



Office of City Administrator

May 20, 2013

To Mayor Hieftje and Members of City Council:

Tonight, you will be voting on the City Administrator's recommended budget. Please note due to the timing and maturity of several issues, Council may be considering some other budget amendments in June that may or may not require the use of General Fund reserves as follows:

- Recurring support for the Housing Commission after the anticipated June 3<sup>rd</sup> Council consideration of converting to the RAD program which can range from \$124,000 to \$800,000.
- Recurring support for the art administrator funding after consideration of the Public Art ordinance at the June 3<sup>rd</sup> Council meeting.
- Removal of the Percent for Art transfers for FY14 if the new ordinance passes. This returns \$326,464 to their respective funds. There are no General Fund monies involved in this transfer.
- City funding for floodway portion for 721 N. Main to match MDNR Trust Fund.
- At the second meeting in June of each fiscal year, staff returns to Council with budget amendments to reflect forecasted performance. This is required by service unit to ensure compliance with State law. At this time, staff is forecasting break-even performance (i.e. no use of fund balance) in the General Fund. However, there are adjustments by unit totaling \$400K.

Below is a summary of the budget amendments along with a budget impact for each amendment. The budget impact indicates the % of fund balance being used. For the General Fund, if all of the proposed amendments are passed, it would reduce the uncommitted fund balance as a % of expenditures from 16.6% to 16.2% for FY14. This % decreases to 13.8% for FY15.

	Total of Fund Amendments		Use of Fund Balance	Recurring?	Service Impact/% of fund balance remaining
	Revenues	Expenditures			
<b>Recommended Budget</b>	<b>\$346,904,401</b>	<b>\$(325,791,848)</b>			
<b>CHANGES</b>					
• Restore Fall Leaf pickups and Holiday Trees (additional \$311,000 from other expenditure costs)	395,000	(395,000)	Y	Y	See Footnote (a)
• Increase Police Staffing in the FY14 Budget (\$270,000 to Police and -\$270,000 from Courts)	-	-	N	Y	Impact to Court will need to be identified by the Courts
• Funding for Washtenaw Health Initiative	10,000	(10,000)	Y	N	Uses .07% of fund balance
• Eliminate Public Art Spending	-	326,464	N	Y	Prevents FY14 resources from being spent on art
• Increase GF Human Services	46,899	(46,899)	Y	Y	Uses .34% of fund balance
• Increase Human Services funding for Senior Meals at Miller Manor	4,500	(4,500)	Y	Y	Uses .03% of fund balance
• Increase Funding for Affordable Housing	100,000	(100,000)	Y	Y	Uses .73% of fund balance
• Increase Funding for Affordable Housing using DDA TIF funds (increases TIF and Housing funds)	1,000,000	(1,000,000)	N	N	
• Increase funding for Sidewalk Gaps	75,000	(75,000)	Y	N	Uses .55% of fund balance
• Increase funding for Council Priorities Using TIF funds (increases TIF and Housing funds)	600,000	(600,000)	N	N	See Footnote (b)
• Supplemental Funding for Police Officer	90,000	(90,000)	Y	Y	Uses .67% of fund balance
• Parks Fairness Resolution recognizing Golf Course as funding for parks	TBD	TBD	Y	N	Uses X% of fund balance-TBD
<b>Total Changes</b>	<b>\$ 2,321,399</b>	<b>\$ (1,994,935)</b>			
<b>Revised Budget</b>	<b>\$349,225,800</b>	<b>\$(327,786,783)</b>			

Footnotes:

(a) The Solid Waste amendment uses \$395,000 of fund balance (4% of available fund balance). The \$311,000 impact to other services has yet to be determined.

**Amendment 1-  
Restore Fall Leaf 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 million annually in a solid waste millage;

Whereas, holiday tree pickup offers a convenience to residents that can be provided for negligible cost (\$26,000). Further, restoring holiday tree pickup would eliminate the need for residents to drive to the drop-off individually resulting in an environmental benefit;

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

Whereas, the costs to provide these services can be contained in the Solid Waste Fund budget as expenditures have been consistently below budget and the Solid Waste fund has accumulated a large unobligated and available fund balance (\$10.5 million at June 30, 2012 - equivalent to 75% of annual solid waste expenditures and also about 75% of the GF fund balance where expenditures are more than 5.5 times higher);

Whereas, city staff indicated February 25, 2013 that to restore leaf pickup would require the purchase of (2) street sweepers/pushers at a one-time cost of \$395,000;

Whereas, Council recognizes that there are potential financial risks that may require use of fund balance, but the use of \$395,000 (4% of the fund balance) is considered not material in light of the benefits it can deliver if utilized for the services in this resolution;

Whereas, city staff indicated the recurring costs to restore both services would be \$311,000 annually (\$285,000 for (2) Fall leaf pickups, \$26,000 for Holiday Tree pickup);

Whereas, the \$311,000 recurring cost is equivalent to 2% of Solid Waste's \$14M annual expenditures and can be funded by reductions in other Solid Waste Expenditures;

RESOLVED, that the recommended FY14 budget for the Solid Waste Fund (0072) be amended to restore (2) Fall leaf pickups and Holiday Tree pickup services for residents.

RESOLVED, that the one-time expenditure of \$395,000 is funded by a one-time use of Solid Waste fund balance;

RESOLVED, that the recurring expenditures of \$311,000 for the costs of restoring leaf and holiday pickup are funded by \$311,000 reductions in other Solid Waste recurring expenditures as follows:

- \$105,000 reduction in FY14 budget for tipping fees to reflect the FY13 forecast (FY13 forecast \$1.516M, FY14 budget \$1.621M)
- \$75,000 reduction in Field Operations leaf pickup (\$362,223) and yard waste Collection (\$602,225) budgets to reflect savings in these areas that will occur with leaf pickup services restored
- \$14,000 reduction to eliminate the contingency in Field Operations, Waste Operations
- \$25,500 reduction to eliminate the budget increase in the Solid Waste Fund System Planning Administration Other Services accounts
- \$15,000 reduction in Solid Waste Public Services Promotion/Information printing costs to reflect FY13 projection (FY13 forecast \$20,000, FY14 Budget \$35,000)
- \$76,500 reduction in Solid Waste Public Services Field Operations Other Services budgets to reflect traditional budget underruns in these areas

RESOLVED, that the Administrator may present to Council other recurring expenditure reductions to substitute for those identified above

Sponsors: Lumm, Peterson, Kailasapathy

**Amendment 2-  
Increase Police Staffing in the FY14 Budget**

Whereas, public safety services (police and fire protection) 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 146 FTE's in the FY13 budget;

Whereas, although Ann Arbor's public safety units have performed exceptionally in optimizing their effectiveness in response to the lower staffing, Chief Seto has indicated the current deployment of police officers is largely reactive and service improvements could be achieved by expanding proactive policing efforts;

Whereas, City Council, at its December 2012 retreat, established five priorities with strong consensus around three (1) Fiscal Discipline (2) Public Safety (3) Infrastructure;

Whereas, the City Administrator presented to Council on March 11 , 2013 a framework and draft work plans related to each of Council's priorities. For police, the plans identified one success measure as "Police Officers have 25-30% of time available for proactive policing" and indicated proactive policing would also contribute to achievement of another success measure - "Community perception of safety is high";

Whereas, the draft plans further indicated that "to maintain the same level of services in

the current reactive policing model and increase proactive policing through community outreach activities, an increase in personnel will be required";

Whereas, despite the high priority of public safety designated by Council and the understanding that increased staffing is necessary to positively progress proactive policing, the recommended budget does not reflect any increase to police staffing levels;

Whereas, the cost for an additional officer is approximately \$90,000 annually;

Whereas, the recommended FY14 General Fund expenditure budget for the 15th District Court is \$4.38 million, an increase of \$312,000 (7.7%) over the FY13 budget;

RESOLVED, that the recommended FY14 budget be amended to increase the budgeted FTE in the Police Department by three (from 146 FTE to 149 FTE) and increase the Police General Fund expenditure budget by \$270,000;

RESOLVED, that the increase to the Police General Fund expenditure budget for the three added officers is funded by a reduction of \$270,000 in the recommended 15th District Court General Fund expenditure budget (resulting in a 1% year-to-year increase in the Court's budget rather than 7.7%);

RESOLVED, that the Administrator may present to Council other recurring expenditure reductions to substitute for those identified above.

Sponsors: Lumm, Kailasapathy

### **Amendment 3- Funding for Washtenaw Health Initiative**

Whereas, The Washtenaw Health Initiative (WHI) is a voluntary, county-wide collaboration of local leaders focused on how to make health care more accessible and improve care coordination for the low-income, uninsured, and Medicaid populations in Washtenaw County by identifying and, where possible, addressing gaps;

Whereas, The Initiative is focused both on today and preparing for 2014, when provisions of federal health care reform are expected to go into effect;

Whereas, A membership fee of \$10,000.00 in FY13 was funded through the Office of Community Development;

Whereas, Additional funding in the amount of \$10,000.00 needs to be appropriated from the General Fund to the Office of Community Development's FY14 budget for this membership fee;

RESOLVED, That the Office of Community Development's FY14 expenditure budget be amended to increase \$10,000.00 to be funded as a one-time expenditure from the General Fund fund balance.

Sponsors: Hieftje, Higgins, Briere

**Amendment 4-  
Remove funding for Art in Public Places**

Whereas, the Public Art Ordinance is under revision and will be considered by Council on June 3<sup>rd</sup>;

Whereas, the proposed FY14 budget was prepared in accordance with the current ordinance;

Whereas, the task force anticipates a different program for Public Art if the revisions are approved;

RESOLVED, the FY14 Art in Public Places expenditure budget be reduced by \$326,464.

Sponsors: Briere, Lumm, Kailasapathy

**Amendment 5-  
Increase FY14 Human Services Funding to FY13 Budgeted Level**

Whereas, the proposed FY14 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 14 based upon the approved allocations in FY 12 and FY13 by extending the two-year plan an additional year;

RESOLVED, the FY14 General Fund Community Development budget be increased by \$46,899 for human services funding through the one-time use of General Fund fund balance;

RESOLVED, Council directs staff to incorporate this revised funding level of \$1,244,629 in future budgets.

Sponsors: Briere, Kailasapathy, Warpehoski, Teall, Lumm

**Amendment 6-  
Increase Human Services funding for Senior Meals at Miller Manor**

Whereas, Washtenaw County previously funded a meal program at Miller Manor;

Whereas, federal sequestration has resulted in reduced program funding for the food program at Miller Manor in the amount of \$4,500;

Whereas, the City wishes to support this program;

RESOLVED, the General Fund Community Development expenditure budget be increased by \$4,500 funded by a one-time use of fund balance;

RESOLVED, up to \$4,500 be transferred to the AAHC if federal funds are not restored in FY14;

RESOLVED, Council directs staff to incorporate this funding in future budgets if federal funds are not restored.

Sponsors: Briere, Kailasapathy, Warpehoski, Teall

**Amendment 7-  
Increase funding for Affordable Housing**

Whereas, the General Fund previously funded a transfer to the Affordable Housing fund of \$100,000 annually;

Whereas, Council desires to re-establish funding;

RESOLVED, the General Fund Community Development expenditure budget be increased by \$100,000 funded by a one-time use of fund balance in FY14;

RESOLVED, the Affordable Housing fund revenue and expenditure budgets be increased by \$100,000;

RESOLVED, Council directs staff to incorporate this funding in future budgets.

Sponsors: Briere, Kailasapathy, Warpehoski, Teall, Lumm

**Amendment 8-  
Increase funding for Affordable Housing using DDA TIF funds**

Whereas, the DDA is forecasted to receive \$500,000 more in TIF revenues than anticipated in the proposed FY14 budget;

Whereas, Council desires to support the public housing program in the DDA area;

RESOLVED, the DDA TIF fund revenue and expenditure budgets be increased by \$500,000 for the purposes of creating a one-time transfer to the DDA Housing Fund;

RESOLVED, the DDA Housing fund revenue and expenditure budgets be increased by \$500,000 to reflect Council's desire for the DDA to support affordable housing in the DDA area.

Sponsors: Kunselman, Lumm, Kailasapathy

**Amendment 9-  
Increase funding for Sidewalk Gaps**

Whereas, Council has prioritized the City's investment in infrastructure maintenance and transportation in the urban core;

Whereas, Council has adopted the development standards for complete streets;

Whereas, the City has a number of sidewalk gaps throughout the City;

Whereas, the Ann Arbor Public Schools (AAPS) reduced funding for bus transportation and there is an increased number of students using City sidewalks;

Whereas, Council desires to work collaboratively with AAPS and the community to prioritize which sidewalks to improve;

Whereas, there is limited funding available in the Street & Sidewalk Millage Fund;

RESOLVED, the General Fund Public Services expenditure budget be increased by \$75,000 funded by a one-time use of fund balance in FY14 to fund a sidewalk gap prioritization study.

Sponsors: Briere, Taylor

**Amendment 10-  
Increase funding for City Council Priorities using DDA TIF funds**

Whereas, the DDA is forecasted to receive \$500,000 more in TIF revenues than anticipated in the proposed FY14 budget;

Whereas, the DDA met on May 13, 2013, and voiced their desire to increase funding to support City Council priorities;

Whereas, Council desires to support affordable housing, infrastructure improvement, and economic development in the DDA area;

RESOLVED, the DDA TIF fund revenue and expenditure budgets be increased by \$500,000 for the following purposes:

- to create an increased transfer from the DDA TIF to the DDA Housing Fund to reflect Council's desire for the DDA to support affordable housing in the DDA area.
- to replace 81 street light poles on S. Main Street to maintain lighting and public safety in a very active commercial area to reflect Council's desire for the DDA to support infrastructure in the DDA area
- to set aside funds for economic development activities including studies in collaboration with SPARK to reflect Council's desire for the DDA to support economic development in the DDA area

RESOLVED, the DDA Housing fund revenue and expenditure budgets be increased by \$100,000 to reflect Council's desire for the DDA to support affordable housing in the DDA area.

Sponsors: Hieftje, Teall

**Amendment 11-  
Supplemental Funding for Police Officer**

Whereas, the City Attorney's Office anticipates a retirement in the latter part of FY2014 for an attorney who prosecutes civil infractions on behalf of the City;

Whereas, the City Attorney's Office has had fewer FTE reductions over the past decade than other service areas;

Whereas, the police staffing has declined over the past decade such that they are a reactive police force rather than a proactive;

RESOLVED, the General Fund Police expenditure budget be increased by \$90,000 and 1.0 FTE funded by a one-time use of fund balance for FY14 in anticipation of continuing this funding in future budgets from recurring savings from the City Attorney's Office retirement;

RESOLVED, Council desires to provide the City Administrator direction for FY15 budget to reduce the FTE count by 1.0 in the City Attorney's Office for this position.

Sponsors: Kailasapathy

**Amendment XX-  
Recognition of Parks Fairness Resolution with Budget Amendments**

Whereas, on October 3, 2006, Council passed a resolution that, upon approval of the November 2006 Parks Millage ballot initiative, the General Fund portion of the overall budget supporting the City's Park System Budget would not be reduced more than the average of other General Fund operations of the City in the next 6 years of the millage;

Whereas, the budget amendments adopted by Council for the FY14 budget increase the General Fund expenditure budget by \$XX,XXX;

Whereas, the Parks budget should be increased \$XX,XXX to ensure compliance with the 2006 resolution;

RESOLVED, That the General Fund Parks FY14 expenditure budget be amended to increase \$XX,XXX to be funded as a one-time expenditure from the General Fund fund balance.

Sponsored by: XXX