



FY22-FY23 Recommended Fiscal Plan

Tom Crawford, City Administrator
April 19, 2021

Plan for This Presentation

- Provide an overview of the City Administrator's recommended FY22 Fiscal Plan (FY22 budget & FY23 plan).
- By City Charter, Council is required to adopt the budget at its second meeting in May.
- The development of the budget is a complex and time-consuming process which occurred prior to recovery from the pandemic and the finalization of Ann Arbor's allocation from the American Rescue Plan stimulus bill.
- This presentation, detailed budget documents, and subsequent questions from Council and staff responses are available to the public on the City's website ([here](#)).

Overview

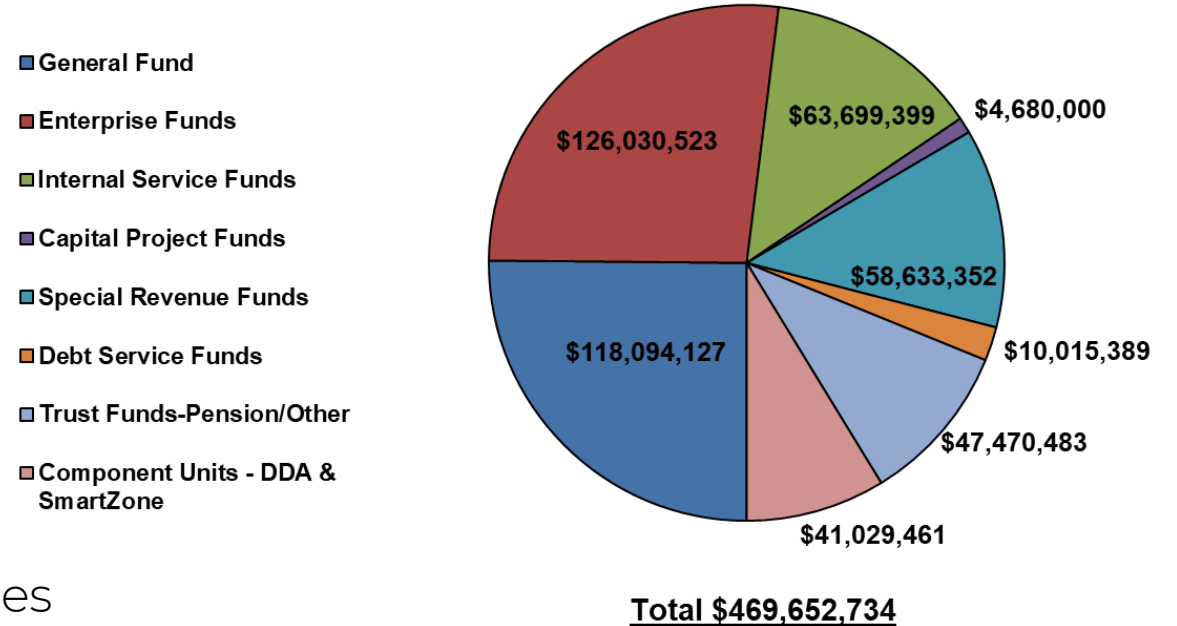
- In addition to the health crisis, the pandemic significantly weakened the city's financial health. The economic impact is primarily a revenue issue versus a cost issue for the General Fund. A \$3.2 million structural deficit was created.
- Historically with a 2 year plan, the City would make reductions/adjustments in the first year to eliminate a structural deficit as well as provide a source of one-time funds for one-time needs.
- After incorporating some structural expenditures to support OSI as a new core service (reflecting Council's declaration of Climate Emergency), the pursuit of efficiencies, cost reductions, and revenue adjustments could not close the structural deficit. The deficit was, however, reduced to approx. \$2.1 million.
- At this point in time, accurate projections are not possible. After considering projected inflation, the city's structural deficit is presently projected to worsen.
- As a financially well managed city, the General Fund is projected to have a healthy reserve (24% of adjusted expenditures) at FYE21. Some of these savings can be used to get through the pandemic, but the city will need to start considering reductions to General Fund services and additional sources of revenue if projections don't improve.
- CARES Act funding is incorporated in the above analysis, but the American Rescue Plan is not.

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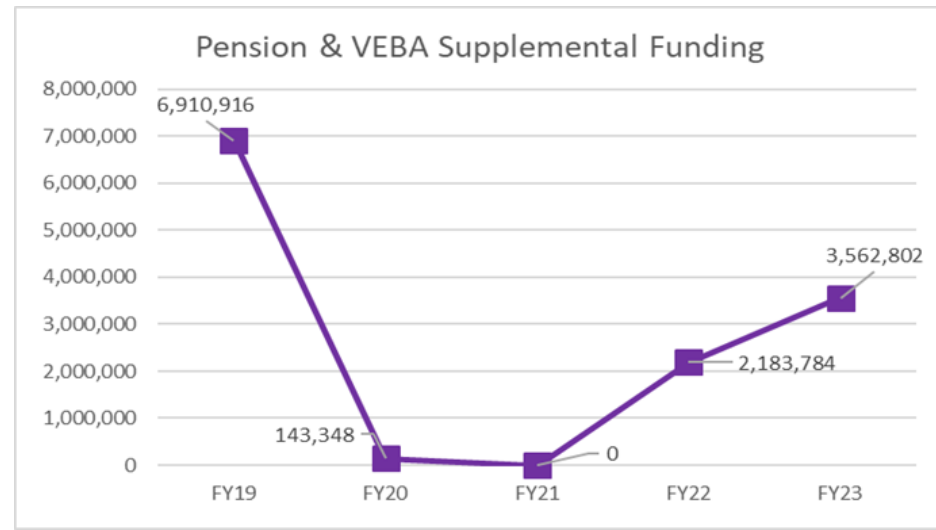
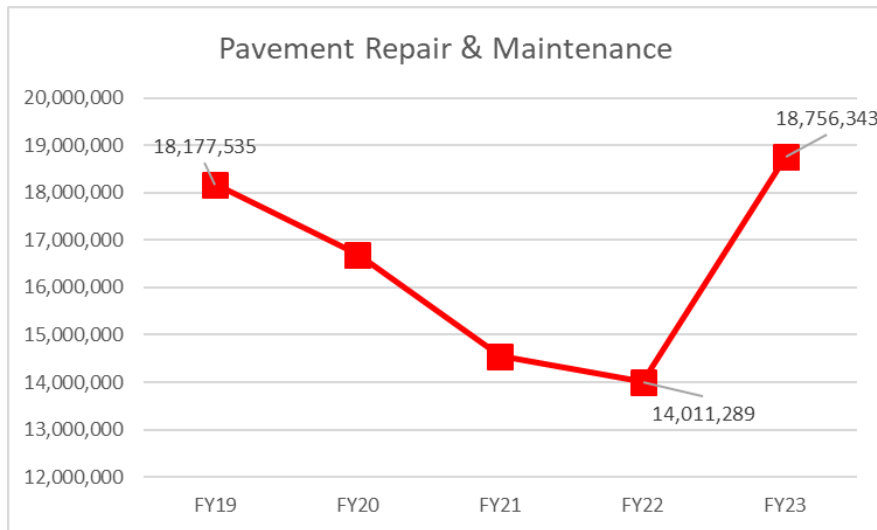
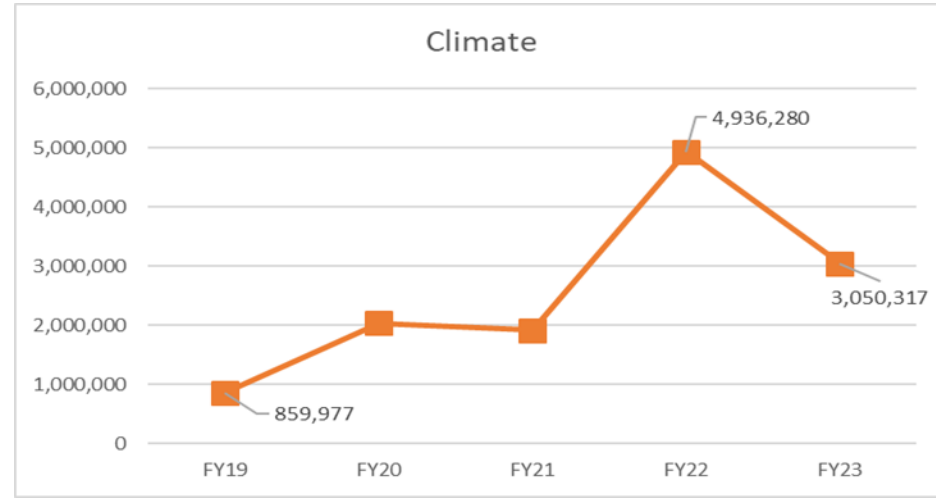
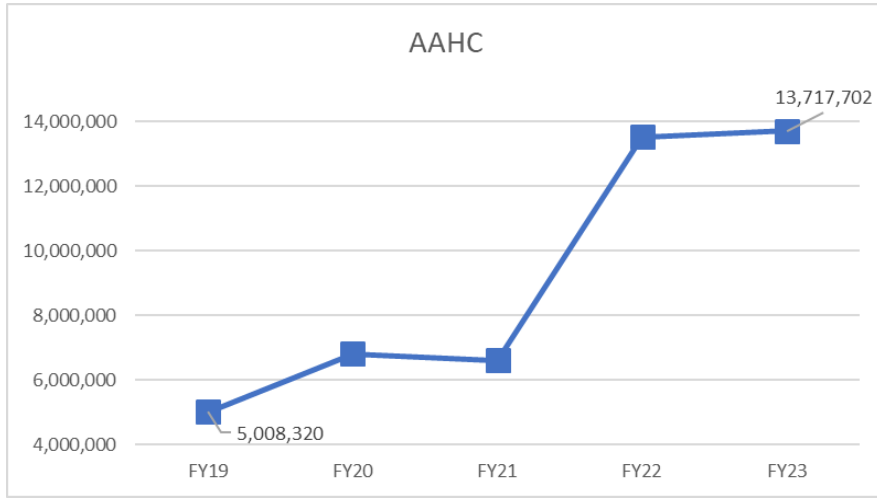
- General Fund Recurring Revenues are projected to increase by 0.8% & 3.0%, respectively.
 - Property tax receipts are expected to increase by 2.6% (1.4% related to the CPI [consumer price index] and 1.2% from net new construction and investments in personal property).
 - Constitutional and City, Village, & Township Revenue Sharing (CVTRS) is assumed flat for recurring purposes with \$467k considered one-time revenues under existing city practice.
 - City revenues related to parking are projected to increase over the two years but remain below pre-pandemic levels.
- General Fund One-Time revenues total \$1.7M representing funding from the Fire Protection Grant, Statutory Revenue Sharing, Marijuana excise tax, and other reimbursements.
- The City expects to receive \$2.5M from the County Public Safety and Community Mental Health millage for maintaining its own police force. These unrestricted funds were programmed as part of the two-year fiscal plan and continue to be allocated 40%/40%/20% per existing council direction.
- Proposed utility rates reflect the cost to deliver services, meet regulatory requirements, and complete capital projects. The average residential increases for water, sewer, and stormwater combined increase is 2.9% and 2.4% in FY22 & FY23, respectively.

Overview

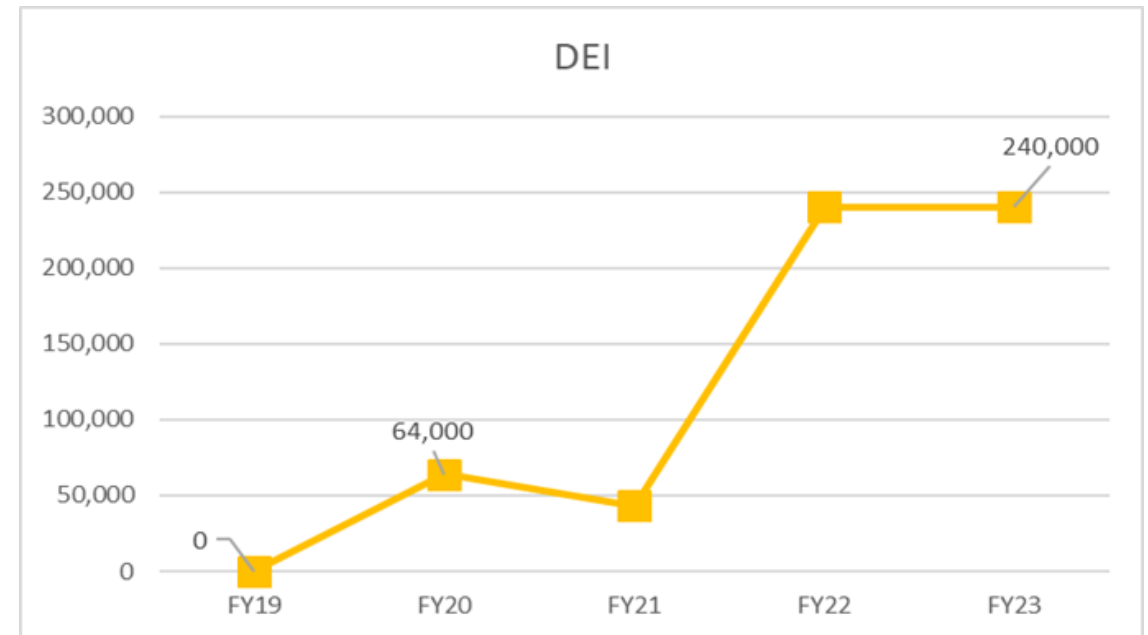
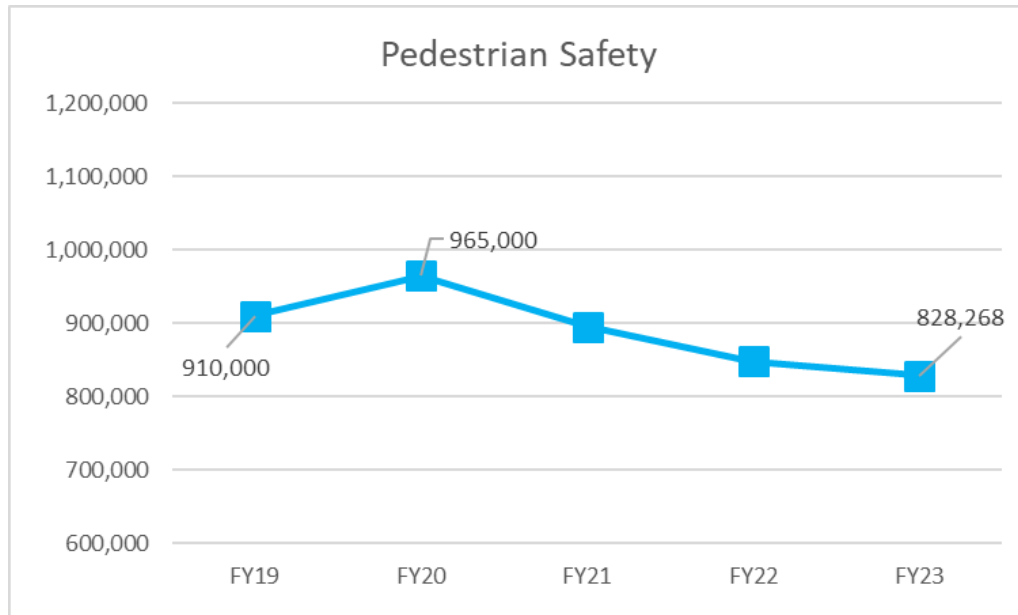
- Total budgeted expenditures are \$470M.
 - \$118M in the General Fund
 - \$126M in Enterprise Funds
 - \$48M in Trust Funds
 - \$179M in Other Categories
- Fund balances remain within City policy guidelines.
- GO Bond rating is AA+ (S&P)
- Typical residential taxpayer impacts:
 - Increase of \$21.42/month in property taxes (primarily from voter approved Affordable Housing & new sidewalk millages).
 - Increase of \$6.69/month in utility costs.



Budget Trends for Council Priorities



Budget Trends for Council Priorities



FY22/23 General Fund Projections

FY22/23 Fiscal Plan General Fund

	<u>FY2022</u>	<u>FY2023</u>
<u>RECURRING OPERATIONS</u>		
Revenues	\$ 112,096,581	\$115,443,206
Expenditures	<u>(115,299,409)</u>	<u>(118,879,222)</u>
Projected Recurring Surplus/(Deficit)	\$ (3,202,828)	\$ (3,436,016)
Net Impact of Staff Requests	<u>1,111,164</u>	<u>1,056,022</u>
Revised Recurring Surplus/(Deficit)	\$ (2,091,664)	\$ (2,379,994)
Temporary Reduction in VEBA Contrib. (below policy)	<u>1,500,026</u>	<u>750,005</u>
Recurring Surplus/(Deficit)	\$ (591,638)	\$ (1,629,989)
<u>NON-RECURRING ITEMS</u>		
Non-Recurring Revenue	\$ 1,742,500	\$ 1,742,500
Non-Recurring Expenses	<u>(3,969,336)</u>	<u>(3,057,375)</u>
Existing Non-Recurring Net	\$ (2,226,836)	\$ (1,314,875)
Net Surplus / (Deficit)	<u>\$ (2,818,474)</u>	<u>\$ (2,944,864)</u>
Memo:		
Undesignated Reserves as % of Total Expenditures	16%	13%
Undesignated Reserves as % of Adjusted Expenditures (Policy)	21%	17%

Funding for Selected Recurring Priorities (\$000)

PRIORITY	FY22	FY23
Police - Reduce 7 FTEs (5 officers, 1 CSO, 1 Police Service Specialist) & add 1 FTE for Chief Strategy Executive	(\$426)	\$(476)
Police – add training funds	40	20
Communications – Add 1 FTE for Public Information Officer (police)	151	153
Fire – Reduce 1 FTE (retired fire inspector position)	(196)	(200)
Marijuana Excise Tax – increased revenue (offsets expenses)	(200)	(200)
Courts – Diversion & Deflection Program	191	191
Housing Commission – 5 FTEs for Lurie Terrace (reimbursed)	-	-
OSI – Add 3 FTEs to advance A2Zero	306	310
OSI – Professional Services for legal work & energy improvements	150	125
OSI – Benchmarking, equity, development, volunteer coordination	89	89
Building – Short-term rental registration revenue (offsets expenses)	(250)	(250)
Planning - Professional Services for Planning support	99	99
Deer Management	120	120
Dams – Barton & Superior increased compliance & maint. costs	218	213
Systems Planning – add 1 FTE to support community engagement	111	112

Funding for One-time Priorities (\$000)

PRIORITY	FY22	FY23
Fire Protection Grant revenue (from the State)	\$(1,000)	\$(1,000)
Fire Station #4 Replacement – transfer to capital fund	1,000	1,000
Marijuana Excise Tax – non-recurring portion	(276)	(276)
Provision for new unarmed public safety response	276	276
State Shared Revenue & other minor reimbursements	(467)	(467)
Fire – Replace reserve fire apparatus	-	252
Dams – Barton & Superior maint. & sensor installation	250	410
Planning – single family zoning / Master Plan	100	700
OSI – Electrification of city fleet	400	400
OSI – software, sensors, building code & rental efficiency	145	135
OSI – Building electrification, energy improvements, EV charging stations (leverages State support)	1,825	- (*)

* Excludes \$3.5 million of requests needed to achieve A2Zero.

Staffing Adjustments (FTEs)

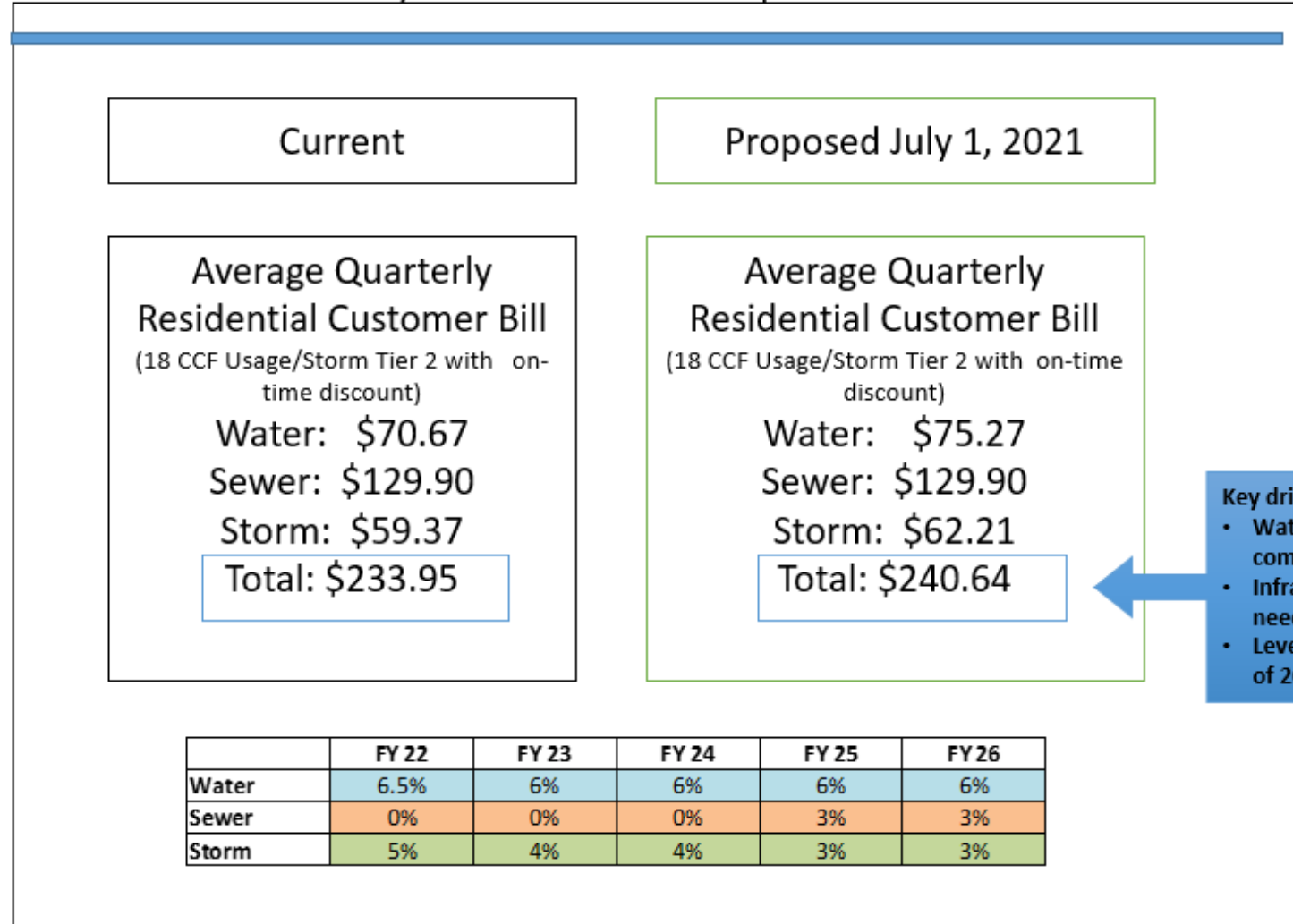
POSITION/ACTION	General Fund	All Other Funds
Sustainability & Innovations – Sustainability Analysts	3	
Police – Reductions for 5.0 Police Officers, 1.0 CSO & 1.0 PSS	-7	
Police – Chief Strategy Executive	1	
Fire – Reduction for Fire Inspector	-1	
Building – 1.0 Development Services Inspector & 1.0 Plan Reviewer		2
Public Services – 1.0 Community Engagement Specialist & 1.0 in Solid Waste	1	1
Communications – Public Information Officer	1	
City Attorney – FTE re-allocations	.25	
Misc. Adjustments		0.2
TOTAL ADJUSTMENTS (Excludes Over Hire Program – 10 FTEs)	-1.75	3.2
Memo: Housing Commission = 1.0 Residency Voucher Mgr, 3.0 Occupancy Specialists, 2.0 Administrative Assistants, & 4.0 Facilities Maintenance Techs	10*	3

785
Total
FTEs

* General Fund is fully reimbursed for these positions. Of the 10 total, 5.0 FTEs were added mid-year in FY21.

FY22 Utility Rates

City of Ann Arbor Municipal Utilities Bill



Current

Average Quarterly Residential Customer Bill
 (18 CCF Usage/Storm Tier 2 with on-time discount)
 Water: \$70.67
 Sewer: \$129.90
 Storm: \$59.37
Total: \$233.95

Proposed July 1, 2021

Average Quarterly Residential Customer Bill
 (18 CCF Usage/Storm Tier 2 with on-time discount)
 Water: \$75.27
 Sewer: \$129.90
 Storm: \$62.21
Total: \$240.64

- Key drivers:**
- Water Quality & Regulatory compliance (water)
 - Infrastructure reinvestment needs
 - Level of service increases (CCTV of 20% of storm system)

Next Steps

- May 3rd Council Meeting – Public Hearings on fee changes/budget
- Please submit any *budget questions* to Sara Higgins with copies to Tom Crawford, Marti Praschan, and Kim Buselmeier by **Friday, May 7th**.
- Please submit any *budget amendment requests* to Marti Praschan and Kim Buselmeier by **Wednesday, May 12th** with copies to Tom Crawford.
- May 17th Council Meeting – Council considers adoption of the City Administrator’s recommended FY22 budget.
- Staff will be working on recommendations for the American Rescue Plan funds once they are known. Retaining a material amount will likely be recommended until the General Fund’s structural deficit is eliminated.