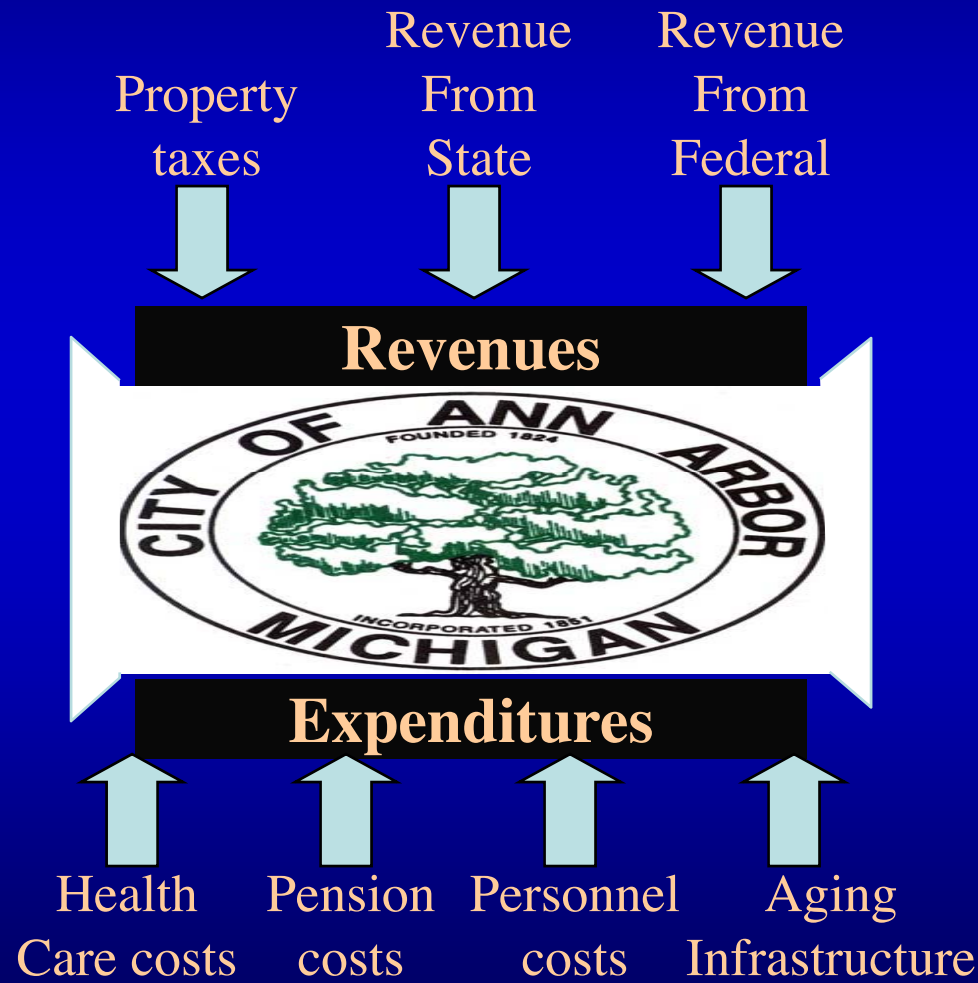
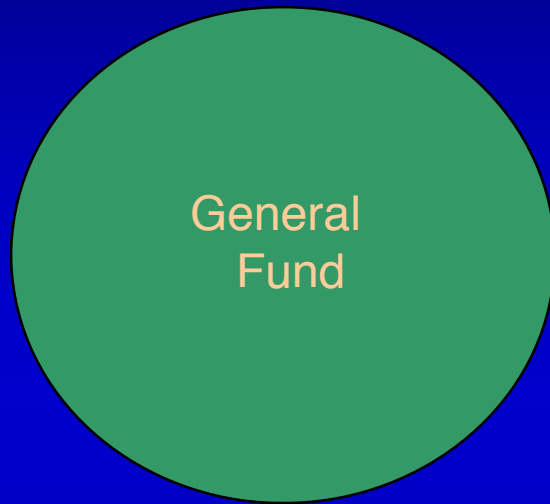




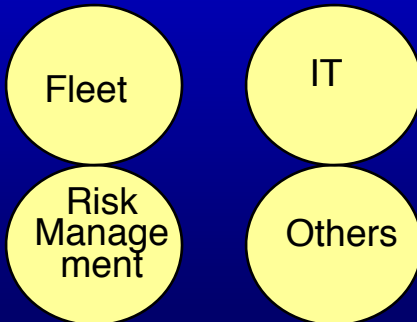
Municipalities are facing a decline in revenues and increases in expenditures



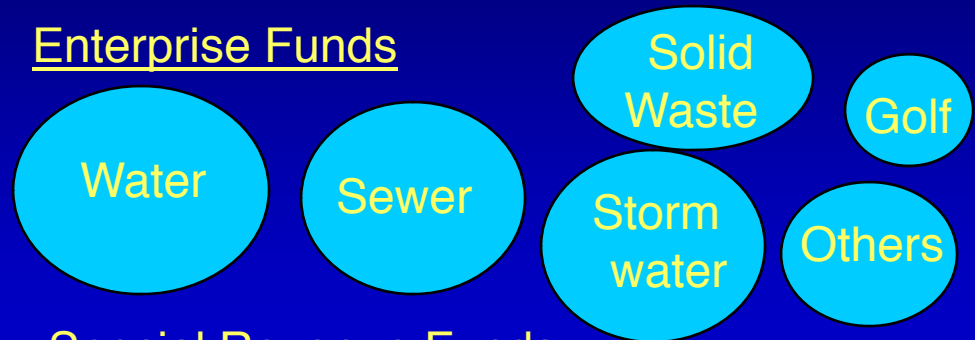
The City is required to manage its activities in many different “buckets” called funds ...



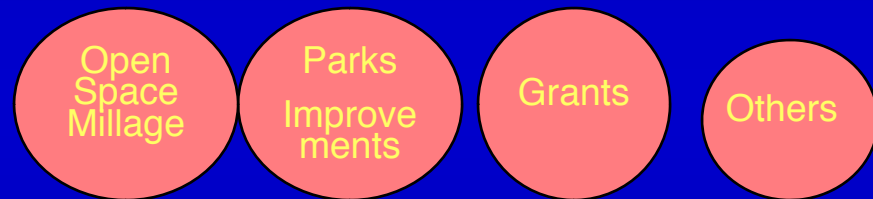
Internal Services



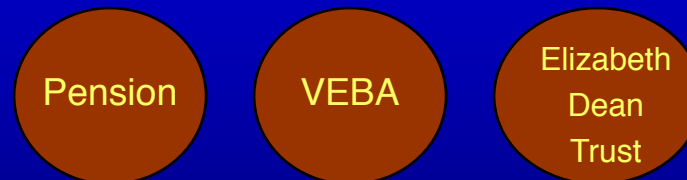
Enterprise Funds



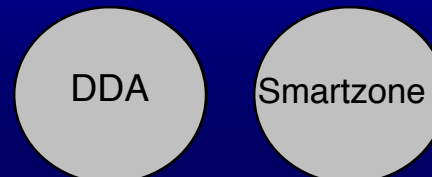
Special Revenue Funds



Trust Funds



Component Units



WHERE PROPERTY TAX DOLLARS GO

2% - DDA (1.5%) / Smartzone (0.5%)
 4% - AATA
 3% - A2 Public Library

City of Ann Arbor

28%

Wash. County

11%

WISD
8%

Wash. Comm. College
7%

State Education Tax
11%

Ann Arbor Public Schools
26%

52% Education



City Millages

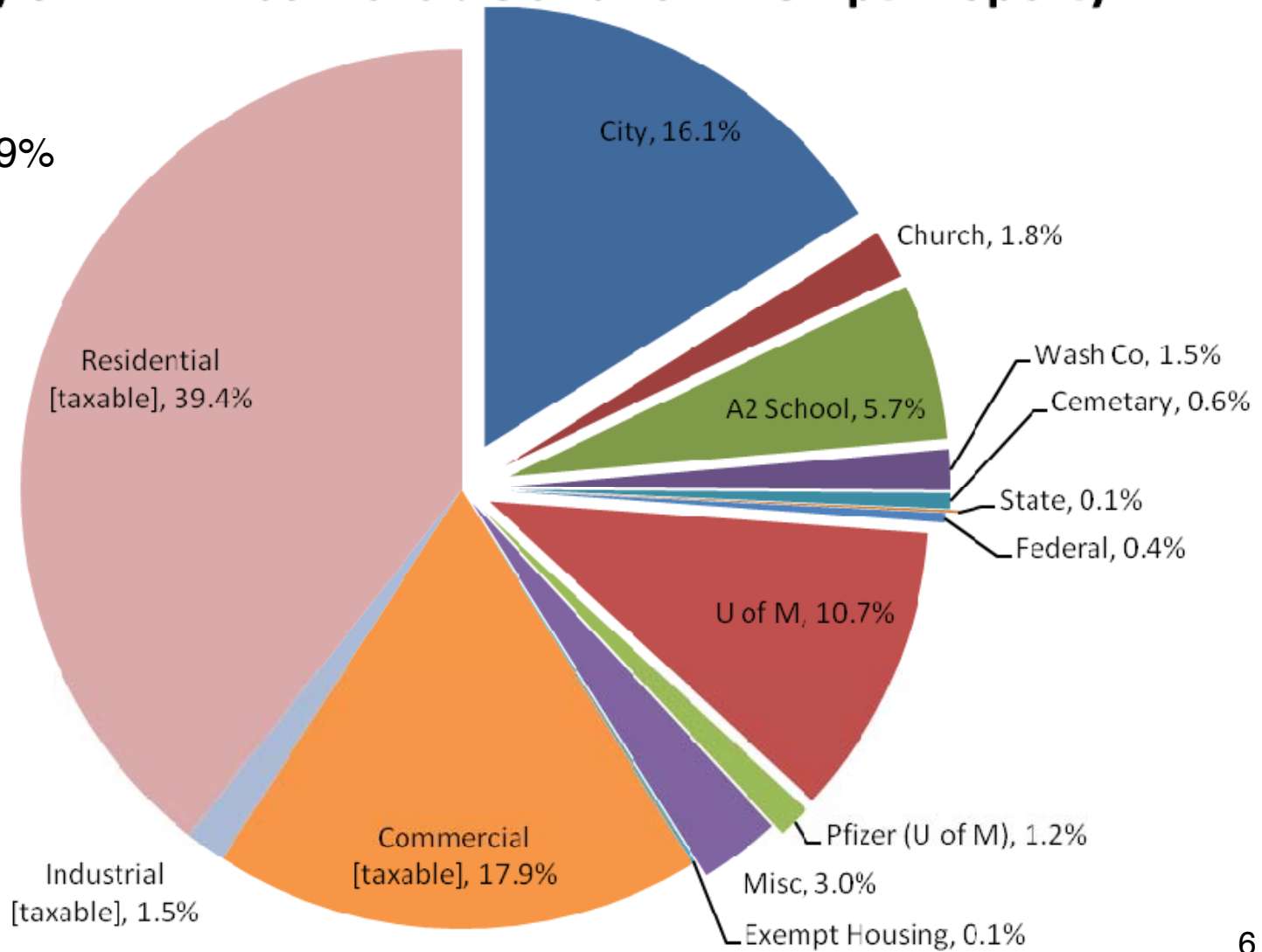
General Fund

General Operating Millage	6.1682
Employee Benefits Millage	2.0560
Mass Transportation (AATA) Millage	<u>2.0560</u>
Total General Fund	10.2802
Street Repair & Resurfacing Millage	1.9944
Solid Waste Millage	2.4670
Parks Maintenance & Capital Improvements Millage	1.0969
Open Space Acquisition Millage	0.4779
Debt Service	<u>0.1496</u>
Total City Millage	<u>16.4660</u>

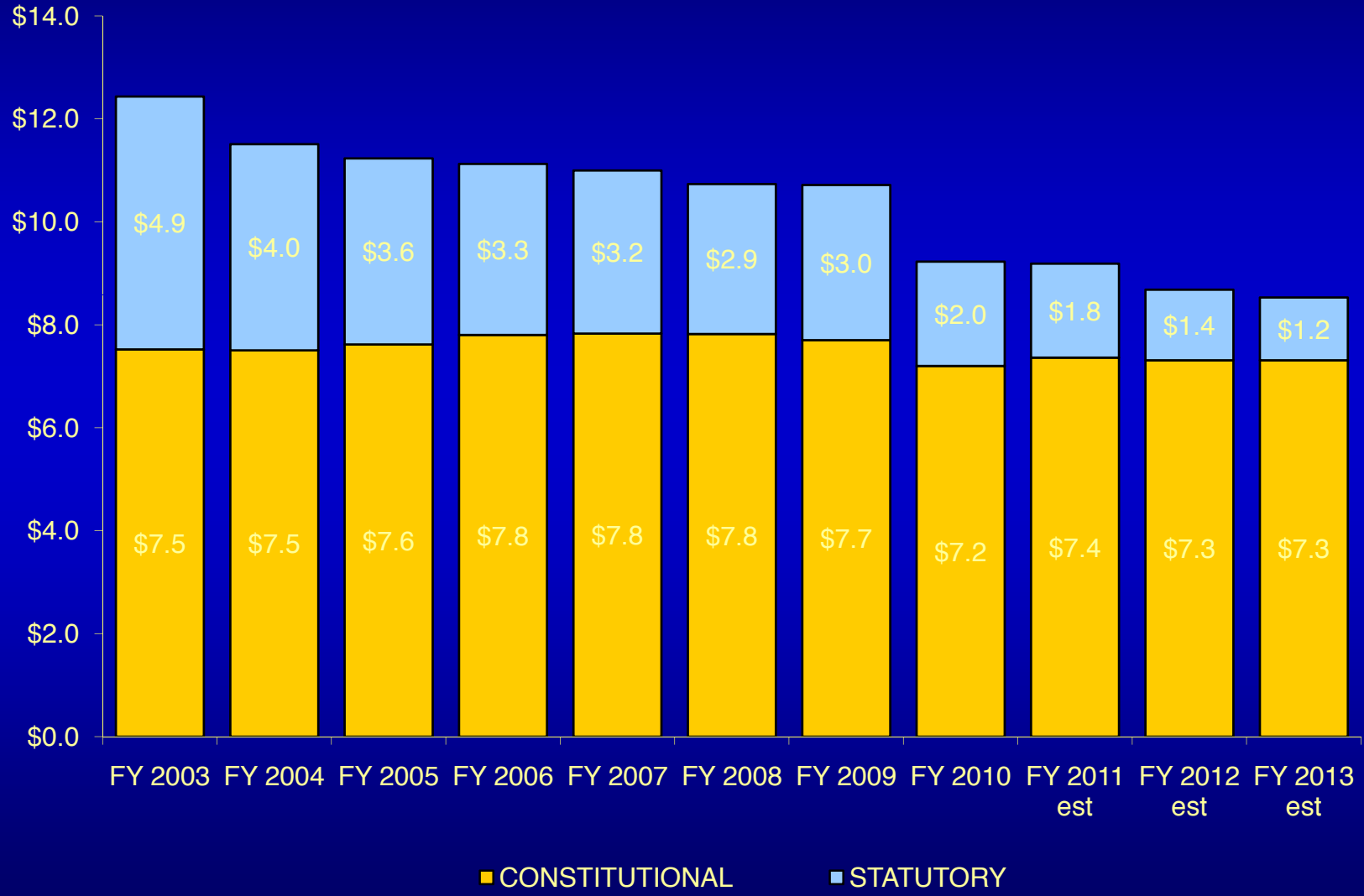
Break-down of Tax Exempt Property

City of Ann Arbor Taxable and Tax Exempt Property

Taxable = 59%

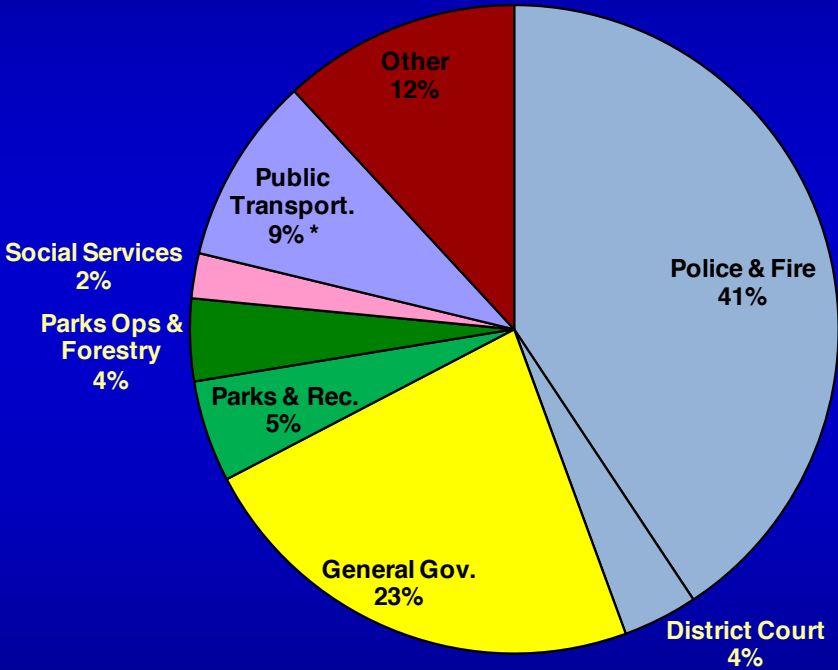


State Shared Revenue



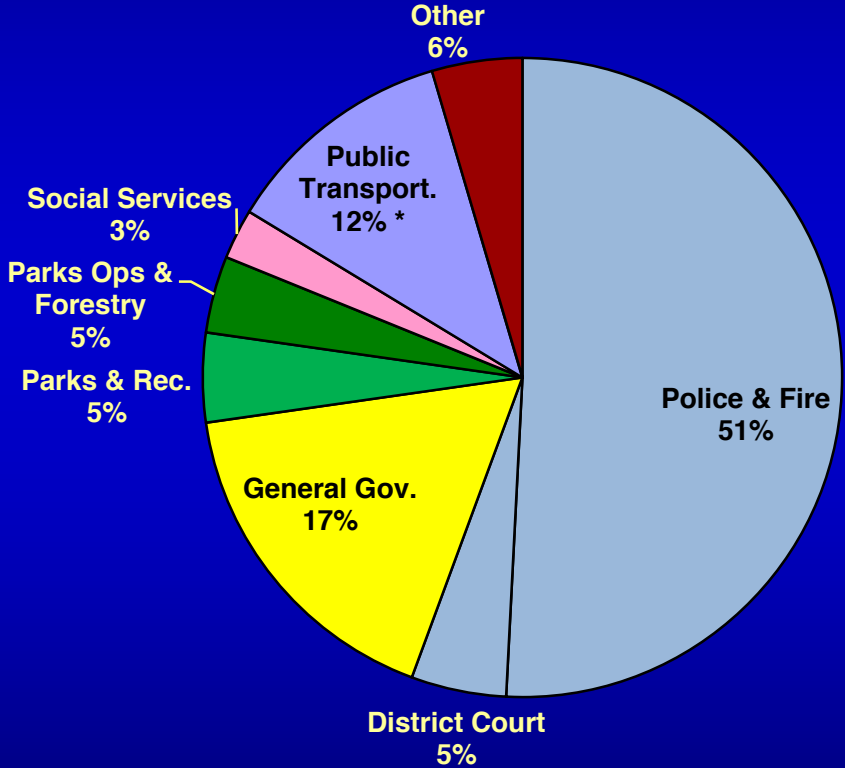
The City's resources are increasingly concentrated in the General Fund on providing safety services...

FY 2000



\$69.8 Million adjusted for current operations

Current Operations (FY 2011)

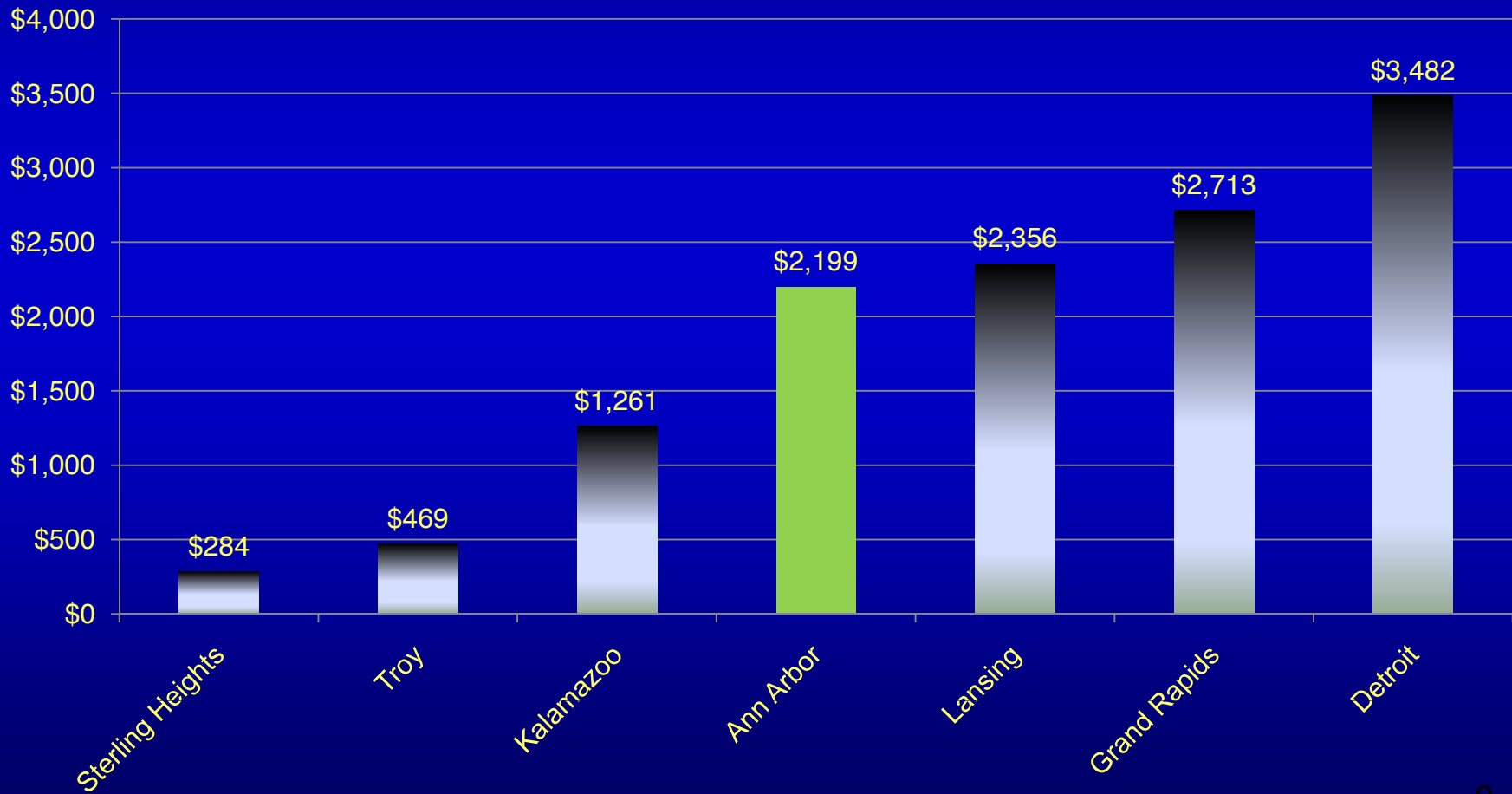


\$78.4 Million [Excl. 1 timers]
\$64.4 Million CPI adjusted

* Currently funding AATA

The City's Debt per Capita is Not High Compared with Other Communities

Debt per Capita



The City's Existing Debt Funded the Following Projects ...

Taxpayer Supported / Taxpayer Guaranteed

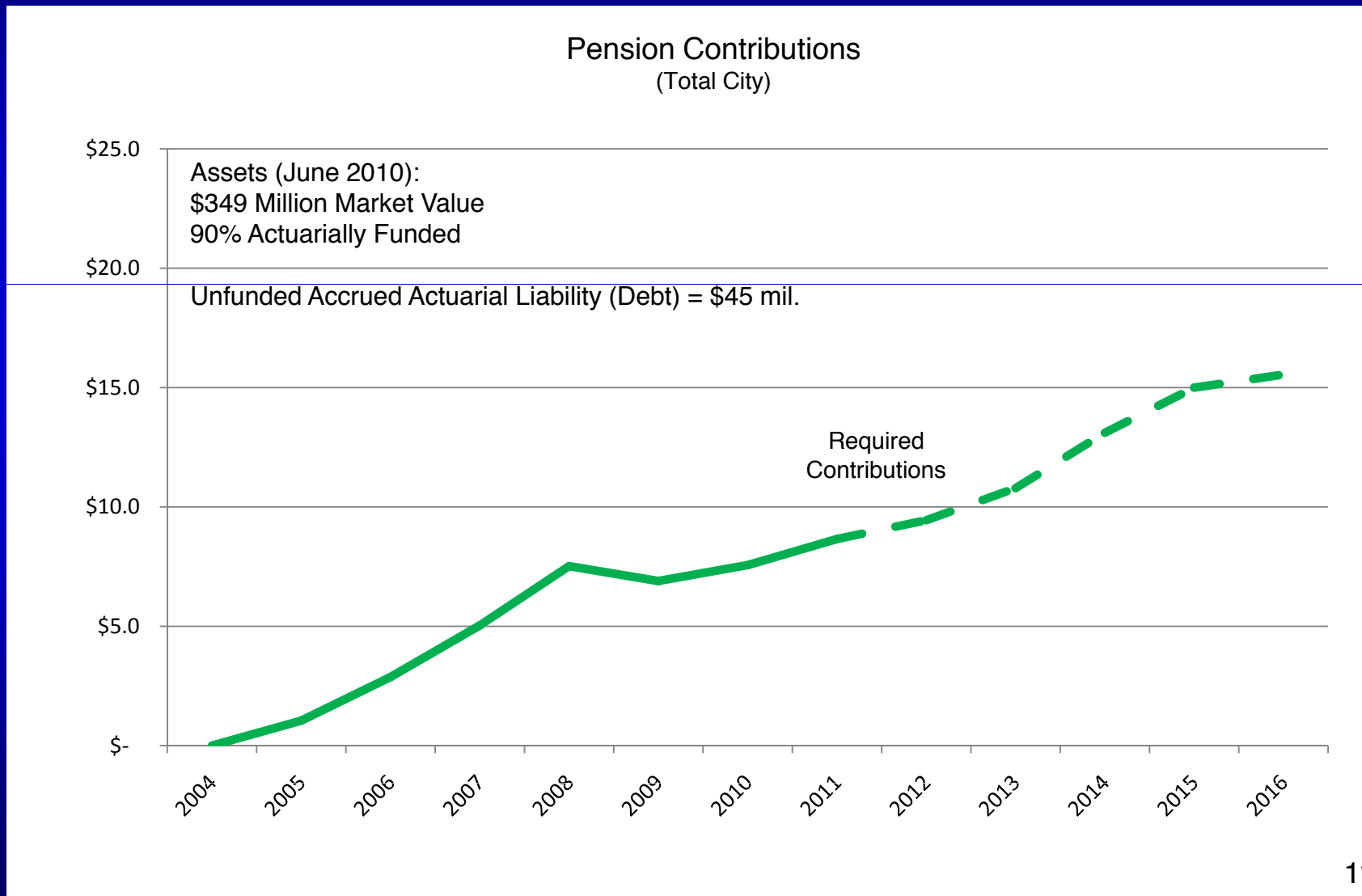
- Court / Police Building & Renovations to City Hall
- Former YMCA Building Site
- Maintenance Facility
- Various Special Assessment (improvement) projects
- Solid Waste Improvements – Landfill, Recycle Ann Arbor, Transfer Station, Materials Recovery Facility
- Open Space Acquisitions via Open Space special millage

User Supported/Taxpayer Guaranteed

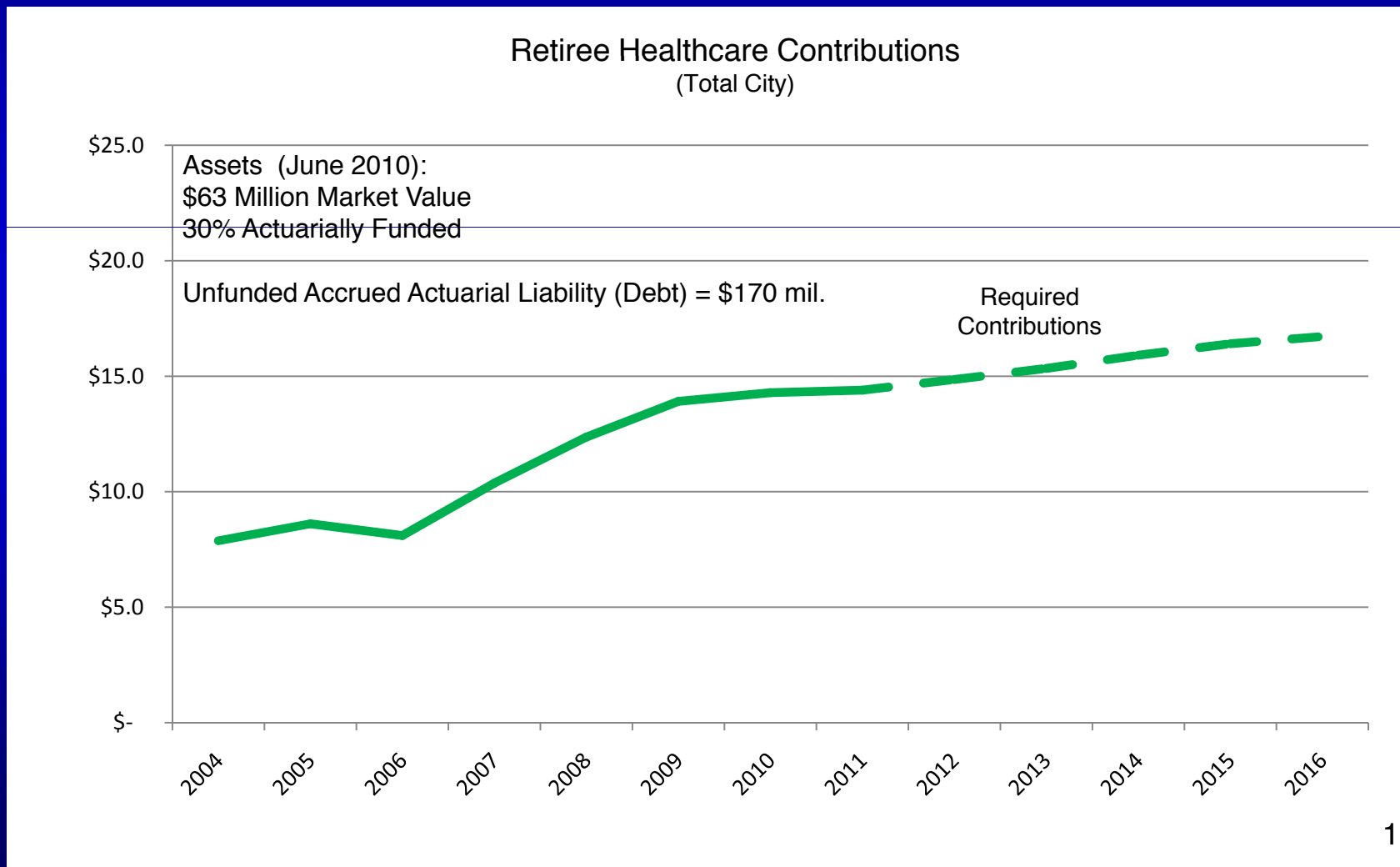
- Underground Fifth Avenue Parking Structure (DDA)
- Revenue bonds - Water, Sewer, Storm Water, Parking & Golf
- State Street road and pedestrian improvements (DDA)
- Broadway Bridge (MTF)

General Fund Annual Debt Service – Court/PD (\$1 mil./yr), Maint. Facility (\$300k/yr), Former YMCA (\$68k/yr), and various special assessment projects (\$76k/yr) 10

Pension system is 90% funded. Financial market meltdown is projected to increase on-going contributions from the previously stabilized 2009 levels.



Retiree healthcare (VEBA trust) is 30% funded.
Annual contributions are \$15 mil. per year and are modestly increasing.



The City Can Influence ...

- ✓ Infrastructure Investments – Have invested in bridges, roads, buildings, water, sewer, and parking
- ✓ Property Taxes – millage rate has dropped from 17.1 in 2001 to 16.8 in 2011.
- ✓ City's Bond Rating is AA+
- ✓ Budgeting – 2 year plans | balanced budgets without reliance on savings to pay for recurring operations
- ✓ Reserves – the City has maintained minimum reserves within the policy range of 8% - 12% of expenditures
- ✓ Collaboration/Regionalization – increased consolidation and sharing of community-wide resources
- ✓ Employee Benefits – recent pay changes are flat or declining and employee contributions for benefits are increasing
- ✓ Number of FTEs – reduced over 25% between 2001 & 2011
- ✓ Service Impacts – minimal given the amount of reductions

The City Can NOT Influence ...

- Local Unemployment (Feb) – 6.5%
- State Sales Tax Receipts (source for state shared revenue) – Down
- Interest Rates – Short-term near 0%
- Property Tax Values – Lower on average
- State’s Budget Issues – Unresolved
- Federal Budget Issues - Unresolved
- Stimulus Package – Not expected to help recurring operations
- Departure of Pfizer and sale of property to UM – lost single largest tax payer equal to 5% of tax collections
- The “Great Recession”
- 40% of property in the City is tax exempt

Budget Strategies

- Create Financial Projections – forecast recurring revenues and expenditures for future years. Forecasts are not overly conservative, so there is not a lot of flexibility.
- Establish Targets – the amount of expenditures in excess of revenues is the amount of targeted reductions required to balance the budget
- Align Targets with Labor Strategy – required reductions allocated to each service unit
 - Initial – 2.5% for all service units
 - Health care differential – up to 1.5% additional reduction required for employee groups who are not on the City healthcare plan, which reflects the actual cost increase to the City
- Plan for Non-Recurring Items – non-recurring expenditures are funded via a use of fund balance

Fiscal Challenge – Gen. Fund

	Adopted	Projected		Recommended	
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2013</u>
	(Mils)	(Mils)	(Mils)	(Mils)	(Mils)
Revenues	\$ 79.9	\$ 78.3	\$ 77.9	\$ 77.9	\$ 77.8
Expenditures *	<u>(81.4)</u>	<u>(80.7)</u>	<u>(82.8)</u>	<u>(78.9)</u>	<u>(78.5)</u>
Net Savings / (Deficit)	<u>\$ (1.5)</u>	<u>\$ (2.4)</u>	<u>\$ (4.9)</u>	<u>\$ (1.0)</u>	<u>\$ (0.7)</u>
* Includes Non-recurring items of:					
Golf Course Subsidy	\$ (0.5)	\$ -	\$ -	\$ (0.4)	\$ (0.3)
Housing Commission	-	-	-	(0.2)	(0.2)
Court Facility Fund	-	-	-	(0.1)	(0.1)
Reduced DDA transfer	-	-	-	(0.4)	(0.2)
Parks Supplemental Funding (1)	(0.3)	-	-	-	-
Other Non-recurring	<u>(2.2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Use of Savings	\$ (3.0)	\$ -	\$ -	\$ (1.0)	\$ (0.7)
Memo:					
Undesignated Fund Balance	\$ 10.0	\$ 7.6	\$ 2.7	\$ 9.0	\$ 8.3
(includes consol. of Economic Development Fund)					

(1) Park Supplemental funding included in base budget for FY 2012 & forward

FY 2012 Reductions in FTEs

- **Police Services**

- Vacancies - eliminate dispatchers (2), Telecommunicator (1), Police Professional Assistant (1), Police Officer (1) (5)
- Police Officers - layoffs resulting in reorganization to staff patrol & traffic operations (5)
- Dispatchers - eliminate 2 FTEs resulting in layoffs (2)
- Police Service Specialist - eliminate FTE resulting in layoff (1)

- **Fire Services**

- Vacancies - eliminate (2)
- Firefighters - layoffs (5)

- **Public Services**

- Vacancies - Forestry (2) & Facilities (0.7), Solid Waste (1) (4)
- Fleet Mechanic - Eliminate vacancy through retirement (2)
- Administration - Eliminate management assistant (1)
- Teamster Supervisor - Eliminate vacancy (1)

FY 2012 Reductions in FTEs

- **Financial Services**

- Vacancies - eliminate positions in Accounting (1), IT (2) (3)

- **15th District Court**

- Eliminate Clerical position (1)

- **Added FTEs**

- Community Services Admin. Support Specialist 1

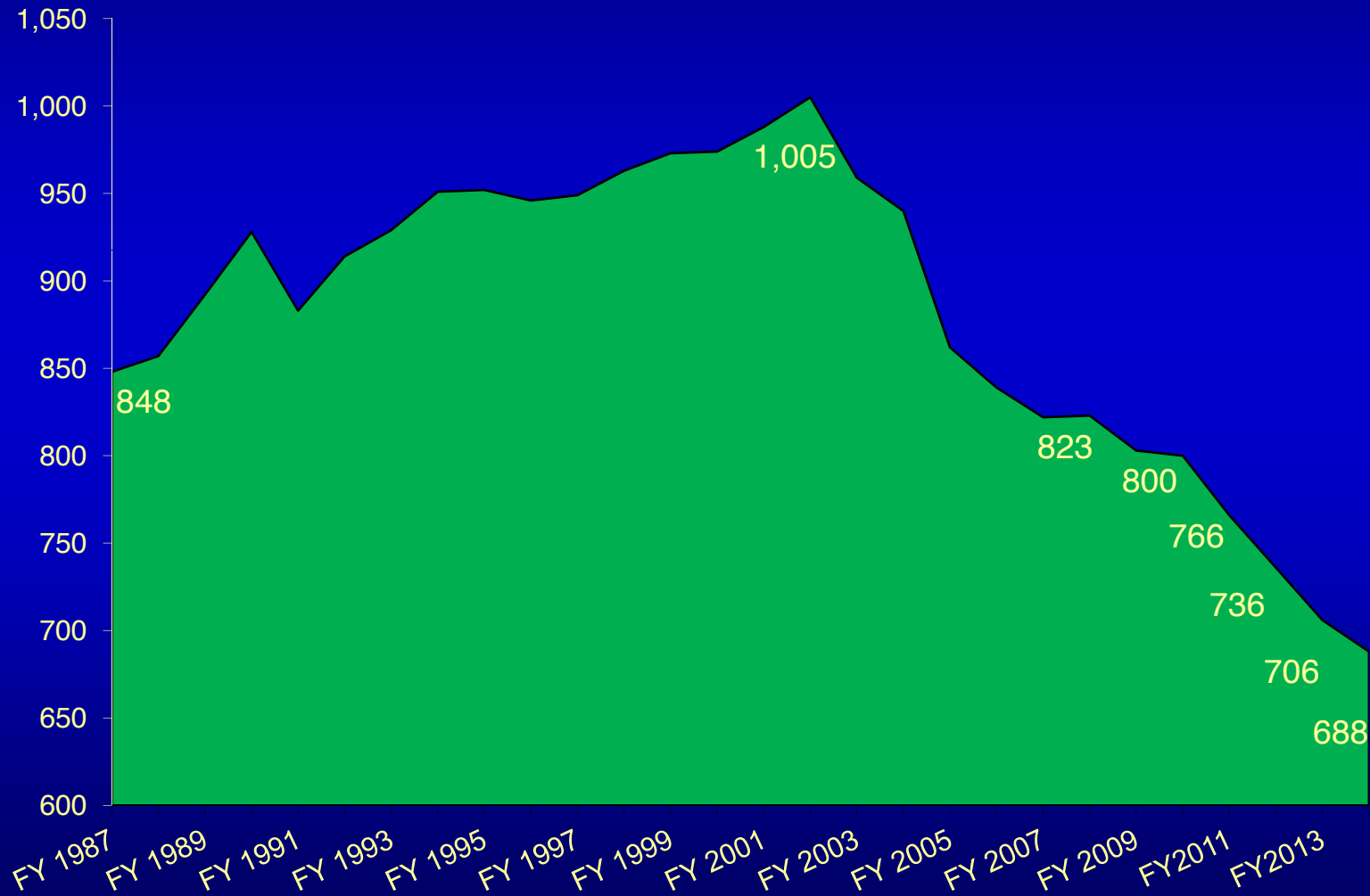
- DDA Planning & Research Specialist 1

Net Reductions

(30)

History of Employee Levels

The City has reduced staffing 30% over the past 10 years with minor impact to services...



Assumptions for FY 2012

- Property tax collections – down 1.3%
- No new major source of revenue (e.g. income tax or property tax)
- Selected fee increases
- Statutory State Shared Revenue – 33% reduction
- Continued lower receipts from fines and forfeits
- Wage increases – flat except for union step increases
- Active healthcare – continue labor negotiations to move all employees to a single City plan with contributions, co-pays, deductibles, etc.
- Retirement benefits – continue to fully fund required contributions and seek to equalize employee contributions across labor groups
- Argo & Geddes dams moved out of Water fund and into Parks

Budget Recommendations

(General Fund)

Community Services

- Rental housing inspections – projected revenue increase from effic. (+\$75k)
- Rental housing billings – one-time revenue increase from process change (+\$50k)
- Human Services – reduce level of support for non-profits (-\$116k)
- Energy – lower costs due to infrastructure improvements (-\$75k)

Safety Services

- Police vacancies – eliminate 5 vacant positions (-\$272k)
- Police officers – layoff 5 FTEs which results in reorganization to staff patrol & traffic operations (-\$560k)
- Dispatch – eliminate 2 FTE positions resulting in layoffs (-\$163k)
- Police service specialists – eliminate 1 FTE resulting in layoff (-\$90k)
- Fire fighters – eliminate 7 FTE positions including 2 vacancies (-\$756k)
- Fire capital needs – replace generator & acquire thermal imager (+\$76k)

Budget Recommendations

(General Fund)

Public Services

- Forestry – allocate forestry to the Storm Water Fund from the GF (-\$474k)
- Field Operations – eliminate two FTEs (-\$186k)
- Snow/Ice Removal, Graffiti Removal, & Traffic Island Maint. & Mowing – move expenditures to the Metro Expansion fund from the GF (-\$212k)
- Park Operations – increase use of temporary labor to maintain service levels (-\$158k)
- Street Lighting – anticipated LED energy & maintenance savings (-\$32k)
- Utilities – increased costs related to new building (+\$94k)
- Facilities – eliminate 0.5 FTE resulting in slower snow/ice removal times (-\$38k)
- Larcom Bathrooms – renovation of east end bathrooms and installation of new unisex bathrooms on floors 2-4 (+\$180k)
- Hydro – allocate a portion of Barton admin. from GF to Water Fund (-\$20k)
- Utilize savings in Public Services to fund 33% reduction in statutory State Shared Revenue

Budget Recommendations

(Other Funds)

- Street Repair & Resurfacing Millage – pursue renewal and continue the sidewalk replacement program with millage support
- Metro Expansion Fund – move costs for covering snow/ice control on sidewalks fronting City properties, graffiti removal, and traffic island maint. from the GF to the Metro Expansion Fund. As part of pursuing the renewal of the Street Repair & Resurfacing Millage discuss moving the costs from administering the Sidewalk Replacement Program out of the Metro Expansion Fund into the Millage.
- Storm Water Fund – assume full support for forestry operations from the GF
- Solid Waste Fund – cost savings from moving to single stream recycling (-\$579k)
- Trash Collection – reduction of routes from 7 to 6 due to efficiencies of collection and reduction of 1 FTE (-\$83k)
- Downtown Trash collection – implementation of annual cart fee for downtown carts servicing properties for commercial pick-ups where dumpsters were not feasible (-\$66k)
- Recycle material credit matched to market conditions (-\$250k)
- Fleet Fund - eliminate 2 FTEs (one vacant) due to reduced overall workload (-\$197k)
- Water/ Sanitary Sewer / Storm Water – reflect projected revenue requirement for increases of 3.4%, 4%, and 3.25% respectively

Highlights of Recommended Reductions for FY 2013

- Police Command – eliminate 1 Lieutenant & 2 Sergeant FTEs. They have bumping rights into next rank below (-\$24k)
- Police Patrol – eliminate 9 FTEs resulting layoffs including downward bumping (-\$1,070k)
- Firefighters – eliminate 5 FTEs resulting in layoffs (-\$559k)
- Argo – bypass channel complete so increased revenue projected from programming (+\$52k)
- Outdoor Pools – increase daily admission fees. Last fee increase was 10 yrs ago (-\$40k)
- Human Services – reduce funding to non-profits to \$1.11 mil. (-\$49k)
- Street lighting – public engagement process to help establish method for cost reduction (-\$120k)
- Customer Service Center – reduction of 0.5 FTEs (-\$38k)
- Larcom Bathrooms –partial renovations and removal of asbestos plus addition of a unisex bathroom on floor 5 & 6 (+\$165k)
- Water/Sanitary Sewer/Storm sewer - revenue increases of 3.25%/4.25%/3.5%
- Trash Collection – remove 1 Truck through efficiencies (-\$85k)

Status of DDA Negotiations

	Estimated									
	FY2011 (\$ Mils)	FY2012 (\$ Mils)	FY2013 (\$ Mils)	FY2014 (\$ Mils)	FY2015 (\$ Mils)	FY2016 (\$ Mils)	FY2017 (\$ Mils)	FY2018 (\$ Mils)	FY2019 (\$ Mils)	FY2020 (\$ Mils)
<u>Projected Parking Transfers to the City</u>										
Street Transfer	\$ 0.80	\$ 0.84	\$ 0.87	\$ 0.90	\$ 0.94	\$ 0.98	\$ 1.02	\$ 1.06	\$ 1.10	\$ 1.14
Fifth & William Grant	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
415 W. Washington	0.07	0.07	0.07	0.08	0.08	0.08	0.09	0.09	0.09	0.10
Meter Rent	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Projected Transfers	\$ 2.97	\$ 3.01	\$ 3.04	\$ 3.08	\$ 3.12	\$ 3.16	\$ 3.20	\$ 3.25	\$ 3.29	\$ 3.34
Gross Parking Revenues		\$16.16	\$17.47	\$18.14	\$18.91	\$19.83	\$20.41	\$21.01	\$21.72	\$22.36
<u>Amount of Reduced DDA Transfer</u>										
Budget - 16%/16%/17.5%	\$ (0.42)	\$ (0.25)	\$ 0.01	\$ 0.10	\$ 0.22	\$ 0.28	\$ 0.33	\$ 0.41	\$ 0.47	\$ 0.47
DDA Proposal - 16%/16%16%	(0.49)	(0.32)	(0.25)	(0.17)	(0.07)	(0.02)	0.03	0.09	0.14	0.14
Difference	\$ (0.07)	\$ (0.07)	\$ (0.27)	\$ (0.28)	\$ (0.29)	\$ (0.30)	\$ (0.31)	\$ (0.32)	\$ (0.33)	\$ (0.33)
<u>Memo: Cumulative Effect</u>										
Budget - 16%/16%/17.5%	\$ (0.42)	\$ (0.67)	\$ (0.66)	\$ (0.55)	\$ (0.33)	\$ (0.05)	\$ 0.28	\$ 0.69	\$ 1.15	\$ 1.15
DDA Proposal - 16%/16%16%	(0.49)	(0.81)	(1.06)	(1.24)	(1.31)	(1.33)	(1.30)	(1.21)	(1.07)	(1.07)
Difference	\$ (0.07)	\$ (0.14)	\$ (0.41)	\$ (0.68)	\$ (0.98)	\$ (1.27)	\$ (1.58)	\$ (1.90)	\$ (2.22)	\$ (2.22)

Budget Process

- December 2010 – Council Offsite
- January 2011 – Additional Council Offsite
- Jan. – Mar. – Working Sessions
- April 11 – Working Session
- April 13 – Town Hall Meeting
- April 19 – City Admin. Recommended Budget
- May 2 – Public Hearings on Recommended Budget & Fee Resolutions
- May 16 – Council Consideration of Administrator's Recommended Budget

