

FY13 City Budget Amendments**Policy Resolutions****(1) Resolution to Restructure City's Retirement Plan to Defined Contribution Plan**

Whereas – it is a fundamental city responsibility to deliver services effectively and efficiently to residents at reasonable, competitive cost based on market-based employee compensation levels

Whereas – most other employers, including many public sector employers, recognized that defined benefit retirement plans were not cost competitive or sustainable in the long term and moved to defined contribution, 401-K-type plans for newly-hired employees

Whereas – with a defined benefit plan, the employee is promised a specific benefit amount in retirement and as a result, the employer bears the risk of market and investment fluctuations

Whereas – in its efforts to achieve sustainable and competitive legacy costs, the city made progress on one element (retiree health care), but must address the other (retirement and pensions)

Whereas – with a defined contribution plan, the city would be better positioned to ensure it will continue to receive the full amount of its potential state EVIP funding as one element of EVIP funding focuses on employee benefit and legacy costs

Whereas – it is appropriate to consider policy-related resolutions with significant budget impacts when the City Council adopts the City's annual budget

Resolved – the City Council directs the City Administrator to develop by December 31, 2012 a proposal for new defined contribution retirement plan structure to be reviewed first by labor committee, then by full Council with the intent to place all newly hired, non-union employees on that plan commencing no later than July 1, 2013

(2) Resolution to Adopt a More Strategic Budget Development Process

Whereas – in its budget development process, the city presently is utilizing an across-the-board approach to General Fund target setting (eg the same % savings targets applied to all activities)

Whereas – the across-the-board approach has resulted in disproportional reduction in public safety staffing which many residents believe is not consistent with their priorities

Whereas – a more strategic process and approach to budgeting could result in the city budget better reflecting the community's priorities

Whereas – with the city on a two-year budgeting cycle, now is the time to revisit the overall process as next Spring the City will adopt both a FY14 budget and FY15 plan

Whereas – it is appropriate to consider policy-related resolutions with significant budget impacts when the City Council adopts the City's annual budget

Resolved – the City Council directs the budget process committee to revisit and as appropriate, develop a new target setting approach for budgeting to be presented to full council no later that October 1, 2012 with the intent that the new process be utilized in developing the City's FY14 budget and FY15 plan

FY13 Budget Amendment – Solid Waste Fund

SOLID WASTE FUND (0072)

Amendment to Restore (2) Fall Leaf Pickup and Holiday Tree Pickup Services

Whereas – the city provided both of these services to residents until 2011

Whereas – leaf pickup is a basic service that should be provided to residents and taxpayers, particularly given that taxpayers pay over \$11,000,000 annually in a solid waste millage.

Whereas - holiday tree pickup may not be considered a core service, it offers a significant convenience to residents that can be provided for negligible cost (\$25,000). Further, restoring holiday tree pickup would avoid the need for thousands of residents to drive to re-use facility resulting in an environmental benefit

Whereas – elimination of these services simply shifted costs to residents and resulted in much less efficient/higher net economic cost for both services (loss of economies of scale)

Whereas – staff indicated that to restore leaf pickup would require the purchase of (2) street sweepers/pushers at a one-time cost of \$383,000. If that expenditure is indeed necessary (the city can't use existing city sweeping equipment or share equipment with another community), there is sufficient fund balance in the Solid Waste fund to fund the equipment purchases - unrestricted net assets of \$8,466,028 at June 30, 2011, equivalent to 60% of annual expenditures, with this \$383,000 expenditure representing less than 5% of that balance

Whereas – staff indicated the recurring costs to restore both services would be \$300,484 annually (equivalent to about 2% of Solid Waste's \$14,000,000 annual expenditures) and that small increase can be funded by reductions in other Solid Waste Fund operating expenditures.

Resolved – that the Administrators proposed FY13 budget for Solid Waste Fund (0072) be amended to restore (2) Fall leaf pickups and Holiday Tree pickup services for residents.

Specific budget changes:

- **Solid Waste Expenditures (One-Time):**
 - \$383,000 one-time increase to purchase (2) Sweeper/Pusher vehicles (if necessary)
 - \$383,000 one-time decrease to Solid Waste Fund balance (if necessary)
- **Solid Waste Expenditures (Recurring):**
 - \$275,280 increase to fund labor/equipment costs of (2) Fall leaf pickups
 - \$25,204 increase to fund labor/equipment costs of Holiday Tree pickup
 - \$300,404 decrease to other Solid Waste expenditures to be determined by the Administrator, but could include:
 - Reductions in Compost/Yardwaste costs (fewer compost bags)
 - Reductions in Street Sweeping costs (Fall sweeping covered in Leaf pickup)
 - Elimination of Recycling Rewards program (\$150,000)
 - Reduction in FY13 budget for tipping fees for waste residential collection (\$148,000 – FY13 budget of \$557,000 compared with FY12 forecast of \$409,000). Actual FY10 and FY11 tipping fees for residential waste collection were \$355,000 and \$368,000 respectively.
 - Reduction of Compost/Yardwaste contingency (\$43,800 in budget)
 - Other to be determined by Administrator (\$TBD)

FY13 Budget Amendments – General Fund

GENERAL FUND (0010)

(1) **Amendment to Increase FY13 Human Services Funding to FY12 Budget levels**

Whereas, The City of Ann Arbor, the Ann Arbor Area Community Foundation Board of Directors, the United Way of Washtenaw County Board of Directors, the Washtenaw County Board of Commissioners, and the Washtenaw Urban County Executive Committee approved a Coordinated Funding process in the fall of 2010 for FY 2012 and FY 2013 human services funding;

Whereas, The City of Ann Arbor, the United Way of Washtenaw County, Washtenaw County, and the Washtenaw Urban County released a joint Request for Qualifications in December 2010 to determine applicants' financial and organizational capacity;

Whereas, The City of Ann Arbor, the United Way of Washtenaw County, Washtenaw County, and the Washtenaw Urban County released a joint Request for Proposals in January 2011 to eligible agencies for human services program operations applications;

Whereas, A Coordinated Funding Review Committee has reviewed all eligible applications and in April 2011 recommended the allocation of \$1,244,629 in City General Funds, \$1,677,000 in United Way Funds, \$1,015,000 in Washtenaw County General Funds, and \$348,460 in Washtenaw Urban County CDBG & Washtenaw County General Funds to local nonprofit human services agencies as a part of this RFP process for FY12;

Whereas, The City of Ann Arbor, the Ann Arbor Area Community Foundation Board of Directors, the United Way of Washtenaw County Board of Directors, the Washtenaw County Board of Commissioners, and the Washtenaw Urban County Executive Committee approved the recommended human services funding allocations to 40 agencies for the delivery of 65 programs between April and June 2011;

Whereas, The City of Ann Arbor, the Ann Arbor Area Community Foundation Board of Directors, the United Way of Washtenaw County Board of Directors, the Washtenaw County Board of Commissioners, and the Washtenaw Urban County Executive Committee retain the authority to approve their own allocations;

Whereas, The City of Ann Arbor, the Ann Arbor Area Community Foundation Board of Directors, the United Way of Washtenaw County Board of Directors, the Washtenaw County Board of Commissioners, and the Washtenaw Urban County Executive Committee have committed to approving allocations in partnership with each other;

Whereas, The City of Ann Arbor approved general fund allocations to nonprofit entities for FY 12 in R-11-205, and increased the total dollar amount included in the human services budget for FY12 by \$85,600 in R-11-209 to a total of \$1,244,629;

Whereas, the proposed FY13 budget includes a \$46,899 decrease in funding available for human services nonprofit entities;

Whereas, the Ann Arbor Area Community Foundation Board of Directors, the United Way of Washtenaw County Board of Directors, the Washtenaw County Board of Commissioners, and

the Washtenaw Urban County Executive Committee have committed to awarding human services allocations in FY 13 based upon the approved allocations in FY 12;

Whereas, The City of Ann Arbor has awarded funding to human service nonprofits on a two-year cycle since FY08 and has ensured level-funding in year two of each cycle since then;

RESOLVED, the FY13 General Fund Community and Economic Development budget be increased by \$46,899 for human services funding through the General Fund fund balance.

FY13 Budget Amendments – General Fund Cont'd

GENERAL FUND (0010)

(2) Amendment to Add Six Firefighter to Administrator's Proposed FY13 Budget

Whereas – public safety services (police, fire, medical) are core, essential city services and priorities valued highly by residents and taxpayers (individuals and businesses)

Whereas – over the last decade, staffing levels in the fire department have been reduced significantly, from 126 FTEs in the FY01 budget to 82 FTE's in the FY12 budget

Whereas – the National Fire Protection Association (NFPA) guidelines for minimum standards are for 4 fire personnel to arrive on the scene within 4 minutes 90% of the time.

Whereas - with the reduced staffing levels and current 5 station configuration, the city projects that it can achieve this “4 in 4” response standard about 40% of the time. The city also projects that by consolidating to 3 stations, the “4 in 4” response could be achieved about 70% of the time, although medical emergency response services could deteriorate under that proposal

Whereas – the Administrator's proposed budget includes 82 FTEs in the fire department and the Chief indicated that performance improvements would be achieved by adding 6 firefighters to that budget for a total of 88 FTEs

Whereas – it is anticipated that the City will be approved for a federal “Staffing for Adequate Fire & Emergency Response (SAFER) grant to cover the cost of three additional firefighter FTEs

Whereas – it is realistically anticipated the State of Michigan will approve an increase in FY13 State Fire Protection Grant Funding sufficient to cover one additional firefighter and it is possible the increase from the State will be significantly higher, which would provide the funding necessary for the three additional firefighters (total of six additional including those funded by the SAFER Grant) to achieve the “magic number” of 88

Whereas – the City CFO indicates that the cost of one firefighter FTE is \$79,599 in FY13 including salary and benefits

Resolved – the Administrator's proposed budget be amended to add six FTEs to the fire department FTE budget (88 FTE total) and \$477,594 be added to the fire department GF expenditure budget to fund the expected cost of the six additional FTEs

Resolved – the additional \$477,594 in FY13 GF expenditures be funded in the following priority order:

- (1) Revenues from the SAFER Grant

- (2) Revenues from the increase over the Administrator's budgeted amount in the State Fire Protection Grant
- (3) As necessary (if 1 and 2 do not total \$477,594) expenditure reductions up to \$227,517 in the provision for the High Speed Rail Match (\$307,781 original provision less \$33,365 now projected to complete match less \$46,899 for Human services)
- (4) As necessary, reductions in the General Fund operating surplus projected for FY13

Resolved – that if the revenues from the SAFER Grant and increases in State Fire Protection Grant do not total at least \$477,594, that City Council directs the Administrator to prioritize the funding of any shortfall in the development of the FY14 budget and FY15 plan

FY13 Budget Amendments – General Fund Cont'd

(3) Amendment to Add Police Officers to Administrator's Proposed FY13 Budget

Whereas – public safety services (police, fire, medical) are core, essential city services and priorities valued highly by residents and taxpayers (individuals and businesses)

Whereas – over the last decade, staffing levels in the police department have been reduced significantly, from 244 FTEs in the FY01 budget to 164 FTE's in the FY12 budget

Whereas – the FY12 budget of 164 FTEs includes 118 sworn police officers and the Chief indicated his "magic number" was 150 sworn officers, an increase of 32 over the FY12 budget

Whereas - while it is not financially feasible to add 32 police officers in one year, it is reasonable to target achieving that level over a three to five year period with an increase in FY13 of 5-10 officers.

Whereas – the Administrator's proposed budget adds 1 FTE to the Police Department and while that allows elected officials to say they've increased Police, an increase of 1 FTE represents an increase of less than one percent and at that rate, it would take 30 years to get to the level of staffing the chief indicated he thought was needed

Whereas – the proposed budget includes \$150,000 one-time funding for police recruit program

Whereas – the City continues to apply for federal funds through the COPS Universal Hire grant program, but has not been awarded any funding. If awarded, the COPS grant would fund 5 entry-level, full time positions for three years (\$1.4M).

Whereas, the cost for salaries and benefits for an entry level full time sworn officer is approximately \$90,000 annually

Whereas, the city utilizes an across-the-board savings target approach to budget development in the General Fund and while the Police met their FY13 targets, some activities did not.

Resolved – the Administrator's proposed budget be amended to add five additional police officer positions (increase of six officers year-to-year and total of 151 departmental FTEs) if the COPS Universal Hire grant is not awarded. If the COPS Grant is awarded, the Administrators proposed budget would be increased by ten additional police officer positions (11 year-to-year, total 156 FTEs). To reflect the cost of the added officers, the Administrator's proposed budget would be amended to add \$450,000 to Police GF expenditures if the COPS grant is not awarded and \$900,000 would be added if the grant is awarded)

Resolved – if the COPS grant is awarded with terms generally consistent as those above, the grant is accepted and GF revenue budget increased by \$450,000 to fund the five officers.

Resolved – that the FY13 funding for the five added police officer positions (\$450,000 added GF expenditures) not related to the grant are funded from the following recurring sources and in the following priority order:

- (1) Expenditure reductions in those activities not meeting their FY13 savings targets with department amounts/line item reductions to be determined by Administrator **\$331,700**:
Mayor and Council - \$8,957 15th District Court - \$94,617
Public Services - \$192,265 Human resources - \$35,939
- (2) Increase training (non-departmental) by \$20,000 not \$43,000 **\$23,000**
- (3) Additional police-related revenue from AATA **\$40,000** - \$17,500 correction per CFO
May 1, negotiate increase in AATA payment \$22,500 (to \$100,000 or 75% of cost)
- (4) Establish Contingency level at \$400,000 or 0.5% of GF budget **\$172,500**

Resolved – although the recurring sources identified (\$567,200) exceed the added cost for the officers (\$450,000), the Administrator may propose a different funding mechanism that accomplishes the purpose of funding the five additional police officers.

Draft resolutions and budget amendments that
may be put forward by Jane Lumm on May 21, 2012.