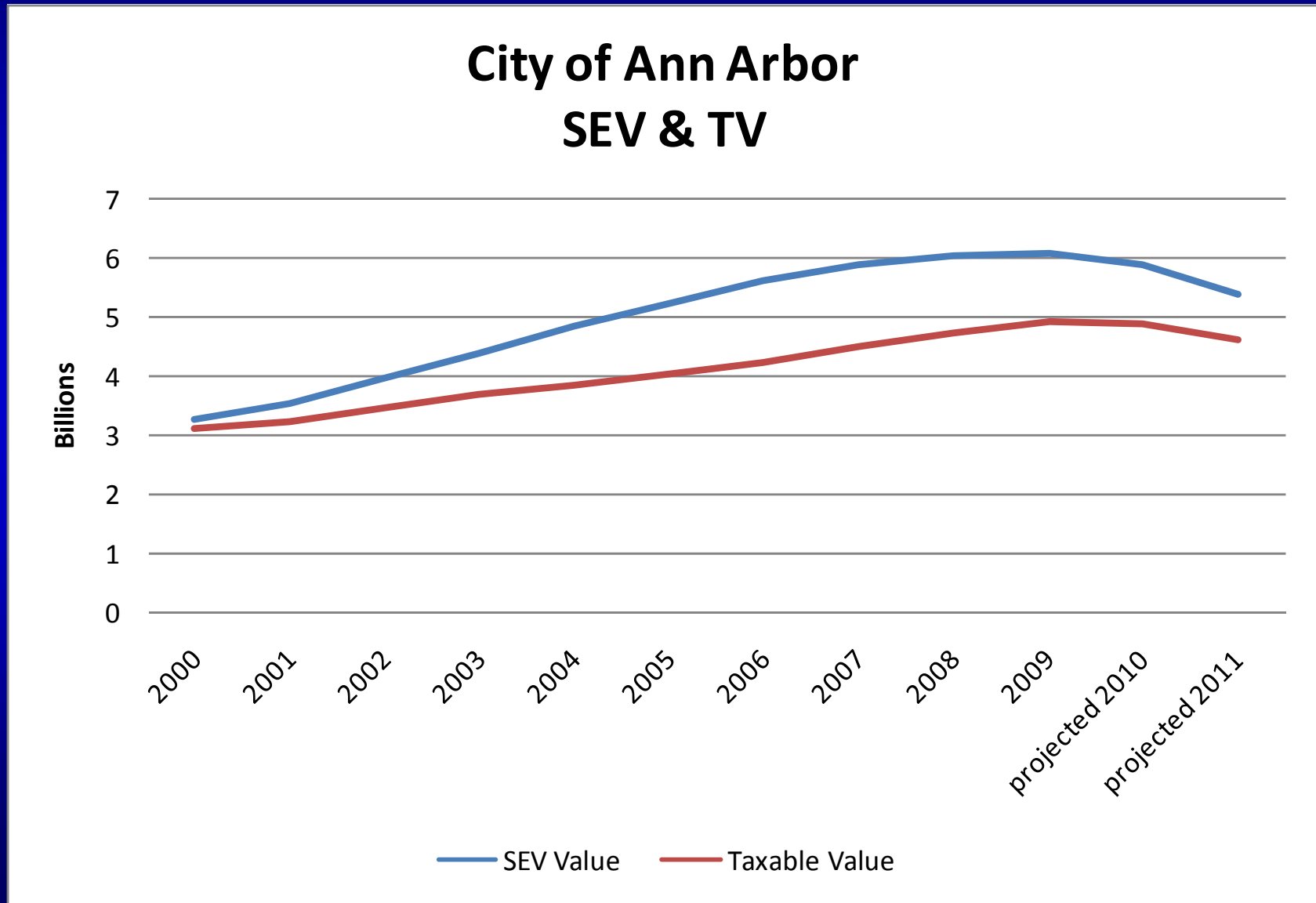
City of Ann Arbor Taxable and Tax Exempt Property



Largest Property Tax Payers

	<u>FY 2008</u>
1. Pfizer	4.8%
2. Briarwood Shopping Complex	0.8%
3. Detroit Edison	0.7%
4. AMCAP Arborland LLC	0.7%
5. Transwestern Great Lakes	0.6%
6. McMullen Properties LLC	0.4%
7. Geddes Lake Co-op	0.4%
8. Maple Village Shopping	0.4%
9. McKinley Associates	0.4%
10. Michigan Consolidated Gas Co.	0.4%

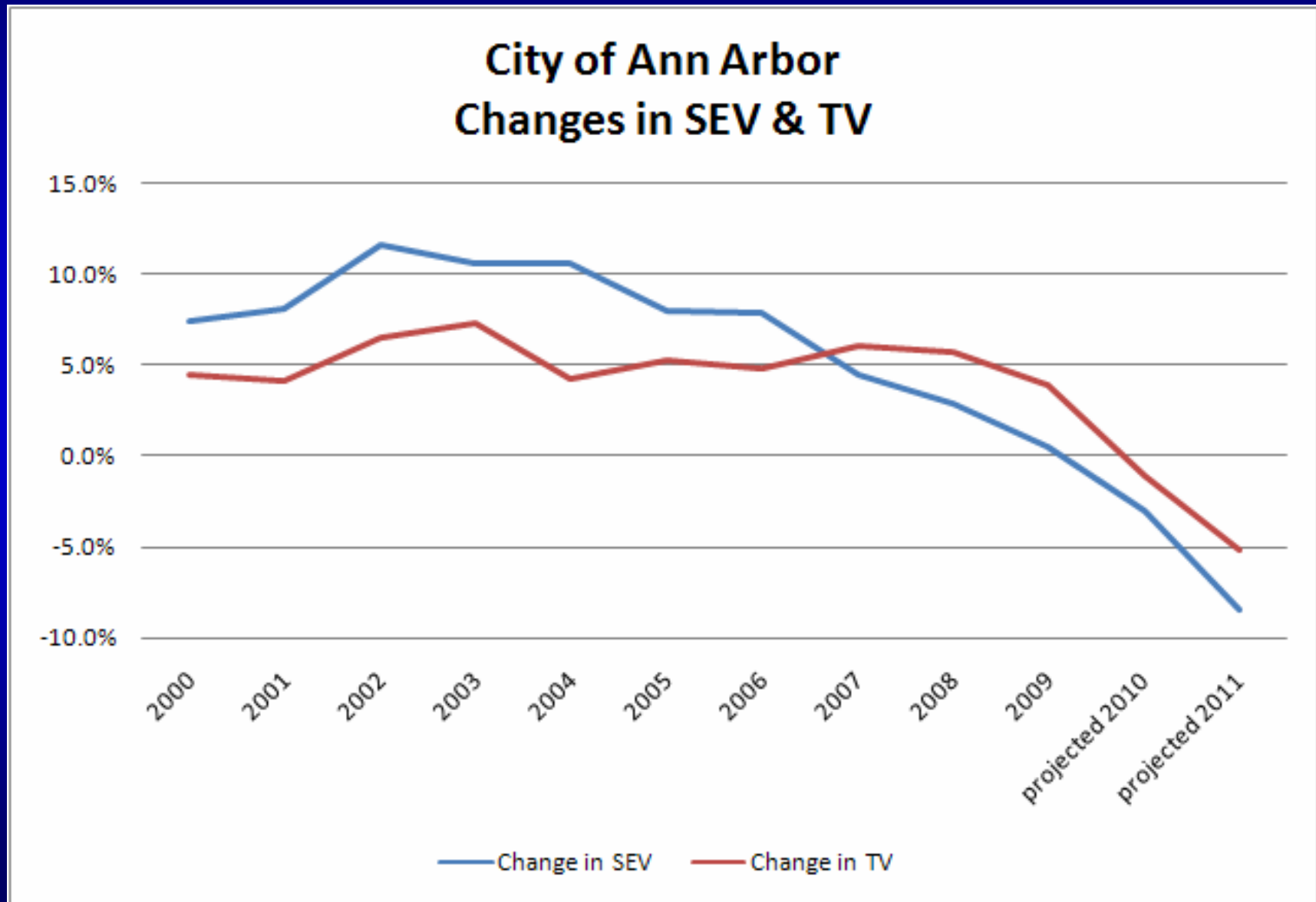
SEV & Taxable Values Are Projected to Decline



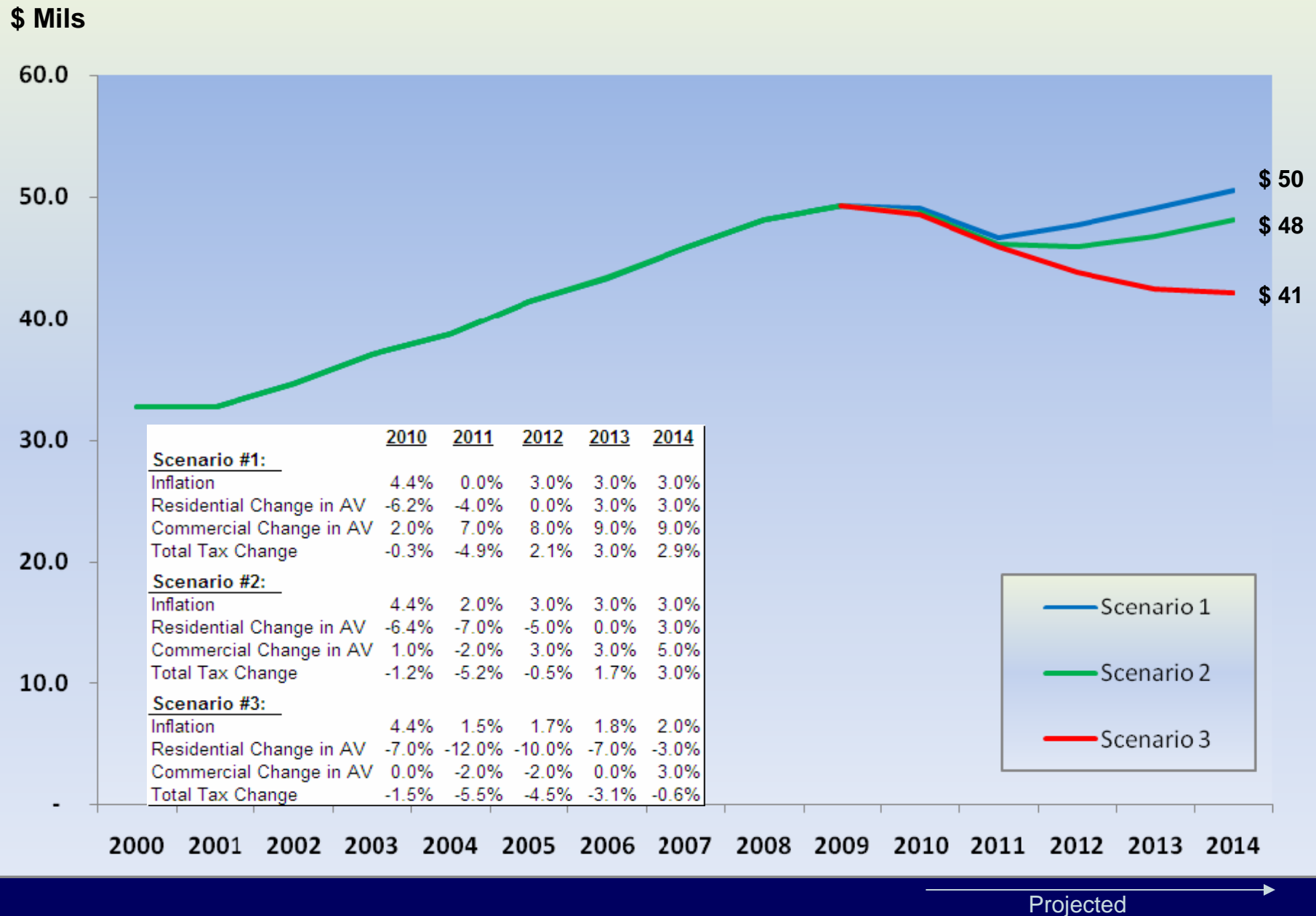
Property Tax Projections: Gap SEV & Taxable Values

- City has 16% gap between SEV and Taxable values
- 43% of residential properties have Taxable values equal to SEV
- For properties with $SEV=TV$, if assessment decreases owner pays less taxes
- For properties with gap, if assessment decreases, taxes may increase up to inflation

Declining Growth Rates – TV lags SEV

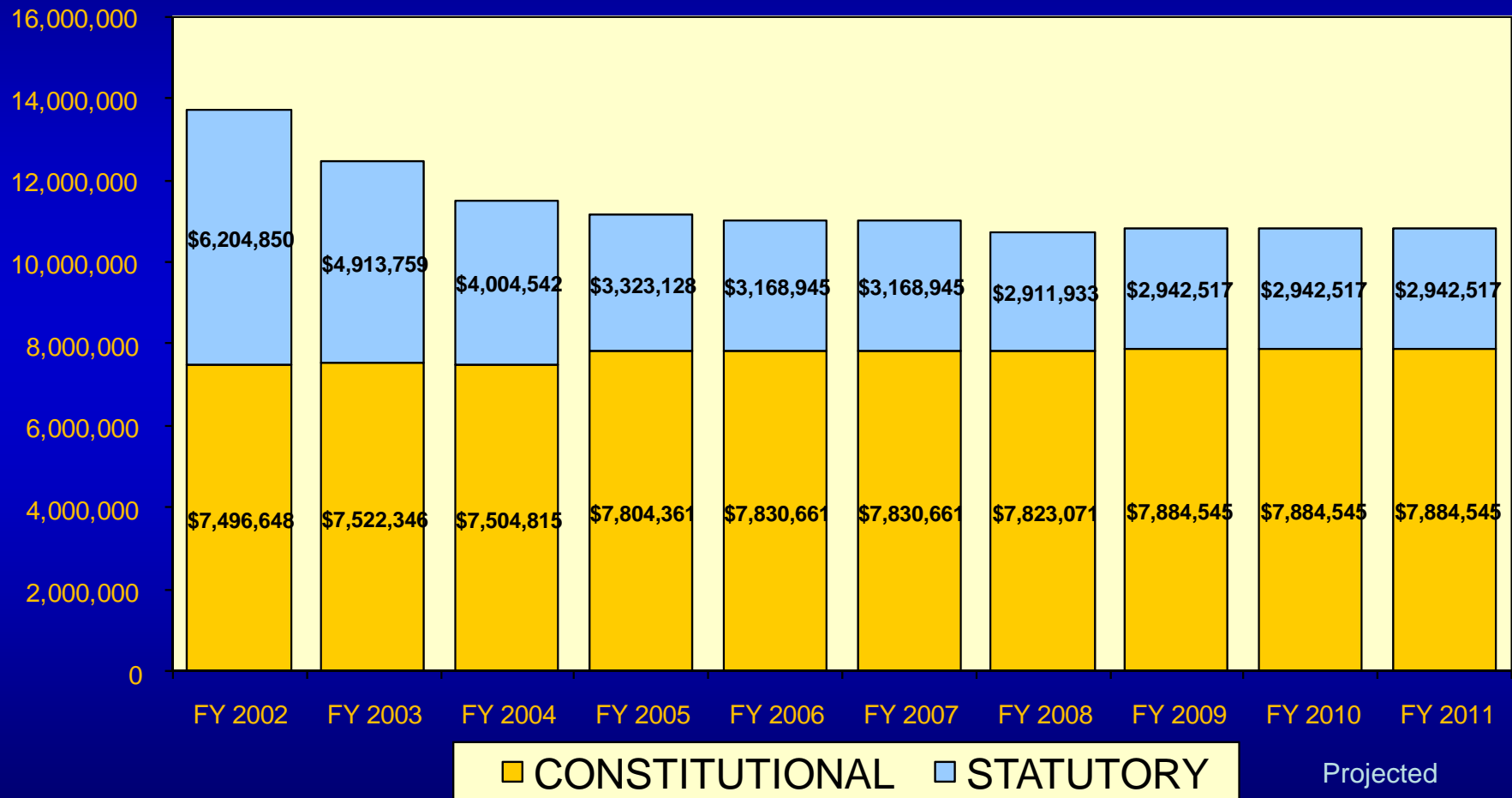


General Fund Property Tax Projections



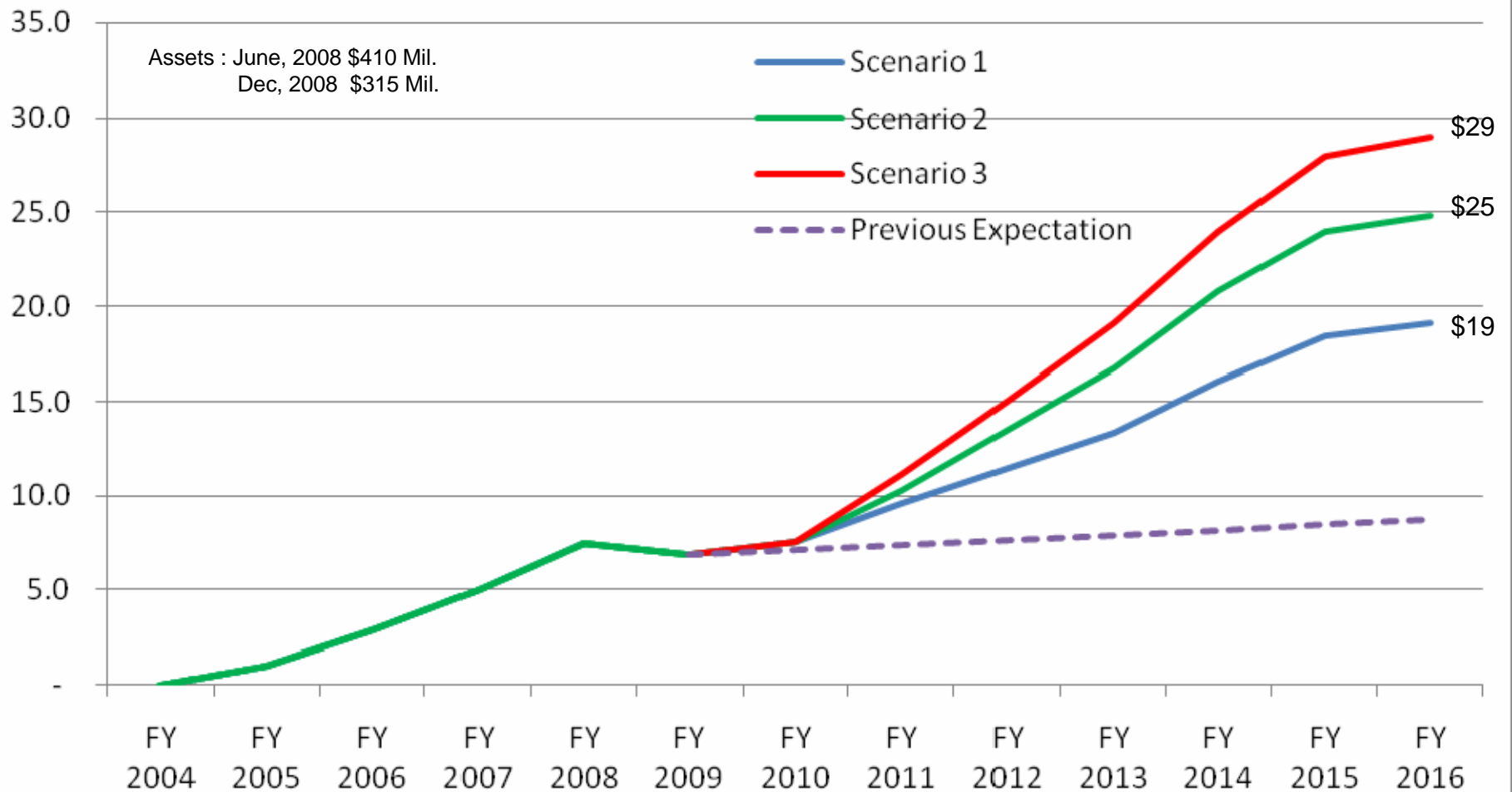
State Shared Revenue Assumed Flat *

* Paid from State Sales Tax revenue which is reportedly down 19% YTD.



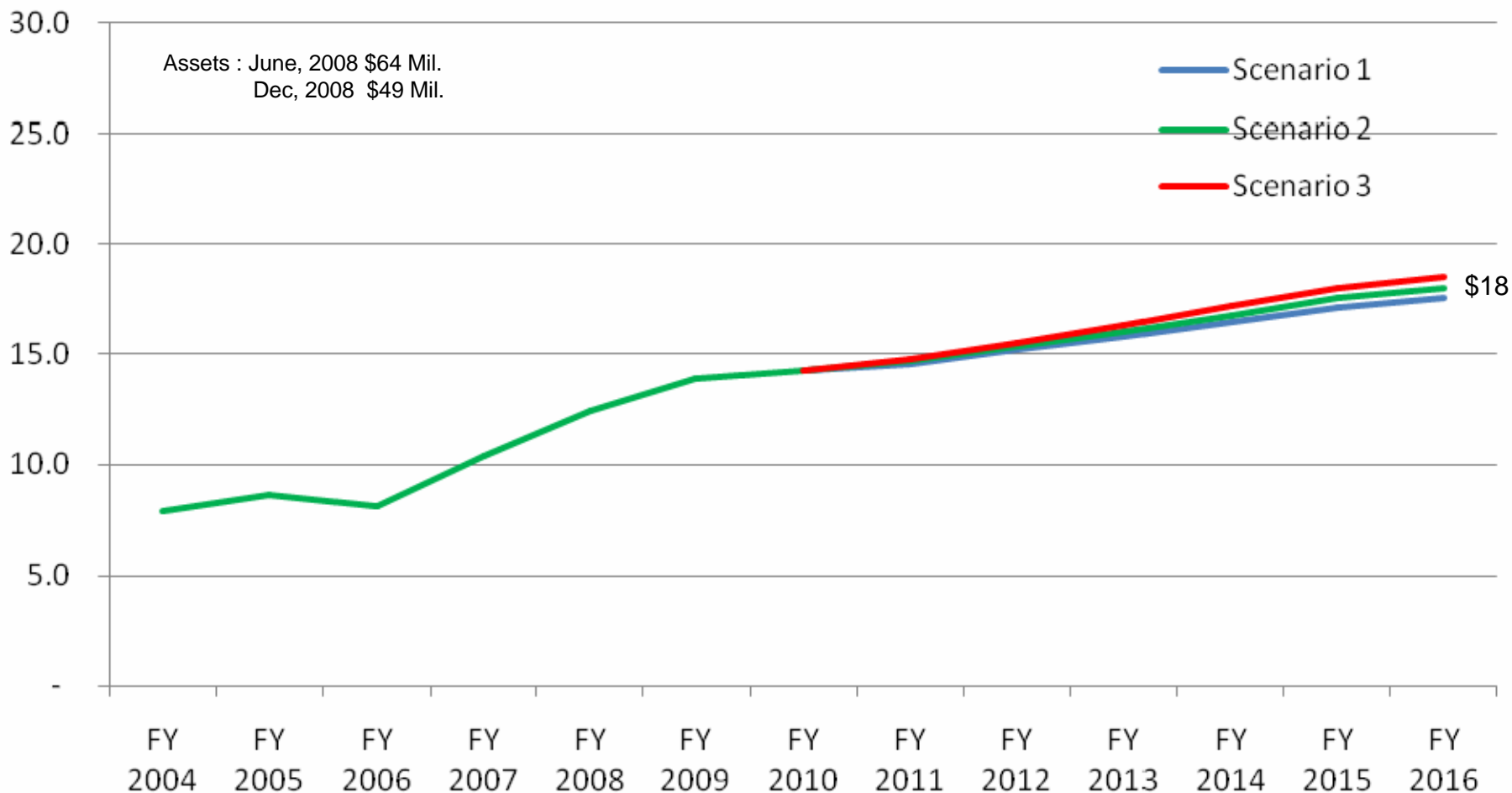
Pension Contributions

\$ in
Millions



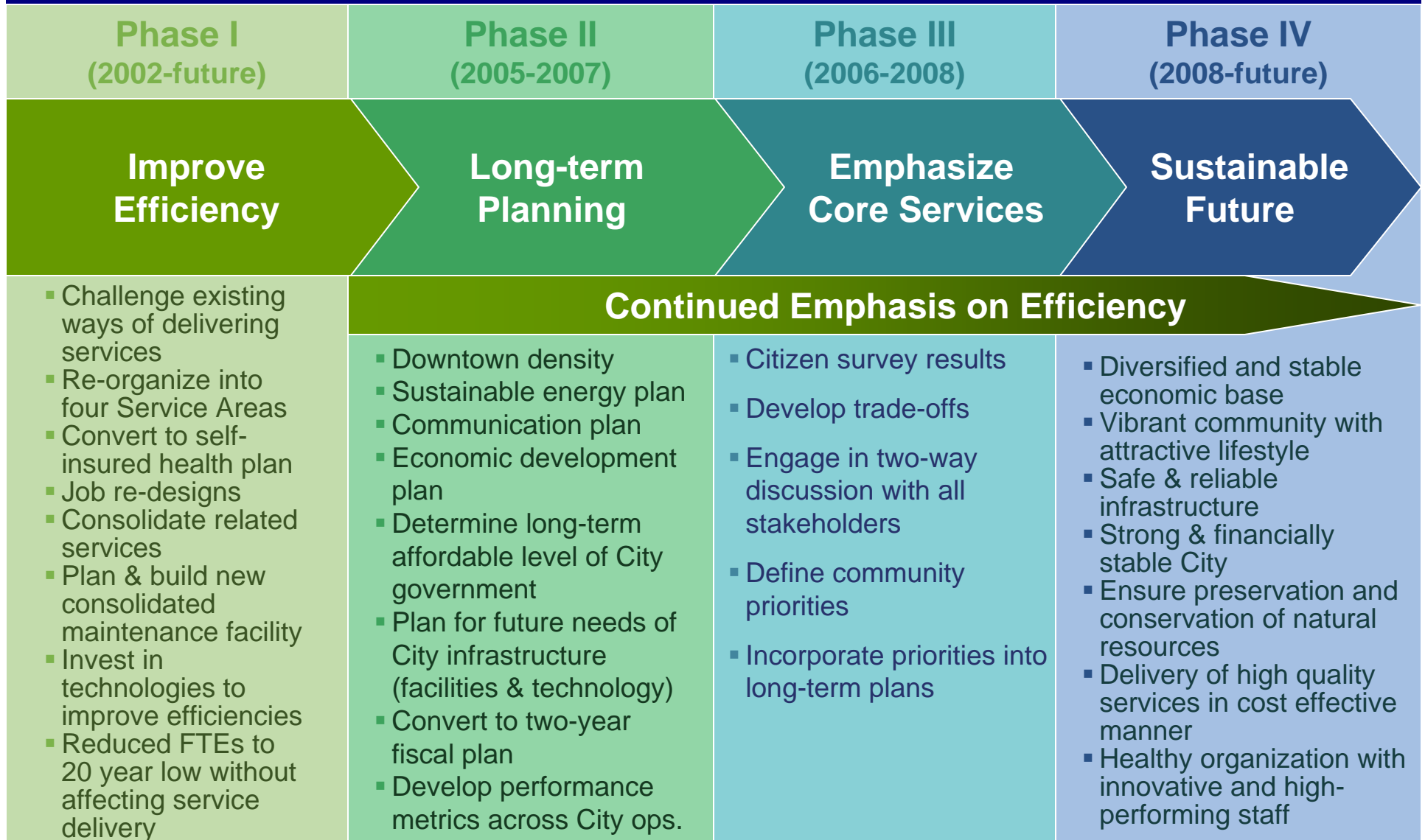
Retiree Health Care Expenditures

\$ in
Millions

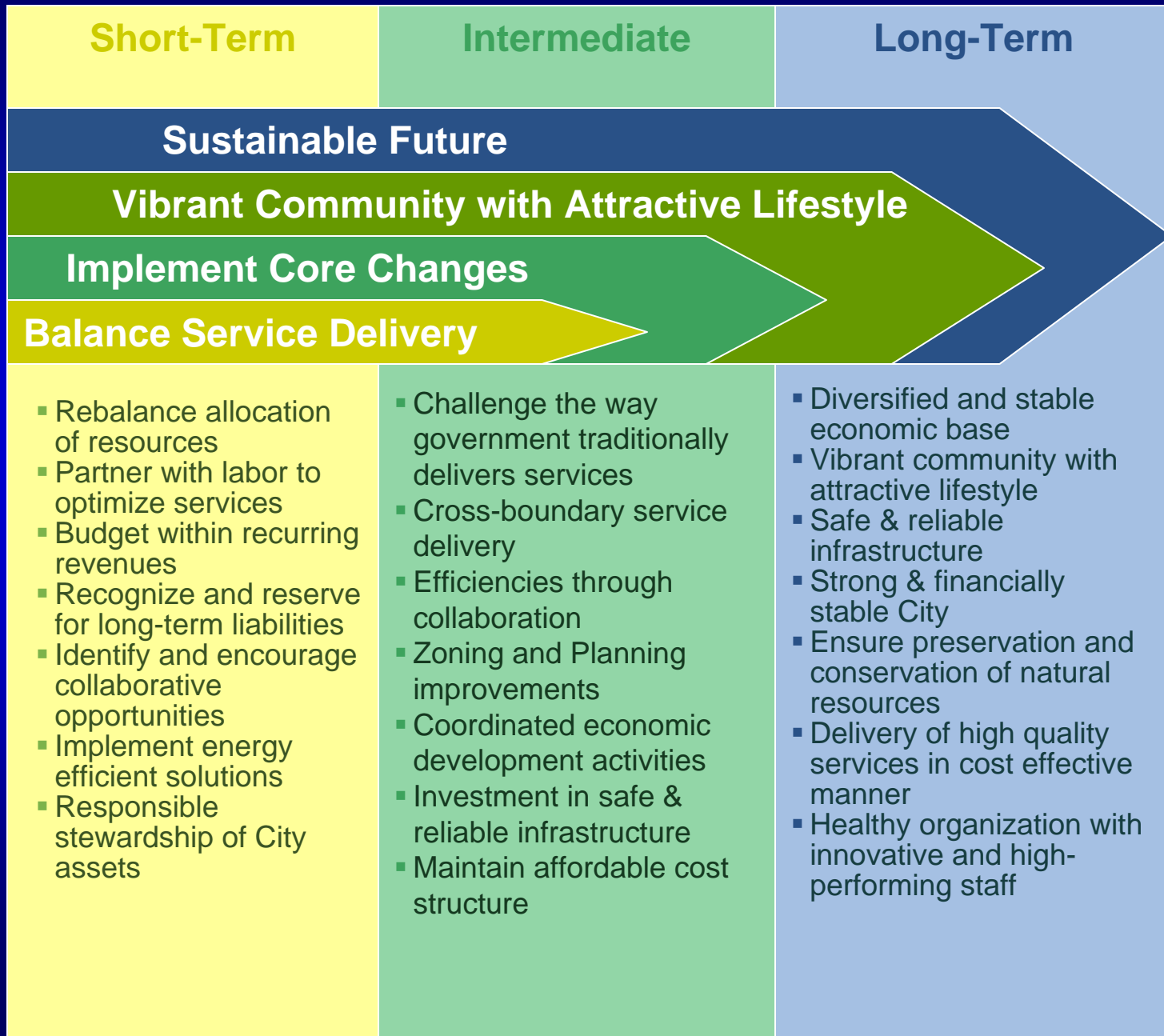


3. Budget Strategy

“Sustaining Our Future”



“Sustaining Our Future”



4. Administrator's Recommended Budget

General Fund Target Development

	Adopted Budget FY 09	Target FY 10	Target FY 11
<u>Projected Totals</u>			
Revenues	\$ 89,214,660	\$ 84,955,831	\$ 82,184,794
Expenditures	** 89,214,660	87,021,699	87,593,410
Excess/(Deficit)	0	(2,065,868)	(5,408,616)
Percent to Expenditures		-3%	-7%
Target Expense Decrease		(7,474,484)	
Target Percent Decrease to Expenditures		10%	
(Excluding \$13 Mil. in pass-throughs)		Equally distributed across operating units	

** Adopted Budget subsequently amended to \$90,791,514

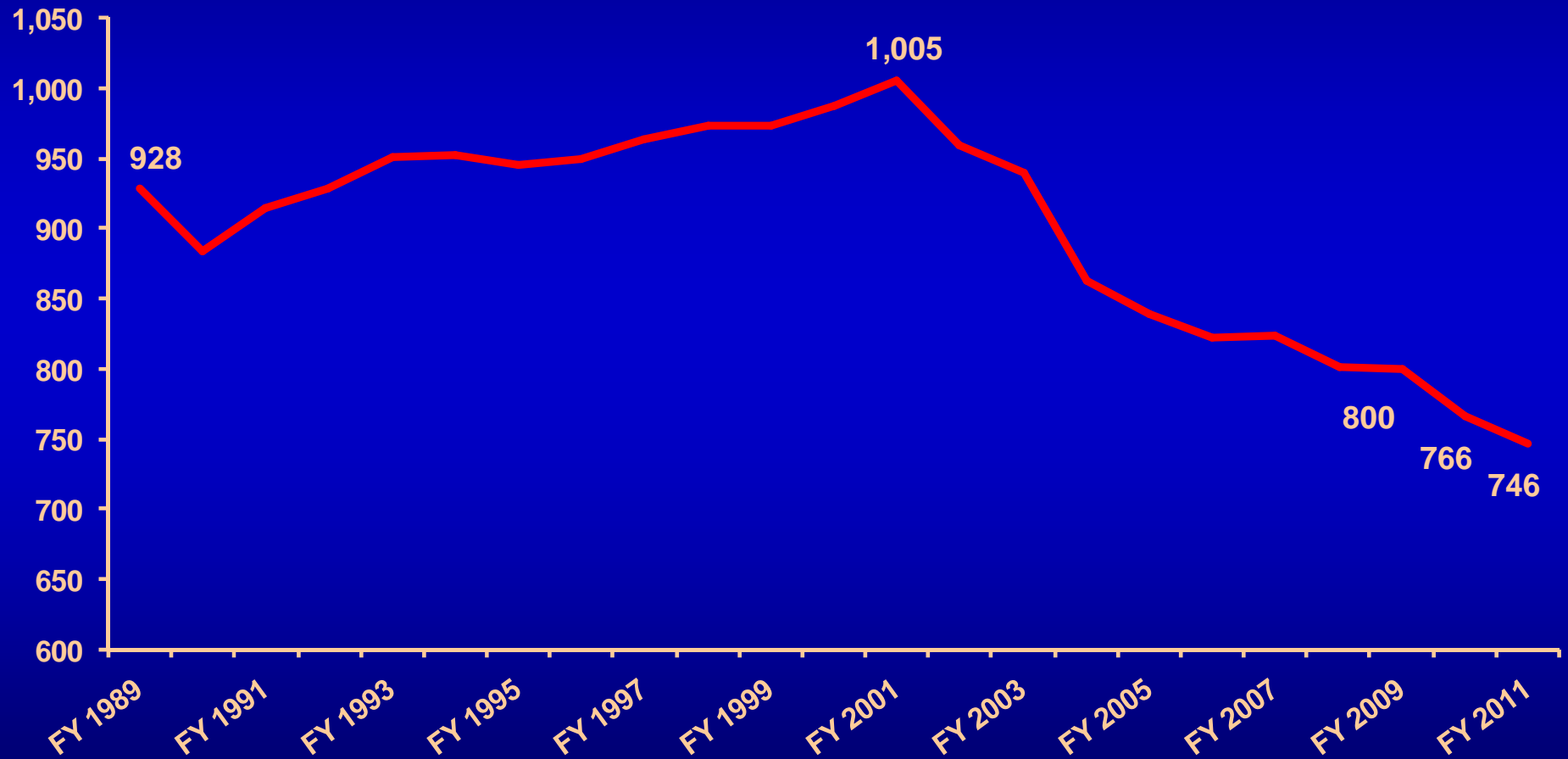
Adopted vs Amended General Fund Budget

	<u>FY 2009</u>
Adopted Budget	\$ 89,214,660
Community Dev - Mortgage Foreclosure Prevention	100,000
Community Dev - Avalon Housing & WAC merger	295,000
Non-departmental - Purchase Tio's property	615,000
Police Misc. (carried forward)	2,550
Public Services - Easy Street Sidewalks	40,210
Parks & Rec - Project Grow	7,000
Add'l Parks Funding: Parks Ops & Maint. (carried forward)	191,820
Public Services - Dam Improvements (carried fwd)	265,000
15 th District Court Grant (carried forward)	45,000
Police Community Partnership (carried forward)	15,276
Total Budget Modifications	<u>\$ 1,576,856</u>
Modified (Amended) Budget	\$ 90,791,516

Key Budget Assumptions

	<u>FY 10</u>	<u>FY 11</u>
<u>Revenue Growth</u>		
Taxes	-1.2%	-5.2%
State shared revenues	0.0%	0.0%
Licenses, permits & reg.	0.0%	0.0%
Charges for services	0.0%	0.0%
DDA Lease	0.0%	0.0%
<u>Expenditure Growth</u>		
Wages	TBD	TBD
Active Health Insurance	6.8%	7.5%
Retiree Health Insurance	3.5%	3.5%
Pension Contribution	2.5%	36.6%

Impact on Staffing Levels

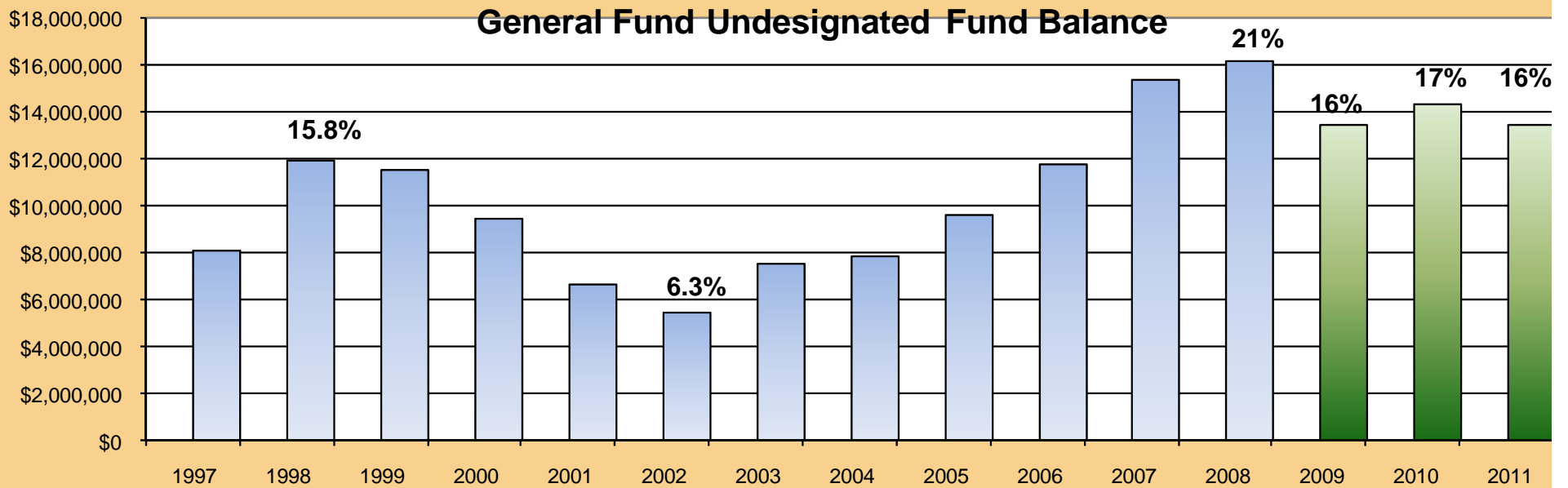


Recommended Expenditure Budget

	Fiscal Year Budget		
	Adopted Budget 2009	Recommended 2010	Projected 2011
<u>General Fund Expenditures</u>			
Police	\$ 27,195,233	\$ 26,057,095	\$ 27,188,966
Fire	13,928,987	14,176,119	13,516,759
AATA	9,741,489	9,636,345	9,135,256
Parks Forestry & Operations	4,225,101	4,132,898	4,063,921
Parks & Recreation	3,844,838	3,718,788	3,511,483
Finance	4,143,302	3,956,114	4,016,264
Courts	4,507,684	4,226,107	4,357,693
Planning & Development	2,104,163	2,611,699	2,592,084
Community Development	2,076,980	2,428,699	1,950,666
Public Services	2,179,171	2,105,899	2,017,628
Fleet & Facilities	1,287,695	1,316,428	1,599,240
Attorney	2,082,710	2,041,949	1,988,580
City Clerk	924,882	885,960	1,039,966
City Administrator	639,695	634,034	607,334
Mayor & Council	343,502	348,917	350,740
Transfers/Other	10,332,730	6,887,892	5,664,680
Total GF Expenditures **	\$ 89,214,660	\$ 84,816,026	\$ 83,250,520
<u>General Fund Revenues</u>			
Taxes	\$ 52,076,573	\$ 51,492,881	\$ 48,993,217
State-shared Revenue	10,756,613	10,827,062	10,827,062
Charges for Services	5,866,021	7,333,170	7,704,717
Fines & Forfeitures	6,182,365	5,131,420	4,861,882
Other	14,333,088	10,413,505	10,481,630
Total GF Revenues	\$ 89,214,660	\$ 85,198,038	\$ 82,868,508
Net Surplus/(Deficit)	\$ 0	\$ 382,012	\$ (382,012)
Memo: Undesignated Fund Balance	\$ 13,515,463	\$ 13,897,475	\$ 13,515,463

** Adopted Budget subsequently amended to \$90,791,514

Projected Reserves



Projected

Gen. Fund - Undesignated Fund Balance

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Beginning Undesignated Fund Balance	\$ 14,330,463	\$ 13,515,463	\$ 13,897,475
Projected Surplus/(Deficit) Excl. Use of Reserves	900,000	4,019,833	1,314,648
Subtotal	<u>\$ 15,230,463</u>	<u>\$ 17,535,296</u>	<u>\$ 15,212,123</u>
 <u>Non-Recurring Expenditures</u>			
Reserve for Pfizer Tax Appeal (100% of Amt Appealed)	\$ (1,015,000)	\$ (722,000)	\$ -
Unanticipated ACT 312 Settlement Costs	(700,000)		
Golf Operations Subsidy	-	(689,583)	(519,074)
Continuation of Supplemental Parks Funding		(287,586)	(287,586)
Integrated Human Services Funding	-	(250,000)	-
Foreclosure Revolving Trust	-	(100,000)	(100,000)
Housing Commission - Supplemental Needs	-	(175,000)	(90,000)
Master Plan & Corridor Design Standards	-	(155,000)	(185,000)
Code Clean-up (Zoning & Pension)	-	(200,000)	(65,000)
Pension/VEBA adjustments to match ARC	-	(510,758)	(75,000)
Various Capital Impvmts (Fire/Hydro/Larcom Roof/331 Huron/IT)	-	(547,894)	(375,000)
Subtotal	<u>\$ (1,715,000)</u>	<u>\$ (3,637,821)</u>	<u>\$ (1,696,660)</u>
Ending Undesignated Fund Balance	<u><u>\$ 13,515,463</u></u>	<u><u>\$ 13,897,475</u></u>	<u><u>\$ 13,515,463</u></u>
 Memo: Fund Balance % of Expenditures	 16%	 17%	 16%

FY 2010 Key Budget Implications – Gen. Fund

POLICE

- Re-structuring of Organization
 - Reduction in size of sergeant and lieutenant ranks to focus resources on patrol.
 - Specialty patrols (ie. housing, downtown, etc.) would be covered by regular patrol.
 - Community standards reduced with existing patrol supporting ticket enforcement.
 - Add a 3rd School Resource Officer / Reduce 1 Canine / Reduce vehicle fleet by 14.
 - FTE Positions - 27 (8 community stds, 6 command, 10 patrol, 1 dispatch, 2 clerical).

FIRE

- Fire - Reduce non-FTE expenditures and overtime.

COMMUNITY SERVICES

- Mack pool will close down for the summer (only).
- Eliminate funding for Civic band (\$7k), Project Grow (\$7k), & 1 GIS employee.
- Reduce hours at Vets Park Fitness Center (\$9k) & expand teen camp pilot.
- Leslie Science Center become fully financially independent of the City (\$31k).
- Rental Housing Inspection Fees - 3% increase.

OTHER

- Eliminate publication of Council agenda in newspaper (\$15k).
- Reduce projected cost of employee compensation and benefits.
- Energy savings / Reduced maintenance for LEDs (\$29k).
- Service drive parking meter revenue, net of set-up costs (\$380k).
- 4% Safety Services Fee from water utility (\$787k).
- Loading zone permit fees & S. Industrial football parking revenue (\$12k).
- Reduce 4.6 FTEs. 1 in Treasury (vacant), 2 in Courts (vacant), 1 in HR, and 0.6 in Clerks (vacant)

FY 2010 Key Budget Implications – Non Gen. Fund

Act 51 Funds/Weight & Gas Tax (Funds right-of-Way Maint. Activities)

- Anticipated revenue decrease [3% major roads, 5% local roads] (\$345k)
- Extend street sweeping cycle from 5 to 8 weeks (\$148)
- Traffic calming reduction [50% or 1 program per yr] (\$28k)
- Extend gravel road grading cycle from 6 to 8 weeks (\$40k)
- Reduction in OT costs for snow removal (\$65k)

Utility Funds (Water, Sanitary Sewer, Storm Water)

- 3.6% increase in Water revenue requirements
- 1.6% increase in Storm Water revenue requirement
- 3.1% increase in Sanitary Sewer revenue requirements
- 4% Safety Service Fee to Gen. Fund
- Planting of 600 trees for Storm Water benefit (\$300k)

Other

- Reduction in Parks Maintenance & Capital Improvements Millage revenue by \$65,000
- Reduction in Greenbelt Millage revenue by \$26,000
- Reduction in Solid Waste Millage revenue by \$135,000

FY 2011 Key Budget Implications – Gen. Fund

FIRE:

- Reduce 14 FTEs in Fire (\$1.1 mil.). Equivalent to 1 truck company.

COMMUNITY SERVICES:

- Reduce Human Services Allocations by \$260k.
- Eliminate Historic District contract (\$24k).
- Close or turn over Mack Pool to AAPS (\$59,000).
- Eliminate 30 hrs per week of seasonal assistant facility supervisor (\$12k).
- Close senior center (\$141k).
- Reduce 2.5 FTEs. 1 in Parks & Rec., 1 Support Specialist in Planning Development, & 0.5 Planner.
- Rental Housing Inspection Fees – 3% increase.

OTHER:

- Eliminate contracted services for Park Ops. (\$31k).
- Include 8 months of utility charges for Court/PD building (\$184k).
- Reduce projected cost of employee compensation and benefits.
- Increase Revenue or Reduce 1 FTE in FASA.
- Revenue: Service Dr. Parking Meter/Net of Maintenance Costs (\$460,000).
- Revenue: Energy Savings/Maintenance from LED Installations (\$12,323).
- Expenditures: Energy Savings/Maintenance from LED Installations (\$69,600).

FY 2011 Key Budget Implications – Non-Gen. Fund

Utility Funds/Water, Sanitary Sewer, Storm Water:

Revenue:

- 3.49% Increase in Water Revenue Requirements (Operation & Maintenance Budgets held constant to accommodate capital requirements).
- 1.75% Increase in Storm Water Revenue Requirement (Bonding for Capital Improvements).
- 3% Increase in Sanitary Sewer Revenue Requirements (Operation & Maintenance Budgets held constant to accommodate capital requirements).

Expenditures:

- 4% Safety Service Fee (\$813,750)

Other:

- Reduce 3 FTEs in Construction Code Fund. 2 development services inspectors (1 vacant) & 1 support specialist.
- Reduction in Parks Maintenance & Capital Improvements Millage revenue by \$270,000.
- Reduction in Greenbelt Millage revenue by \$117,000.
- Reduction in Solid Waste millage revenue by \$607,000.

5. Remaining Budget Process

Next Steps

- April 13th – Council Receives Administrator's Recommended Budget
- April 14th – Town Hall Meeting
- May 4th – Public Hearing Fee Resolutions
– Public Hearing on Budget
- May 18th – Council Adopted Budget

Questions