City of Ann Arbor
Town Hall Meeting
for FY 2011 Budget

April 2010
Extensive Budget Process

- May 2009 – Adopt 2 Year Fiscal Plan (2010 & 2011)
- August 2009 – Forecast revenue shortfall
- November 2009 – Revised revenue shortfall
- December 2009 – Council Retreat
- December 2009 – 3% reductions implemented
- January 2010 – Working Session
- February 2010 – Two Working Sessions
- March 2010 – Working Session

- April 2010 – Administrator’s Recommended Budget
- May 2010 – Council Approved Budget
A year ago the City had a balanced 2 Year Fiscal Plan

<table>
<thead>
<tr>
<th>Approved Plan - May 2009</th>
<th>FY 09 (Adopted)</th>
<th>FY 10</th>
<th>FY 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 86,169,851</td>
<td>$ 85,202,388</td>
<td>$ 82,868,508</td>
</tr>
<tr>
<td>Expenditures</td>
<td>89,214,660</td>
<td>84,735,376</td>
<td>83,250,520</td>
</tr>
<tr>
<td>Excess/(Deficit)</td>
<td>$(3,044,809)</td>
<td>$ 467,012</td>
<td>$(382,012)</td>
</tr>
<tr>
<td>Planned Use of Reserves</td>
<td>$(3,044,809)</td>
<td>$      -</td>
<td>$(382,012)</td>
</tr>
</tbody>
</table>
## What Happened?

<table>
<thead>
<tr>
<th></th>
<th>FY 09 Adopted (Millions)</th>
<th>FY 10 Revised (Millions)</th>
<th>FY 11 Revised (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 86.2</td>
<td>$ 81.9</td>
<td>$ 77.5</td>
</tr>
<tr>
<td>Expenditures</td>
<td>89.2</td>
<td>84.7</td>
<td>83.3</td>
</tr>
<tr>
<td>Excess / (Deficit)</td>
<td>$ (3.0)</td>
<td>$ (2.8)</td>
<td>$ (5.8)</td>
</tr>
</tbody>
</table>

**EXPLANATION - November 2009**

- State Shared Revenue: $(1.4)$, $(1.2)$
- Investment Income: $(0.9)$, $(0.9)$
- Traffic Citations and Caseload: $(0.9)$, $(0.6)$
- New Development Review Fees: $(0.2)$, $(0.2)$
- Net Revenues from New Parking Meters: $(0.2)$, $(0.1)$
- Property Taxes: $0.3$, -
- Bond User Fees: - , $(0.7)$
- Unresolved Lease with DDA: - , $(1.7)$
- Forecast Worse than Planned: $(3.3)$, $(5.4)$

- Percent of Expenditures: -4%, -8%
- Equivalent Number of FTEs: (39), (64)
## General Fund Changes

### 2 Year Fiscal Plan

<table>
<thead>
<tr>
<th></th>
<th>FY 09 (Adopted)</th>
<th>FY 10</th>
<th>FY 11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>$86,169,851</td>
<td>$85,202,388</td>
<td>$82,868,508</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td>89,214,660</td>
<td>84,735,376</td>
<td>83,250,520</td>
</tr>
<tr>
<td><strong>Excess/(Deficit)</strong></td>
<td>$(3,044,809)</td>
<td>$467,012</td>
<td>$(382,012)</td>
</tr>
<tr>
<td><strong>Planned Use of Reserves</strong></td>
<td>$(3,044,809)</td>
<td>$</td>
<td>$(382,012)</td>
</tr>
</tbody>
</table>

### Actual vs. Forecast

<table>
<thead>
<tr>
<th></th>
<th>FY 2009 Actual</th>
<th>FY 2010 Forecast</th>
<th>FY 2011 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>$82,593,860</td>
<td>$81,830,921</td>
<td>$76,345,552</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td>91,019,044</td>
<td>82,368,636</td>
<td>77,877,563</td>
</tr>
<tr>
<td><strong>Excess/(Deficit)</strong></td>
<td>$(8,425,184)</td>
<td>$(537,715)</td>
<td>$(1,532,011)</td>
</tr>
<tr>
<td><strong>Planned Use of Reserves</strong></td>
<td>$(10,379,394)</td>
<td>$(852,815)</td>
<td>$(1,532,011)</td>
</tr>
</tbody>
</table>
Property tax revenues are not projected to return to FY 2009 levels until FY 2015

General Fund Tax Revenue Projection

Scenario 1 - Assumes rebound in property values

Scenario 2
Inflation
Residential Tax Val.
Commercial Tax Val.
Tax Receipts

Scenario 3 - Assumes declining property values through 2013.
The City has reduced staffing more than 25% over the past 8 years with little impact to services…

… future reductions will impact the number and level of services.
Cost Reductions - Highlights

✓ Organization-wide restructuring / improved business processes
✓ Personnel - 25% reduction since 2001 with, until recently, minimal reductions to services
✓ Disbanded central services / reduced motorized fleet
✓ Reduced overtime through changed staffing plans and policies
✓ Leveraged technology to improve services and reduce costs (e.g. HR/payroll system, online water consumption, online tax payments)
✓ Health Insurance - converted to self-insured with premiums and co-pays for non-union, Teamster police professionals, & Teamster civilian supervisor employees
✓ Non-union - pay freeze in 2010 & 2011 plus 3% total compensation reduction in 2011
✓ Fire – 3% wage reduction plus 1% additional employee contribution to pension starting in 2010
✓ AFSCME – contract opening requested
✓ Other bargaining units – in discussions
Collaborative Efforts

• CLEMIS – Oakland County
• Community Development Office – Washtenaw County
• Joint Policy and Coordination Meetings – University of Michigan
• Swift Run Dog Park – Washtenaw County
• Storm Water – Water Resources Commissioner
• Leslie Science Center – Non-profit
• Downtown Parking – Village Green (Private Sector)
• Economic Development – SPARK
• Smartzone LDFA – City of Ypsilanti
• 800 Megahertz Initiative – Washtenaw County, University of Michigan, & Many Others
• Joint Dispatch – Washtenaw County
• Regional Fire Service – City of Ypsilanti and Township
Collaborative Efforts - Continued

• Fuller Road Station – University of Michigan / AATA
• Allen Creek Headwaters – AAPS / Water Resources Office (1 of a long history of collaborative projects)
• Joint Data Center – Washtenaw County
• Court Information System (JIS) – State of Michigan
• Telephone System – AATA
• IT Infrastructure Manager – Washtenaw County
• GIS Mapping – Washtenaw County
• SWAT – YPD, WCSD, UMDPS
• Crisis Negotiation Team – YPD and WCSD
• K-9 – Countywide staffing availability
• Google RFI – University of Michigan
• Wind Turbine – Pittsfield Township / Univ. of Michigan
• Collaboration in Social Services – various agencies
Assumptions for FY 2011

- No new major source of revenue (e.g. income tax or property tax)
- Selected fee increases
- State continues to struggle with its budget deficit
- Continued lower receipts from fines and forfeits
- FY 2010
  - Non-union - no wage increase
  - Fire - 3% wage reduction and 1% increased pension contribution mid-year
- FY 2011
  - Non-union - 3% total compensation reduction including increased pension contribution and healthcare premiums/co-pays
  - AFSCME – existing contract calls for 3% raise – City has requested to open contract
  - Other bargaining units – asking for reductions similar to non-union – negotiations are on-going
Budget Recommendations

Safety Services
- Eliminate 15 FTEs in Police (1 vacant) in addition to 5 vacancies mid-year 2010 (-$1.6 mil.)
- Reduce police vehicles (-$270k)
- Reduce 20 FTEs (1 vacant) in Fire (-$2.0 mil.)

Community Services
- Reduce funding to non-profits (-$260k)
- Eliminate transfer to affordable housing fund (-$100k)
- Restructure planning & development – includes elimination of 1.0 FTEs (-$75k)
- Keep Mack pool and the senior center open while incorporating task force recommendations (-$140k per year versus prior year’s operating budget)
- Increase various parks & rec fees ($60k)
- Football parking at Allmendinger and Frisinger Parks ($34k)
- Increase select planning & development rental housing inspection fees ($70k)
Budget Recommendations

Public Services
- Lengthen mowing cycle from 19 to 23 days but keep hand trimming (-$112k)
- Eliminate maintenance in 17 parks, except for right-of-way (-$52k)
- De-energize certain lighting on DTE poles (-$120k)
- Shift right-of-way tree planting to Storm water fund (-$142k)
- Implement loading zone fees ($20k)
- Parking revenues from 415 W. Washington and S. Fifth Ave. surface lots ($180k)
- Increased facility operating expenditures reflecting new Court/Police building ($277k expense)
- Remove plan for installation of new parking meters, except Depot St. (-$449k)

District Court
- Hourly staff workweek reduced to 37.5 hours per week
- Salaries for Magistrate, Court Administrator, Deputy Administrator, & Probation Supervisor reduced by 3%, Financial Manager to $55k
- Eliminate 3 FTEs (2 vacant) including 1 after move in to new building
Budget Recommendations

City Clerk
- Eliminate publishing costs (-$24k)
- Eliminate some overtime by closing service window on Fridays during elections (-$17k)

Financial Services
- Eliminate 1 (vacant) budget office FTE (-$90k)
- Re-allocate accounting position to new financial system project (-$82k)
- Eliminate professional consulting except auditor, fraud hotline, & labor work (-$65k)
- Recognize cost savings from installation of new phone system (-$165k)

In addition to the above actions the City will be implementing a 3% reduction to total compensation for non-union employees and is negotiating with all unions for a similar change.
Budget Recommendations

Outside General Fund

• Evaluate if Huron Hills Golf can be self-sustaining with privatized management
• Parks millage resolution – eliminate the provision for automatic 3% increases for NAP (Natural Area Preservation)
• Repurpose an FTE in parks to coordinate citizen volunteers to help keep parks clean
• Re-open discussions with AAPS and County Parks & Recreation about opportunities for collaboration/consolidation
• Optimize parks capital improvements, focusing on improvements which reduce operating costs
• Re-organized planning & development but will continue to explore outsourcing inspections, plan review, and planning
• Provide fall leaf collection through the yard waste program utilizing carts and bags and eliminate in-street loose leaf pick-up
• Analyze and recommend in FY 2011 whether solid waste collection can be franchised and privatized
• Outsource compost operations
• Implement 2nd year plan revenue requirements increases for water (3.8%), sewer (3.0%) and storm water (2.0%)
Questions