

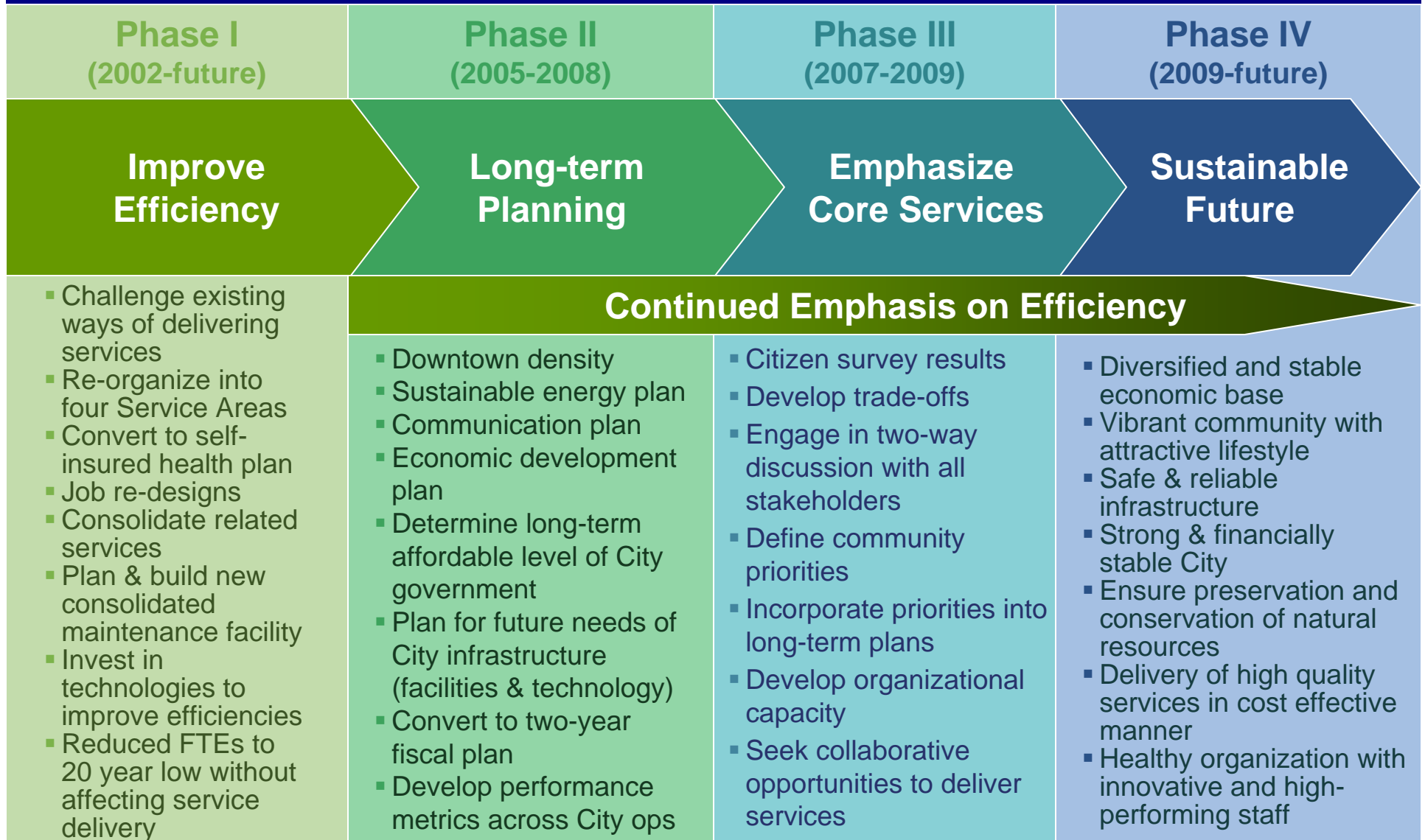
City of Ann Arbor
Town Hall Meeting

April 9, 2008

“State of the City”

by Mayor Hieftje

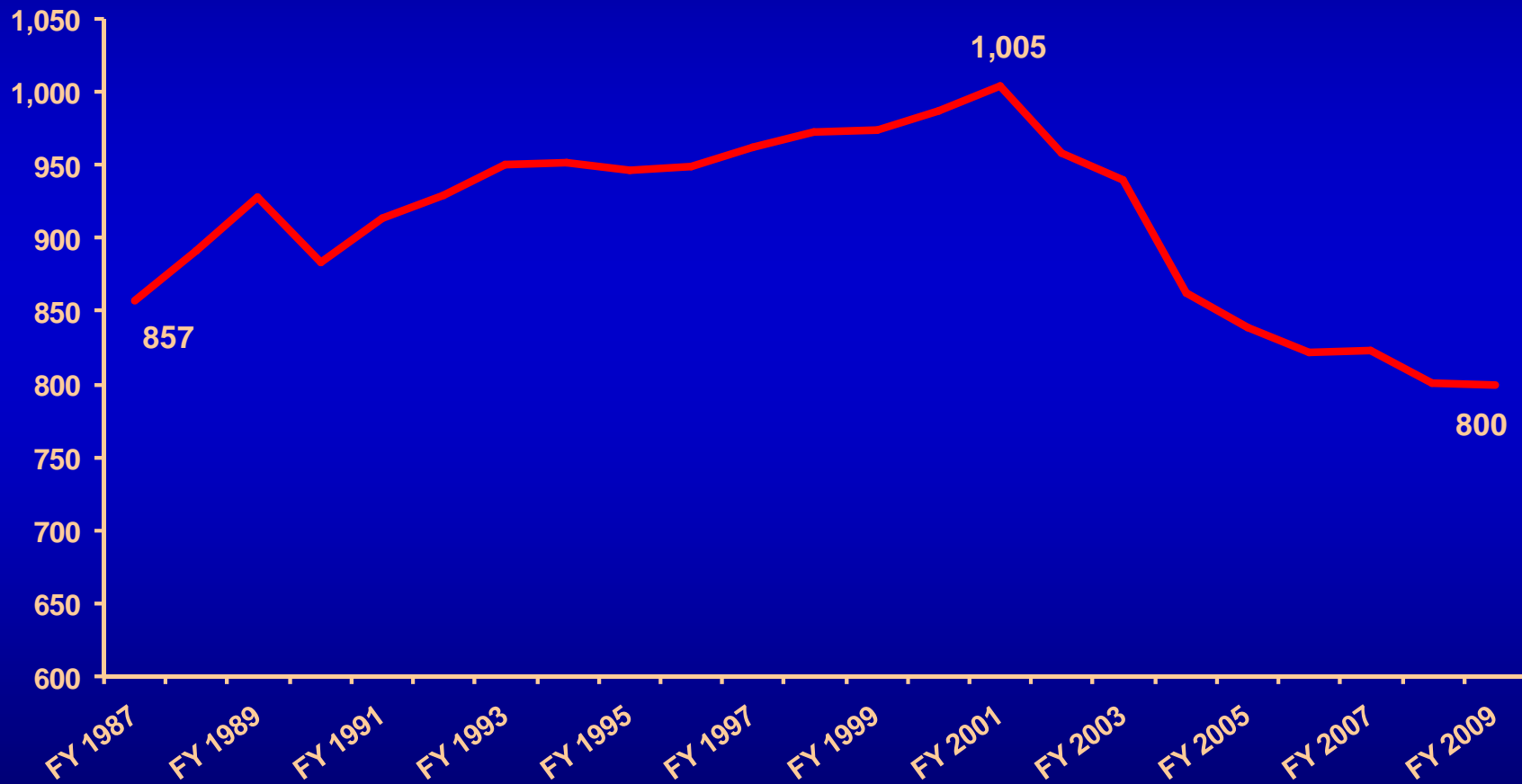
“Sustaining Our Future”



Important Observations

- Operating surplus in Two-Year Plan.
- Pension & Retiree Healthcare costs funded at normal cost in FY 2009
- All but 1 labor contract is current. New compensation system & healthcare plan design in place.
- Major Technology Initiatives delivered (Clemis, CRW, Ultipro, etc.)
- Infrastructure – funding reasonable investment for replacements.
- Courthouse / Police facility - independent and self-contained funding strategy in place.
- Golf courses – staff consolidating recommendations for Council consideration.

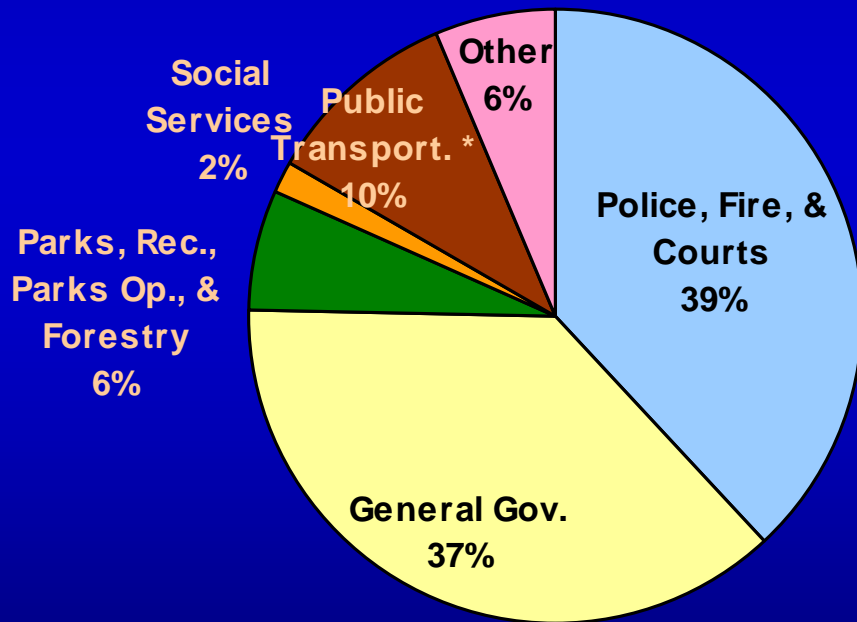
Significant reduction in staffing levels contributed to lower cost of providing City services.



Safety Services related expenditures are larger portion of General Fund

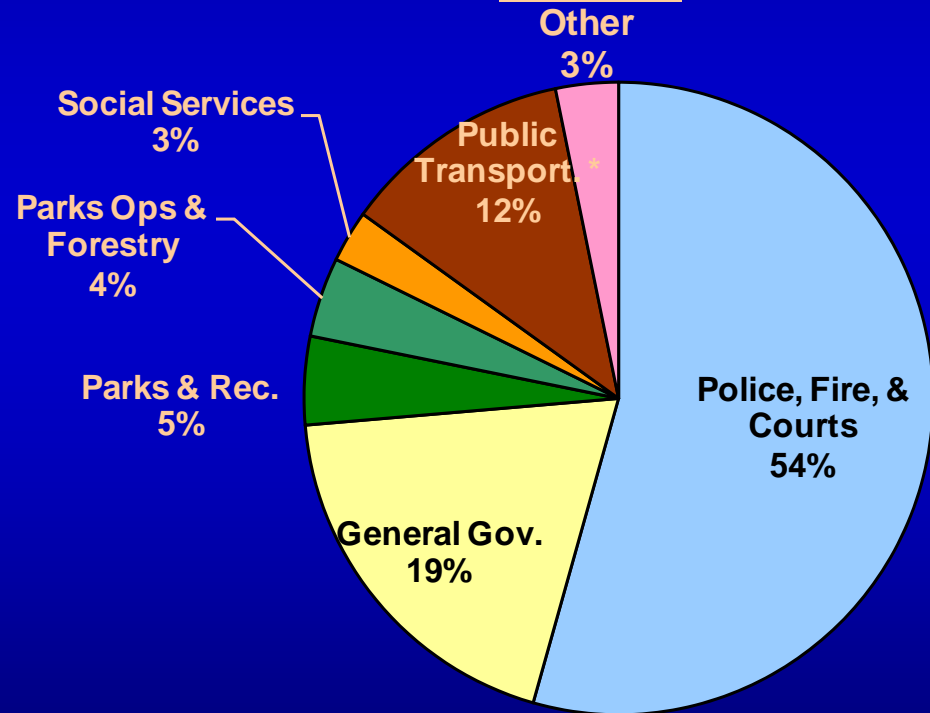
(Adjusted for Consistent Operations)

FY 1996



\$53 Mil.

FY 2008



\$80.6 Mil.

* Currently funding AATA

Key Take-Aways

- In 2002 the organization was in need of “repair”.
- Many critical items have been addressed and prudent plans put in place.
- In FY 2008 Council adopted a Two-Year plan including savings of approx. \$622k.
- Budget amendments for one-time expenditures have reduced the two-year surplus to a \$(712)k deficit.
- The outlook for FY 2009 operations is on target with the original approved plan. No further cuts or service impacts are anticipated for FY 2009.
- The Gen. Fund’s healthy fund balance is recommended to be partially utilized to invest in the Courthouse/Police Facility (net \$1.8 mil.) and to write-off cash deficit from Golf Operations (\$1.6 mil.).

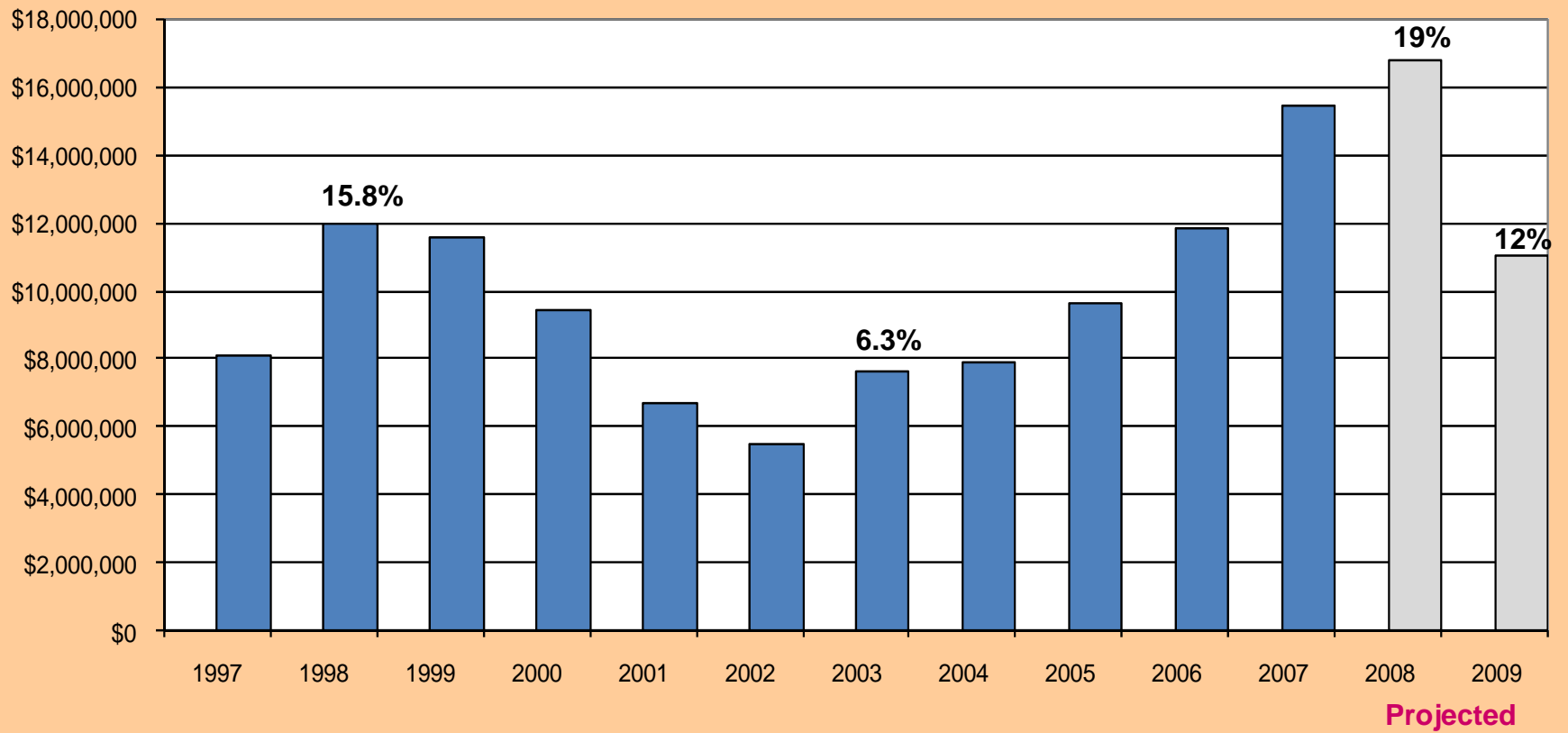
FY 2008 Two Year Fiscal Plan

	FY 2008 Budget	FY 2009 Plan
Revenues	\$81,806,243	\$82,986,534
Expenditures	80,514,451	83,655,992
Surplus/(Deficit)	\$1,291,792	-\$669,458

Changes to the Plan

	<u>FY 2008</u>	<u>FY 2009</u>
<u>AMENDMENTS</u>		
YMCA Relocation Costs	\$350,000	\$0
Misc. Capital Investments	306,751	
Additional Parks Funding	287,520	287,520
Property Purchase & Other	102,925	
<u>NEW REQUESTS</u>		
Integrated Human Services Funding		250,000
Police/Court Facility Investment		1,800,000
Proceeds from Sale of First & Washington Property		-3,000,000
Transfer to Civic Center Fund-Court/Police Facility		3,000,000
Write-off Golf Fund's Accumulated Cash Deficit		1,647,137
Subtotal Amendments/Requests	<u>\$1,047,196</u>	<u>\$3,984,657</u>
Surplus/(Investment) of Reserves	<u>\$244,596</u>	<u>-\$4,654,115</u>

General Fund Undesignated Reserves



What the Future Looks Like

	<u>Forecast FY 2008</u>	<u>Proposed FY 2009</u>
<u>KEY REVENUE ASSUMPTIONS</u>		
Tax Revenues	5.2%	2.0%
State Shared Revenue	-2.2%	0.0%
<u>KEY EXPENSE ASSUMPTIONS</u>		
Personnel & Other Fringes	-1.8%	3.4%
Active Health Care	-2.5%	7.2%
Pension Costs	42.4%	2.0%
Retiree Healthcare (VEBA Trust)	35.2%	10.4%
Projected Operating Surplus/(Deficit) - \$ Mils.	\$1.3	-\$0.6

COURTHOUSE / POLICE FACILITY FUNDING

	<u>Amount</u> (\$)
Municipal Center Fund	\$ 8,400,000
Risk Fund	4,000,000
General Fund	1,800,000
Court Facility Fund	1,100,000
Proceeds from Sale of 1st & Washington	3,000,000
Issuance of Debt *	27,800,000
Earnings on Construction Funds	1,300,000
Total Funding	<u>\$ 47,400,000</u>

* Debt repaid via expired leases, DDA contribution, antennae revenue, & existing Court fees.

Now is the Time for a New Facility

- Short-term decision-making got us to today.
- If invested in facility earlier, today's costs would be less.
- Operating budget balanced over Two-Year plan.
- Independent and self-contained funding plan in place facility.
- General fund reserves at 12% of expenditures, including recommended investments & write-offs (policy range is 8% - 12%).
- Prudent fiscal policy suggests investing long-term when costs are low.
- The future may be uncertain, rare opportunity now with low interest rates and competitive construction prices.

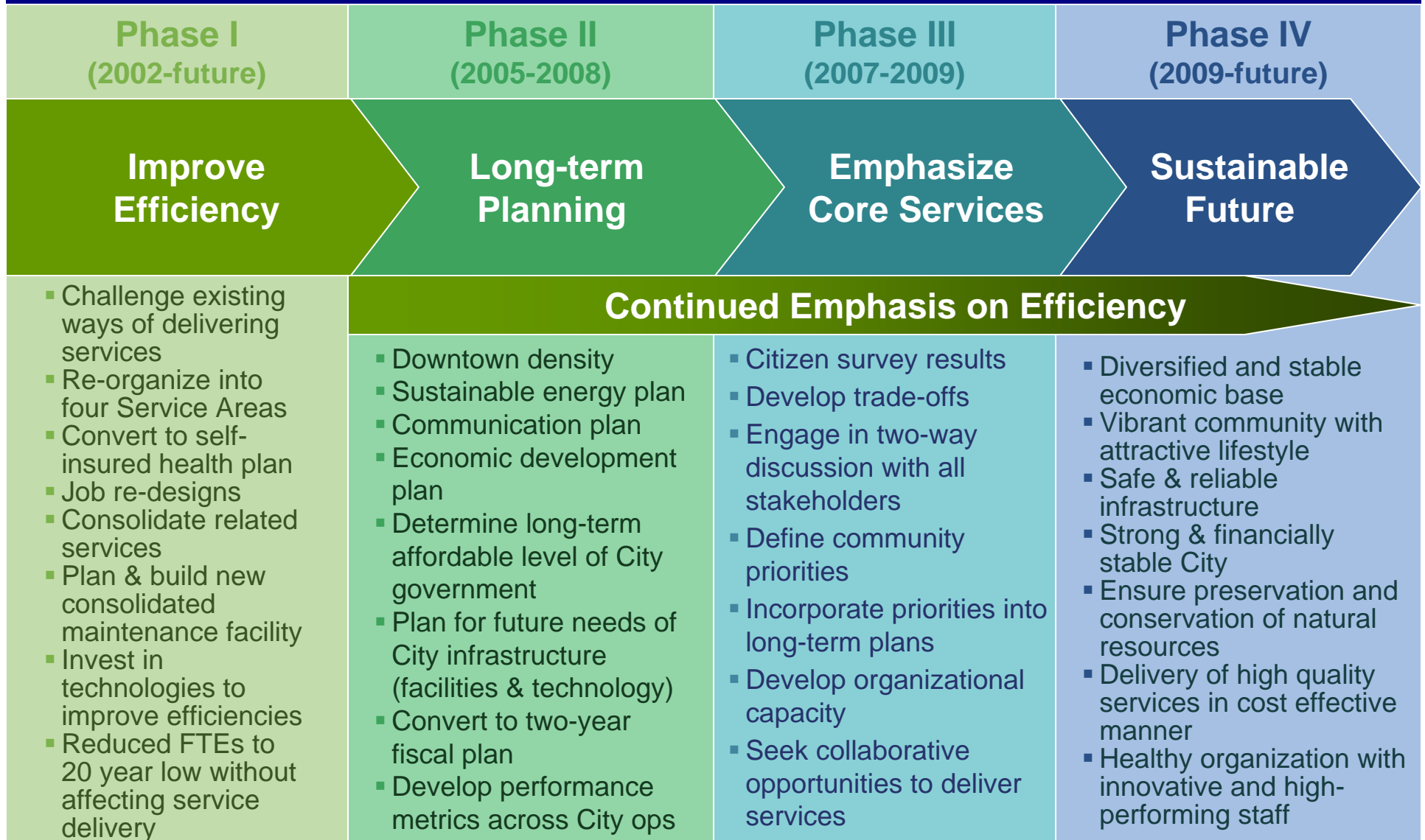
Golf Budget Assumption

	Projected FY 2009 Budget			
	Gen. Fund	Golf Fund Impact		
		Leslie	Huron	Total
Est. loss from operations		\$114,022	\$189,061	\$ 303,083
Added recurring costs		153,900	77,500	231,400
Depreciation for new equip		100,000	0	100,000
Added one-time costs		3,100	52,000	55,100
Subtotal		257,000	129,500	386,500
Write-off of cash deficit	1,647,137			
Invmt from reserves	<u>\$1,647,137</u>	<u>\$ 371,022</u>	<u>\$ 318,561</u>	<u>\$ 689,583</u>

Memo:

Assumes Gen. Fund operating subsidy is paid in the year after expense incurred. New capital costs contained within existing resources.

“Sustaining Our Future”



Questions & Answers