City of Ann Arbor Strategic Plan (Proposed)

2020

Section I

Ann Arbor's History of Planning & Prioritizing

2013	2014	2018	2019	2020
16 overarching goals derived from over 20 City plans to create a sustainable A2.	Internal plan to achieve organizational excellence.	External survey to determine community priorities for budgeting.	New budgeting tool to prioritize services (programs) due to limited resources.	Council approved integrated plan to achieve long-term objectives.

What is a Strategic Plan? Defines our Purpose and Guides our Actions.

City Strategic Plan

MISSION:

(Why We Exist)

The City of Ann Arbor's mission is to deliver exceptional services that sustain and enhance a vibrant, safe and diverse community.

VISION:

(What We Aspire to Be)

A safe, accessible, and welcoming community with a healthy natural environment, sustainable living, and an innovative culture.

Goals from Priority Based Budgeting

Safe, Engaged, Vibrant Community & Strong Neighborhoods	Diversity, Equity, Inclusion	Environmental Stewards	Well Maintained and Sustainable Infrastructure	Healthy and Sustainable Economy	Responsible and Responsive Government/ Good Governance
Improve quality of life by providing diverse cultural, recreational, and educational opportunities for all members of our community.	Provide high quality, safe, efficient, and inclusionary housing choices to meet the current and future needs of our community, particularly for homeless and low-income households.	Improve access to and increase use of renewable energy by all members of our community.	Improve the quality of the transportation and utility infrastructure across the city and region.	Develop a prosperous, resilient local economy that provides opportunity by creating jobs, retaining and attracting talent, supporting a diversity of businesses across all sectors, and rewarding investment in our community.	Deliver exceptional service in a transparent manner to the public.
Minimize risk to public health and property from manmade and natural hazards.	Provide services that meet basic human needs of impoverished and disenfranchised residents to maximize the health and well-being of the community.	Reduce energy consumption, carbon emissions, and reduce reliance upon fossil fuels to achieve goal of city-wide carbon neutrality.	Provides for a well-maintained transportation network that supports and encourages safe, comfortable, and efficient movement of people and goods throughout the city and region.	Support an Economic Development Strategy that contributes a return on successful investments to the city.	Strengthen human capital by recruiting, developing, and retaining exceptional City staff.
Encourage a pattern of diverse development that maintains our unique sense of place, preserves our natural systems, and strengthens our neighborhoods, corridors, and downtown.	Ensure our community is strongly connected through outreach, opportunities for engagement and stewardship.	Manage pollutants in our air and water and threats to our ecological balance to ensure resilient systems including safe drinking water and healthy natural areas.	Plan for and manage constructed and natural infrastructure systems to meet the current and future needs of our community.	Cultivate economic development partnerships.	Ensure the financial health of the City and an equitable sharing of that responsblity amoung all residents and stakeholders.
Establish and sufficiently enforce laws and regulations to ensure the community is safe, clean, engaged and healthy.	Instill a sense of shared responsibility for personal safety and focus on involving and engaging the community in identifying and addressing concerns.	Conserve, protect, enhance, and restore our natural area resources and aquatic and terrestrial ecosystems.	Reduce new and existing buildings' energy use, carbon impact, and construction waste, while respecting community context.	Support a culture of innovation, including "Smart City" Solutions.	Integrate external engagement into City processes.

LEGEND:

- from Community Priority Based on **Resident Survey**
- from Council Approved **Sustainability Framework**
- from City **Organizational Strategic Plan**
- from both the **Resident Survey** and **Sustainability Framework**
- from PBB consultant/staff.

Pursue Our Vision

A safe, accessible, and welcoming community with a healthy natural environment, sustainable living, and an innovative culture.

Fulfill our Mission

The City of Ann Arbor's mission is to deliver exceptional services that sustain and enhance a vibrant, safe and diverse community.

Accomplish Our Goals

- Safe, engaged, vibrant community
- Diverse, equitable, and inclusive
- Well maintained & sustainable infrastructure
- Environmental Stewards
- Healthy & sustainable economy
- Responsible & responsive government

Live Our Core Values

Equity – Sustainable – Excellence – Safety – Integrity – Accountability – Innovative

Goals, Objectives and Measures

See Separate Document:
Ann Arbor Strategic Plan - 2021

Goal A: Safe, engaged, vibrant community with strong neighborhoods

Description: A safe, engaged and vibrant community enables all constituents to openly and freely live without fear for their physical or cultural safety while enjoying the expression of individual and community values and beliefs. Strong neighborhoods are encouraged by a pattern of diverse development that maintains a unique sense of place and preserves our natural systems.

Objectives:

- Constituents feel safe both in their neighborhood and the broader community
- Housing is available for all levels of income, especially supportive affordable housing
- Constituents can move safely throughout the community regardless of mode of transportation
- Residents feel there is availability to affordable quality food and recreational and fitness opportunities
- Overall residents highly recommend living in Ann Arbor to others
- Ann Arbor remains a destination for visitors for its arts and culture

Targets:

Objectives	Short-Term Target (2 yrs)	Long-Term Target
Constituents feel safe both in their neighborhood and the broader community	By 2022, the bi-annual resident survey on Overall Feeling of Safety is 93%.	By 2030 achieve in the bi-annual resident survey an Overall Feeling of Safety at 93% across all race and economic categories.
Housing is available for all levels of income, especially for supportive affordable housing	By 2026 add 980 units of new affordable housing (60% AMI or under) in Ann Arbor. By 2024, develop a plan to ensure long-term funding for tenant social services.	By 2035 add 2,797 units of new affordable housing (60% AMI or under) in Ann Arbor. By 2026, ensure long-term funding (100%) for tenant social services.
Constituents can move safely throughout the community regardless of mode transportation	By 2022, traffic crashes result in less than 5 incapacitating injuries and fatalities.	By 2030, traffic crashes result in zero fatalities or incapacitating injuries.

Section II

Recent Successes & Challenges

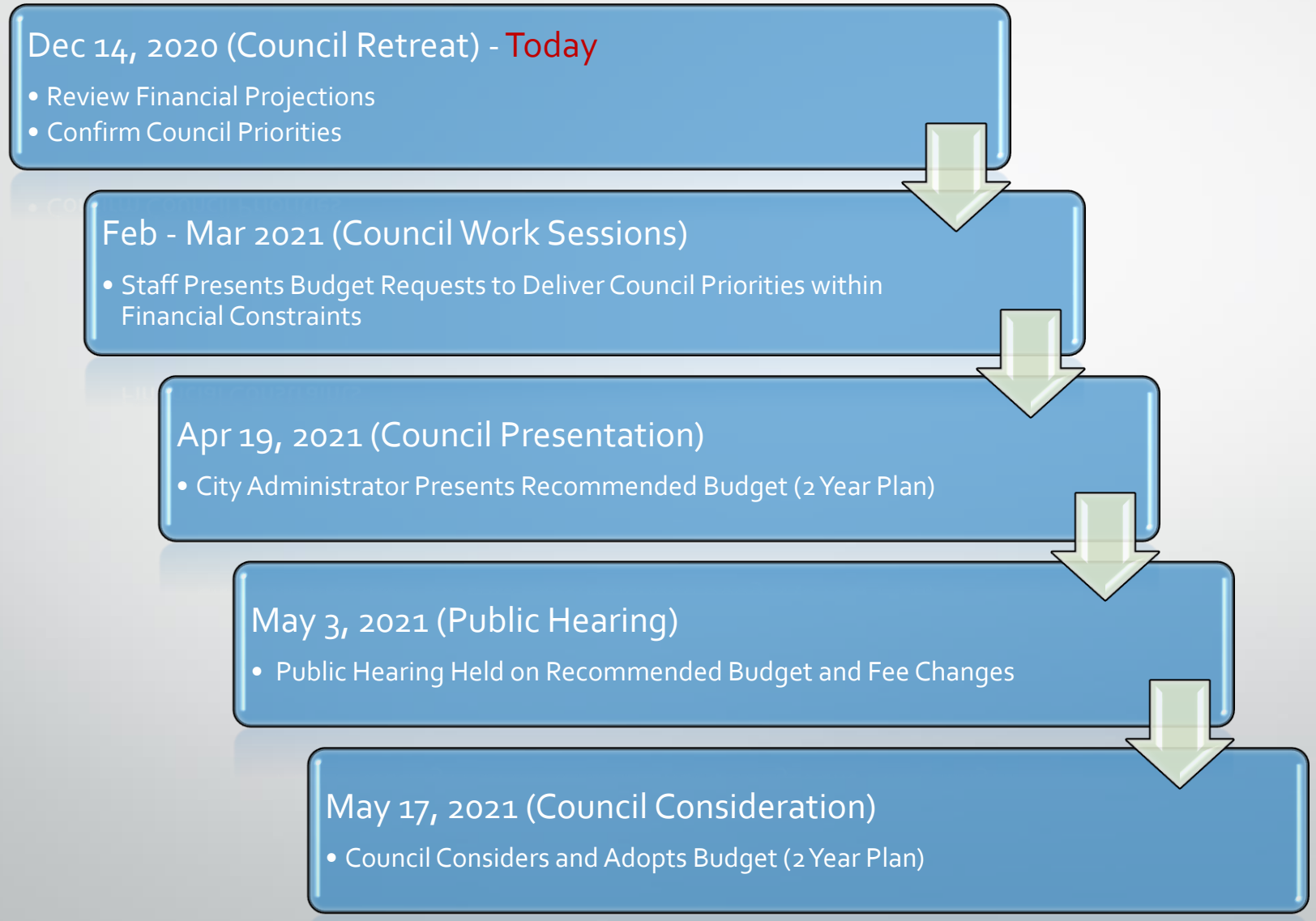
MRF – Recycle Ann Arbor
Affordable Housing: 20-year millage
COVID-19 – Minimal Infections from the Workplace
AAPOA Contract Approved
Successful CALEA Audit supporting AAPD excellence
A2Zero: Carbon Neutrality Plan Adopted
City's First Resiliency Hub – Northside Community Center
Senior Affordable Housing – Acquired Lurie Terrace
Solar – Installed on Fire Station #6 & Solarize Program
Short-term Rentals – Established Policy Direction
Allen Creek Railroad Berm Opened
Gelman Plume – Community & Stakeholder Input Provided to the Court
Election – Successfully Completed without Significant Incident During the Pandemic
FY2020 Financial Performance Positive (Gen Fund)
Healthy Streets Pilot
- Pandemic – Operational Impacts
- Supplemental Payments to Pension/VEBA not made

Trends & Implications

Trends	Implications
Growth in City Population	Housing Affordability, Transportation,
Growth in UM Student Population	Housing Affordability, Neighborhood Impacts
Low Interest Rates	Low Cost to Borrow, Higher Pension/VEBA contributions
State Restrictions on Local Revenues	Greater Reliance on Local Resources, Less Local Financial Discretion
Higher Costs to Live in A2	Increased Resident Needs & Financial Vulnerability
Increased Use of Work from Home	Less Office Space & Parking Demand
Increased Sales of Electric Vehicles	Investment in Power Infrastructure, Parking Decks
Man-made Chemicals in the Environment	Increased Mandates, Climate Change, Health Impacts
Racial Injustice	Need for Systemic Changes, Trust-Building, and DEI
Climate Change	Stormwater, air quality, resiliency issues, population migration
Limited Opportunity for Revenue Growth	Structural Financial Strain for Local Gov. with Normal Inflation
Violent Crime Trending Up	Mental Health, COVID

Section III

Budget Process



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:
  - City Strategic Plan/Framework
  - Fund balance policy
  - Pension & OPEB funding policy
  - Capital Improvement program policies
  - Capital repair/replacement policy
  - Enterprise capital repair/replacement policy
  - Parks "fairness" resolution
- Policy guideline – transition statutory state shared revenue from recurring to non-recurring revenue.

Rules Surrounding Budget Adoption

- Two year fiscal planning cycle - first year is the budget.
- 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

	FY2018	FY2019	FY2020
Independent Assessments			
1. Financial Audit - 0 material weaknesses & 0 significant deficiencies	0 / 0	0 / 0	0 / 0
2. Bond Rating (S&P) - LTGO is AA+, Water is AA, Waste Water is AA+	AA+/AA/AA+	AA+/AA/AA+	AA+/AA/AA+
Fiscal Control			
3. General Fund structural deficit (recurring revenues - expenditures)	Balanced	Balanced	Balanced
4. General Fund unassigned fund balance	12%	19%	19%
Debt/Liability Management			
5. Pension funded ratio	86%	86%	85%
6. VEBA (retiree healthcare) funded ratio	66%	64%	66%
7. Funding General Fund Capital Maintenance	tbd	tbd	tbd

NOTE: FY2021 General Fund balance projected to be 21.7% at June 30, 2021. Policy range = 15-20%.

General Fund Projections

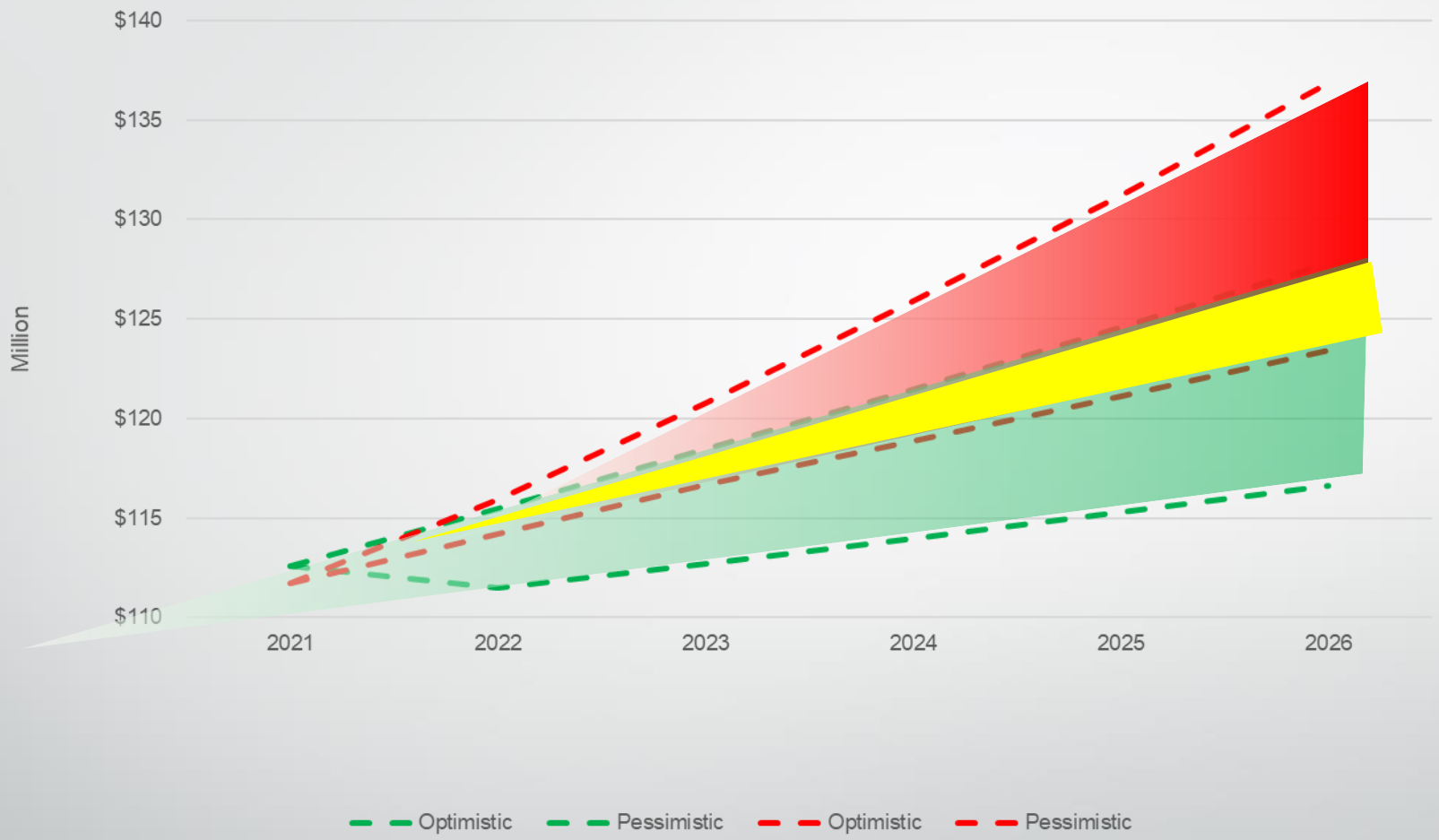
FY2022 Financial Outlook

General Fund Base Projection

	FY2021 Budget (Mils.)	FY2022 Initial (Mils.)	FY2022 Economics (Mils.)	FY2022 Risks/Opps (Mils.)	FY2022 Projected (Mils.)	FY2023 Projected (Mils.)
Recurring						
Revenues	$ 112.6	$ 114.3	$ (1.9)	$ -	$ 112.4	$ 115.7
Expenditures	(111.6)	(115.5)	0.2	-	(115.3)	(118.9)
Net Surplus/(Deficit)	$ 1.0	$ (1.2)	$ (1.7)	$ -	$ (2.9)	$ (3.2)
One-time						
Revenues	$ 1.1	$ 1.4	$ (0.1)	$ -	$ 1.3	$ 1.2
Expenditures	(1.1)	-	(1.2)	-	(1.2)	(1.1)
Net Surplus/(Deficit)	$ -	$ 1.4	$ (1.3)	$ -	$ 0.1	$ 0.1
Net Surplus/(Deficit)	$ 1.0	$ 0.2	$ (3.0)	$ -	$ (2.8)	$ (3.1)
Unassigned Fund Balance	$ 21.1				$ 18.3	$ 15.2
Policy range (15% to 20%)	20.7%				17.8%	14.4%

General Fund Scenarios

General Fund Scenarios



General Fund Opportunities / (Risks)

Opportunities / (Risks) Not Included in Projections	FY22 Amount	FY23 Amount
Marijuana Sales Tax Receipts	Tbd	Tbd
A2Zero Investments – Recurring	($1.7-1.9M)	($2.1-6.5M)
A2Zero Investments – One-Time	($1.5-4.1M)	($2.9-4.7M)
Affordable Housing Investments	(Tbd)	(Tbd)
Enhancing Community Policing	(Tbd)	(Tbd)
Fire Apparatus – One-Time	($206k)	($269k)

General Fund Projections

FY2022 Financial Outlook

General Fund with A2Zero Fully Funded

	FY2021 Budget	FY2022 Initial	FY2022 Economics	FY2022 Risks/Opps	FY2022 Projected	Risk Adjusted FY2023 Projected
	(Mils.)	(Mils.)	(Mils.)	(Mils.)	(Mils.)	(Mils.)
Recurring						
Revenues	$ 112.6	$ 114.3	$ (1.9)	$ -	$ 112.4	$ 115.7
Expenditures	(111.6)	(115.5)	0.2	(1.9)	(117.2)	(125.4)
Net Surplus/(Deficit)	$ 1.0	$ (1.2)	$ (1.7)	$ (1.9)	$ (4.8)	$ (9.7)
One-time						
Revenues	$ 1.1	$ 1.4	$ (0.1)	$ -	$ 1.3	$ 1.2
Expenditures	(1.1)	-	(1.2)	(4.3)	(5.5)	(6.1)
Net Surplus/(Deficit)	$ -	$ 1.4	$ (1.3)	$ (4.3)	$ (4.2)	$ (4.9)
Net Surplus/(Deficit)	$ 1.0	$ 0.2	$ (3.0)	$ (6.2)	$ (9.0)	$ (14.6)
Unassigned Fund Balance	$ 21.1				$ 12.1	$ (2.5)
Policy range (15% to 20%)	20.7%				11.8%	-2.4%

Memo: FY2023 recurring (deficit) excluding Opportunities/(Risks) $ (3.2)

Other Funds

- **Water** – Revenues need to increase approx. 6-6.5% 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 on pause for FY22 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. Revenue requirement increases will be evaluated again during the FY23 budget period.
- **Stormwater** – Revenues need to increase in FY22 by an estimated 5%, 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 recently approved Solid Waste Resource Management Plan is in the process of being implemented.
- **Streets** – Funded from a variety of sources, including the Street, Bridge and Sidewalk millage (primary) and Weight and Gasoline Tax (Public Act 51). Current Pavement Asset Management goals are being reviewed to develop aggressive but achievable outcomes. Funding & contractor availability remain the primary limiting factors.
- **Sidewalk Construction** – Newly approved millage will begin revenue collection in FY22. Project prioritization and financial planning is commencing.

Challenges on the Horizon

- COVID-19
  - Decreased Parking, Citation, and Fine revenue
  - Increased Human Service and Eviction Prevention Needs
  - Potential for reductions in taxable value
  - Remote work challenges and expenses
- Economic Downturn
  - General Economy, which affects sales taxes/State resources
  - Financial Markets, which may increase required pension contributions
- State Budget
  - Legislative Risks – roads (effect of electric vehicles on funding), state shared revenue, fire protection grant, etc.
- Federal Policy
  - Changes in policies for affordable housing, infrastructure, ROW, CTN funding, etc.
- Capital Investment Needs
  - Roads, capital repairs/replacement of fire stations, water treatment plant, recycling/solid waste contracts, parks facilities.
- Debt Management
  - Retirement System underfunding
  - Higher interest costs
- Labor Contracts (Police/Fire Costs)
  - Long-term impact to the General Fund for the cost of police/fire pension benefits & wage costs related to turnover.

Section IV

Confirmation of Priorities

- Affordable, Desegregated Housing
- Robust Mobility System
- Leadership in Sustainability
- "A Great Place to Live" – Thriving Downtown, Vibrant Parks
- Strong City Services