

City of Ann Arbor

Council Offsite

December 10, 2012

# FY2012 Financial Results

# General Fund – The city’s General Fund saw the bottom of the recession and started rebounding

	<u>Budget</u> (mill)	<u>Actual</u> (mill)
Revenues	\$ 78.3	\$ 80.4
Expenses	81.0	78.8
Net	<u>\$ (2.7)</u>	<u>\$ 1.6</u>

## Key Drivers versus Budget:

**Economic Improvements** - state shared revenue, DDA parking revenue, fire protection grant. (\$1.5 mil.)

**New Activities** (post budget adoption) - special event revenue, fire inspections. (\$0.5 mil.)

**Planned Activities Not Needed in FY** - less mowing/snow removal needed, facilities, vacancies. (\$0.9 mil.)

**Late in the FY Surprises** - dispatch revenue, liveries performance, hydro, lower transfer to AATA (tax refunds), sale of fixed assets. (\$1.4 mil.)

# General Fund balance is at council directed level

	<u>Total</u> (\$ Mil.)	<u>Unassigned</u> (\$ Mil.)
FY2011 Year-end Balance	\$ 13.6	\$ 10.5
<u>Changes:</u>		
Net contribution from GF performance	1.6	1.6
Re-statement - closing of special assessment fund	0.2	0.2
Assigned moved to Unassigned (tax refunds, inventory, prepaids)	-	1.9
FY2012 Year-end Balance	<u>\$ 15.4</u>	<u>\$ 14.2</u>

## Memo:

% of expenditures	18%
Council direction from last year	15% - 20%
Council policy (minimum)	8% - 12%

# Other Key Funds – no core economic changes

Fund	Financial Highlights
Water	<ul style="list-style-type: none"> <li>● \$1.1 mil. higher revenue primarily higher usage which is volatile</li> <li>● \$1.1 mil. stimulus funds reimbursed project expenses</li> </ul>
Wastewater	<ul style="list-style-type: none"> <li>● \$1.0 mil. due to delayed initiation of residuals project</li> <li>● \$1.1 mil. primarily vacancies and project work</li> </ul>
Stormwater	<ul style="list-style-type: none"> <li>● delay in start of debt service for State Revolving Fund</li> </ul>
Solid waste	<ul style="list-style-type: none"> <li>● \$0.8 mil. one-time sale of compost equipment</li> <li>● \$0.6 mil. extraordinarily favorable recycle market</li> <li>● \$0.4 mil. delayed closure of project resulted in less depr.</li> </ul>
Major/local Streets	<ul style="list-style-type: none"> <li>● significant vacancies being refilled and favorable winter weather</li> <li>● \$0.4 mil. higher weight &amp; gas tax receipts</li> </ul>
Airport	<ul style="list-style-type: none"> <li>● vacancies being refilled</li> </ul>
Golf	<ul style="list-style-type: none"> <li>● improved operating performance but unable to break-even</li> </ul>
<u>Large Projects</u>	
Wastewater Renovation	just starting
West High Pump Station	just starting
1st & Washington	acquire deck in early March 2013

# Expectations for the Future

# Economic Environment

## Metropolitan Statistical Area (MSA)

- Employment levels declined over the past decade (2002 = 208k | 2011 = 199k)
- Private sector employment levels declined more rapidly (2002 = 143k | 2011 = 126k)
- Unemployment – 5.0% for Ann Arbor area versus 9.1% for the State (October)
- GDP for Ann Arbor area – exceeds 2007 level

## City

- Population – little long-term growth (1970 = 100,035 | 2011 (est) = 114,925)
- Building permits valued at \$122 mil. (up 50% from 2009 but still short of \$198 mil. in 2008)
- Employment is concentrated in education & healthcare which grew last decade
- Taxable values – still below 2008 levels but increasing modestly

**Take-away:** The city is past the bottom of the economic downturn and experiencing growth in private sector employment but at a moderate pace, which is dampening the recovery. The local economy remains concentrated in education and healthcare and therefore susceptible to downturns in these areas. Efforts to further increase and diversify private sector employment in the local economy will contribute to a more stable local economic outlook.

# General Fund – projection is \$1.3 mil. surplus

	2013	Projections			
	<u>Adopted Budget</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues	\$ 79,193,112	\$ 82,114,973	\$ 83,683,877	\$ 84,791,083	\$ 86,270,950
Expenditures	79,070,842	80,815,447	83,693,709	85,627,958	87,823,469
Net	<u>\$ 122,270</u>	<u>\$ 1,299,526</u>	<u>\$ (9,832)</u>	<u>\$ (836,875)</u>	<u>\$ (1,552,519)</u>

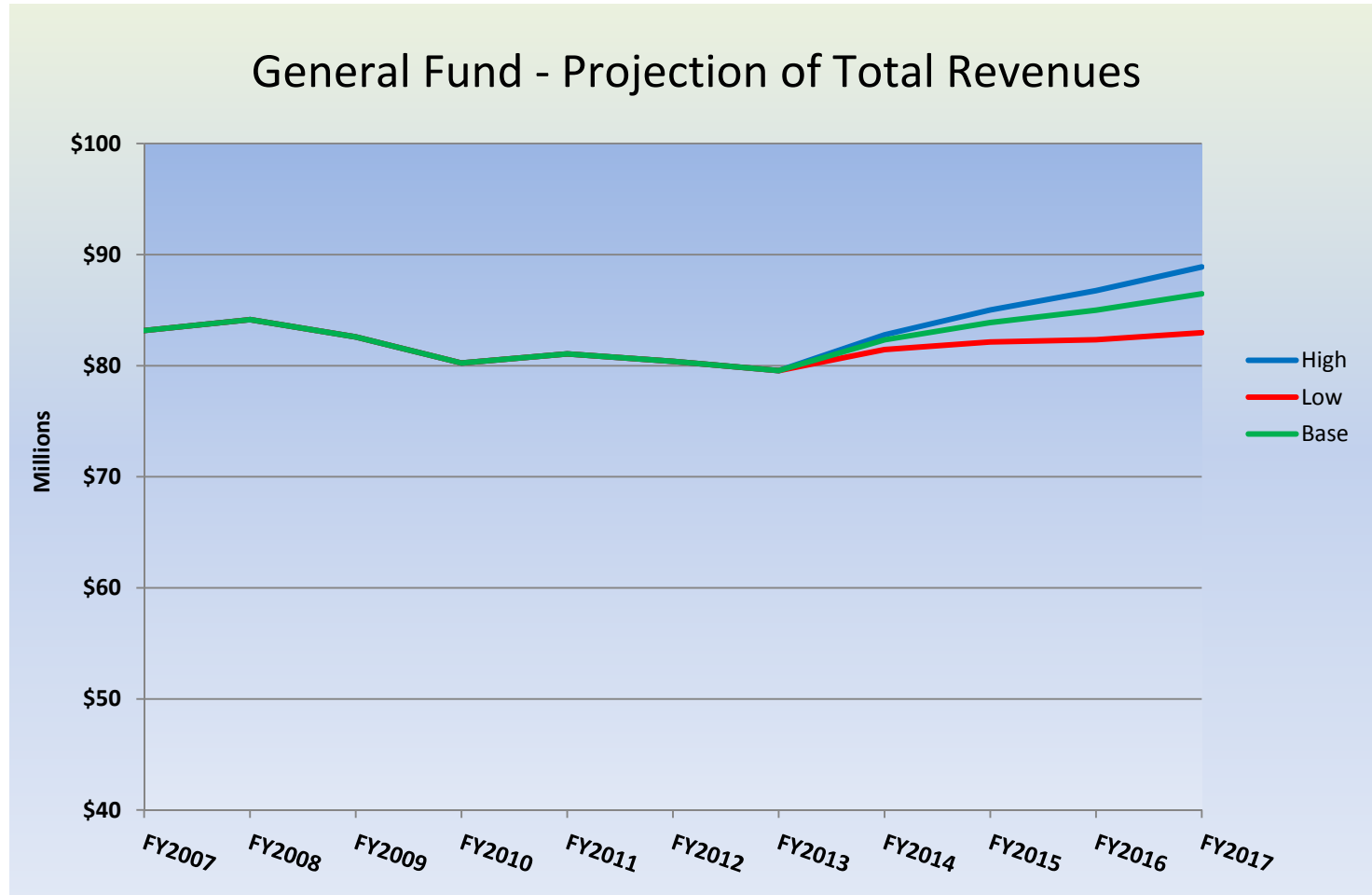
Memo:

Assumed PPT reduction	\$ 257,573	\$ 257,598	\$ 422,068	\$ 471,409
SAFER grant expires - city funds FTEs	\$ -	\$ 250,255	\$ 256,511	\$ 262,924

However, the funding structure for local governments is not sustainable – revenues are growing 1.5% while costs are 2.5%



# General Fund recurring revenues may return to FY2008 levels by FY2015



# Long-term (5 yr) expectations for non-GF key funds

Fund	Comments
Wastewater *	<ul style="list-style-type: none"> <li>- 4%-5% annual increase in revenue</li> <li>- already funds major renovation which is starting</li> <li>- funds existing footing drain disconnect program</li> </ul>
Airport *	<ul style="list-style-type: none"> <li>- deficit elimination plan - pay down loan</li> </ul>
Parks Millage	<ul style="list-style-type: none"> <li>- recently renewed - sufficient funding for planned eligible needs</li> </ul>
Water *	<ul style="list-style-type: none"> <li>- 3%-4% annual increase in revenue</li> <li>- does not including funding for aging water plant #1</li> </ul>
Solid waste *	<ul style="list-style-type: none"> <li>- millage based fund + 1 time recycling credit</li> <li>- drop-off station needs to be replaced</li> <li>- potential new recycling route in downtown</li> </ul>
Stormwater *	<ul style="list-style-type: none"> <li>- 4% annual increase in revenue</li> <li>- excludes large unfunded liability for pruning trees in ROW</li> <li>- significant capital projects not funded in capital budget</li> </ul>
Major/local Streets	<ul style="list-style-type: none"> <li>- volatile revenue stream</li> <li>- funds street surface maint., snow, sweeping, signals, debt service</li> </ul>
Street millage	<ul style="list-style-type: none"> <li>- unable to keep up with "fair" condition objective</li> </ul>
Golf *	<ul style="list-style-type: none"> <li>- despite great efforts, cannot self-sustain</li> </ul>

\* All proprietary & internal service funds will need to address impacts of GASB 68 in FY2015. The impacts will be better understood in time for the 2nd year of the fiscal plan.

# Financial uncertainties on the horizon

- Labor contracts and wage/benefit openers occur during the next two years
- State Budget Issues – risks to appropriations for EVIP, fire protection grant, ACT 51, etc.
- Federal Policy changes – healthcare, affordable housing, etc
- GASB #68 (pension accounting)
- Deferred maintenance – street maintenance, trees in ROW, asbestos mitigation in city hall

# Questions