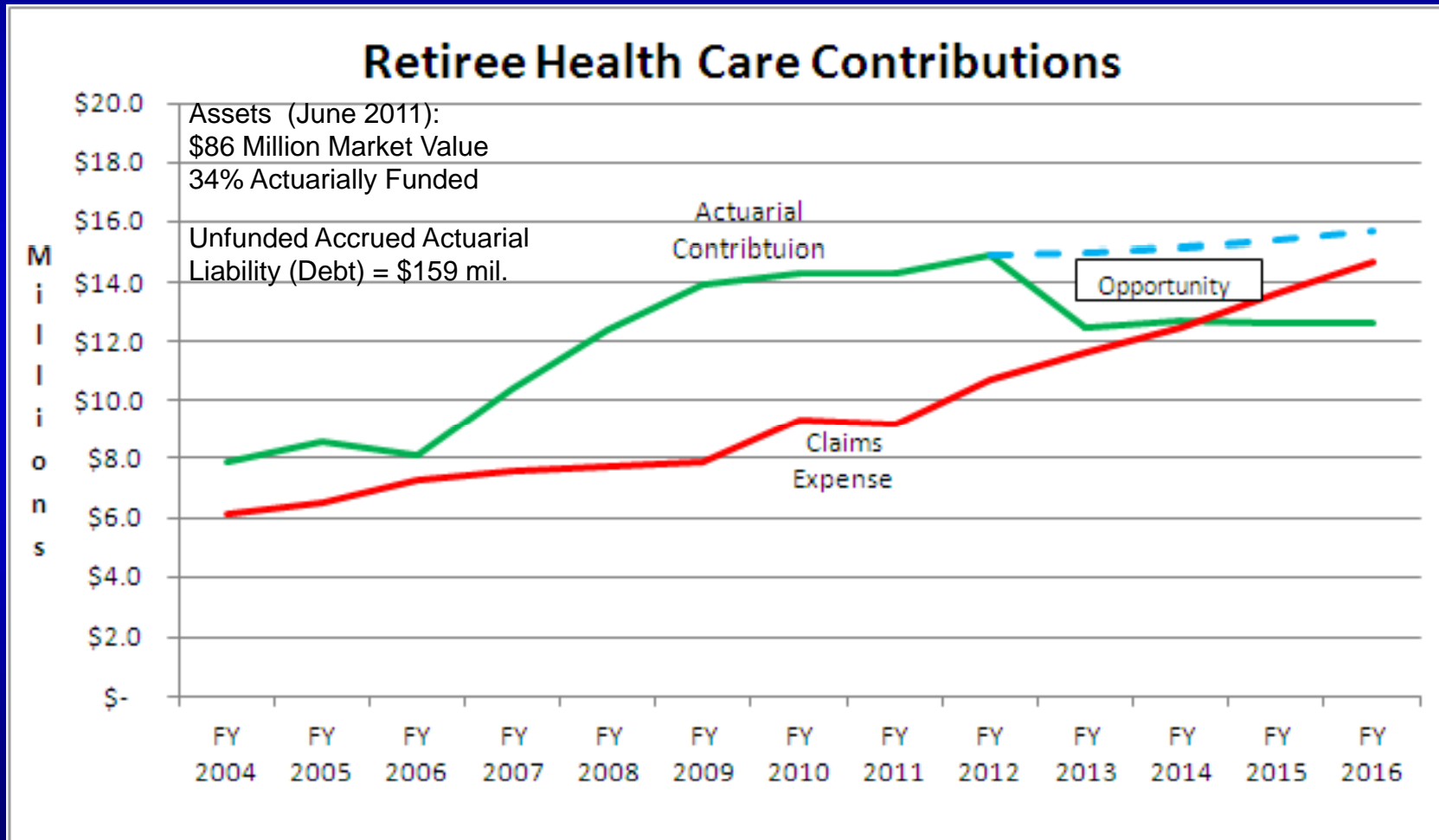


Retiree Healthcare – Key Issues

1. City's Annual OPEB Cost (AOC) to VEBA is \$2.9 mil. less than planned because:
 - High investment return (28%) → reduces unfunded liabilities
 - Ordinance changes (plan design) → reduces city's Normal Cost
 - Lower claims experience → reduces both unfunded liabilities and the Normal Cost

Council's Change to the Retiree Healthcare Benefit Had a Stabilizing Effect on Long-term Contributions



Retiree Healthcare – Key Issues

Staff Recommendation – continue to contribute \$2.5 mil. of the savings to VEBA to pay down the unfunded liability and reduce future expenditures.

Reasons:

1. Savings are coming from the convergence of 3 factors, but these factors are volatile and could reverse in the future resulting in higher costs
2. Unique opportunity to reduce future costs ➡ sustainable organization
3. Starts to address the city's OPEB obligation ➡ avoid future problems
4. New issue that benefit payments will exceed the City's required contribution ➡ results in increased volatility in future required contributions (see handout)
5. A council adopted VEBA funding policy tying city contributions to changes in GF revenues could provide stability in planning and investing

Key VEBA Funding Policy Points

- Recognize city has been collecting sufficient funds from organization to pay full AOC
- Recognize settlement with IRS has resulted in repayment to pension, which in turn created OPEB obligation
- Recognize greater risk of volatility in AOC due to benefit payments exceeding AOC
- Policy direction that city will continue to collect sufficient funds from organization to pay a minimum of the AOC based on FY2013 level, adjusted for the percentage change in total General Fund revenues
- Recognize claims experience, investment returns, and other factors are volatile, so this policy should be re-examined in 3 - 5 years.

2. City needs to change how it internally allocates retiree healthcare costs

- Presently – most costs are allocated to retirees to pay for current claims
- Proposed – costs allocated between active & retirees based on where the city's liability comes from

Reasons:

1. Individual service units would not experience full savings from ordinance change without change in methodology
2. Pay-as-you-go versus true pre-funding
3. Aligns the cost of the benefit to where the liability comes from

Implication:

General Fund would see approx. \$1 mil. of retiree health care expense reduction, and other funds would see appropriate adjustments based on the proportion of active and retiree employees (see handout).

The following budget presentation has projections that assume:

- Council willingness to contribute additional \$2.5 mil to VEBA to pay down unfunded liability with adoption of supporting policy
- Allocation methodology for retiree healthcare is updated to reflect impact of reduced benefits



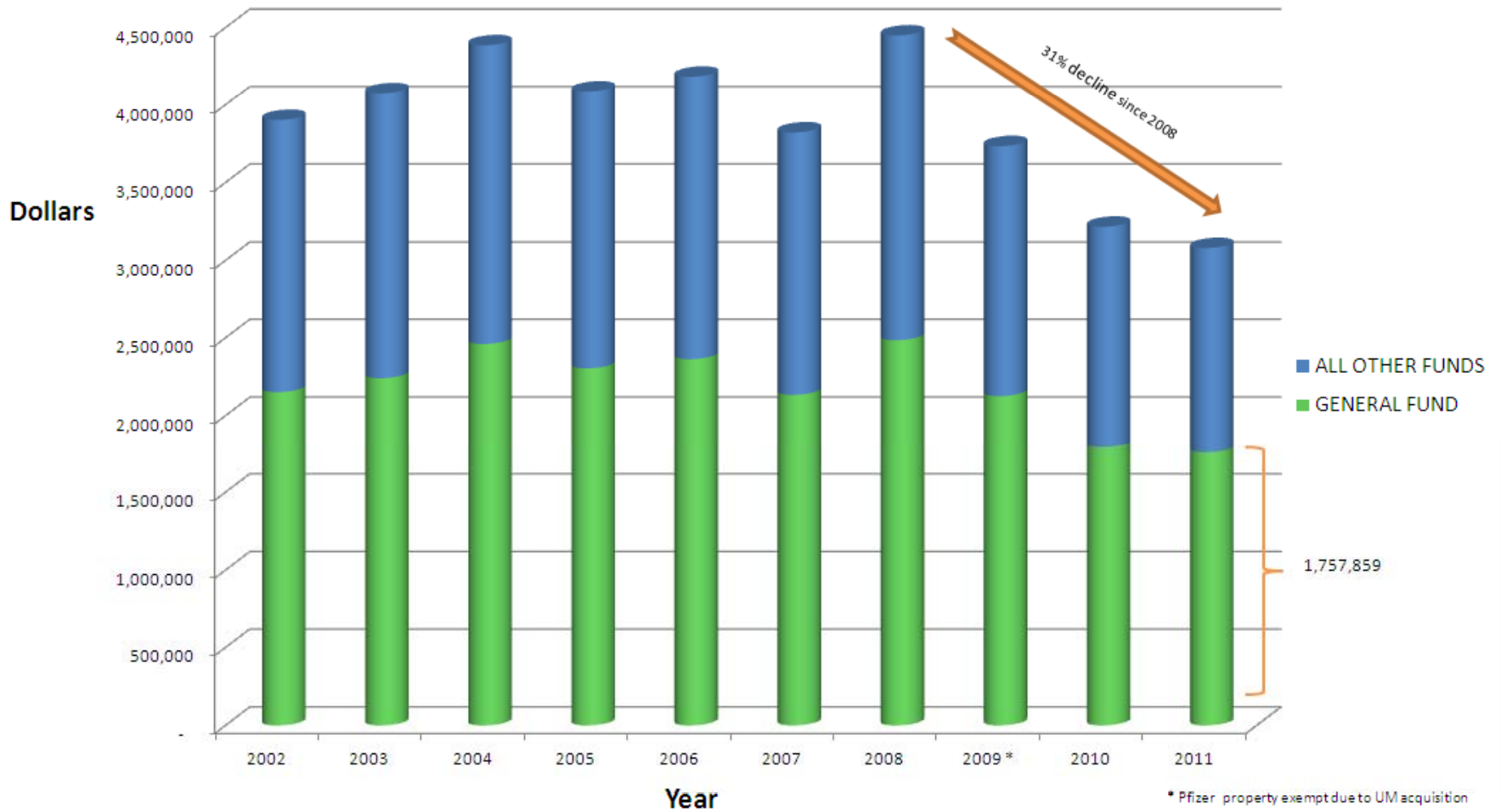
FY 2013 BUDGET PRESENTATION

February 2012

Economic Environment

- We may have seen the bottom from the 2008 financial market downturn:
 - Unemployment is improving:
 - Ann Arbor Area – 5.5% (Dec)
 - Michigan – 9.3% (Dec)
 - State Sales Tax Receipts – Coming off depressed levels
 - Interest Rates – Short-term still near 0%
 - Property Tax Revenues – Slight declines/inclines
 - Stimulus Package – Disappearing
 - State's Budget Issues – Improving but...
 - Personal Property Taxes – State considering elimination
 - Little discussion on fixing funding for local governments

Personal Property Tax Revenue



General Fund Broke-Even in FY 2011

	<u>FY 2011</u>
Revenues	\$ 81,065,793
Expenditures	80,938,127
Net Excess/(Deficit)	<u>\$ 127,666</u>
Unassigned Fund Balance	\$ 10,525,445
Pct.	13%

FY 2012 is projected to break-even as well...

	<u>FY 2012</u>
Budgeted (Use of Fund Balance)	\$ (1,561,168)
Working Towards:	Break-even
Unassigned Fund Balance	\$ 10,525,445
Pct.	13%

FY 2013 Budget Process

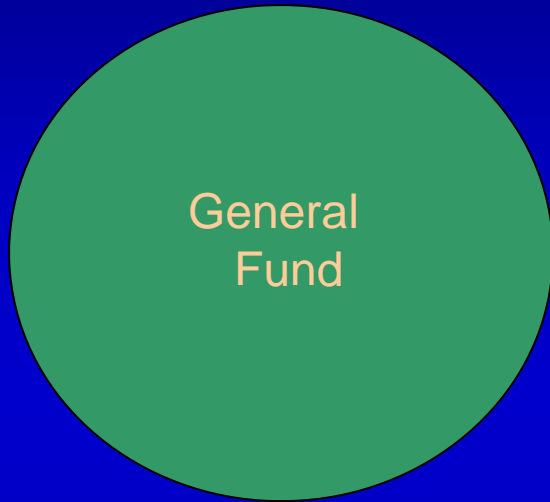
- February 13 – Working Session
(Budget overview, strategy, and police impacts)
 - February 27 – Working Session, if necessary
(additional time for police impacts)
 - March 12 – Working Session
(Fire and other organizational impacts)
 - March 26 – Working Session, if necessary
(time for additional items)
-
- April 16 – City Admin. Recommended Budget
 - May 7 – Public Hearings for Budget/Fee Changes
 - May 21 – Council consideration of Budget

A year ago the City Adopted a 2 Year Fiscal Plan

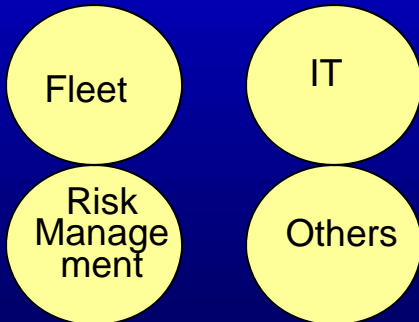
<u>General Fund</u>	<u>Adopted Fiscal Plan</u>	
	<u>2012</u>	<u>2013</u>
RECURRING		
Revenues	\$ 78,321,015	\$ 77,810,062
Expenditures	78,321,015	77,810,062
Net Recurring	<u>\$ -</u>	<u>\$ -</u>
NON-RECURRING		
Revenues	\$ -	\$ -
Expenditures	1,118,088	641,274
Net Non-Recurring	<u>\$ (1,118,088)</u>	<u>\$ (641,274)</u>
Net Surplus/(Use)	<u>\$ (1,118,088)</u>	<u>\$ (641,274)</u>

We're Now Revising the 2nd Year of the Plan

Budget impacts will primarily be in the General Fund but we'll discuss any fund with significant changes...



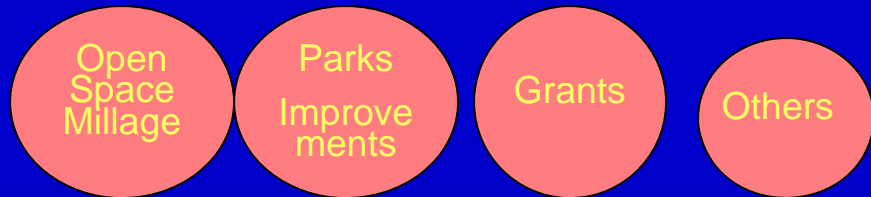
Internal Services



Enterprise Funds



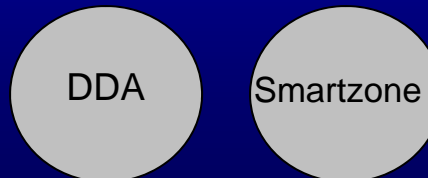
Special Revenue Funds



Trust Funds



Component Units



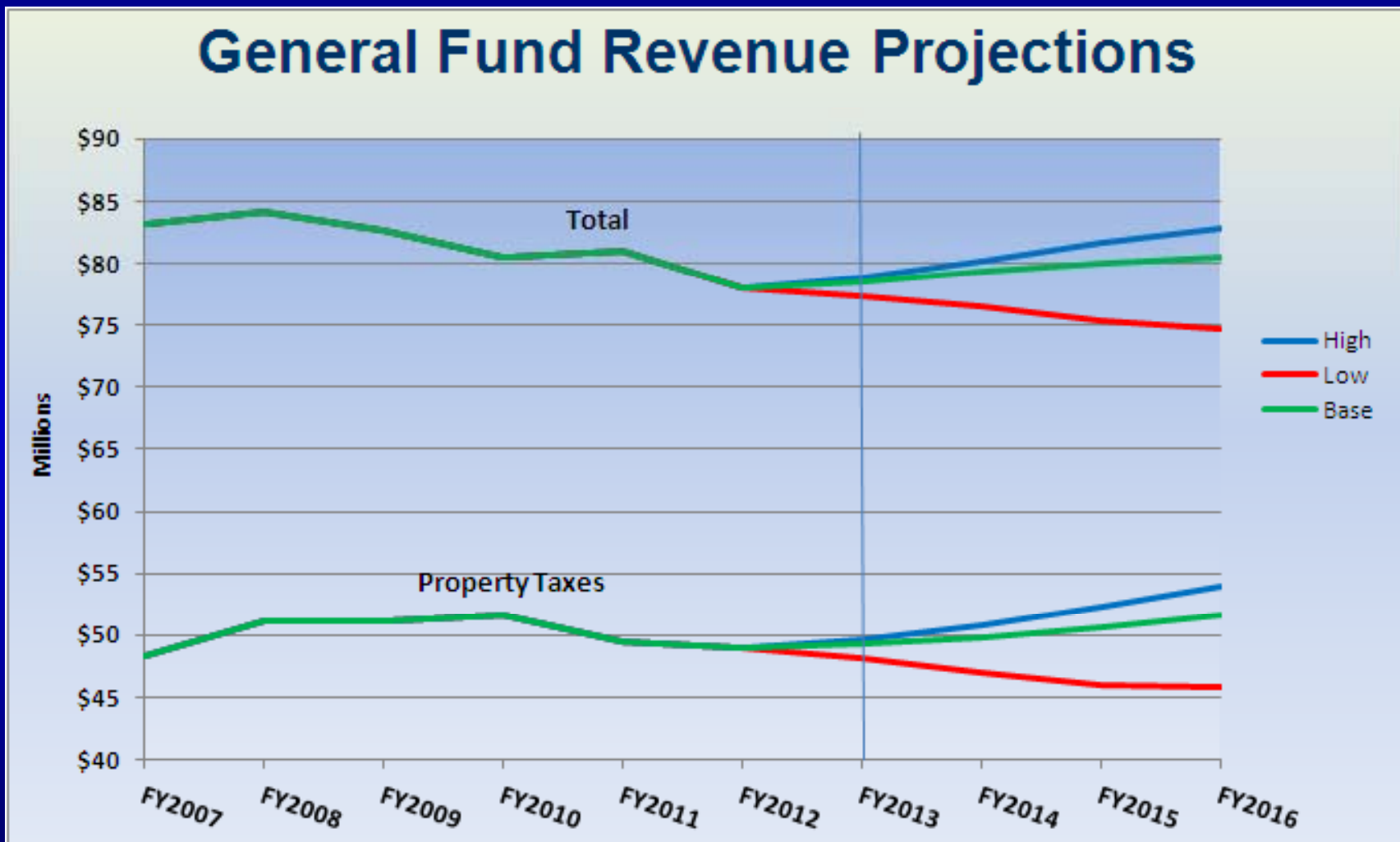
FY 2013 Projections

	FY2013	
	Planned	Revised
<u>Recurring Revenues</u>		
Planned	\$ 77.8	
Increased Taxes		\$ 0.6
State Shared Rev		0.7
Increased Fire Inspection Revenues		0.2
Remove Dispatch		(0.6)
Bond User Fees		(0.2)
Other		0.2
Total Change		\$ 0.9
Revised		\$ 78.7

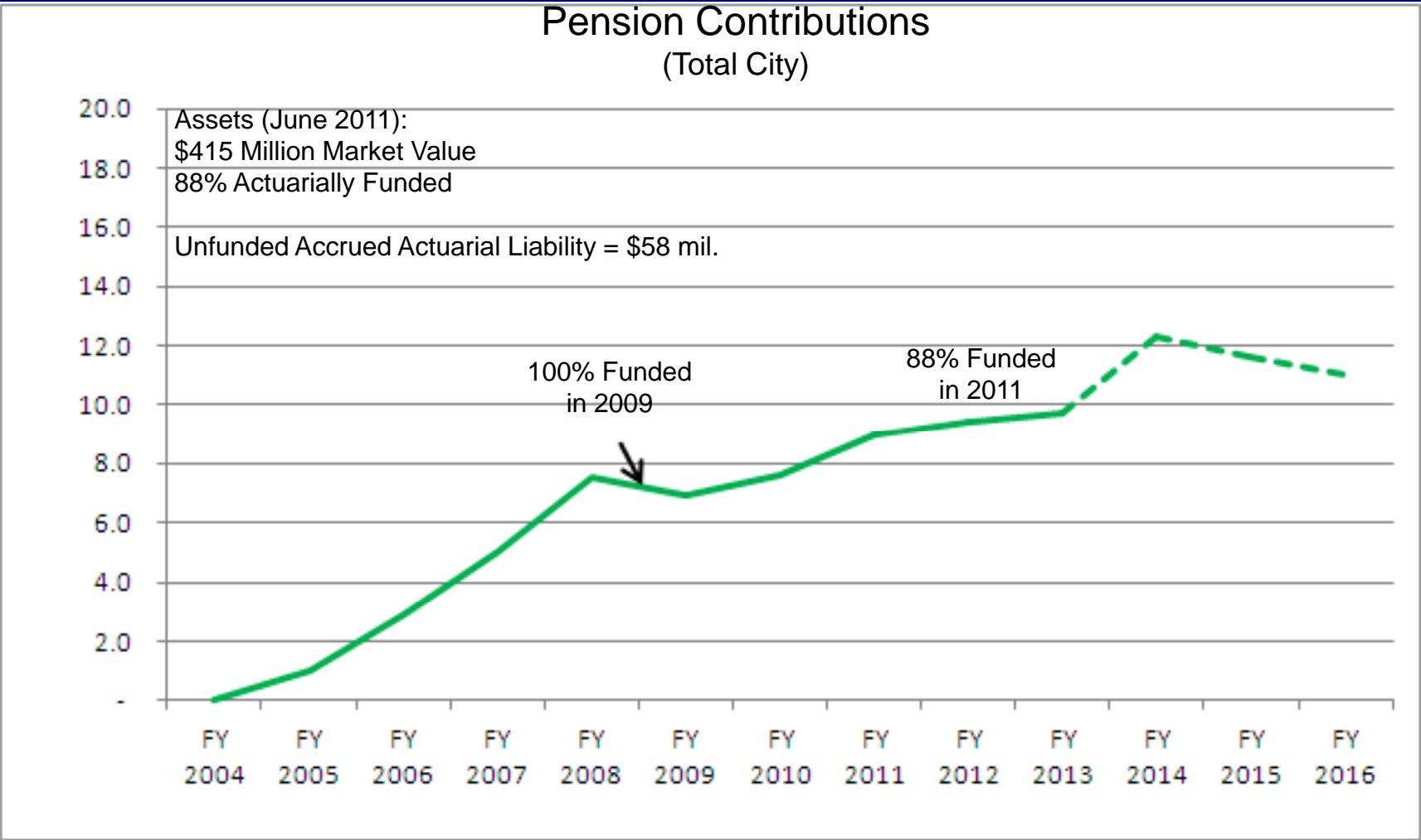
FY 2013 Projections

	FY2013	
	Planned	Revised
<u>Recurring Expenditures</u>		
Planned	77.8	
Remove Dispatch (inc. 19 positions)		\$ (1.2)
Add back 10 officers		0.8
Change Retiree Health Alloc. Methodology		(1.0)
Lower healthcare costs		
AAPOA		(0.3)
AFSCME		(0.1)
Increased Pension Contrib.		0.1
Higher energy costs		0.3
Higher tax refunds		0.2
AATA		0.1
AFSCME President		0.1
Increased Severance		0.1
Other		0.2
Total Change		\$ (0.7)
Revised		\$ 77.1

Despite reduced costs, there is still a structural revenue issue for local governments ...

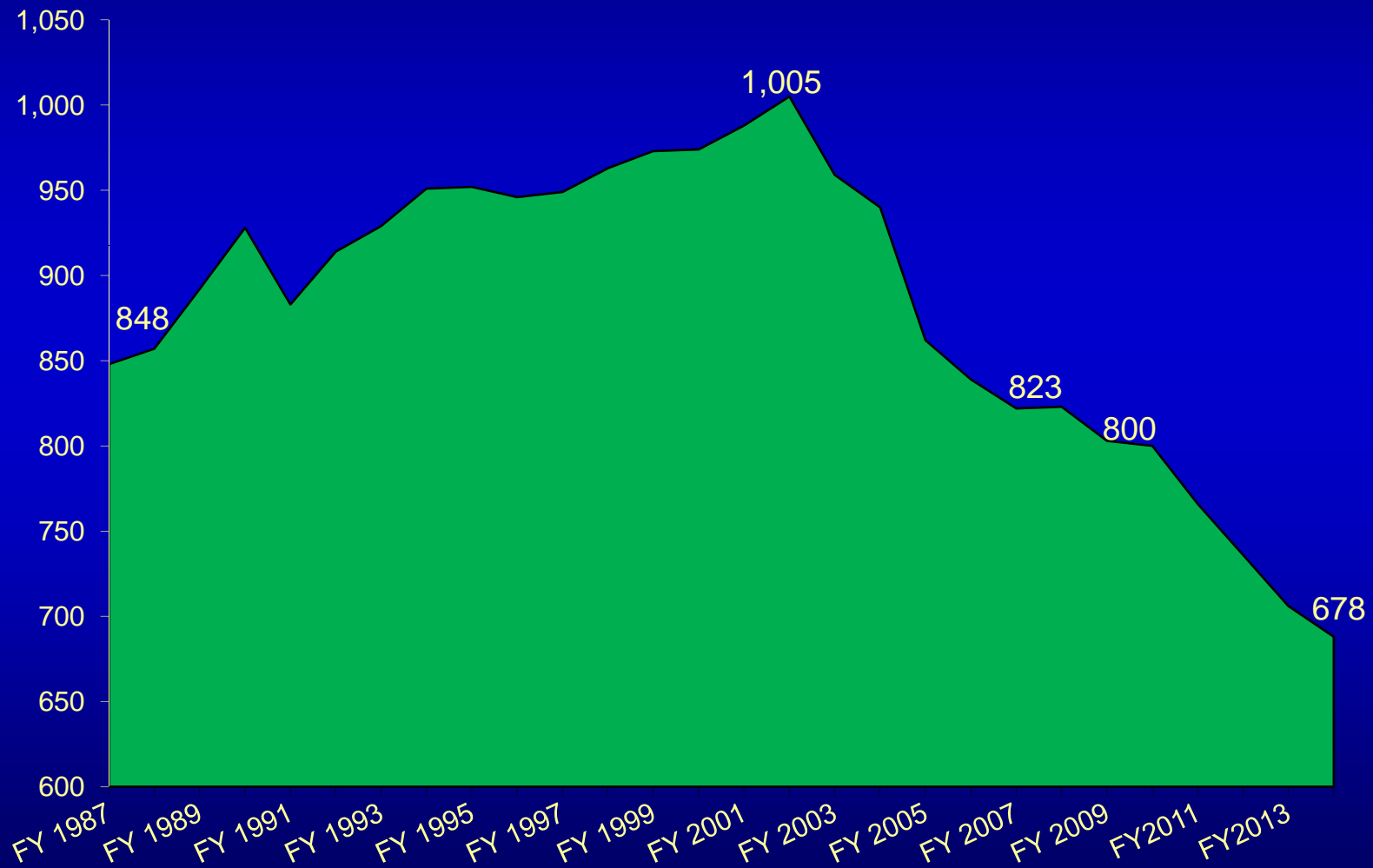


The effects of the financial market meltdown will be fully rolled into the ARC by FY2014



History of Employee Levels

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

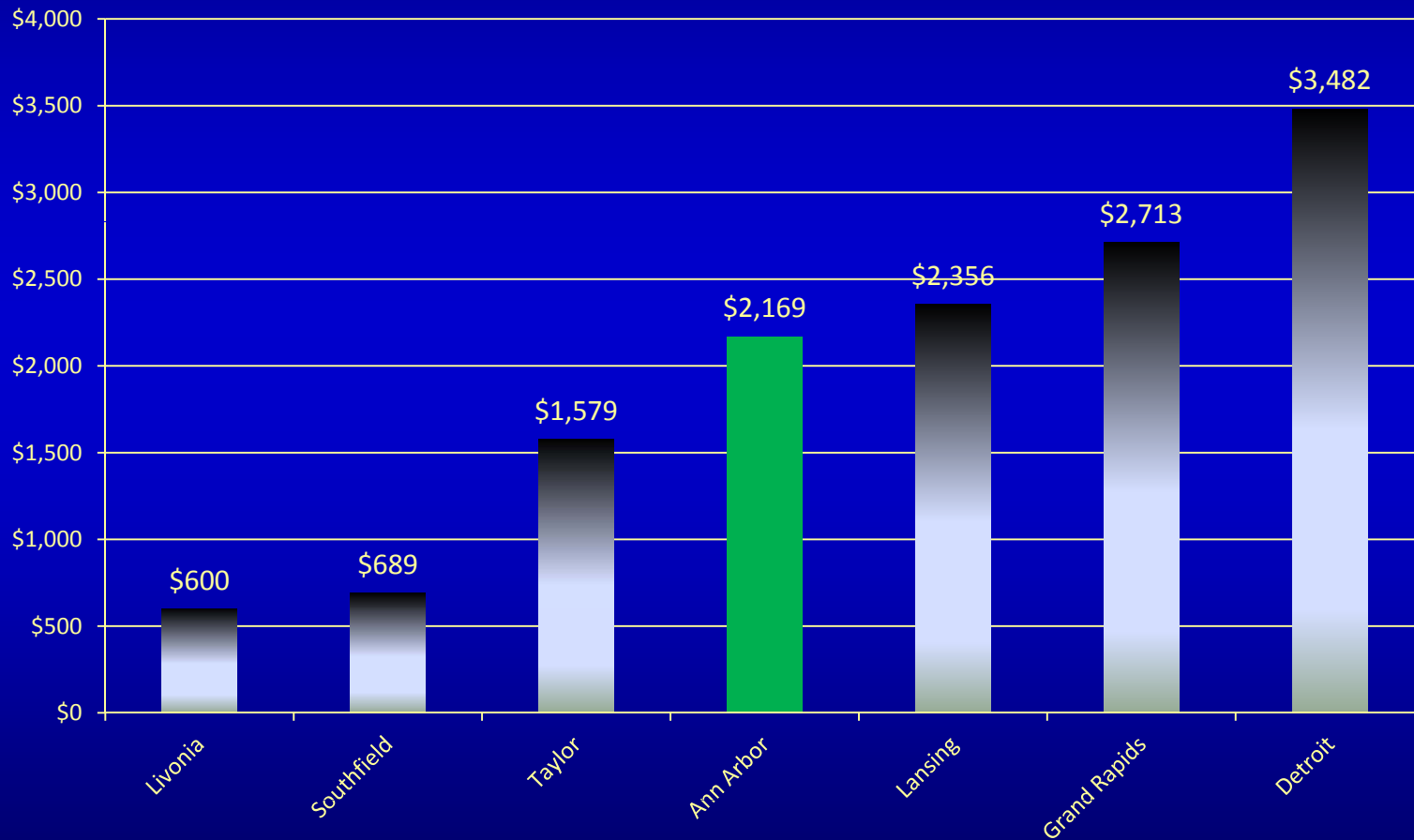


There is \$1.6 mil. of one-time funds available to address issues in the FY 2013 plan. Spending on recurring items will generate deficits in the future...

	2012	Projections			
	Budget	2013	2014	2015	2016
RECURRING					
Revenues	\$ 78,321,015	\$ 78,722,636	\$ 79,464,592	\$ 80,121,166	\$ 80,643,251
Expenditures	78,321,015	77,135,556	78,811,472	80,554,677	82,374,819
Net Recurring	\$ -	\$ 1,587,080	\$ 653,120	\$ (433,511)	\$ (1,731,569)
NON-RECURRING					
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures	1,118,088	591,220	439,803	359,462	380,461
Net Non-Recurring	\$ (1,118,088)	\$ (591,220)	\$ (439,803)	\$ (359,462)	\$ (380,461)
Net Surplus/(Use)	\$ (1,118,088)	\$ 995,860	\$ 213,317	\$ (792,973)	\$ (2,112,030)

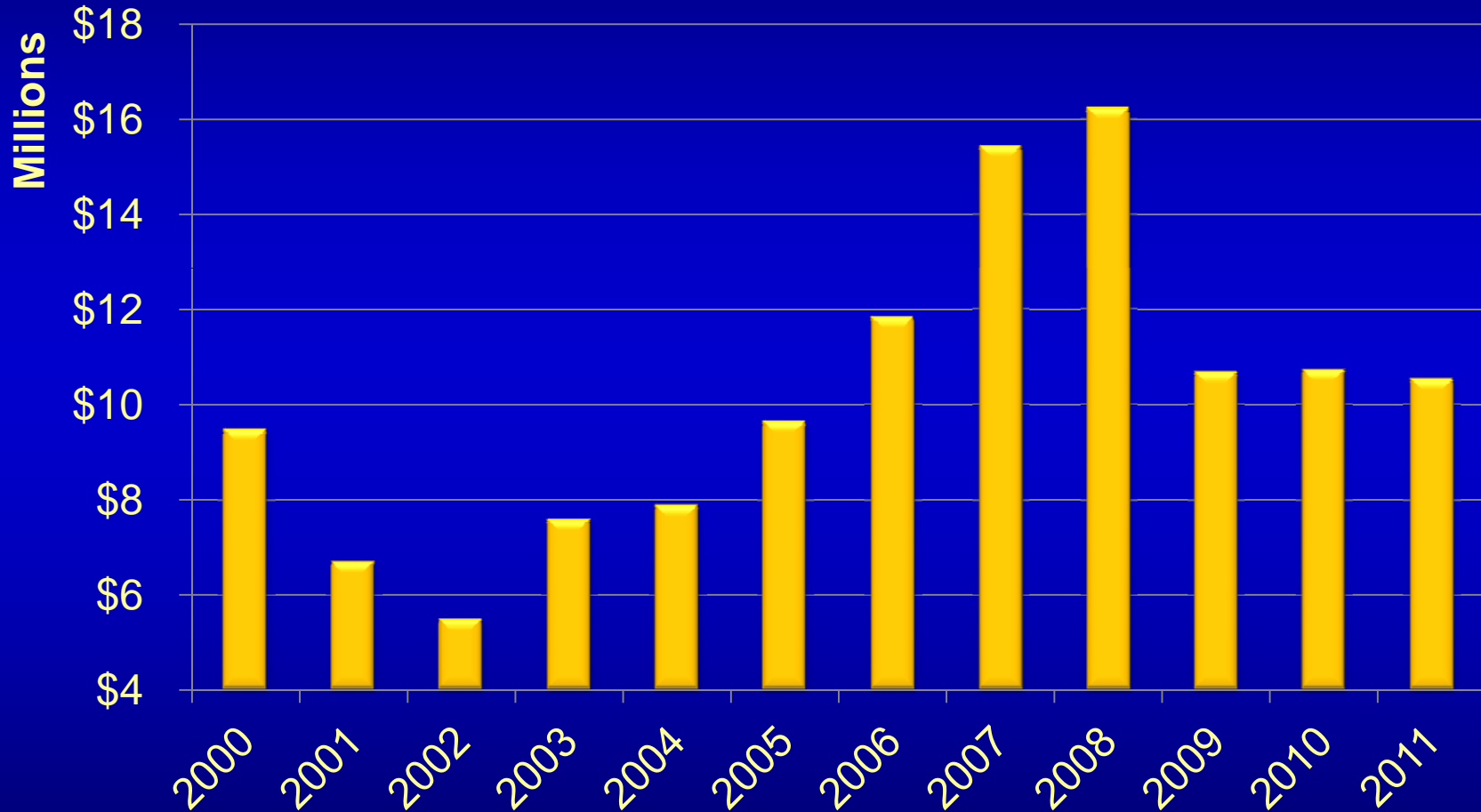
The City's Debt per Capita is Not High Compared with Other Communities

Debt per Capita



GF = \$1.4 mil. (\$450k courts, \$400k Antennae, \$300k maint. \$70k old YMCA lot, \$90k special assmt)

Gen. Fund Undesignated/Unassigned Reserves



SERVICE IMPACTS: See handout for impact sheets describing details of what's been incorporated in projections

PLANNED

Police - Eliminate 9 FTEs
Fire - Eliminate 5 FTEs
Human Services reduce \$49k
Park Maint – No major reductions

PROJECTED

Keep 9 FTEs & add 1
In negotiations?
Keep \$49k & add another \$39k
Increase Park Maint (ie. return to 14 day mowing and increase operational support)

Staff recommendations to Council / City Administrator on items to prioritize with \$1.6 mil. one-time monies (not incorporated in projections):

- \$150k – Police Recruits (Pilot Program)
- \$1.4 mil – Recognizing the city is still in a precarious economic environment, increase desired fund balance objective to 15% to 20%.

Questions?



YEAR-END REVIEW OF CRIME STATS



Part One Crime Stats 2002 - 2011

UCR STATS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Murder	5	1	2	0	0	0	0	1	0	
Agg Assault	183	203	165	219	227	202	197	150	165	
Arson	not avail	35	21	21	22	15	13	14	22	
B&E	859	771	748	859	631	572	622	604	524	
Larceny	2385	2409	2174	2282	2119	2046	2353	2197	2284	
UDAA	182	225	182	238	173	159	146	125	129	
Robbery	87	99	80	102	85	66	66	62	76	
CSC	26	24	19	37	32	30	32	29	43	

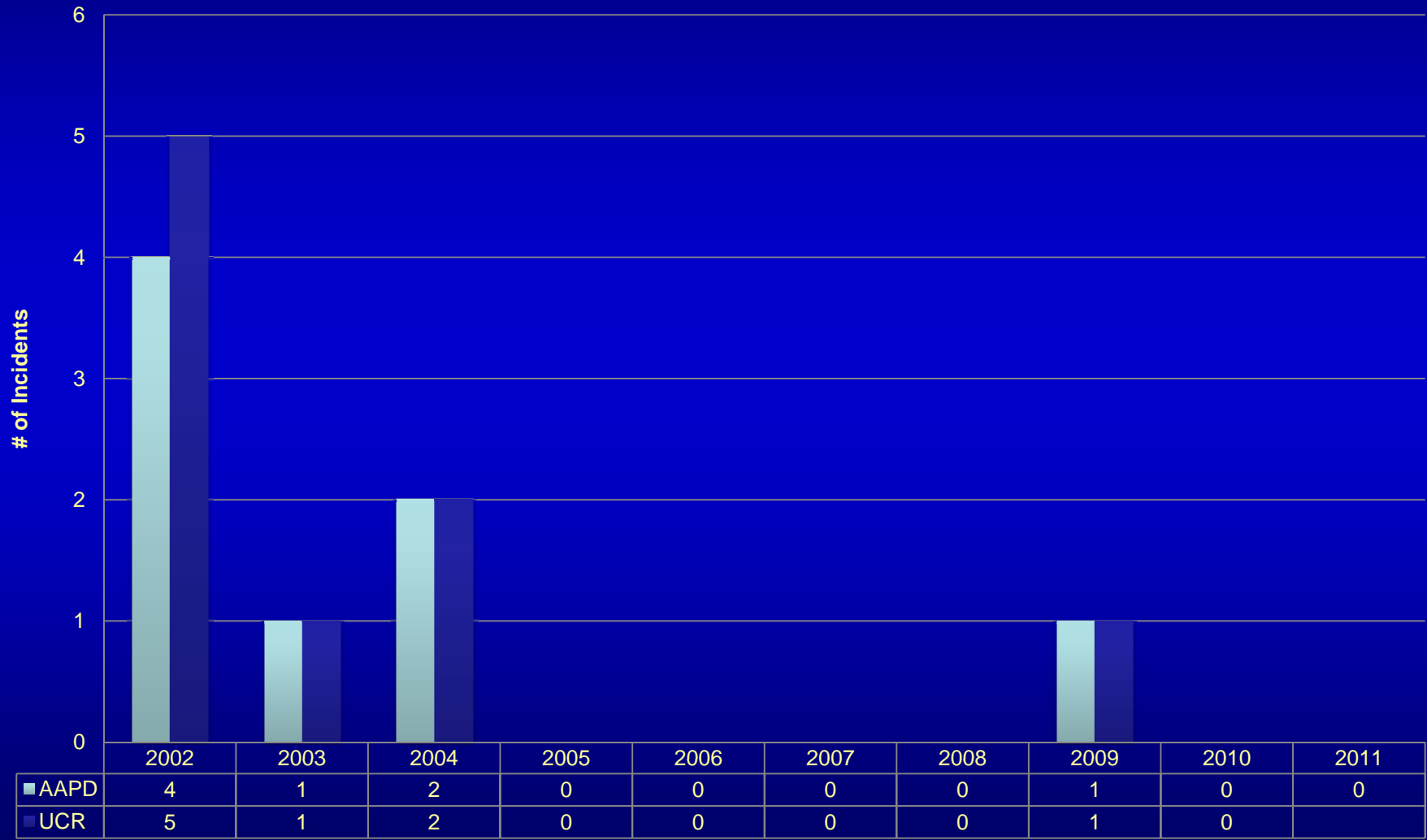
Part I Crime Totals	3727	3767	3391	3758	3289	3090	3429	3182	3243	
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AAPD STATS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Murder	4	1	2	0	0	0	0	1	0	0
Agg Assault	208	202	169	218	229	199	168	150	136	126
Arson	35	35	22	21	22	16	13	14	23	10
B&E	841	774	749	857	641	589	655	614	545	545
Larceny	2378	2419	2200	2303	2134	2104	2384	2241	2293	1883
UDAA	191	222	182	227	172	160	148	127	121	94
Robbery	87	100	81	102	85	69	69	61	75	58
CSC	26	25	23	30	31	35	37	47	46	42

Part I Crime Totals	3770	3778	3428	3758	3314	3172	3474	3255	3239	2758
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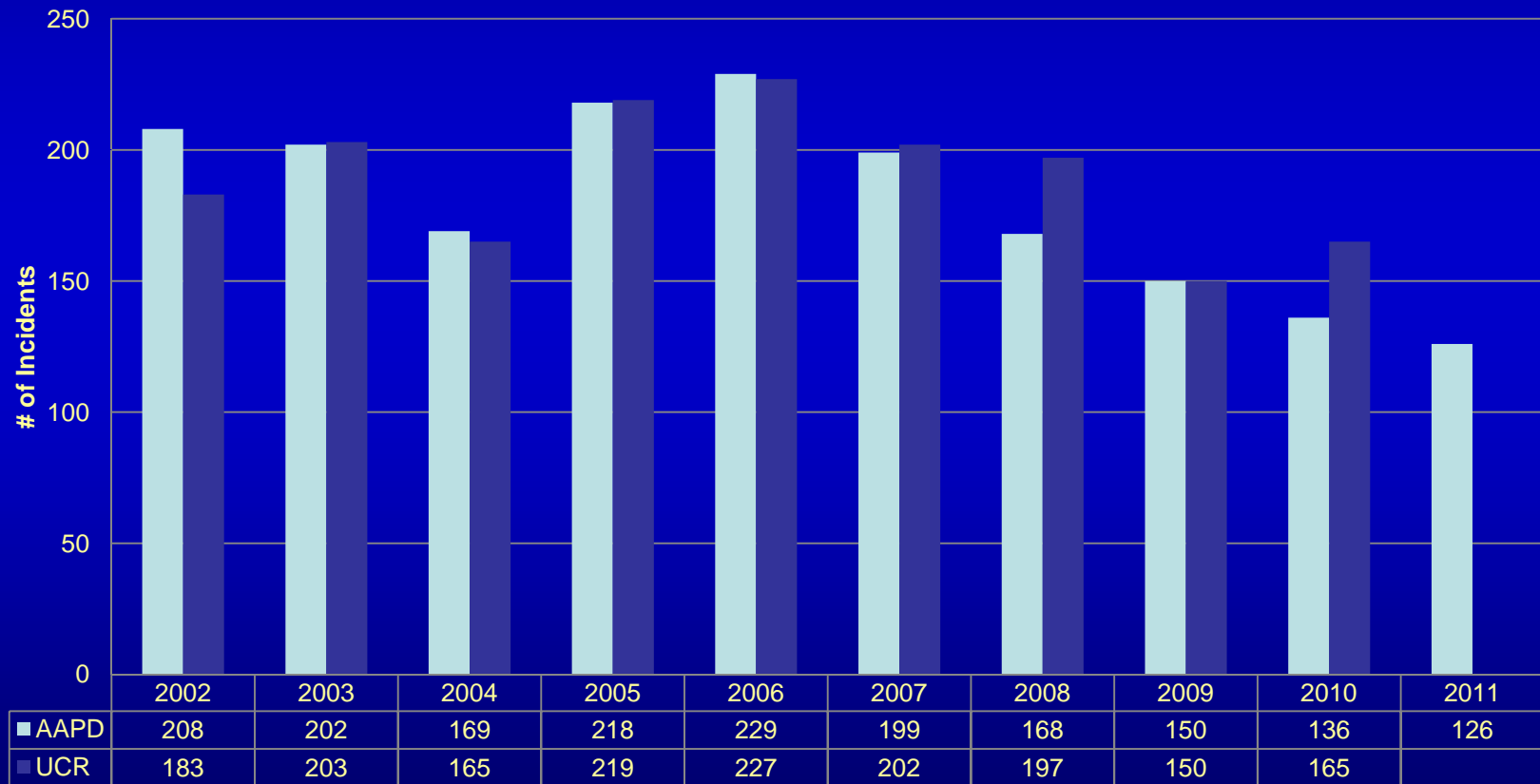


Murder



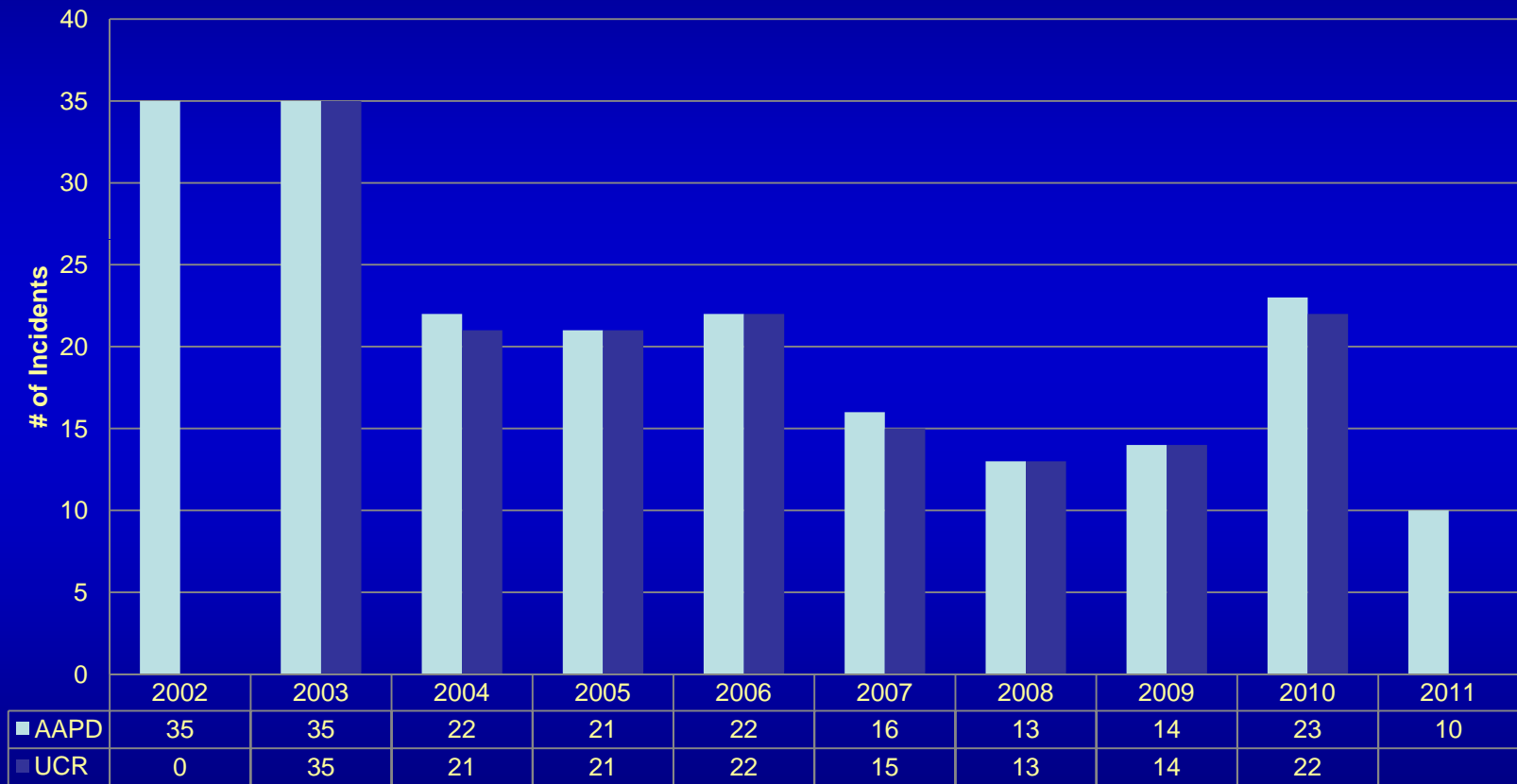


Aggravated Assault



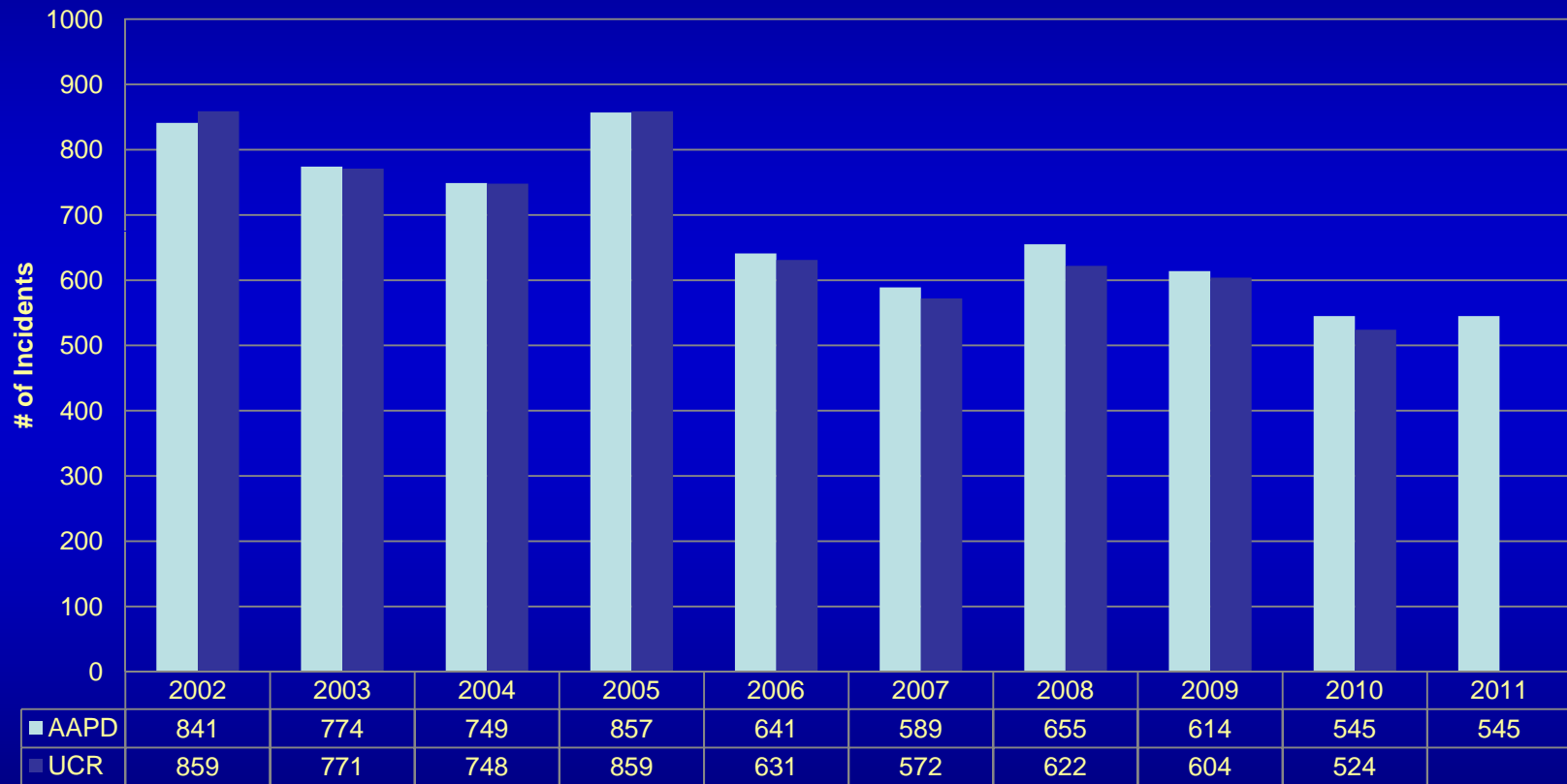


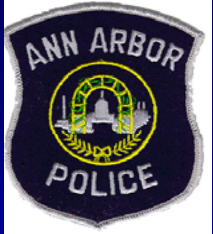
Arsons



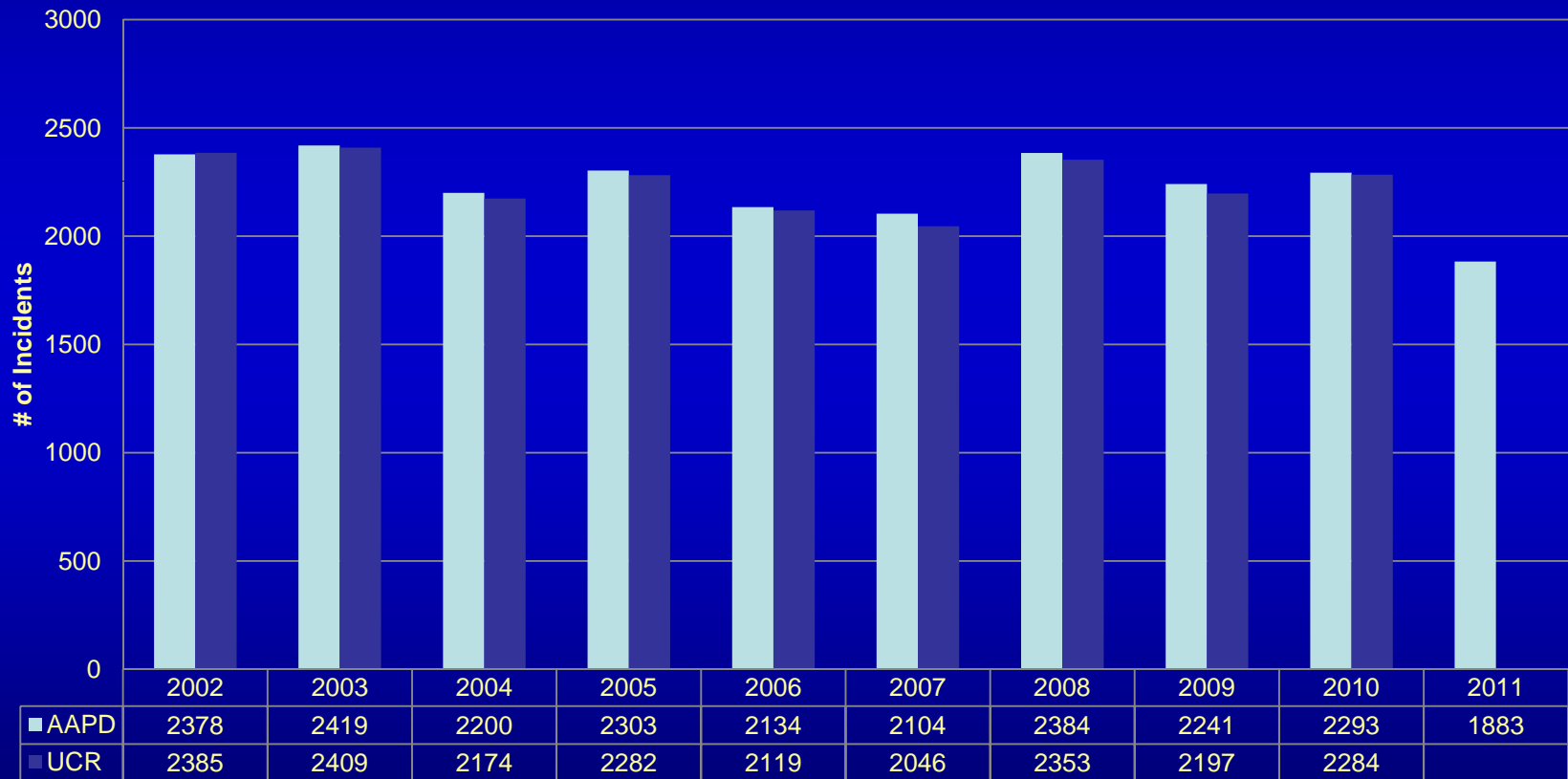


Burglary



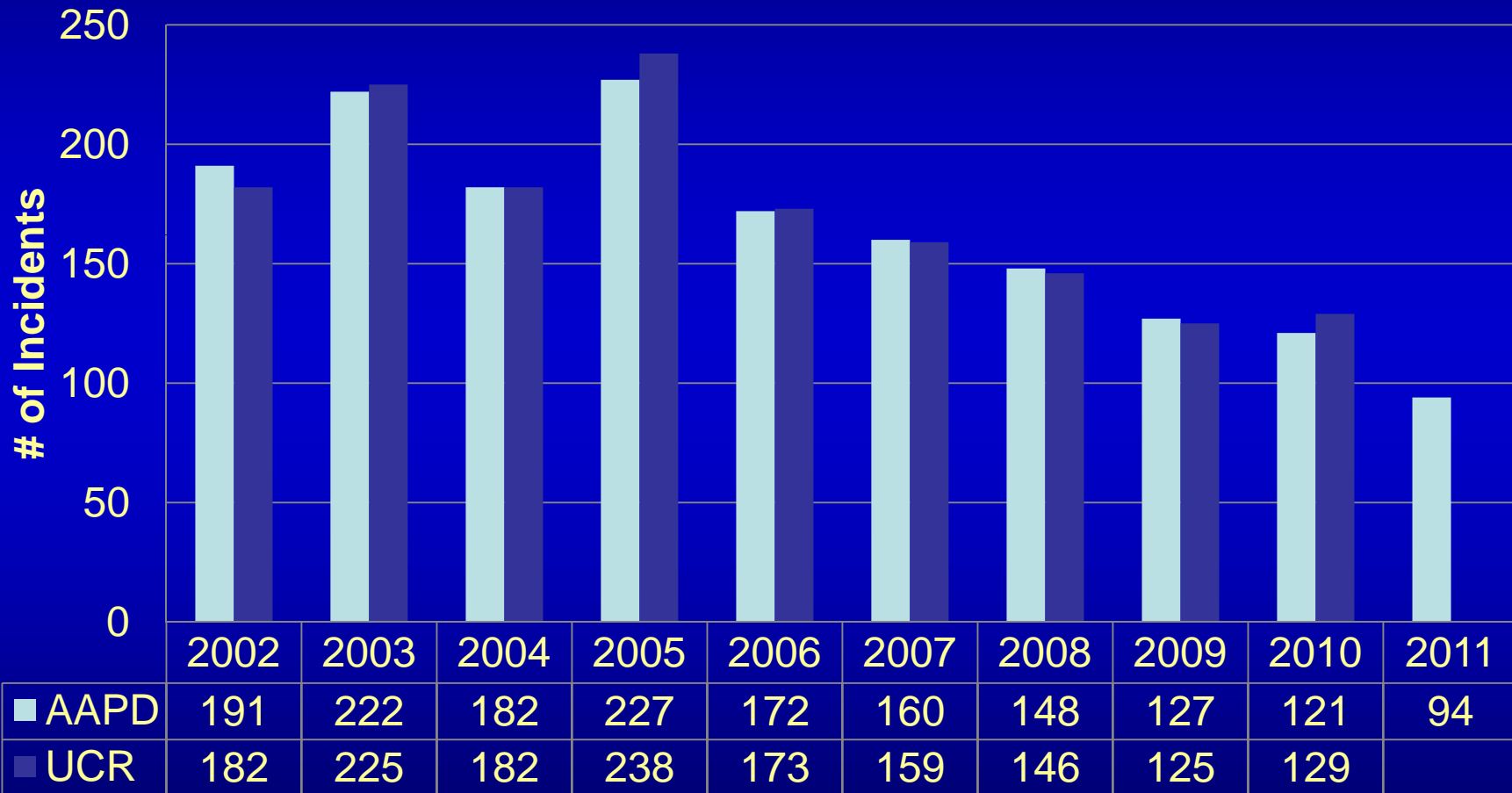


Larceny



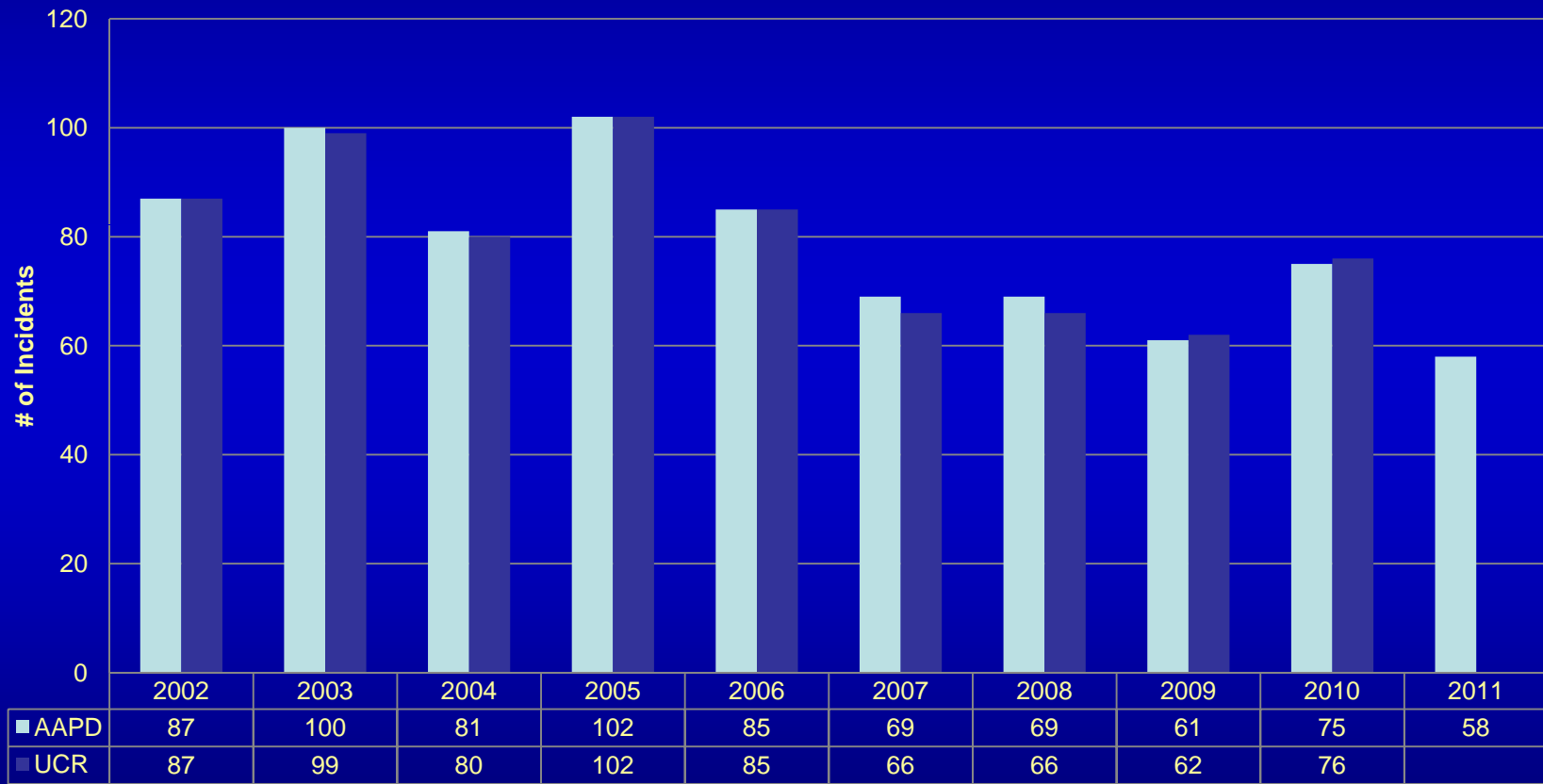


Auto Thefts



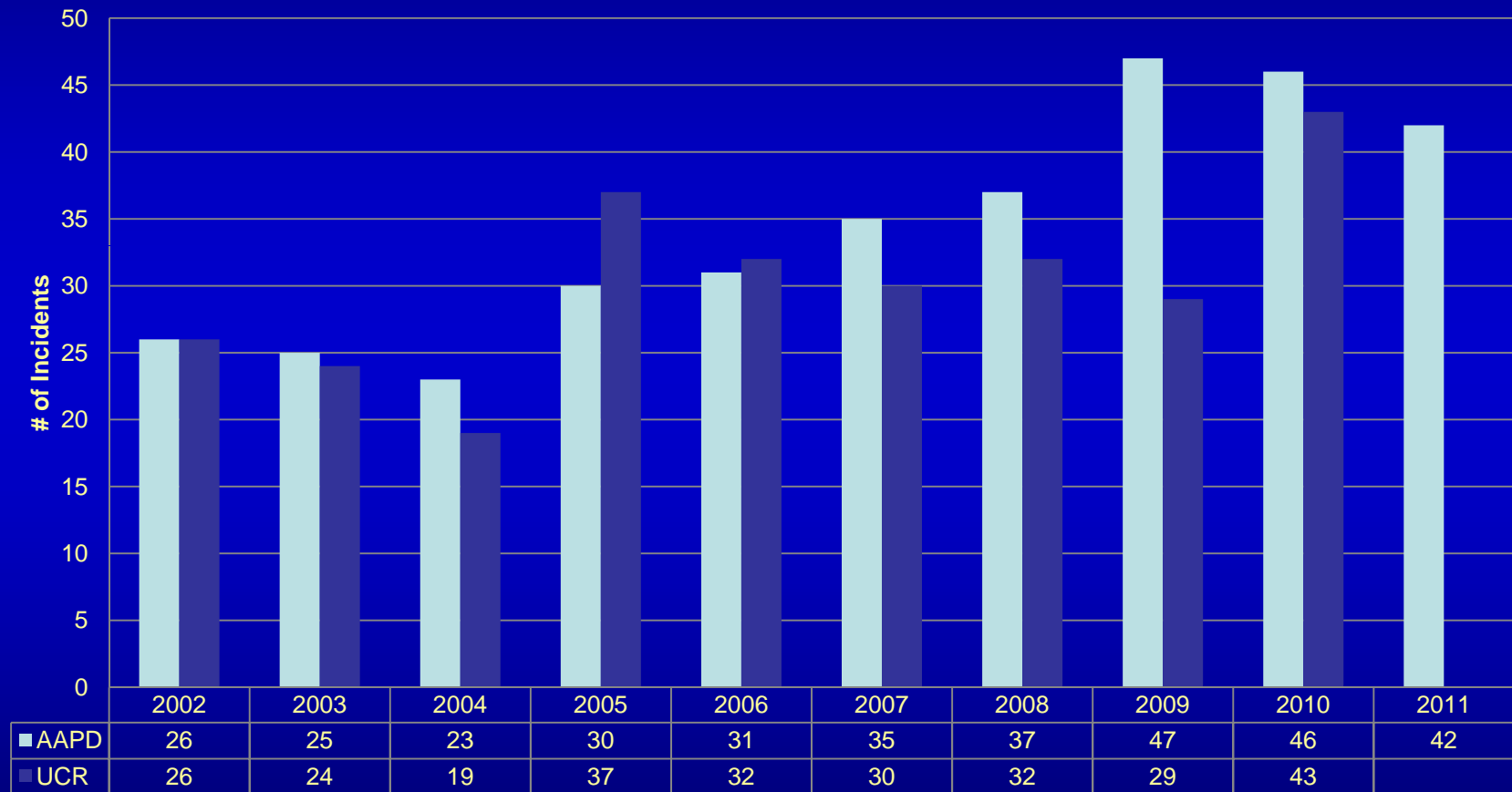


Robbery



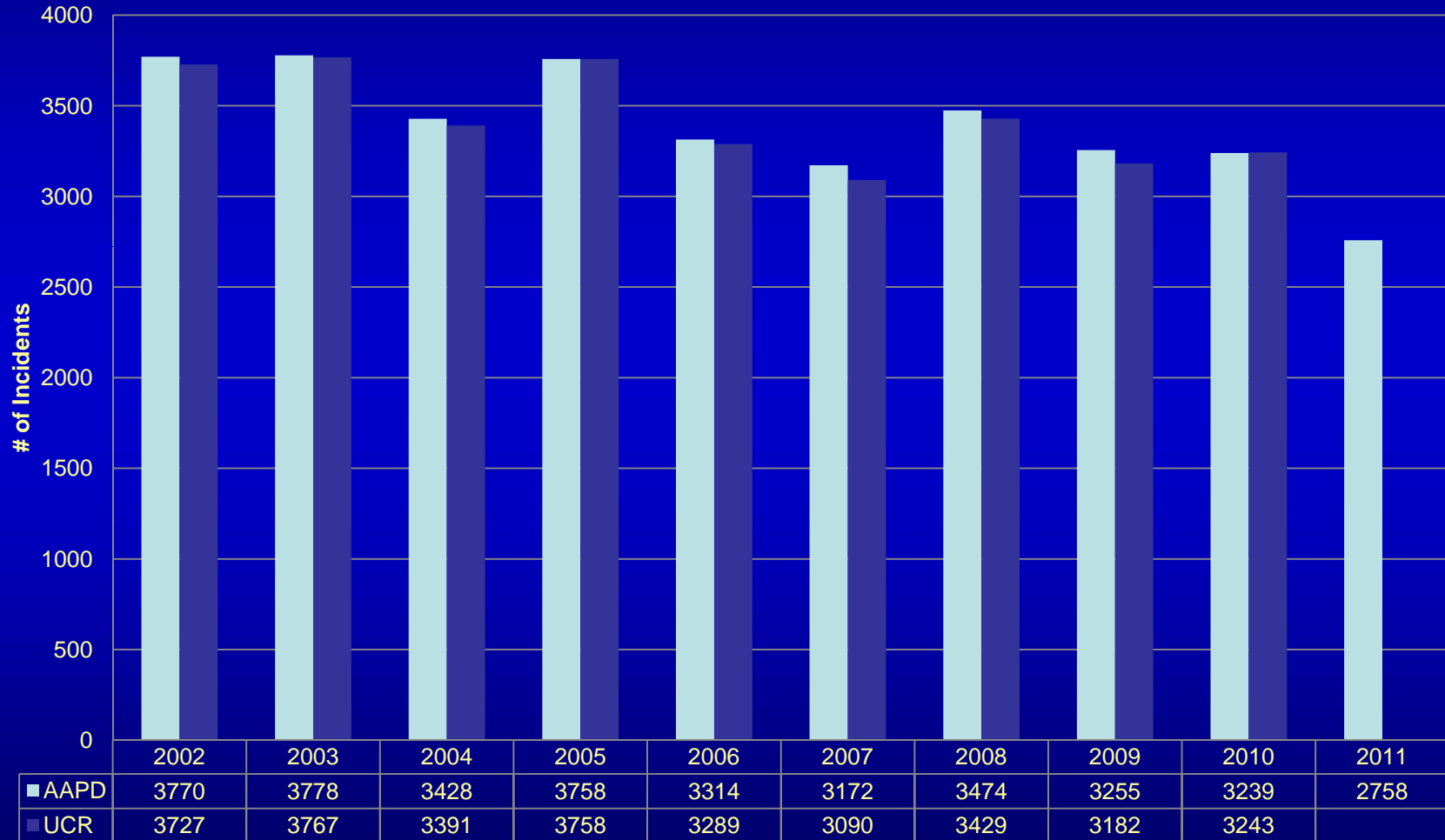


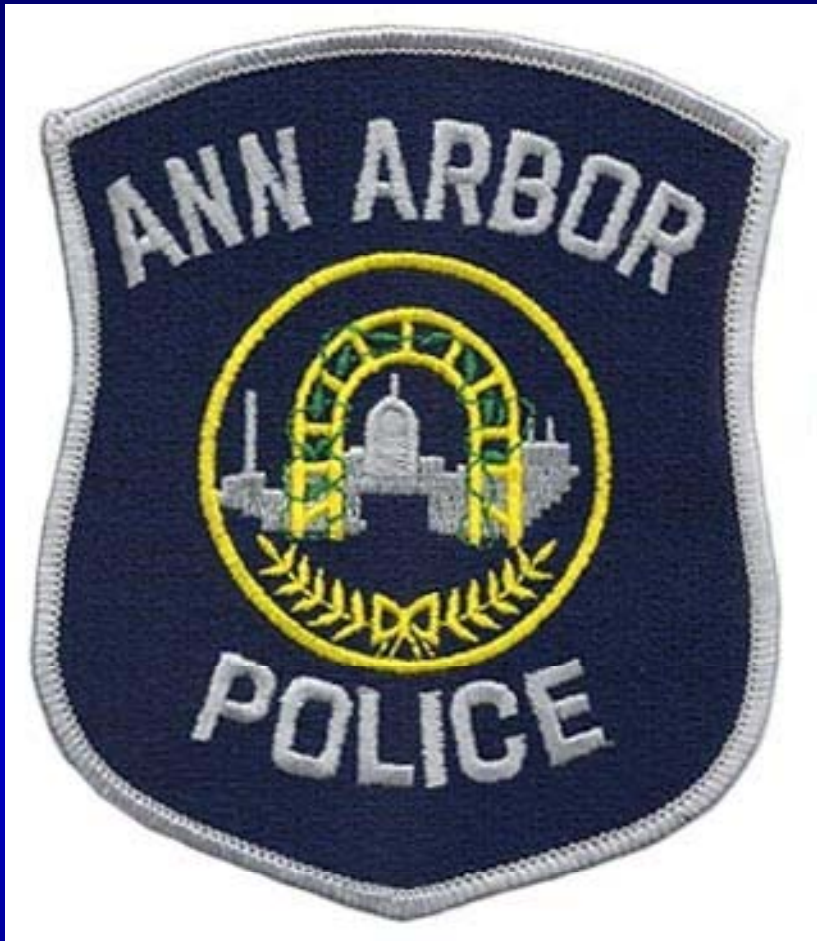
Criminal Sexual Conduct 1 & 3





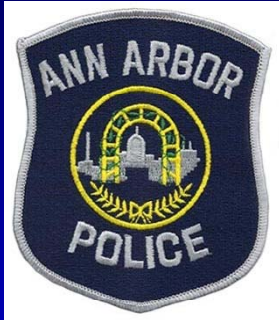
Part 1 Crimes



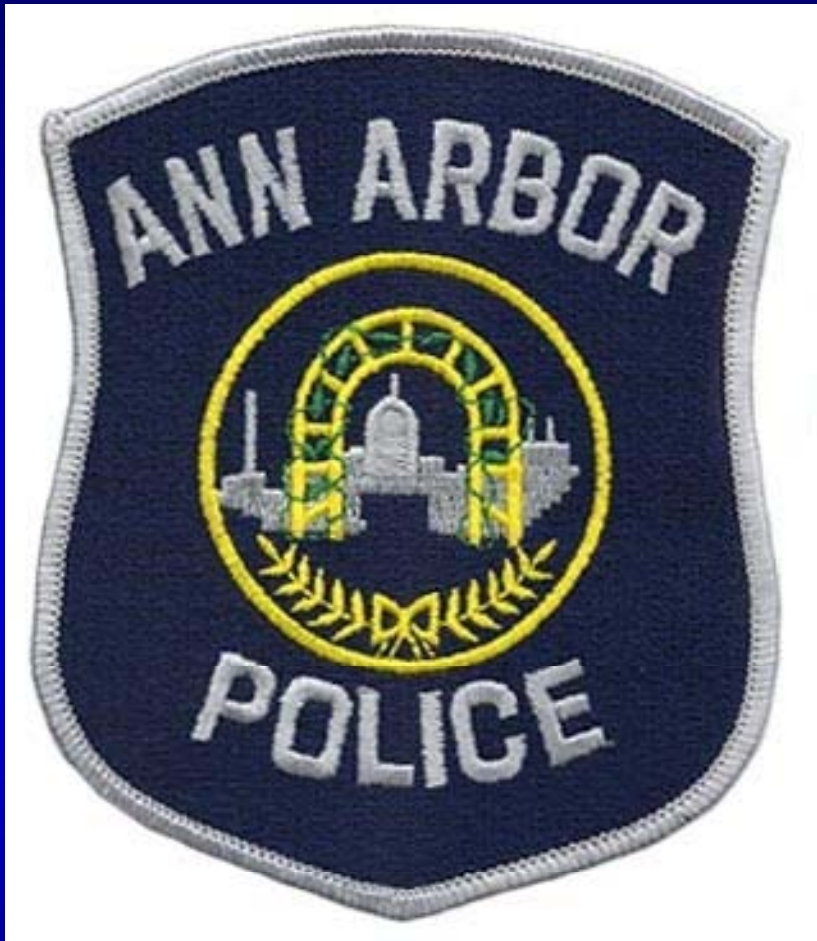


Arbor Police Transition

- Retirements
- Promotions
- New Hires



	FY12 Budget	FY13 Plan	FY13 Proposed
Officers	78	69	79
Lawnet	1	1	1
Detectives	14	14	14
Sergeants	17	17	17
Lieutenants	5	5	5
Deputy Chiefs	2	2	2
Safety Services Area Administrator	1	1	1
Records and Data Unit Supervisor	1	1	1
Police Service Specialists	5	5	6
Police Professional Assistants	6	6	5
Community Standards Supervisor	1	1	1
Community Standards Officers	10	10	10
Emergency Manager/Asst E.M.	1	1	1
Administrative Assistant	1	1	1
Management Assistant	2	2	2
Sub-Total (excluding dispatch)	145	136	146
Dispatchers	19	19	0
Total	164	155	146



Ann Arbor Police New Pilot Program “Police Recruits”



Questions?