



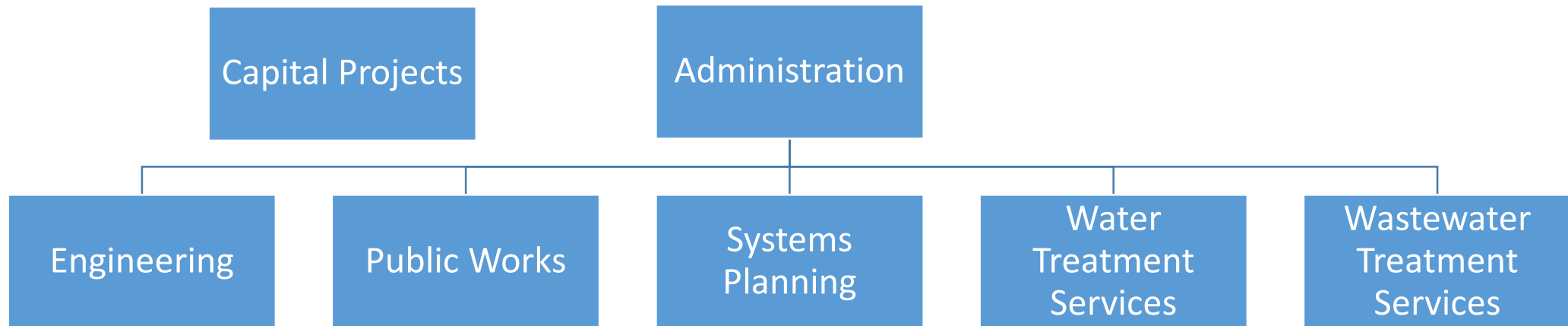
PUBLIC SERVICES FY21 BUDGET REVIEW FEBRUARY 24, 2020

INTRODUCTION

This evening's presentation provides

- Public Service Area Overview
 - 5-Year history on funding and staffing
- Public Services Area FY 21 Budget
 - Council priorities from the December Planning Session
 - Measures of Success/Key Performance Indicators
 - Impacts/Non-financial Adjustments for FY21
 - Utility Rate Plan
 - Enterprise Fund Overviews
 - Sidewalk Gap Dashboard
- Horizon Issues




PUBLIC SERVICES AREA



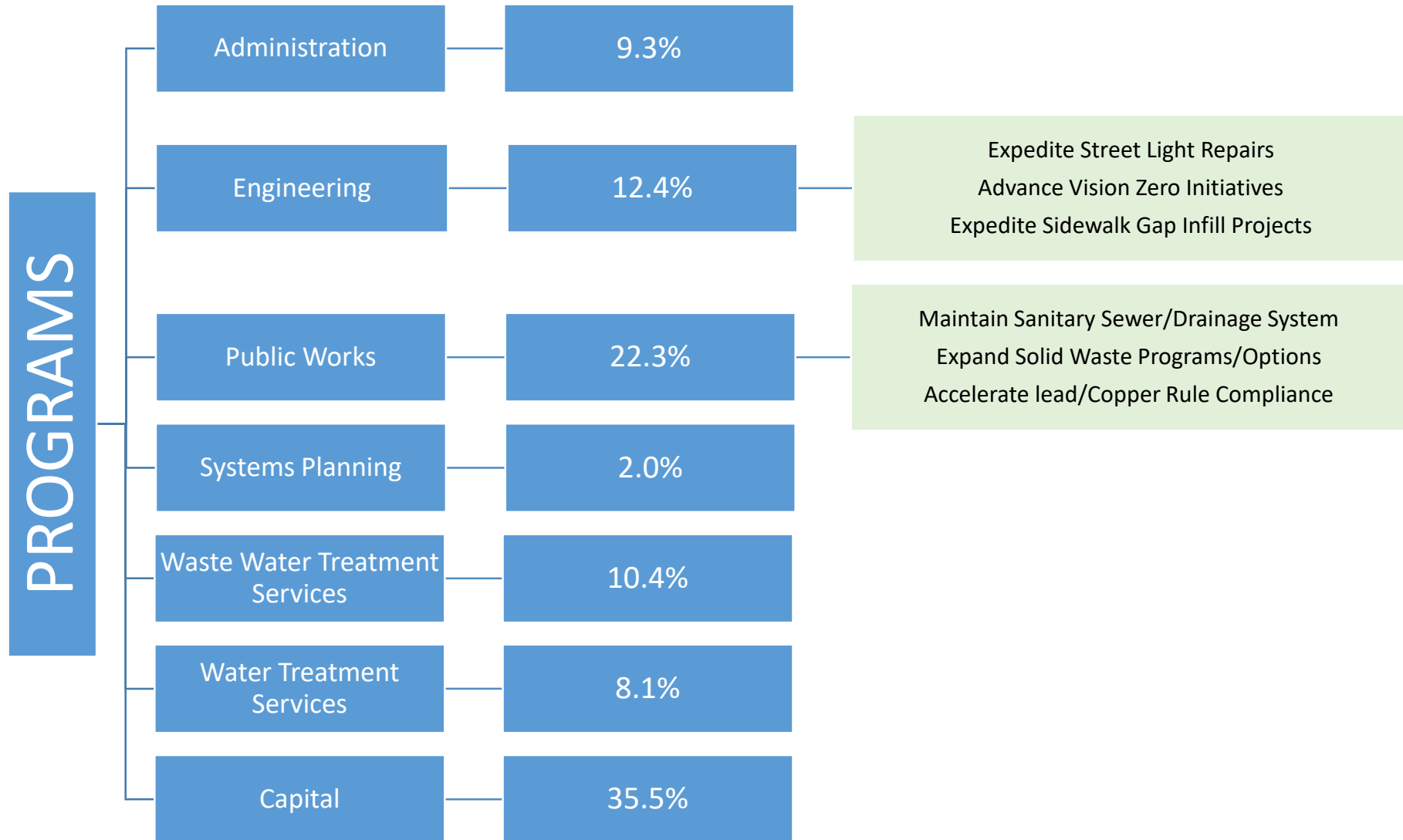
The Public Services Area is comprised of six Service Area Units: Administration, Engineering, Systems Planning, Public Works, Water Treatment Services and Wastewater Treatment Services . Capital Projects represent the partial FTE allocations to support the design, management, and implementation of capital projects.

PUBLIC SERVICES

RANK	PROGRAM/ACTIVITY
ENGINEERING	
1	Expedite Street Light Repairs
2	Accelerate Pavement Management Goal
3	Advance Vision Zero Initiatives
4	Expedite Sidewalk Gap Infill Projects
5	Accelerate Review of Development Plans
6	Expand Protected Bicycle Networks
7	Increase Ease of Vehicular Movement
PUBLIC WORKS	
1	Maintain Sanitary Sewer/Drainage Systems
2	Improve Pavement Repair Efforts
3	Increase Tree Planting/Trimming Efforts
4	Expand Solid Waste Programs/Options
5	Improve Sweeping/Bike Lane Maintenance
6	Accelerate Lead/Copper Rule Compliance
7	Provide Special Events Support

High 
 Moderate 
 Low 

PUBLIC SERVICES



PUBLIC SERVICES

MEASURES OF SUCCESS - COUNCIL PRIORITIES

PRIORITY	PERFORMANCE MEASURE
Expedite Street Light Repairs	<ul style="list-style-type: none">• Track and monthly report streetlight outage repairs• Repair 100% of City Streetlight outages within 72 hours of Miss Dig clearance
Advance Vision Zero Initiatives	<ul style="list-style-type: none">• Finalize the Transportation Plan Update
Expedite Sidewalk Gap Infill Projects	<ul style="list-style-type: none">• Complete prioritization revisions and annually report existing sidewalk gaps and installations

PUBLIC SERVICES

MEASURES OF SUCCESS - COUNCIL PRIORITIES

PRIORITY	PERFORMANCE MEASURE
Maintain Sanitary Sewer/Drainage System	<ul style="list-style-type: none"> • Implement the Sanitary Sewer Asset Management Plan maintenance recommendations • Reduce City caused backups
Expand Solid Waste Programs/Options	<ul style="list-style-type: none"> • Receive direction on draft Solid Waste Source Management Plan by June 30, 2020 • Develop Zero Waste goals and measures • Execute MRF and Commercial/Multi-Family Service Contracts
Accelerate Lead/Copper Rule Compliance	<ul style="list-style-type: none"> • Complete water service line material data collection • Identify a program to replace galvanized service lines sooner than regulatory requirement

PUBLIC SERVICES

IMPACTS TO ACHIEVE COUNCIL PRIORITIES

PRIORITY	IMPACT STATEMENT(S)	AMOUNT	TYPE
Expedite Street Light Repairs	-Pursue level-of-service increase with DTE	\$0	tbd
Advance Vision Zero Initiatives	-Implement finalized plan	tbd	R
Expedite Sidewalk Gap Infill Projects	-Implement Resident Drive Sidewalk Gap Filling Program -Explore special assessment revisions	\$150,000 tbd	R
Maintain Sanitary Sewer/Drainage System	-Increased televising and system inspection (\$585,000 included in original plan)	\$0	R

R = Recurring Cost O = One-Time Cost

PUBLIC SERVICES

IMPACTS TO ACHIEVE COUNCIL PRIORITIES

PRIORITY	IMPACT STATEMENT(S)	AMOUNT	TYPE
Expand Solid Waste Programs/Options	-Report on new program implementation, and newly developed performance measures	tbd	R
Accelerate Lead/Copper Rule Compliance	-Execute Utility Metering Solutions Contract for site inspection (\$102,840 already included in the plan)	\$0	O
	-Replace Galvanized Steel Water Services (\$1,000,0000 annually already included in the plan)	\$0	R

R = Recurring Cost O = One-Time Cost

PUBLIC SERVICES - OTHER IMPACTS

IMPACT/ISSUE	AMOUNT	TYPE
<i>Water Treatment</i>		
-Water Treatment Mandated Risk Plan	\$100,000	O
<i>Public Works</i>		
-Add 1 FTE for GIS & Cityworks Support	\$84,500	R
-Purchase Asphalt Mill Replacement	\$300,000	O
-Increase Asphalt Material	\$31,000	R
-Purchase Additional Brine Equipment	\$50,000	O
<i>Engineering</i>		
-Add 1 FTE for increased Right-of-Way Activity including small cell	\$100,000	R
-Design of Ann Arbor Saline to East Stadium Shared Use Path	\$220,000	O
-Add 1 FTE for increased Capital Project Engineering	\$112,454	R

R = Recurring Cost O = One-Time Cost

PUBLIC SERVICES - OTHER IMPACTS

IMPACT/ISSUE	AMOUNT	TYPE
<i>Public Services Area</i>		
-Internal Carbon Neutrality Fee [water, sewer, etc.]	\$100,000 EST	R
-Increased Attorney's Office Support	\$60,000	R

R = Recurring Cost O = One-Time Cost

RATE PLAN

City of Ann Arbor Water Utilities Bill

Effective July 1, 2019

Water: 6%
Sewer: 7%
Storm: 13%

Average Quarterly
Residential Customer Bill
(18 CCF Usage/Storm Tier 2 with on-time discount)

Water: \$66.06
Sewer: \$121.91
Storm: \$53.82
Total: \$217.61

Proposed July 1, 2020

Water: 6.5%
Sewer: 6.5%
Storm: 11%

Average Quarterly
Residential Customer Bill
(18 CCF Usage/Storm Tier 2 with on-time discount)

Water: \$70.38
Sewer: \$129.90
Storm: \$59.37
Total: \$233.68

Key drivers:

- Water Quality & Regulatory compliance (water)
- Debt service coverage (sewer)
- Infrastructure reinvestment needs (all utilities)
- Level of service increases (CCTV of 20% of storm system in FY21)

WATER FUND FINANCIAL SUMMARY

	Actual			Projected	
	FY2017	FY2018	FY2019	FY2020	FY2021
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Water Sales	\$ 24.4	\$ 23.9	\$ 24.3	\$ 25.5	\$ 26.4
Capital Recovery Charges	1.1	1.6	1.7	1.8	1.8
Operating Transfers	2.1	2.3	1.4	2.3	2.0
All Other	<u>1.2</u>	<u>1.6</u>	<u>1.9</u>	<u>1.0</u>	<u>1.6</u>
Total Revenue	\$ 28.7	\$ 29.5	\$ 29.3	\$ 31.1	\$ 31.8
<i>Expense:</i>					
Distribution System	\$ 4.1	\$ 3.9	\$ 3.7	\$ 4.2	\$ 4.4
Water Treatment Plant	6.9	8.0	7.9	8.2	8.7
Depreciation	3.8	4.2	4.1	4.3	4.4
Customer Service	1.0	1.1	1.1	1.2	1.1
Debt Service	0.8	0.9	0.8	0.7	0.7
Safety Service Fee	0.8	0.7	0.4	0.4	0.4
All Other	<u>3.3</u>	<u>10.5</u>	<u>5.9</u>	<u>3.6</u>	<u>3.7</u>
Total Expense	\$ 20.7	\$ 29.2	\$ 23.8	\$ 22.6	\$ 23.4
Net	\$ 8.0	\$ 0.3	\$ 5.5	\$ 8.5	\$ 8.3
Memo:					
Debt Coverage Ratio (min 1.25)	2.6	3.1	2.7	2.7	2.6
Revenue Requirement Increase per plan	5.5%	6.8%	0.0%	6.0%	6.5%
Planned Capital	\$ 5.8	\$ 6.7	\$ 11.2	\$ 18.4	\$ 15.5
Unrestricted Fund balance (net position)	\$ 21.9	\$ 15.4	\$ 10.6	\$ 19.1	\$ 27.4

SANITARY SEWER FUND FINANCIAL SUMMARY

	Actual			Projected	
	FY2017	FY2018	FY2019	FY2020	FY2021
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Sewer Sales	\$ 25.0	\$ 25.4	\$ 27.8	\$ 30.9	\$ 32.6
Capital Recovery Charges	0.8	1.7	1.9	1.0	1.0
All Other	<u>1.6</u>	<u>1.7</u>	<u>5.3</u>	<u>2.1</u>	<u>1.5</u>
Total Revenue	\$ 27.4	\$ 28.8	\$ 35.0	\$ 34.0	\$ 35.1
<i>Expense:</i>					
Public Works	\$ 2.6	\$ 2.3	\$ 2.8	\$ 2.8	\$ 3.1
Depreciation	3.8	4.0	4.1	6.3	6.7
Waste Water Treatment Plant	7.4	7.8	8.0	9.4	9.5
Interest Expense	2.6	3.1	3.0	2.9	2.7
All Other	<u>3.8</u>	<u>10.0</u>	<u>5.6</u>	<u>3.1</u>	<u>3.5</u>
Total Expense	\$ 20.2	\$ 27.2	\$ 23.5	\$ 24.5	\$ 25.4
Net	\$ 7.2	\$ 1.6	\$ 11.5	\$ 9.4	\$ 9.7
Memo:					
Debt Coverage Ratio (min 1.25)	2.1	1.7	1.8	1.8	1.8
Revenue Requirement Increase per plan	6.5%	6.0%	3.0%	7.0%	6.5%
Principal on Long-term debt	\$ 4.6	\$ 6.4	\$ 8.1	\$ 8.0	\$ 8.2
Capital Projects/Equipment-Cash Flowed	\$ 8.4	\$ 6.4	\$ 3.3	\$ 15.8	\$ 16.1
Unrestricted Fund balance (net position)	\$ 22.0	\$ 22.9	\$ 26.8	\$ 36.2	\$ 45.9

STORMATER FUND FINANCIAL SUMMARY

	Actual			Projected	
	FY2017	FY2018	FY2019	FY2020	FY2021
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Rate Revenue	\$ 7.4	\$ 9.0	\$ 10.5	\$ 11.6	\$ 12.9
Grants	0.2	0.0	0.7	0.3	0.0
All Other	0.1	0.4	0.9	0.3	0.4
Total Revenue	\$ 7.8	\$ 9.5	\$ 12.0	\$ 12.2	\$ 13.2
<i>Expense:</i>					
Public Works Operations	\$ 2.6	3.2	\$ 5.0	\$ 5.3	\$ 5.9
Depreciation	0.7	0.7	0.7	0.7	0.8
Debt Service	0.4	0.4	0.4	0.4	0.3
All Other	5.1	3.8	5.7	3.2	3.2
Total Expense	\$ 8.9	\$ 8.2	\$ 11.8	\$ 9.7	\$ 10.2
Net	\$ (1.1)	\$ 1.3	\$ 0.2	\$ 2.5	\$ 3.0
<i>Memo:</i>					
Revenue Requirement Increase per plan	6.5%	28.0%	14.0%	13.0%	11.0%
Capital Projects/Equipment	\$ 1.3	\$ 0.2	\$ 0.9	\$ 6.0	\$ 6.3
Unrestricted Fund balance (net position)	\$ 10.6	\$ 11.7	\$ 11.1	\$ 13.6	\$ 16.7

MAJOR AND LOCAL STREET FUNDS

FINANCIAL SUMMARY

	Actual			Projected	
	FY2017 (\$ Mil.)	FY2018 (\$ Mil.)	FY2019 (\$ Mil.)	FY2020 (\$ Mil.)	FY2021 (\$ Mil.)
<i>Revenue:</i>					
Weight and Gas Tax	\$ 9.3	\$ 11.2	\$ 11.9	\$ 12.4	\$ 13.0
State of MI Supplemental Road Funding		0.8	1.4		
Parking Lane Maint/DDA	0.8	0.8	0.8	0.9	0.9
Operating Transfers		1.1	0.1	0.2	
Grants/Reimbursements			0.8		
All Other	0.7	0.7	1.5	1.1	1.0
Total Revenue	<u>\$ 10.8</u>	<u>\$ 14.6</u>	<u>\$ 16.5</u>	<u>\$ 14.6</u>	<u>\$ 14.9</u>
<i>Expense:</i>					
Right-of-Way Maintenance	\$ 3.9	\$ 9.9	\$ 5.4	\$ 15.1	\$ 10.3
Traffic Control	2.4	3.4	3.5	4.7	5.1
Debt Service	0.8	0.7	0.7	0.9	0.8
Alternative Transportation	0.5	0.5	0.6	0.6	0.7
All Other	1.4	1.0	1.1	1.4	1.4
Total Expense	<u>\$ 9.0</u>	<u>\$ 15.5</u>	<u>\$ 11.3</u>	<u>\$ 22.7</u>	<u>\$ 18.3</u>
Net	\$ 1.8	\$ (0.9)	\$ 5.2	\$ (8.1)	\$ (3.4)
Unrestricted Fund balance (net assets)	\$ 20.1	\$ 19.2	\$ 24.5	\$ 16.4	\$ 13.0

STREET MILLAGE FUND FINANCIAL SUMMARY

	Actual			Projected	
	FY2017	FY2018	FY2019	FY2020	FY2021
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Street Millage	\$ 10.0	10.5	10.8	\$ 10.9	\$ 11.4
Sidewalk Repair Millage	0.6	0.7	0.7	0.8	0.8
Transfers In	3.8	2.1	4.6	7.0	1.0
County Millage/Construction Reimb	2.0	3.6	1.0	4.8	2.0
All Other	0.8	0.1	0.7	0.2	0.2
Total Revenue	\$ 17.2	\$ 17.0	\$ 17.8	\$ 23.7	\$ 15.4
<i>Expense:</i>					
Annual Street Resurfacing	\$ 8.5	\$ 7.9	\$ 8.8	\$ 15.6	\$ 8.1
Annual Capital Maintenance	0.3	1.0	0.3	5.3	2.0
Island Drive Bridge Rehab				0.1	0.5
Fifth & Kingsley	0.1	1.6	3.7	0.4	
Stadium Blvd.	2.8	3.8	0.1		
Fuller/Maiden/E. Medical Inter		0.1		0.1	0.1
Scio Church Rd Improvements	0.1	0.1	1.3		
Scio Church Rd. (7th to Maple)				0.1	0.4
Geddes Ave Improvements	5.5				
Nixon Rd. Corridor Design		0.2		0.6	
Nixon/Green Dhu Varren Roundabout	0.5	1.9	0.4	0.1	
Sidewalk/Ramp Repair	2.6	1.4	1.5	0.9	0.9
Crosswalk Impr/Alt/Safe Routes/Sidewalks	0.4	1.0	0.6	1.3	1.7
All Other	1.3	0.7	0.5	0.6	0.6
Total Expense	\$ 22.1	\$ 19.7	\$ 17.2	\$ 25.1	\$ 14.3
Net	\$ (4.9)	\$ (2.7)	\$ 0.6	\$ (1.4)	\$ 1.1
Unrestricted Fund balance (net assets)	\$ 8.2	\$ 5.5	\$ 6.1	\$ 4.7	\$ 5.8

SIDEWALK GAP PROGRESS



SOLID WASTE FUND FINANCIAL SUMMARY

	Actual			Projected	
	FY2017	FY2018	FY2019	FY2020	FY2021
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Solid Waste Millage	\$ 12.3	\$ 12.6	\$ 13.0	\$ 13.7	\$ 13.9
Recycling Processing Credit	1.1	0.8	0.5	0.3	0.2
Waste Collection - Commercial	2.6	2.7	3.0	3.2	3.3
All Other	0.5	0.6	1.3	1.0	0.9
Total Revenue	\$ 16.5	\$ 16.7	\$ 17.8	\$ 18.2	\$ 18.3
<i>Expense:</i>					
Waste	\$ 6.4	\$ 6.0	\$ 6.1	\$ 6.5	\$ 6.5
Material Recovery	6.6	5.9	5.8	6.3	5.7
Compost	1.3	1.2	1.2	1.2	1.4
Depreciation	0.9	0.9	0.8	0.9	0.9
All Other	2.7	4.7	4.3	3.5	3.6
Total Expense	\$ 17.9	\$ 18.7	\$ 18.2	\$ 18.4	\$ 18.1
Net	\$ (1.4)	\$ (2.0)	\$ (0.4)	\$ (0.2)	\$ 0.2
Unrestricted Fund balance (net position)	\$ 11.4	\$ 9.4	\$ 9.0	\$ 8.8	\$ 9.0

PUBLIC SERVICES - HORIZON ISSUES

- Increased regulatory requirements
- Emerging contaminants (e.g. PFAS)
- Succession planning/Retirements/Recruitment
- Solid Waste Program
- Contractor Capacity/Escalating Costs
- Continued Need to Replace Infrastructure

QUESTIONS AND DISCUSSION