

City of Ann Arbor

FEBRUARY 13TH WORK SESSION

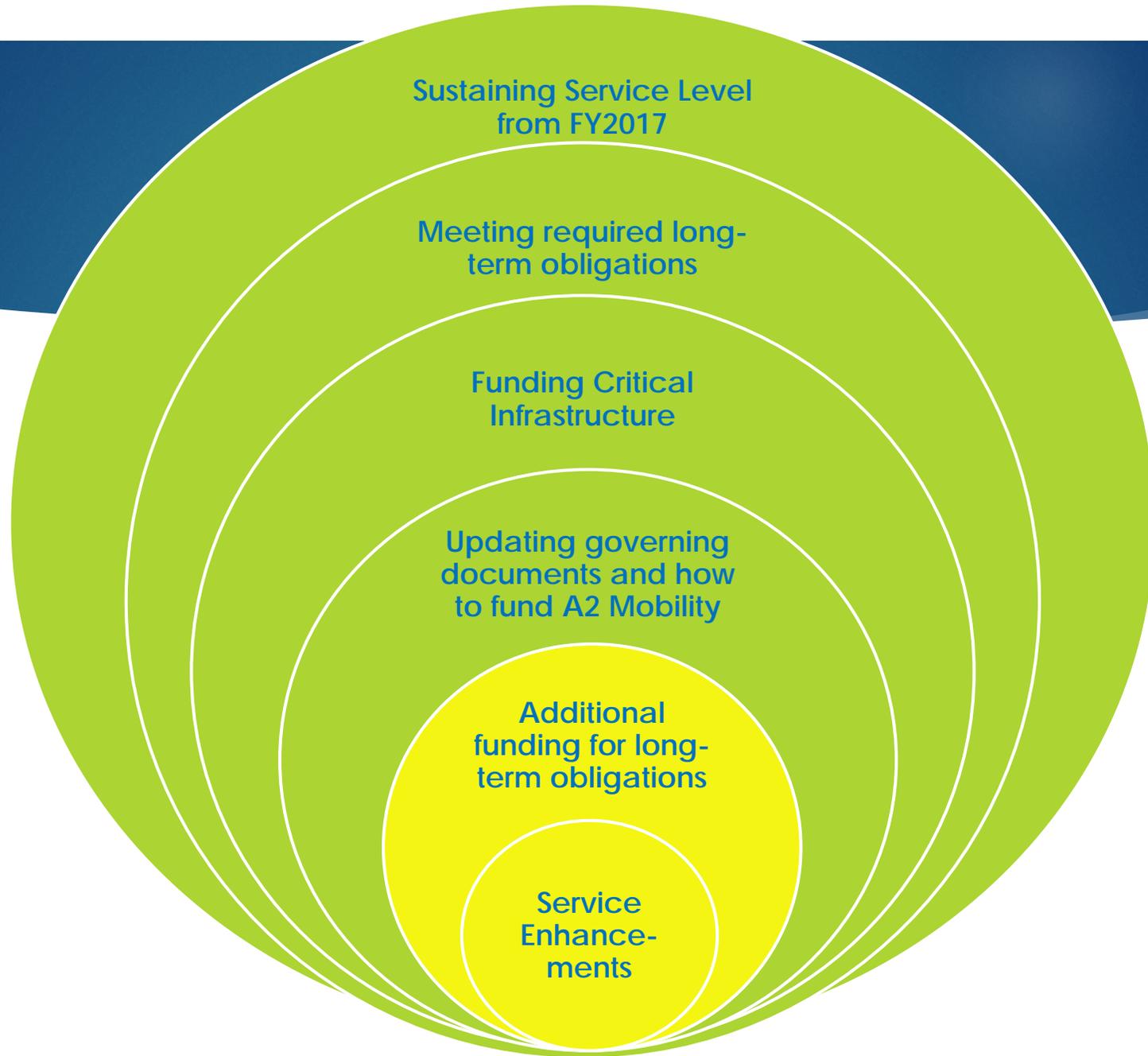
FY18/19 BUDGET REVIEW

Overview

- ▶ Tonight
 - ▶ Introduction
 - ▶ Overview of the General Fund for FY2018 and FY2019
 - ▶ Finance, Police, Fire, Court, Community Services, City Administrator
- ▶ Upcoming Key Dates
 - ▶ 2/27/2017 Work Session
 - ▶ Public Services and City Attorney
 - ▶ 3/13/2017 Work Session
 - ▶ DDA, Housing Commission, LDFA, Pension
 - ▶ 4/17/2017- City Administrator Lazarus presents the recommended budget to the City Council
 - ▶ 5/15/2017- City Council consideration of the budget

Introduction

- ▶ This evening's presentation for each service area
 - ▶ Achievements from the past year will be reviewed.
 - ▶ Core Services performance measures have been identified and are attached to the presentation. A public dashboard will be developed in the future.
 - ▶ Initiatives/Innovations/Ideas reviewing upcoming projects for the next year and how they may tie to Council priorities, strategic plan, and the sustainability plan will be reviewed.
 - ▶ A summary of Budget Impacts will be reviewed with detailed impact sheets attached to the presentation.
 - ▶ The FY18/19 budget begins integrating performance measures to better understand how funding service enhancements may improve Council initiatives and community priorities.



General Fund Service Enhancements

- ▶ Boards & Commissions FTE
- ▶ Election improvements (added precincts and technology)
- ▶ Crossing guard funding increase
- ▶ Neighborhood Partnership Program
- ▶ Funding for FTE for mental health court and other court needs
- ▶ Funding for FTE for telecommunications

Council Initiatives

- ▶ Community-Ann Arbor Police Department Community Engagement Practices consultant is funded in the General Fund (\$150,000).
- ▶ Resource Management
 - ▶ An RFP is in process to find a recycling company to operate the Material Recovery Facility.
 - ▶ An Income Tax work session will be planned in the next year.
- ▶ Land Use and Access
 - ▶ Affordable Housing-Additional support was added for the Housing Commission in the General Fund (\$118,000).
 - ▶ A plan will be developed for city-owned properties in line with sustainability goals.
- ▶ Climate and Energy-Funding in the General Fund (\$165,000) will be used to augment the County's weatherization program and explore adding weatherization and energy efficient appliances to the rental inspection process.

City Focus Area

- ▶ Our number one priority is child safety.
- ▶ This is a cross-resource program that will include:
 - ▶ Coordination with major stakeholders
 - ▶ Physical improvements
 - ▶ Community awareness
 - ▶ Enforcement
- ▶ A child safety work plan will follow at the Public Services work session on 2/27/17.

Updating Governing Documents and A2Mobility

- ▶ Transportation Master Plan
- ▶ Land Use Master Plan
- ▶ Compensation Study
- ▶ Asset Management Plan

Sustaining Service Levels-Citizen Impact

2017

Taxes
\$2,649

Utilities
\$632

2018

Taxes
\$2,673

Utilities
\$674-\$691

Change

Taxes
\$24

Utilities
\$42-\$59

\$66-\$83/year
equates to overall
2.0%-2.5%
increase

Assumes Taxable Value
of \$162,500

General Fund Key Assumptions

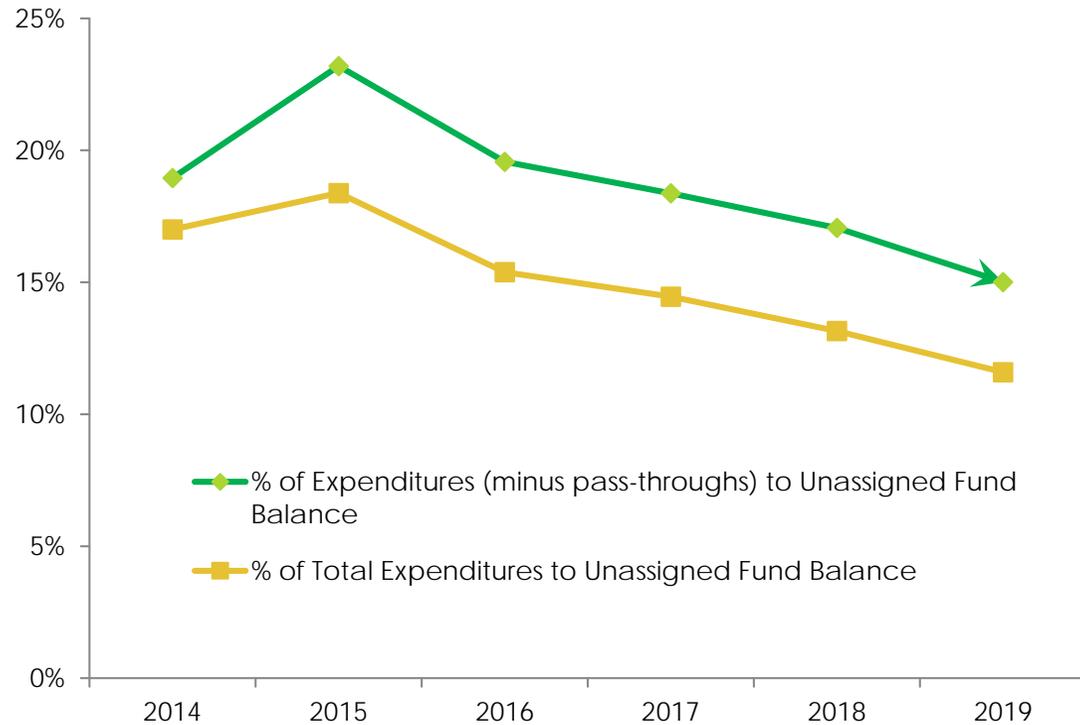
- ▶ The overall recurring revenue increase was 1.2% in FY18 and 1.8% in FY19 (without the GASB #68 reimbursement revenue).
 - ▶ Property taxes are projected to increase 2.2% in FY18 and 2.5% in FY19.
 - ▶ State Shared Revenue is projected to be less than 1% growth each year.
- ▶ The overall recurring expenditure increase was 2.0% in FY18 and 2.5% in FY19.
 - ▶ Includes costs of labor contracts, increases in active health care
 - ▶ Pension-based on 2% increase per the pension policy
 - ▶ VEBA-increased 3.7%
 - ▶ Includes \$260K for deer management plan

Financial Overview

	<u>FY2018</u>	<u>FY2019</u>
<u>EXISTING OPERATIONS (after 2% reduction effort)</u>		
Revenues	\$ 101,853,353	\$103,628,870
Expenditures	<u>(100,690,047)</u>	<u>(103,141,577)</u>
Projected Recurring Surplus/(Deficit)	\$ 1,163,306	\$ 487,293
 <u>STAFF REQUESTS</u>		
Recurring Expense Requests	<u>(478,357)</u>	<u>(703,004)</u>
Adjusted Recurring Surplus / (Deficit)	\$ 684,949	\$ (215,711)
Non-Recurring Expense Requests	<u>(2,194,673)</u>	<u>(1,072,000)</u>
Adjusted Net Surplus / (Deficit)	<u>\$ (1,509,724)</u>	<u>\$ (1,287,711)</u>

Projected recurring revenues include \$630,000 for DDA Parking Agreement at 20%.

Fund Balance Summary



FUND BALANCE

	Amount	% of Total Expenditures	% of Adjusted Expenditures
FY2014 Unassigned	\$ 14,278,680	17%	19%
FY2015 Unassigned	\$ 17,235,156	18%	23%
FY2016 Unassigned	\$ 15,330,765	15%	20%
FY2017 Forecasted	\$ 14,753,592	14%	18%
FY2018 Forecasted	\$ 13,243,868	13%	17%
FY2019 Forecasted	\$ 11,956,157	12%	15%

Long-term obligations - Pension

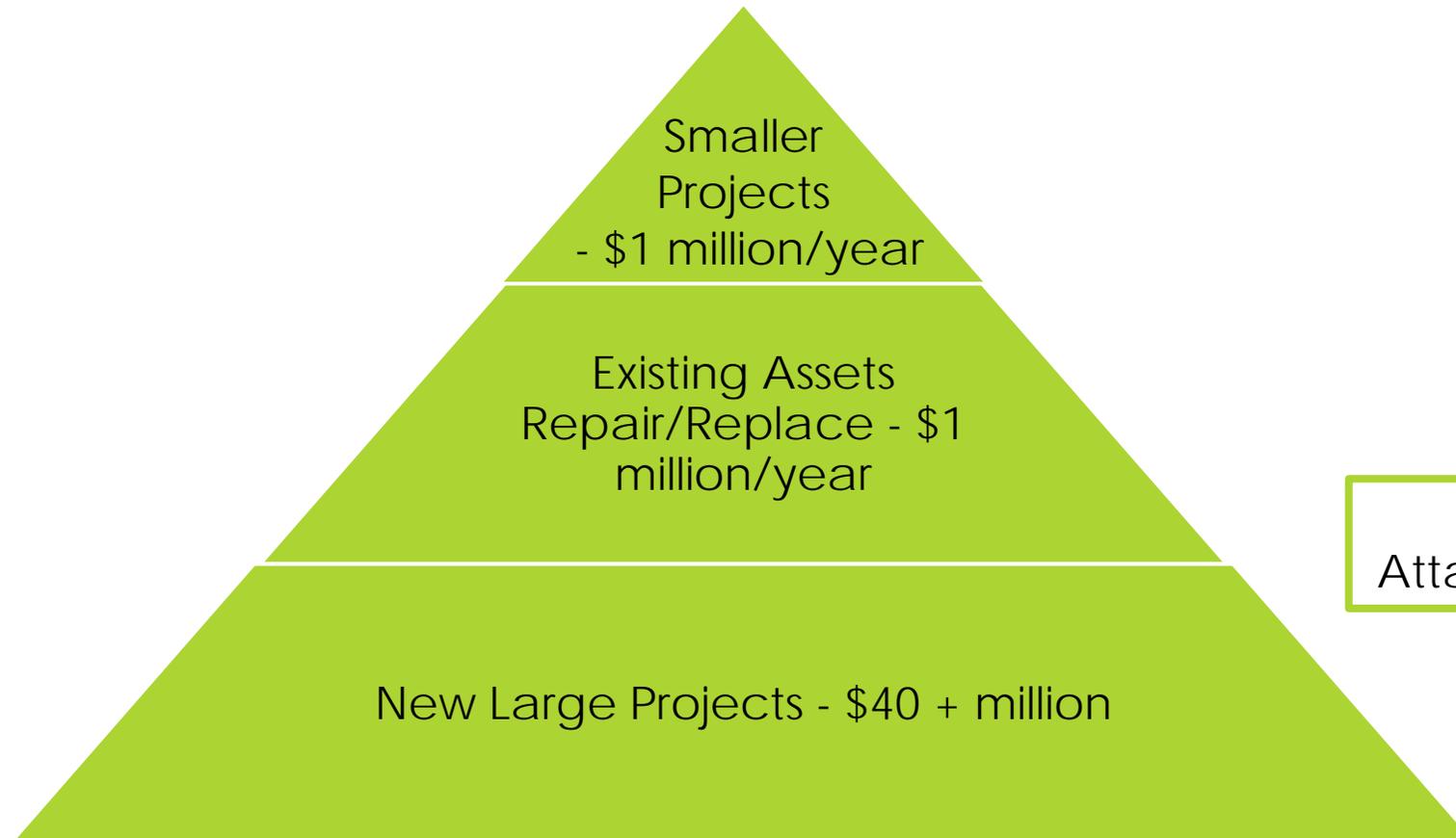
	<u>Actuarial</u>	<u>Accounting</u>
• Pension (6/30/16)		
→ Unfunded Liability	\$ (78,172,000)	\$ (88,059,000)
→ Percent Funded	86%	84%
→ Projected Full Funding under present policy is FY2042 (25 years) Last Year - Full Funding under present policy was FY2027 (11 years) Conclusion: Full funding is very sensitive to market return assumption		
→ New Hybrid Plan: Once ALL employees are on, provides some reduction in sensitivity to market returns.		
→ Recommendation: Reset higher the City contribution base on which the existing 2% policy applies.		

Long-term obligations – Retiree Healthcare

	<u>Actuarial</u>
• Retiree Healthcare (6/30/16)	
→ Unfunded Liability	\$ (138,252,000)
→ Percent Funded	51%
→ Projected Full Funding under present policy is FY2032 (15 years) Last Year - Full Funding under present policy was FY2031 (15 years) Conclusion: Little market sensitivity	
→ Recommendation: When active medical expenses underrun plan, supplement VEBA funding policy with one-time contributions.	

Long-term obligations – General Fund Capital

(Directional Estimates)



See Agenda
Attachment for detail

Financial and Administrative Services

- ▶ Achievements from the last year
 - ▶ Accounting received an unqualified (clean) opinion for the City's audit and achieved the GFOA Certificate of Excellence in Financial Reporting.
 - ▶ Budget- There was a \$2.7 million surplus in General Fund for FY16. Also, the GFOA Distinguished Budget award was received, and three of five vacant finance positions were filled.
 - ▶ Information Technology designed new Fiber Optics Network, developed a new IT Intranet, a new project delivery methodology, and a project portfolio website.
 - ▶ Procurement had zero protests of formal solicitations and updated internal policies and procedures.
 - ▶ Risk increased insurance coverage for General Liability from \$15M to \$20M within existing budget.
 - ▶ Treasury/Customer Service improved online payment platforms for both taxes and water utilities and refinanced debt for a net present value savings of \$5M.

Financial and Administrative Services Initiatives/Innovations/Ideas

- ▶ Accounting will be evaluating Request for Proposals for auditing services.
- ▶ Budget will be supporting exploration of the DDA's interest in parking enforcement.
- ▶ IT will be implementing the new City Fiber Optics Network.
- ▶ IT will be designing and implementing a Business Intelligence Platform.
- ▶ Treasury/Customer Service will be designing a communication to customers that provides proactive notice of water usage anomalies as well as updating the report on the implementation of a local income tax.
- ▶ Smart Zone will be working on extending the SmartZone for 15 years.

Financial and Administrative Services Impacts

- ▶ IT Added 1.0 FTE for the Information Technology Network Engineer (\$108,939). This flows through the General Fund due to GASB #68.
- ▶ City revenues increased due to the DDA parking revenue increasing from 17% to 20% (\$630,000).
- ▶ A retiree Health Care policy modification will be recommended to allow for any annual underrun of active healthcare in the Risk Fund to be transferred to the VEBA trust fund.

Non-Departmental Impacts

- ▶ Retroactive pay for unsettled contracts carry-forward from FY17 (\$367,059)
- ▶ Workforce planning remaining funding carry-forward from FY17 (up to \$475,000)
- ▶ A2 Mobility funding and updating governance plans (\$500,000 for both FY18 and FY19)

Police Achievements

- ▶ Department Facebook page published
- ▶ Hiring/Promotions in FY17
 - ▶ 5 officers hired/2 civilians
 - ▶ 3 officers/detectives promoted to Sergeant
- ▶ Training
 - ▶ Expansion of in-house training academy for new hires to include
 - ▶ Community Mental Health
 - ▶ Disability Awareness
 - ▶ Autism Awareness
 - ▶ De-escalation/Non-escalation training for sworn staff
- ▶ Naloxone issued to all uniform officers

Police Initiatives/Innovations/Ideas

- ▶ Body Camera test period ending with full deployment expected in FY17
- ▶ Transfer of PO position to command position in anticipation of associated FOIA resource needs
- ▶ CALEA Accreditation ongoing with expected completion during FY18
- ▶ Expanding our outreach to the Michigan police academies to promote AAPD as a career choice.

Police Impacts

- ▶ One-time impacts for FY 18
 - ▶ Telestaff upgrade (\$19,728)
 - ▶ Taser replacements (\$25,000)
 - ▶ Handheld lasers for traffic enforcement (\$8,200)
- ▶ Recurring impacts
 - ▶ Increase in replacement costs to upgrade vehicles (\$13,837)
 - ▶ Increased cost for moving an officer to a Sergeant position (\$20,330)
 - ▶ Increased costs for improving crossing guard recruitment and minimum wage compliance (\$42,989)
 - ▶ Well-being psychological evaluations for staff (\$12,000)

Fire Achievements

- ▶ Completion of Fire Department Strategic Plan, providing a clear path forward for the department over the next several years
- ▶ Completion of Insurance Service Office (ISO) 10-year Fire Protection Performance Rating; classification improved to a 3 from a 4 which should result in lower fire insurance rates for the community
- ▶ Successfully transitioned the Office of Emergency Management from the police department to the fire department
- ▶ Took delivery of new Quint Fire Apparatus giving the department greater operational flexibility
- ▶ Secured two Assistance to Firefighter Federal Grants (FEMA) amounting to \$556,772 for the purchase of self-contained breathing apparatus and Rapid Intervention Rescue Team equipment for \$54,300 (\$611,072 total)

Fire Initiatives/Innovations/Ideas

- ▶ Undergo formal Fire Department Accreditation site visit review by the Center for Public Safety Excellence
- ▶ Finalize and implement high priority components of fire department strategic plan, including:
 - ▶ Fire station master plan
 - ▶ Fire dispatch review and enhancements
 - ▶ Paramedic first responders engine/ladder companies
 - ▶ Enhanced community outreach initiatives

Fire Impacts

- ▶ One-time impacts for FY 18
 - ▶ Purchase of 45 air bottles to match current number awarded via a grant (\$36,900)
 - ▶ Telestaff upgrade (\$12,006)
- ▶ Recurring impacts
 - ▶ Subscription/Maintenance costs for training and software (\$19,735)
 - ▶ Sustain the Community Emergency Response Team program (\$9,820)
 - ▶ Upgrade, repair and maintain the siren warning system (\$13,120)

Court Achievements

- ▶ Grant Awards
 - ▶ Michigan Drug Court Grant Program \$139,000 (Oct 2016-Sept 2017)
 - ▶ Michigan Veterans Treatment Court Program \$60,000 (Oct 2016-Sept 2017)
 - ▶ Michigan Mental Health Court Program \$200,000 (Oct 2016-Sept 2017)
 - ▶ Office on Violence Against Women Improving Criminal Justice Response Program \$391,097 (Oct 2016-Sept 2019)
- ▶ Successful Audits
 - ▶ City
 - ▶ State Court Administrative Office
 - ▶ FBI National Crime Information Center
- ▶ Judge Karen Quinlan Valvo and Magistrate Tamara Garwood were successfully on-boarded into the organization.

Court Achievements

- ▶ Public Satisfaction Survey Results
 - ▶ *"I understand what happened in my case"* – 95%
 - ▶ *"I was treated with courtesy and respect by court staff"* – 98%
 - ▶ *"The way my case was handled was fair"* – 91%
- ▶ Language Advisory Committee
 - ▶ Mailing Inserts
 - ▶ Change in Scheduling

Court Initiatives/Innovations/Ideas

- ▶ Utilize part-time temporary workers in Case Processing to scan and index archived hard copy original Registers of Actions (ROA)
 - ▶ A Register of Action is the official, chronological listing of events that occur over the lifetime of a court case
 - ▶ Required for all cases, except district court civil infractions, and must be kept permanently
 - ▶ The Michigan Trial Court Case File Management Standards allow records to be maintained electronically vs. paper
 - ▶ Free up archive file room space
 - ▶ Project ties to City Strategic Goal 4 – Leverage Information Technology
 - ▶ Also ties to City Strategic Goal 2 – Deliver Exceptional Service

Court Impacts

- ▶ Recurring impacts
 - ▶ Increased cost of Court security weapons screening to comply with best practices (\$35,000)
 - ▶ Increased cost of mediation, interpreters and indigent counsel (\$40,000)
 - ▶ Increased temp time for records imaging project (\$19,500)
 - ▶ 1.0 FTE Probation Officer added for Mental Health Court (\$99,840)

Community Services Achievements

- ▶ Parks
 - ▶ Volunteerism – over 15,000 volunteer hours between NAP & GIVE 365
 - ▶ Active recreation – over 105,000 outdoor pool visits between Memorial Day and Labor Day
 - ▶ Active recreation – approximately 60,000 boat rentals at Argo and Gallup
 - ▶ Programming – over 1,400 day camp registrations and over 1,200 swim lesson registrants
 - ▶ Opened Broadway Dog Park
 - ▶ Enhancements to the Border-to-Border trail at Gallup Park
 - ▶ PROS plan updated and adopted
- ▶ Planning
 - ▶ Planning Manager
 - ▶ First publically reviewed draft of ZORO
 - ▶ Development and adoption of City's first Accessory Dwelling Unit Ordinance
 - ▶ Review of over 150 Planning Petitions
 - ▶ Review of over 280 HDC Petitions

Community Services Achievements (continued)

- ▶ Building and Rental
 - ▶ Reorganization of the Department
 - ▶ Building Official
 - ▶ Successfully archived over 80% of appeals board historic data
 - ▶ Beta testing infield inspection program with rental inspectors
 - ▶ Re-establish the City's Building Board of Appeals

Community Services Initiatives/Innovations/Ideas

- ▶ Parks
 - ▶ Rotary playground construction in 2017 (\$1 million project)
 - ▶ Considering extending outdoor pool season at Fuller Pool
 - ▶ Exploring possibility of pickleball courts
 - ▶ System-wide park needs assessment
- ▶ Planning
 - ▶ Initiate Master Land Use Plan update
 - ▶ Begin Age Friendly plan development in partnership with AARP
 - ▶ Revise and update residential solar standards
 - ▶ Investigate TOD overlay districts for Washtenaw & Plymouth corridors

Community Services Initiatives/Innovations/Ideas (continued)

- ▶ Building and Rental
 - ▶ Evaluate and upgrade City's permitting and inspection software
 - ▶ Expand infield inspection program to include building and trade inspections
 - ▶ Expand and improve online plan review and permitting options
 - ▶ Improve online payment and scheduling options
 - ▶ Institute paperless permitting at the counter

Community Services Impacts

- ▶ One-time impacts for FY 18
 - ▶ \$105,000 funding for operating support through FY2018 for the administration of the Housing Choice Voucher Program per the AAHC Task Force report
- ▶ Recurring impacts
 - ▶ Neighborhood Partnership Program (\$125,000)
 - ▶ Reimagine Washtenaw support (\$5,000)
 - ▶ Fee increases and removing a vacant FTE no longer needed offset expenditure increases for programming, fleet and other costs

Office of Community Development Achievements

- ▶ Barrier Busters
 - ▶ Barrier Busters is a network of 80+ social service providers with access to emergency assistance funds to help prevent evictions and utility shut-offs, and other emergency costs that threaten housing and financial stability. Since July of 2015, 143 City of Ann Arbor households have received \$106,666 in critical, one-time support to prevent an eviction or utility shut-off, resolve a transportation crisis, or meet a health or safety need for Ann Arbor families.
- ▶ Coordinated Funding
 - ▶ The Washtenaw Coordinated Funders, is a public-private collaboration between the City of Ann Arbor, Washtenaw County, the Washtenaw Urban County, United Way of Washtenaw County, the Ann Arbor Area Community Foundation, St. Joseph Mercy Ann Arbor hospital, and the RNR Foundation. In 2016:
 - ▶ The Washtenaw Coordinated Funders awarded 67 human services programs critical operations funding for the next 2 years, granting over \$4,586,257 in funds, including \$1,247,529 from the City of Ann Arbor. These funds provide necessary safety net and preventative services to residents in need.
 - ▶ The funding partnership expanded with St Joseph Mercy Hospital of Ann Arbor joining the Washtenaw Coordinated Funders.
 - ▶ The Washtenaw Coordinated Funders received the Housing of Urban Development Secretary's Award for Public-Philanthropic Partnerships.

Office of Community Development Achievements (continued)

- ▶ Housing Rehab & Weatherization
 - ▶ OCED completed 8 weatherization projects, 10 home rehabilitation projects, and 11 replacements of unsafe furnaces in Ann Arbor last year through our Housing Rehabilitation and Weatherization programs. Additionally, in fall of 2016, City of Ann Arbor Energy department facilitated an addition to City Water Bills including flyers about Test & Tune furnace inspection/replacement and County Weatherization Program. Both programs target low-income households to improve energy-efficiency, safety and comfort.
- ▶ Act 88/Economic Development Coordinating Committee
 - ▶ Provided grant funds to several community-based economic development and agriculture/tourism marketing efforts in or for the City of Ann Arbor, including:
 - ▶ Ann Arbor SPARK \$500,000 (Economic Development Services)
 - ▶ GroundWorks Center \$5,000 (Rail Study to connect A2 with Traverse City)
 - ▶ Slow Food Huron Valley \$5,000 (Marketing the Home Grown Festival at the Farmers Market)
 - ▶ Ann Arbor Art Center \$10,000 (Pop-X Art Festival)

Office of Community Development Initiatives/Innovations/Ideas

- ▶ Affordable Housing/Equity Leadership Team
 - ▶ OCED staffs the multi-jurisdictional Affordable Housing/Equity Leadership Team, working to implement the recommendations of the [Housing Affordability and Economic Equity Analysis](#) adopted by local units and the county. The group developed a [baseline annual report](#) and [work plan](#) for last year, and 2016 Annual report expected in March 2017. We expect a 2017 work plan to be in place by March 2017 as well.
- ▶ Platt Road
 - ▶ OCED is leading the Platt Road RFP process, connecting directly to City of Ann Arbor Staff to ensure feasibility of projects proposed, as well as appropriate timelines.
- ▶ HHSAB
 - ▶ OCED staff the City's Housing and Human Services board, managing applications to the Affordable Housing Fund, and board initiatives. The 2017 HHSAB workplan is an ambitious one directed at investigating and recommending policy changes to remove barriers to affordable housing.

Office of Community Development Initiatives/Innovations/Ideas (continued)

- ▶ Welcoming America
 - ▶ Welcoming America is a national, grassroots-driven collaborative that works to promote mutual respect and cooperation between foreign-born and native-born Americans, with Ann Arbor City Council affirming that the city would be part of this collaborative, which strives to foster and support civic, economic and cultural contributions from all city residents. OCED staff will identify specific strategic actions in program areas of leadership & communication; equitable access; safe and connected communities; civic engagement; and economic opportunity and education.
- ▶ Built for Zero
 - ▶ Washtenaw will continue its participation in the national initiative to end chronic and veteran homelessness. Washtenaw made considerable progress on both moving the needle on homelessness and building a sustainable system designed to make homelessness rare, brief and non-recurring. Over the next year, Washtenaw will begin to leverage the successes and progress made over the last two years to build a parallel process for families and youth experiencing homelessness.

City Administrator Achievements

- ▶ City Clerk's successfully administered the Presidential Election and Primary elections leading up to November 8.
- ▶ City Clerk implemented a new online Freedom of Information Act (FOIA) submission form and public access to FOIA tracking and database.
- ▶ Communications/CTN increased information distributed to internal and external audiences via resident newsletter A2 City News, employee newsletter A2 News Notes, news releases, website content, A2 Central intranet content, GovDelivery notifications, CTN public meeting coverage and multiple social media platforms.
- ▶ Communications/CTN expanded Community Television services with the addition of five public meetings, including Housing Board of Appeals, AAPAC, Human Rights Commission, Building Board of Appeals and Transportation Commission and implemented closed-captioning of Commission on Disability Issues.

City Administrator Achievements (continued)

- ▶ HR developed and implemented the dual pension plan.
- ▶ HR had successful recruitment/hiring of 84 regular employees, 474 temporary employees and 544 election inspectors.
- ▶ HR successfully negotiated the first collective bargaining agreement with our new Assistant Fire Chiefs union.
- ▶ HR developed and implemented a college recruiting program for the Police Department.
- ▶ HR implemented online transmittal of employee benefits data to vendors.
- ▶ Safety Office completed launch of a safety training program and comprehensive facilities assessments.
- ▶ City Administrator implemented performance measurement as part of the budget preparation with quarterly reviews.
- ▶ City Administrator assisted in creation of Transportation Commission and Council Policy Agenda Committee.

City Administrator Initiatives/Innovations/Ideas

- ▶ City Clerk- Procurement and implementation of new voting equipment and technology
- ▶ City Clerk- Creation of new precincts, polling places and additional supplies and equipment to improve election day experience for voters
- ▶ City Clerk- Improve the City's boards and commissions management systems through additional resources and software improvements
- ▶ Communications/CTN- Institutionalize community engagement by providing ongoing staff training and toolkit support as well as implement an internal platform for knowledge and training sharing.
- ▶ Communications/CTN- Broaden community outreach efforts by expanding usage of A2 Open City Hall and A2 Fix It; Implement and evaluate new engagement tools, such as Legistar's ecomment; and expand closed-captioning services to include City Council and Planning Commission public meetings.

City Administrator Initiatives/Innovations/Ideas (continued)

- ▶ HR-Successful negotiation/arbitration of the following collective bargaining agreements: AFSCME, Fire, Assistant Chiefs (Fire), Deputy Chiefs (Police), AAPOA
- ▶ HR-Completion of VEBA and RHRA plan document updates
- ▶ HR-Development and roll out of annual management training program
- ▶ HR-Completion of non-union compensation study and implementation of results
- ▶ HR-Time to fill of 45 days for regular employees
- ▶ Safety Office – Develop and launch a community-wide safety awareness campaign (with Communications)
- ▶ Safety Office – Initiate a safety incentive program
- ▶ City Administrator – Launch Citizens Partnership Initiative
- ▶ City Administrator – Develop and institute leader, team, and individual performance coaching and development practices

City Administrator Impacts

- ▶ One-time impacts for FY 18
 - ▶ Clerk - \$34,000 for election improvements (new poll books/new precinct to reduce wait times)
 - ▶ Human Resources - \$60,000 for non-union compensation study
 - ▶ City Administrator - \$150,000 to complete Phase 1 of the Independent Review of Police Community Engagement Practices
 - ▶ City Administrator - \$30,000 to perform biennial Citizen Survey
- ▶ Recurring impacts
 - ▶ City Administrator - \$45,000 for part-time citizen engagement and interns
 - ▶ City Administrator - \$5,000 for Employee Recognition Program

Questions?

- Please send questions to Sara Higgins and cc Howard Lazarus, Tom Crawford and Karen Lancaster
- Responses will be grouped by topic, sent to Council and posted on the City's website