

City of Ann Arbor

Council Offsite Workshop

FY 2012 and Beyond

Dec 2010

Economic Environment

- Outlook → Serious implications for City
 - Unemployment (Oct):
 - Ann Arbor Area – 7.8% (prelim)
 - Michigan – 12.8% (prelim)
 - State Shared Revenue – Flat
 - State's Core Budget Issues – Unresolved
 - Investment Interest Rates – Near 0%
 - Operating Revenues
 - Net decline in property tax receipts – affects all millage funds
 - Decline in Court fees and Parking Ticket receipts
 - Improved revenue in Golf operations
 - Utilities
 - Largely flat demand
 - Stimulus Funds – Do not help recurring operations

City's Financial Challenge

General Fund:

- Constrained Revenue
- Healthcare and Retiree Benefit Costs Increasing
- Budget Targets
 - Align budget strategy with labor strategy
 - Tighten assumptions so less likely to produce surplus
- Reductions Needed:
 - FY 12 & FY 13 require 2.5% -> 4.0%; higher reductions driven by healthcare
 - 4.0% targeted reductions presume entire service unit is on old healthcare plan, which results in the incremental 1.5% reduction

Utility Funds:

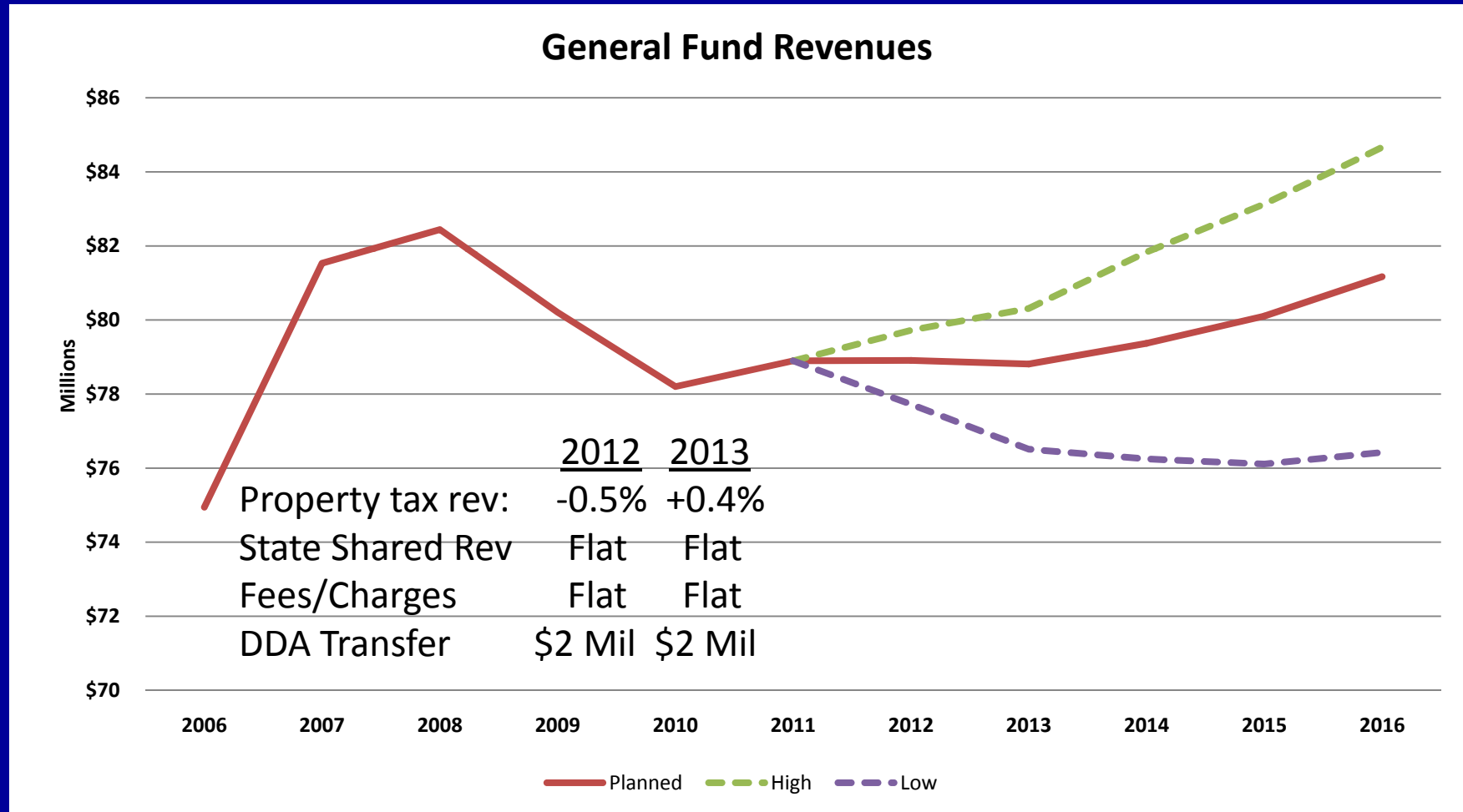
- Generally Flat Demand; reducing \$ available for future capital
- Capital Improvements Still Needed

Solid Waste: Financially Struggling – Cost reduction strategy in place since 2004. Alternatives Study – in process.

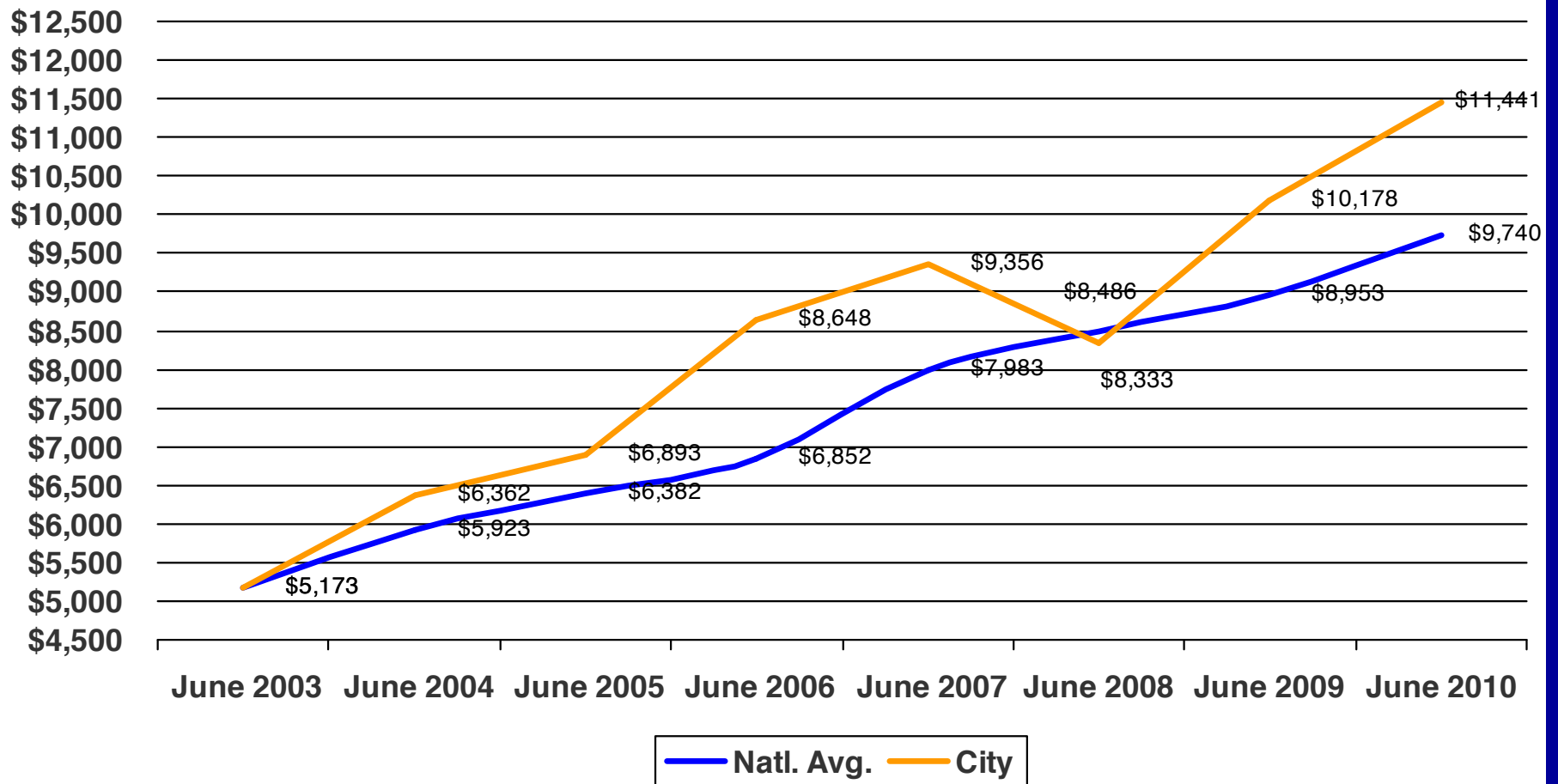
Golf Courses:

- \$ Results Improving but Still Not Self-Sustaining

General Fund revenues are not projected to return to FY 2008 levels until 2015



Active Employee Healthcare Costs Cost / Employee / Year

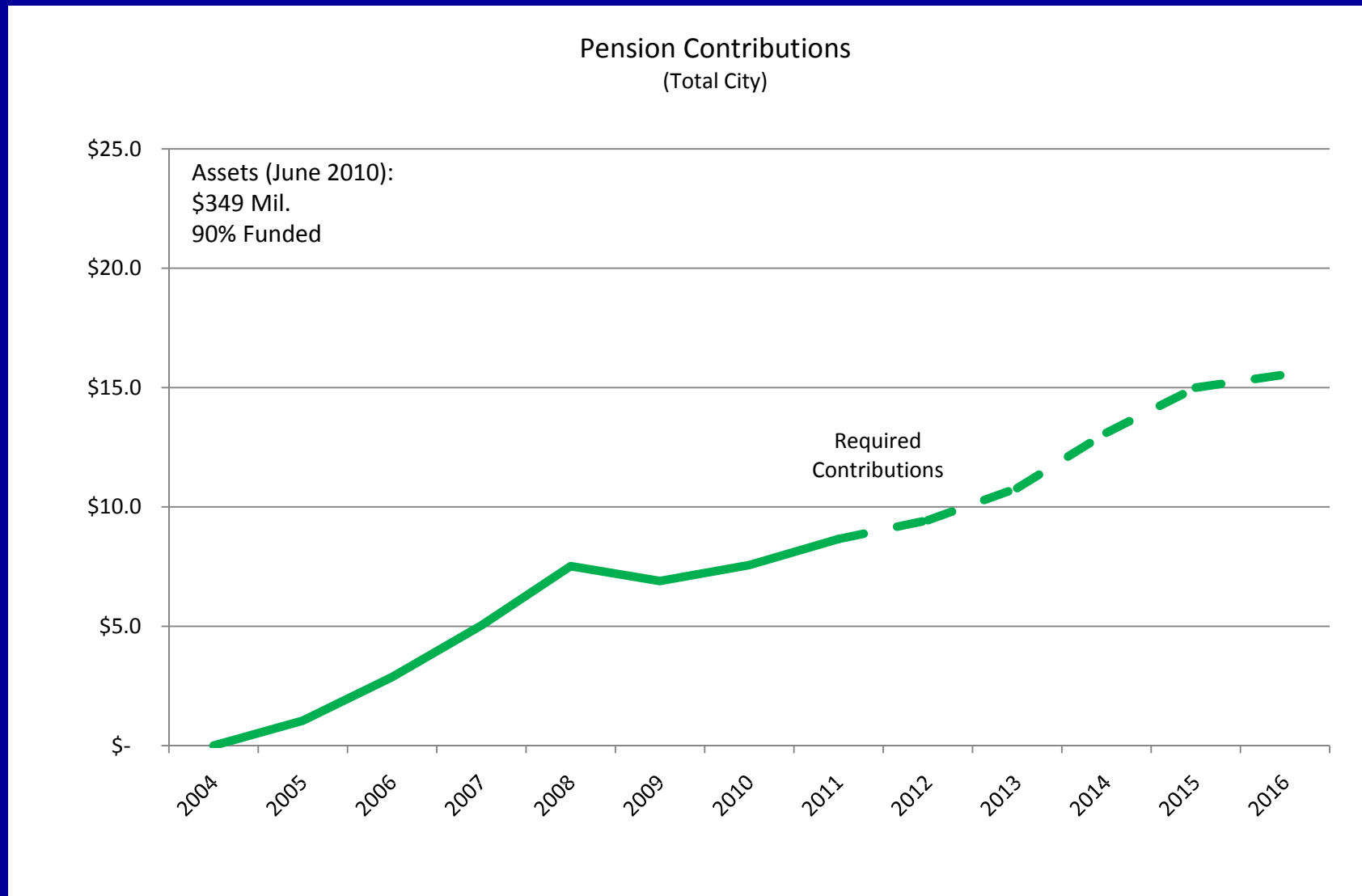


As of Ann Arbor Plan Year ending June 30

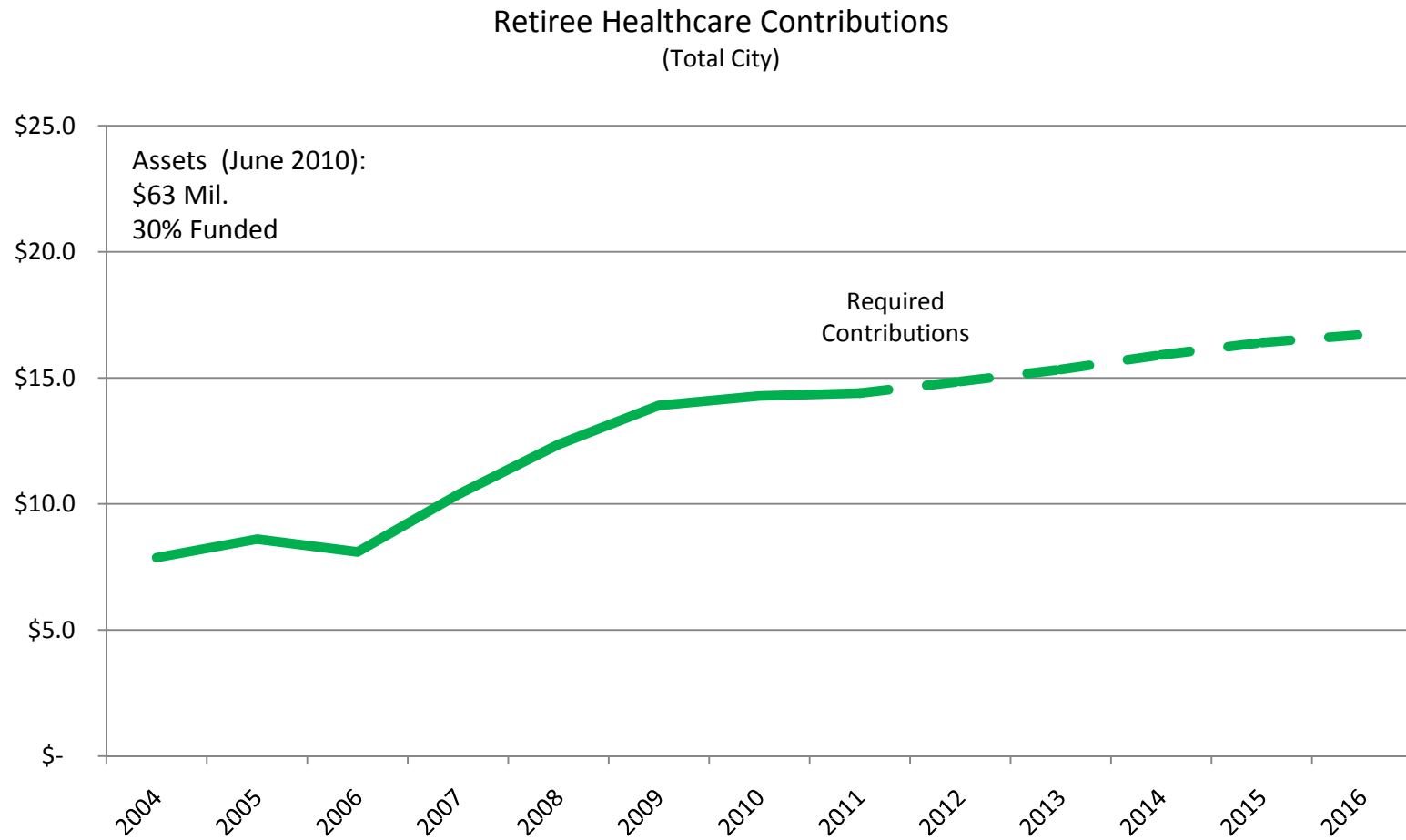
Comparison of Healthcare Plan Design

	City Plan – High Design / Low Design		AFSCME	Police	Fire
Employee Contributions – (Monthly)	<u>High Design</u> Single: \$44 Double: \$100 Family: \$120	<u>Low Design</u> \$0	\$0	\$0	\$0
Deductible	\$300 / \$600	\$1000 / \$2000	\$225 per individual	\$250 / \$500	\$250 / \$500
Office visit copay	\$10	\$15	\$15	\$15	\$15
Coinsurance	80%		100%	100%	100%
Out of Pocket Max	\$1,200 / \$2,500	\$2,400 / \$4,800	None	None	None
Prescription	\$10 / \$30 2x Mail	\$20 / \$40	\$10 / \$25 1x Mail	\$10 / \$25 1x Mail	\$10 / \$20 1x Mail
FY 12 Net Cost Per Employee Per Year	\$10,686		\$12,310	\$13,121	\$12,871

Pension system is 90% funded. Financial market meltdown increased on-going contributions from 2009 levels to projected 2016 levels



Retiree healthcare (VEBA trust) overall 30% funded.



Significant Events on Horizon

- Settlement of Labor Contracts (AAPOA, COAM, IAFF, & AFSCME)
 - Could result in departure of a significant number of experienced employees
 - Increased contract costs will not be covered in the proposed Two Year Fiscal Plan.
- State Budget – Implications from how State resolves structural issues
- Federal Policy changes
- Other ?

Questions