



CITY OF ANN ARBOR

CITY COUNCIL PLANNING SESSION

December 13, 2021

AGENDA

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PURPOSE

- **Table Setting**
 - **Financial Picture**
 - **Structural Deficit**
- **Budget Framing**
- **Pillar Discussion**
- **Wrap Up**

GUIDING PRINCIPLES

- **No Decisions Requested This Evening**
- **Preview Budget Development Foundation**
- **Present Examples of Contemplated FY23 Projects**
- **Demonstrate Team Cohesion**
- **Employ Visual Storytelling**
- **Conclude in Less than 5 Hours**

FINANCIAL SUMMARY

Marti Praschan, CFO

Budget Calendar

Dec 13, 2021 (Council Retreat) - **Today**

- Review Financial Projections
- FY 23 Budget Plan

Feb - Mar 2022 (Council Work Sessions)

- Staff Presents Budget Requests to Deliver Council Priorities within Financial Constraints

Apr 18, 2022 (Council Presentation)

- City Administrator Presents Recommended Budget

May 2, 2022 (Public Hearing)

- Public Hearing Held on Recommended Budget and Fee Changes

May 16, 2022 (Council Consideration)

- Council Considers and Adopts Budget

Development of Recommended Budget

- **Two kinds of budgets are adopted – Operating Budget and Capital Improvement Budget.**
- **Council policies, staff expertise, and public input guide the development of City Administrator’s recommended budget.**
- **Council policies include:**
 - **Priority Based Budget Results Matrix**
 - **Fund balance policy**
 - **Pension & OPEB funding policy**
 - **Capital Improvement program policies**
 - **Capital repair/replacement policy**
 - **Enterprise capital repair/replacement policy**
 - **Parks “fairness” resolution**

Rules Surrounding Budget Adoption

- **7 votes to adopt the budget.**
- **6 votes to amend on the night of the meeting.**
- **8 votes to amend during the fiscal year.**
- **If not adopted at the end of the 2nd Council meeting in May, the City Administrator's recommended budget is considered adopted.**
- **Budgets are adopted by the fund in total, not each line item, with one exception – the General Fund.**
- **General Fund budget is adopted by Service Area represented in the fund (Safety Services, City Administrator, Community Services, etc.).**
- **City not allowed to expend monies unless budgeted, so June has year-end budget amendment for areas forecasted to overrun.**

City Financial Performance Measures

Independent Assessments

1. Financial Audit - 0 material weaknesses & 0 significant deficiencies
2. Bond Rating (S&P) - LTGO is AA+, Water is AA, Waste Water is AA+

FY2019

FY2020

FY2021

0 / 0

0 / 0

0 / 0

AA+/AA/AA+

AA+/AA/AA+

AA+/AA/AA+

Fiscal Control

3. General Fund structural deficit (recurring revenues - expenditures)
4. General Fund unassigned fund balance

Balanced

Balanced

Balanced

19%

19%

20%

Debt/Liability Management

5. Pension funded ratio
6. VEBA (retiree healthcare) funded ratio
7. Funding General Fund Capital Maintenance

86%

85%

88%

64%

66%

76%

tbd

tbd

tbd

NOTE: Policy range = 15-20%.

General Fund Projections

FY2023 Financial Outlook

	FY2022 Budget (Mils.)	FY2023	
		Initial (Mils.)	Projected (Mils.)
<u>Recurring</u>			
Revenues	\$ 113.8	\$ 117.0	\$ 118.6
Expenditures	(115.1)	(118.4)	\$ (118.6) ▲
Net Surplus/(Deficit)	\$ (1.3)	\$ (1.4)	\$ -
<u>One-time</u>			
Revenues	\$ 1.5	\$ 1.7	\$ 1.0
Expenditures	(3.0)	(3.0)	\$ (3.1)
Net Surplus/(Deficit)	\$ (1.5)	\$ (1.3)	\$ (2.1)
Net Surplus/(Deficit)	<u>\$ (2.8)</u>	<u>\$ (2.7)</u>	<u>\$ (2.1)</u>
Unassigned Fund Balance	\$ 18.8		\$ 16.7
Policy range (15% to 20%)	16.4%		14.1%

Other Funds

- **Water** – Revenues need to increase approx. 6.0% for the foreseeable future to fund reinvestment in the water system including the water treatment facility and the distribution system. Future funding needs are heavily dependent on the final design, timing and cost estimates of the water treatment plant rehabilitation.
- **Sewer** – Revenues need to remain at current levels to fund debt service related to the completed wastewater treatment plant. Rate increases are continuing to be paused for FY23 to provide relief to customers from rate increases during tough economic times. Fund balance will be used to fund the capital needs associated with the maintenance of the collection system.
- **Stormwater** – Revenues need to increase in FY22 by an estimated 4%, then stay in the 5% or less range to fund large capital projects in the pipeline as well as the systematic implementation of the asset management program.
- **Solid Waste** – Primarily funded from property taxes. The Solid Waste Resource Management Plan continues to be in the process of being implemented.
- **Road Repairs** – Funded from a variety of sources, including the Street, Bridge and Sidewalk millage (primary) and Weight and Gasoline Tax (Public Act 51). Funding & contractor availability remain the primary limiting factors.
- **Sidewalk Repair/New Installation** – Active gap installation projects are underway for the newly approved millage. The annual sidewalk repair program continues and is funded by the Street, Bridge, Sidewalk Millage

FY23-4 BUDGET FRAMING: 4 PILLARS



Foundational • Focuses the Narrative • Forward Looking • Flexible

FY23-4 BUDGET FRAMING: POINTS OF EMPHASIS 4 PILLARS



Sustainability ■ Quality of Life ■ Positioning for Investment ■ Infrastructure ■

PILLAR 1: SUSTAINABILITY

Dr. Missy Stults
Sustainability & Innovations Manager



PILLAR 2: QUALITY OF LIFE ISSUES

FIRE STATION No. 5

Mike Kennedy, Fire Chief

AFFORDABLE HOUSING

Jennifer Hall, Executive Director AAHC

Derek Delacourt, Community Services Area Administrator



PILLAR 2: QUALITY OF LIFE ISSUES

FIRE STATION No. 5 **Mike Kennedy, Fire Chief**



PILLAR 2: QUALITY OF LIFE ISSUES

AFFORDABLE HOUSING

Jennifer Hall, Executive Director AAHC

Derek Delacourt, Community Services Area Administrator



PLACEHOLDER:

**Unarmed Response
\$250K**





LET'S PAUSE FOR A BREAK



PILLAR 3: POSITIONING FOR INVESTMENT

INTERNAL ENHANCEMENTS

Milton Dohoney Jr., Interim City Administrator



PILLAR 3: POSITIONING FOR INVESTMENT

- **Internal Enhancements**
- **Aggressive Pursuit of Resources & Transparency**



PILLAR 3: POSITIONING FOR INVESTMENT

- **Contract Economist**
- **DC Lobbyist – Funding/Policy**
- **Grant Writer Pilot for Target Resources**
- **Website Redesign FY23Q2**

PILLAR 4: INFRASTRUCTURE

NETWORK UPGRADES

Tom Shewchuk, IT Director

ROADS

Milton Dohoney Jr., Interim City Administrator

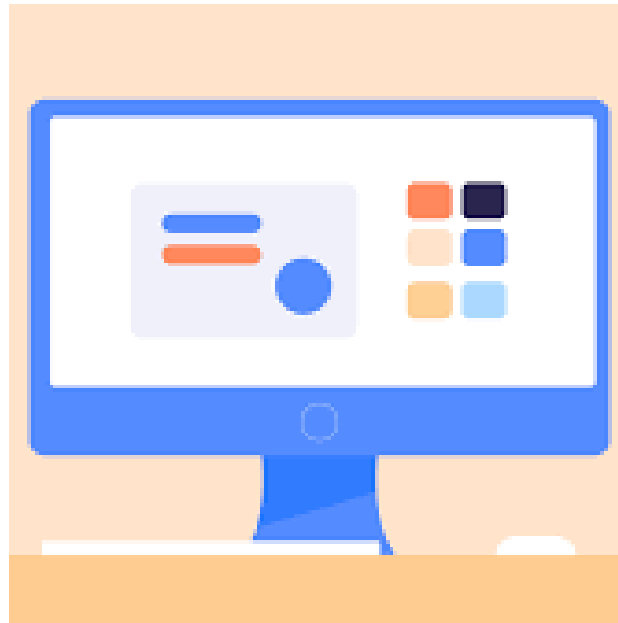
Marti Praschan, CFO



PILLAR 4: INFRASTRUCTURE

NETWORK UPGRADES

Tom Shewchuk, ITSU Director



PILLAR 4: INFRASTRUCTURE

ROADS

Milton Dohoney Jr., Interim City Administrator

Marti Praschan, CFO



PILLAR 4: INFRASTRUCTURE

Goal = Maximize Impact

**Affords an Opportunity for a Different
Approach**

PILLAR 4: INFRASTRUCTURE

**Changing from Cash Spent
to
Debt Service Payment**

PILLAR 4: INFRASTRUCTURE

- **Requires No Millage Increase**
- **Enables Schedule Accelerations**
- **Enhances Response to Resident Demands**
- **Improves Safety for Motorists, Cyclists, Wheelchairs & Walkers**

PILLAR 4: INFRASTRUCTURE

- **\$1.6M Cash Spent Over 36 Months = \$4.8M**
- **Using our investment as debt service would yield \$15M road bond to be invested within the same 36-month period**

PILLAR 4: INFRASTRUCTURE

- **A resource that enables acceleration of impact**
- **Allows for a revised strategy**
- **Enables consideration of place making support**
- **Enables residents to experience tangible service improvements**
- **Requires working through potential capacity issues**



WRAP UP

SESSION TAKEAWAYS

- **Staff working collaboratively**
- **Focus on tangible progress**
- **Rallying around a strategic direction**
- **Session is precursor to formal budget and presentation**



Let's get another Almond Joy
Good Evening!



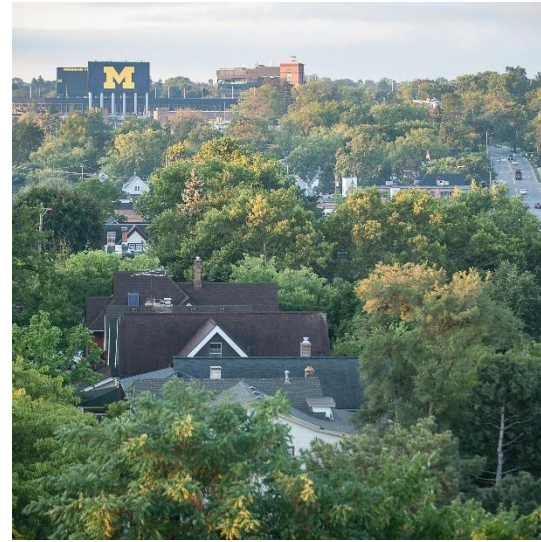
FY23-4 BUDGET FRAMING: 4 PILLARS



Sustainability



Quality of Life



Positioning for Investment



Infrastructure



THANK YOU!
