



BUDGET WORK SESSION

March 11, 2024 – Council Chambers

INTRODUCTION

The following areas of focus will be presented to you by staff:

- Marti Praschan, CFO - FY25 Fiscal Outlook/Budget Process
- Brian Steglitz, Public Services Area Administrator – Public Services
- Derek Delacourt, Community Services Area Administrator – Community Services
- Laura Orta, Director of Organizational Equity – OOE: Current roles and future needs
- Mike Kennedy, Fire Chief – Fire: EOC buildout needs, second ambulance, firehouse replacement need
- John Fournier, Deputy City Administrator – Key State & Federal Appropriations
- Maura Thomson, Executive Director – Downtown Development Authority (DDA)
- Jennifer Hall, Executive Director – Ann Arbor Housing Commission (AAHC)

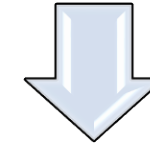
Thank you for your participation and thoughtful consideration.

FY25 BUDGET PLAN FISCAL OUTLOOK

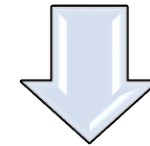
Marti Praschan, CFO

Budget Calendar

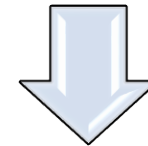
March 11, 2024 – **Today** (Council Work Sessions)
Staff Presents Overview of Budget



April 15, 2024 (Council Presentation)
City Administrator Presents Recommended Budget
First Reading of Ordinances for Rates Changes



May 6, 2024 (Public Hearings)
Public Hearings on Budget, Ordinances and Fee/Rates Changes
Second Readings of Ordinances and Rates Changes



May 20, 2024 (Council Consideration)
Council Considers Resolutions for Fee Changes and Budget Adoption

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:
 - 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.).

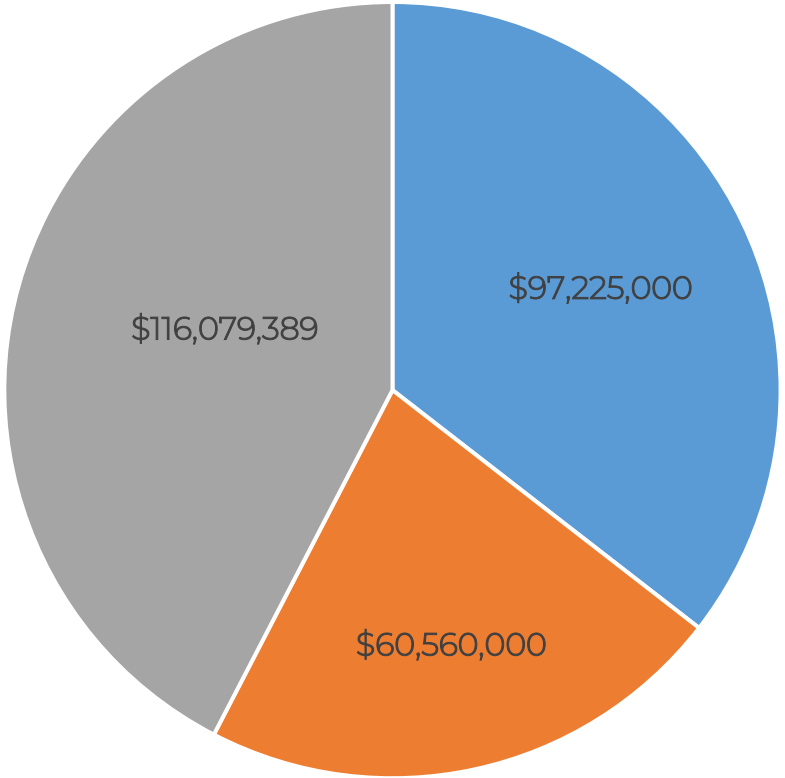


City not allowed to expend monies unless budgeted, so June has year-end budget amendment for areas forecasted to overrun.

Millage Capacity

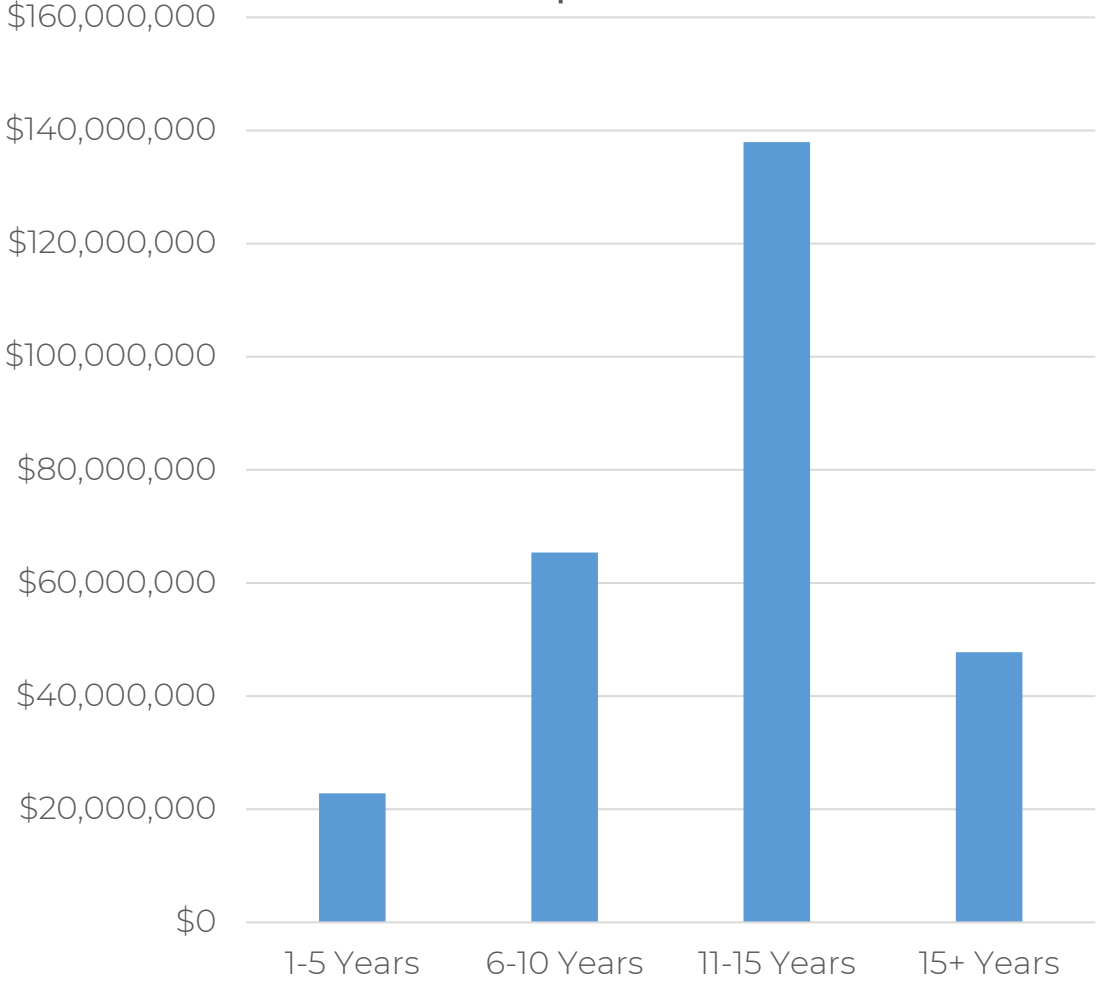
Purpose	Original Millage	Levied (24)
General Operating	7.5	5.7967
Employee Benefit	2.5	1.9321
AATA Transportation	2.5	1.9321
Refuse Collection	3	2.3182
Park Maintenance/Capital Improvement	1.1	1.0732
Park Acquisition	.5	.4488
Street, Bridge, Sidewalk	2.125	2.0153
New Sidewalk Construction	.2	.1986
Affordable Housing	1	.9933
Community Climate Action	1	1
Subtotal:	21.425	17.7083
REMAINING ALLOWABLE LEVY	1.575	
	23	

Outstanding Debt \$273,864,389



■ General Obligation Bonds ■ Revenue Bonds ■ Revolving Loans

Debt Expiration



■ Debt Expiration

Revenue Assumptions

Real & Personal Property Tax

- FY 25 – 6% Increase (\$3.2M)
- FY 26-29 – 3% Increase

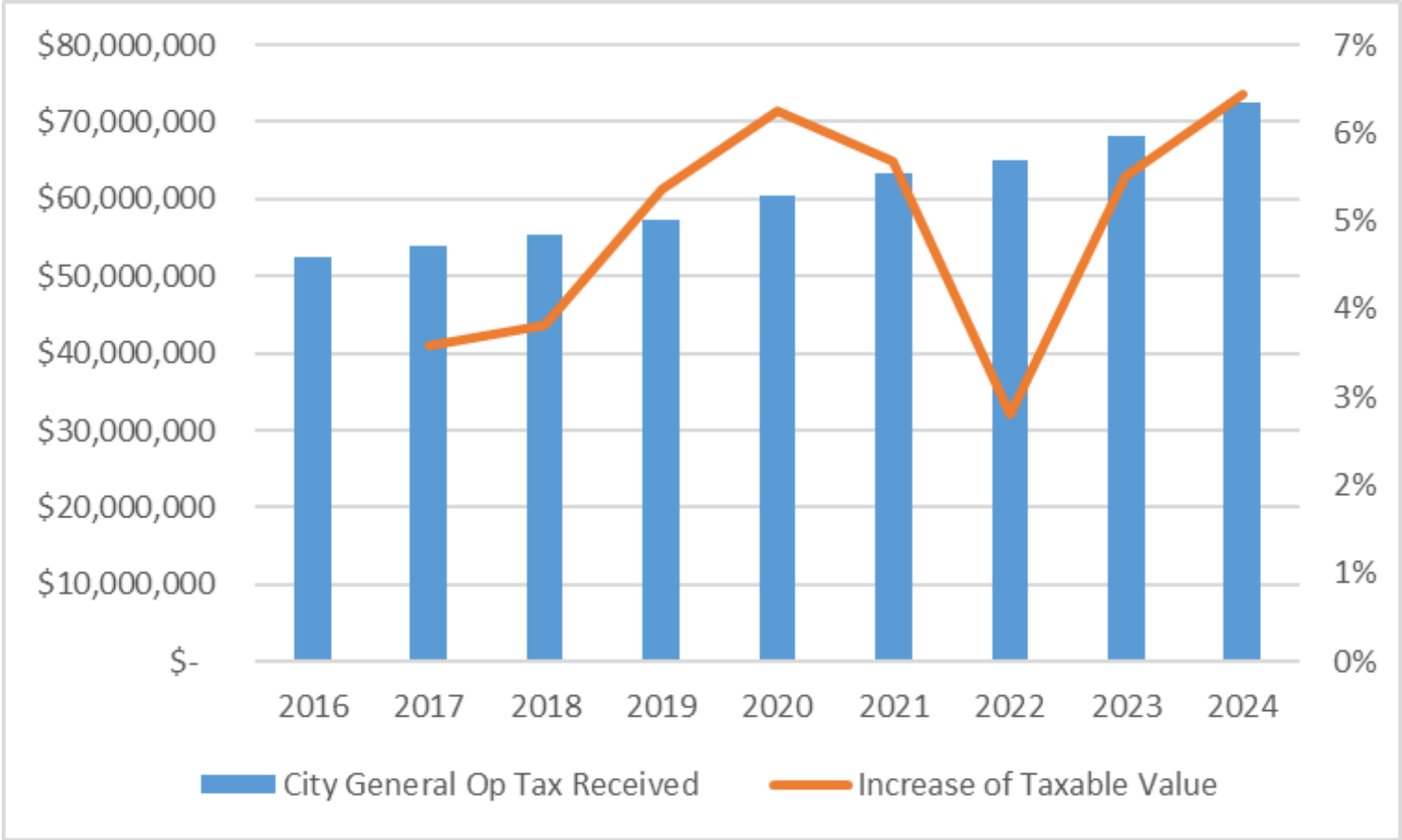
State Shared Revenue

- FY 25 - 25% increase -Constitutional
- 3% Statutory

Parking

- 16.0% Increase

Tax Levy History



Expenditure Assumptions

Personnel Services

- FY 25 – 2.6% Increase (\$1.3M)
- FY 26-29 – 3% Increase

Fringes

- FY 25 – 8.7% increase (\$2.4M)
- FY 26-29 – 6.8% increase

Other Services/Charges

- FY 25 – 8.69% Increase
- FY 26-29 – 3.7% Increase

General Fund Projections

FY2025 Financial Outlook General Fund

	<u>FY2025 Budget</u> (Mils.)	<u>FY 2027 Projected</u> (Mils.)	<u>FY 2028 Projected</u> (Mils.)	<u>FY2029 Projected</u> (Mils.)
<u>Recurring</u>				
Revenues	\$ 136.3	\$ 142.9	\$ 146.2	\$ 149.6
Expenditures	<u>(134.0)</u>	<u>(143.8)</u>	<u>\$ (149.5)</u>	<u>(155.5)</u>
Net Surplus/(Deficit)	\$ 2.3	\$ (0.9)	\$ (3.3)	\$ (5.9)
<u>One-time</u>				
Revenues	\$ 1.3			
Expenditures	<u>(2.6)</u>			
Net Surplus/(Deficit)	\$ (1.3)			
Net Surplus/(Deficit)	<u>\$ 1.0</u>			
Unassigned Fund Balance	\$ 16.0			
Policy range (15% to 20%)		15.6%		

City Financial Performance Measures

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>
<u>Independent Assessments</u>				
1. Financial Audit - 0 material weaknesses & 0 significant deficiencies	0 / 0	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+	AA+/AA/AA+
<u>Fiscal Control</u>				
3. General Fund structural deficit (recurring revenues - expenditures)	Balanced	Balanced	Balanced	Balanced
4. General Fund unassigned fund balance	18.7%	20%	28%	29%
<u>Debt/Liability Management</u>				
5. Pension funded ratio	85%	88%	88%	88%
6. VEBA (retiree healthcare) funded ratio	66%	76%	83%	83%

Utility Rate Increases

- **Water** –Revenue need to increase approximately **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 increase by **3.0%** to fund debt service related to the completed wastewater treatment plant.
- **Stormwater** –Revenues need to increase in FY25 by an estimated **3.0%** and stay in that range for the foreseeable future to fund large capital projects in the pipeline; as well as the systematic implementation of the asset management program.

PUBLIC SERVICES AREA

BUDGET IMPACTS AND HORIZON ISSUES

Brian Steglitz, Public Services Area Administrator

GENERAL FUND

Barton Dam Condition Assessment - \$60K
Art Fair Support - \$25K



ENGINEERING FUND

PRIVATE DEVELOPMENT

FTE for Plan Review - \$125K





WATER FUND

Barton Dam Condition Assessment - \$60K

Water System Repair Parts - \$275K

Water Distribution Model and Plan - \$300K

STORMWATER FUND



Stormwater Comprehensive Plan - \$166K



SANITARY FUND

Sanitary Sewer Collection System Comprehensive Plan - \$350K



STREETS FUNDS

MAJORS:

Vehicle Replacements - \$1.4M

(Source: Right of Way Maintenance - \$7.5M)

Road Diet Evaluations - \$150K (year 1 of 4)

(Source: Capital Preventive Maintenance Budget - \$650K)

LOCALS:

Traffic Calming - \$500K

(Source: Resurfacing Fund Balance - \$1.2M)



SOLID WASTE FUND

Vehicle Replacement - \$150K
Route Optimization Software - \$82.5K
**Temp Staff to Support Fall Compost
Collection - \$85K**



SNOW REMOVAL



Budget Request - \$500K

Contract Assistance for Locals - \$100K per event

Additional Salting on Locals - \$10K per event

ROWs and Refuge Islands - \$150K

Alternate day street parking to facilitate removal - \$0

Municipal Energy Utility

**Phase 2 Study to get an
appraisal of DTEs
Assets - \$1,000,000**



PUBLIC SERVICES AREA HORIZON ISSUES

DAM REHABILITATION

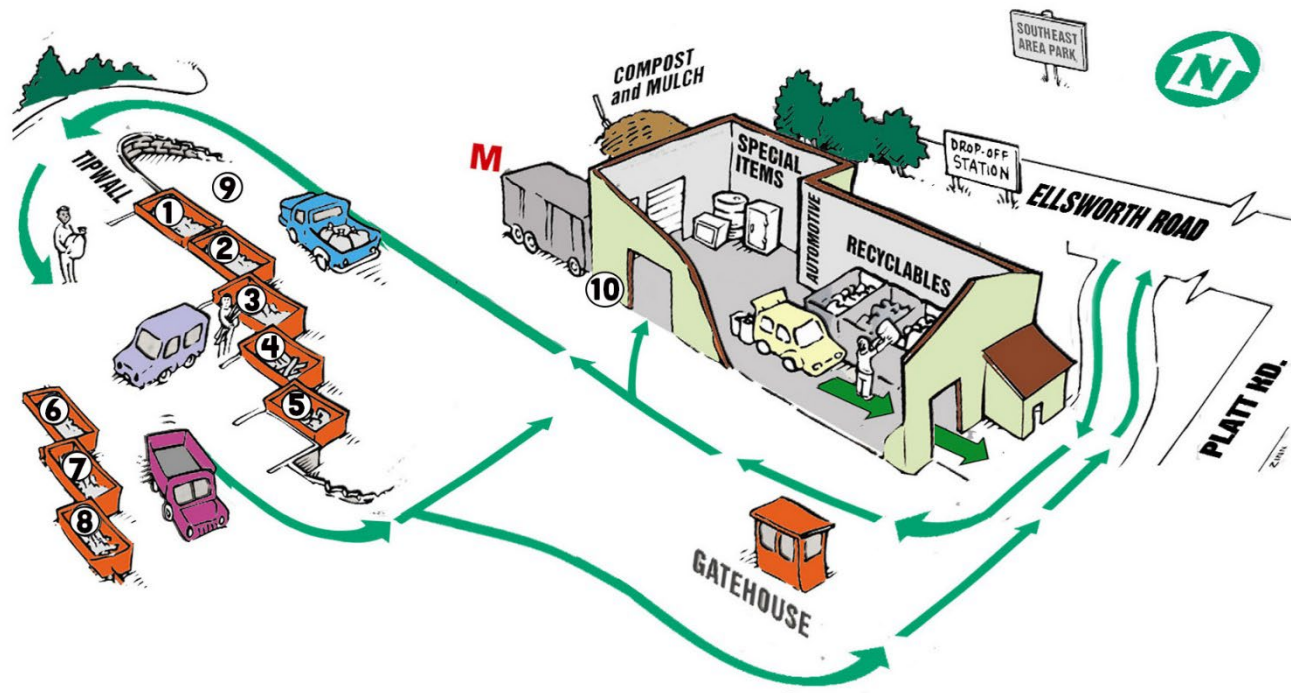


OLD DIXBORO ROAD BRIDGE



SOLID WASTE

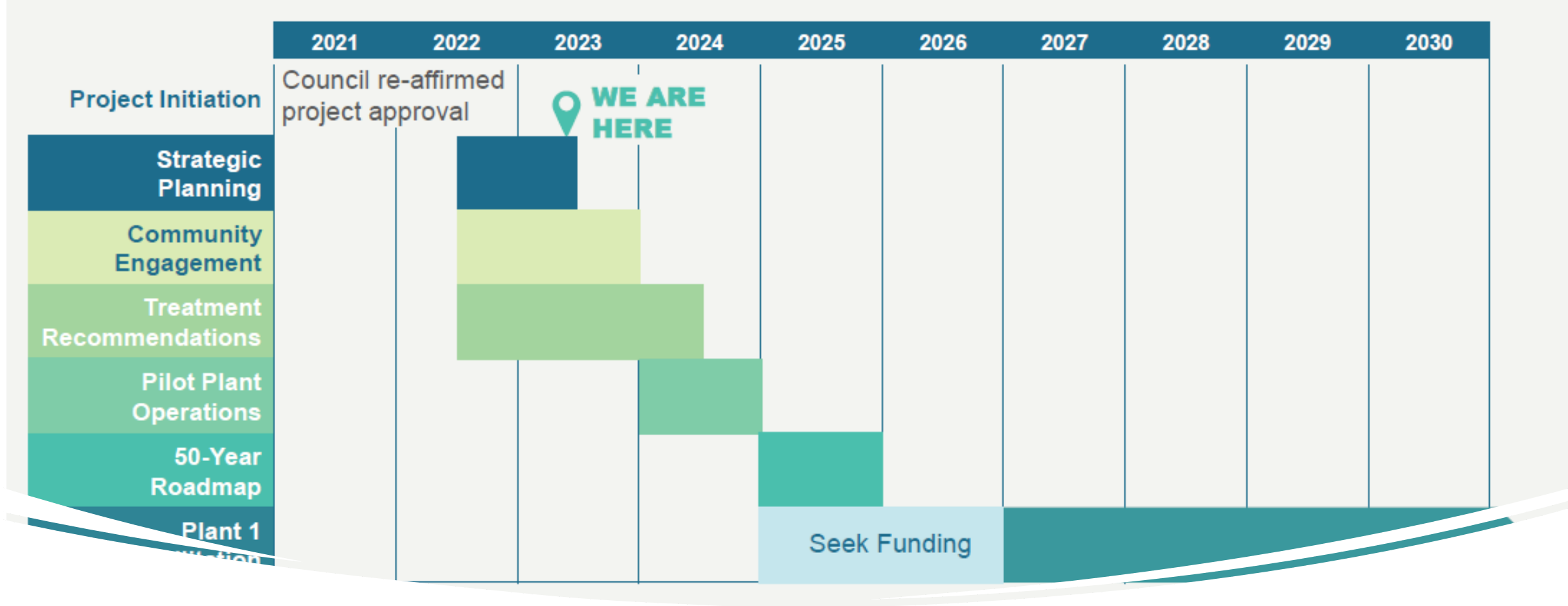
Drop off Station
Circular economy
Commercial composting





STREETS FUNDS

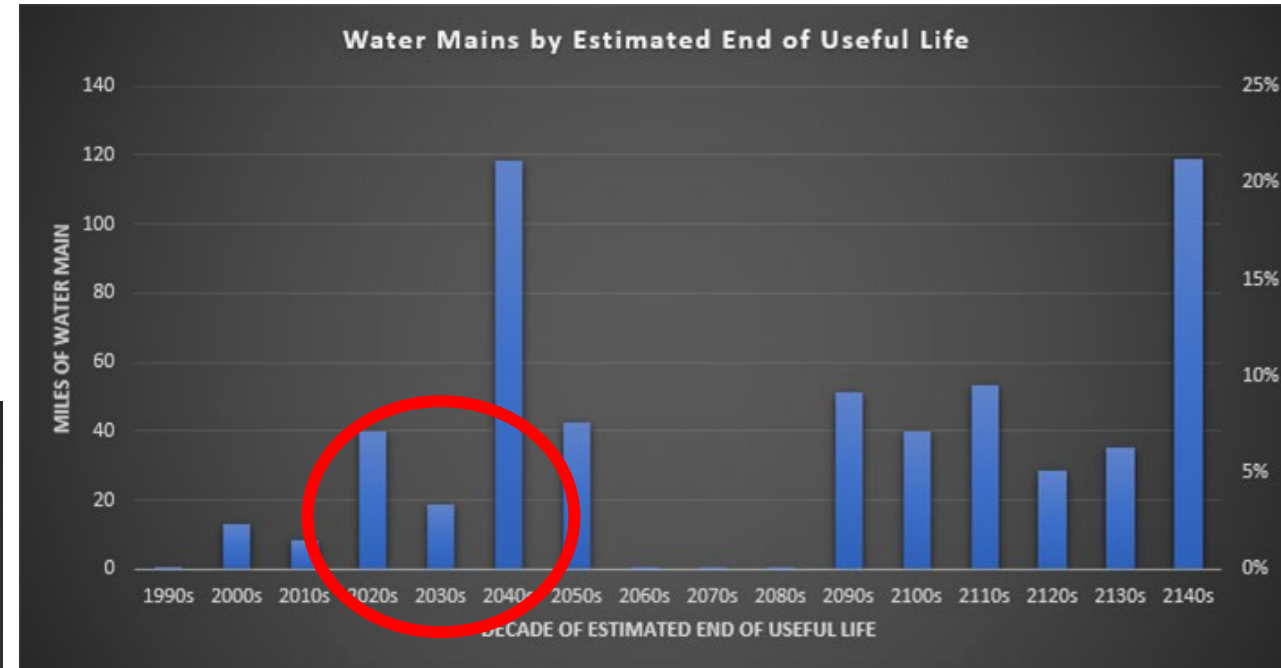
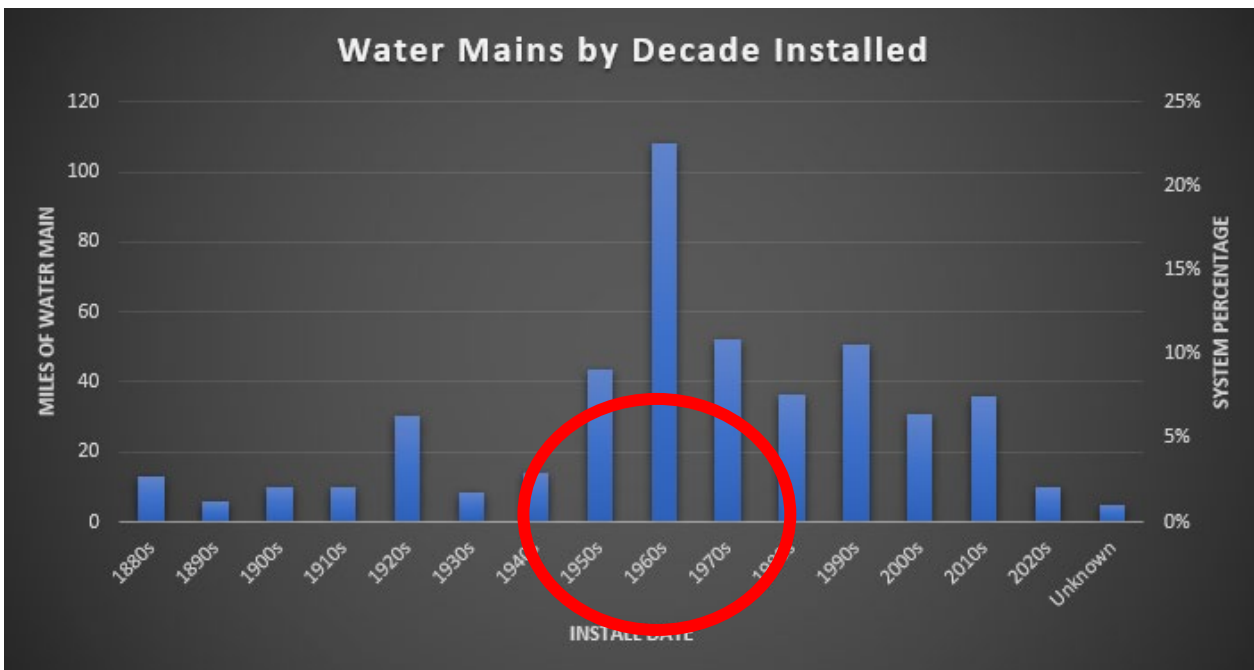
**Bicycle Infrastructure Maintenance
Resurfacing vs. competing needs
Trunkline Study**



UTILITY FUNDS

Water Treatment Plant Rehabilitation
 Utility System Capacity Analyses
 Economic Development and Zoning Changes

WATER FUND



1960's

2020's - 2040's

STAFFING

Private Development
Transportation
Public Works



SUSTAINABLE ENERGY UTILITY

- Future FTE

A) Current Scenario, No Outages



In this scenario, most residents receive their power from **DTE**, while some supplement that power with **renewable energy** like solar.

B) Current Scenario with DTE Outages



In this scenario, most residents are without power when **DTE's infrastructure** fails, while some keep the lights on using **renewable energy** like solar, paired with battery storage.

C) SEU Scenario, No Outages



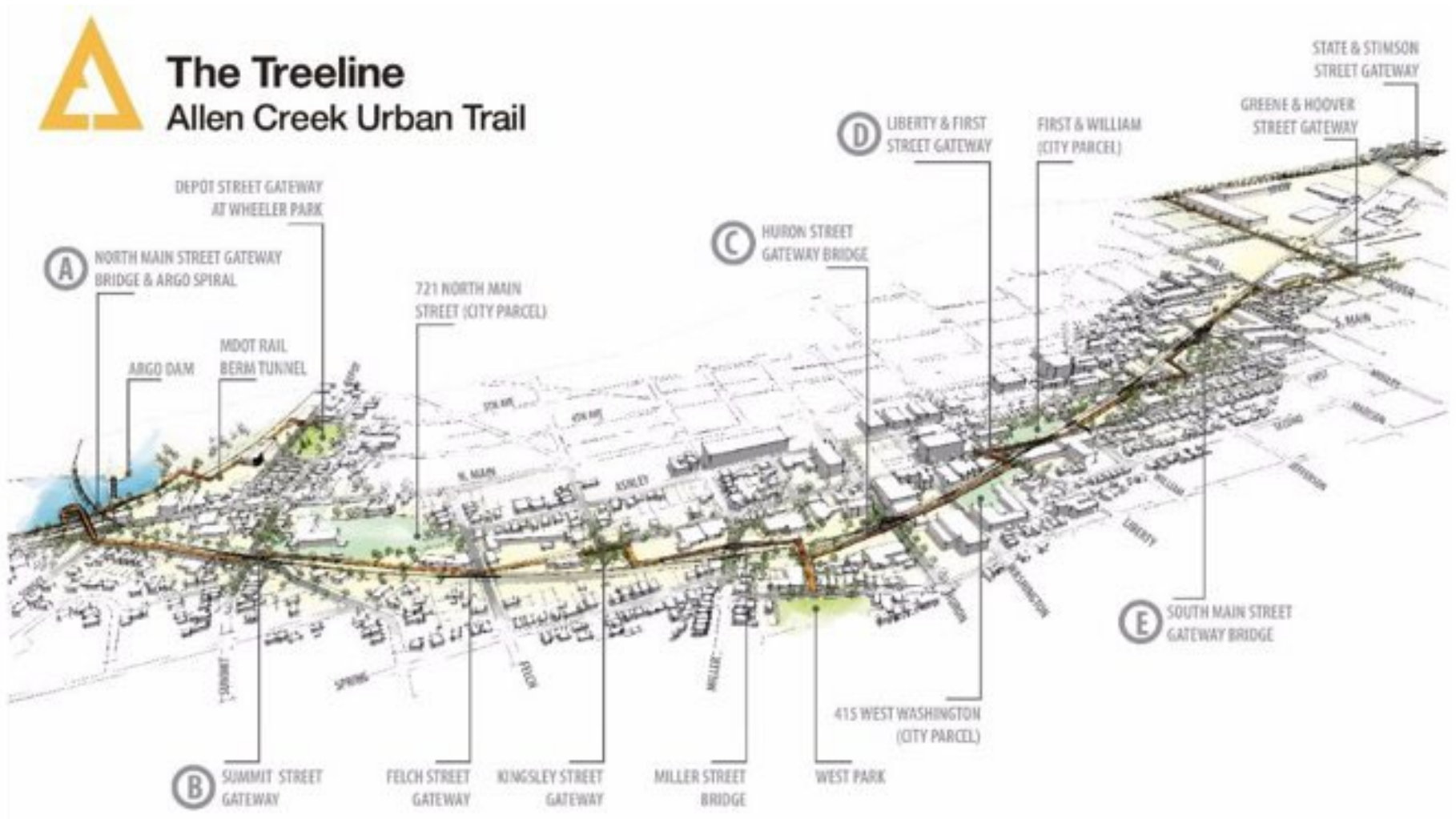
In this scenario, most residents receive their power from **DTE** and supplement that power with the **SEU's renewable energy**, dispersed through microgrids. Some residents only receive power from **DTE**.

D) SEU Scenario with DTE Outages



In this scenario, most residents retain power through the **SEU's renewable energy**, dispersed through microgrids and stored in batteries. Residents reliant on **DTE** lose power when **DTE's infrastructure** fails.

Treeline Trail



- Conceptual Plan was adopted by City Council in 2017
- General Collaborative Agreement between the City and the Treeline Conservancy was approved in 2019
- Resources will need to be allocated to realize the plan



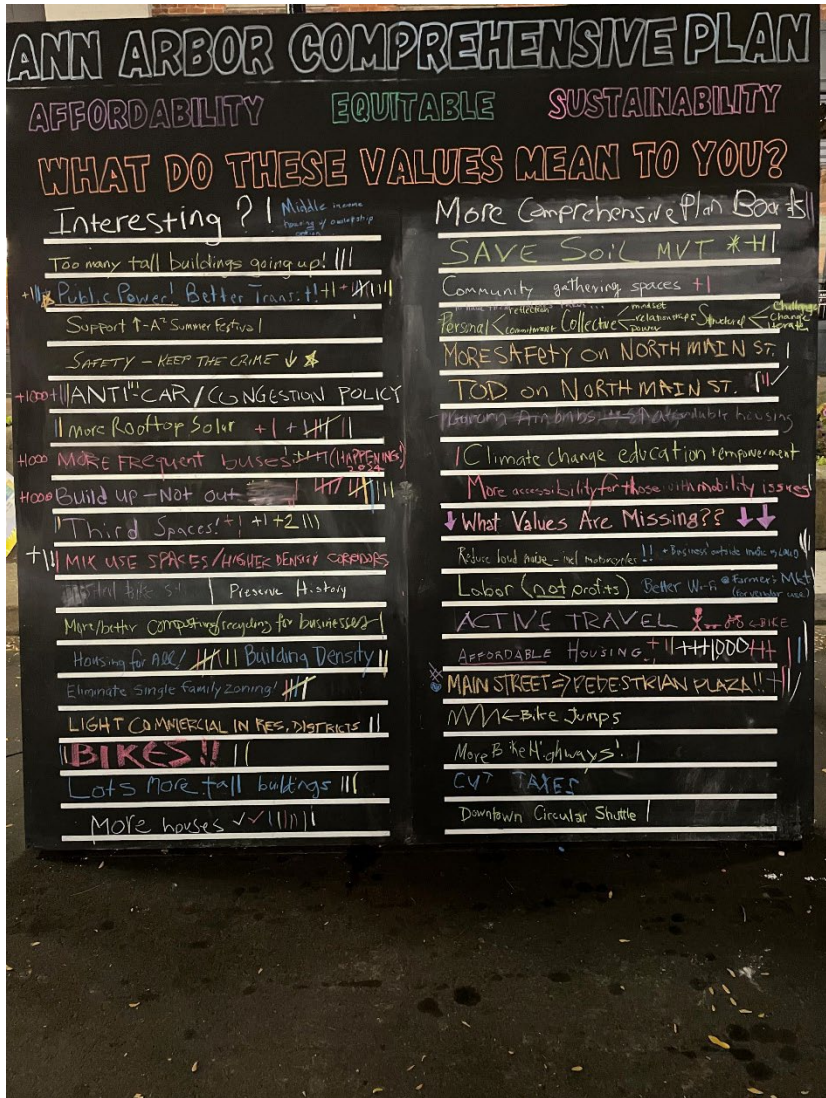
GRANTS

- **Water Treatment Plant Rehabilitation**
- **Dam Rehabilitation**
- **Safe Streets**
- **Urban Canopy**
- **Stormwater**
- **Drop Off Station**



COMMUNITY SERVICES AREA

Derek Delacourt, Community Services Area Administrator



Planning & Development Horizon Issues

Comprehensive Plan Implementation

- Adoption of the Plan Changes Nothing
- The Plan is Easy the Ordinance is Hard
- Council Expectations – Quick Transition to Implementation

Staffing Capacity

- Loss of Experience (two of five planners retired, 57 years of service)
- Proposing to Replace with Three Entry Level Planners
- Need to Balance Council Priorities with Planning Commission Workplan

Building & Rental Horizon Issues

Building Service (Construction Fund)

- Additional Trade Inspectors to Meet Demand (Hiring Process)
- Hiring a Permit Liaison
- Improve Customer Service
- Department Audit

Rental Service (General Fund)

- Increase Number of Inspections Annually
- Increase Capacity to Respond to Complaints



Parks and Recreation Horizon Issues

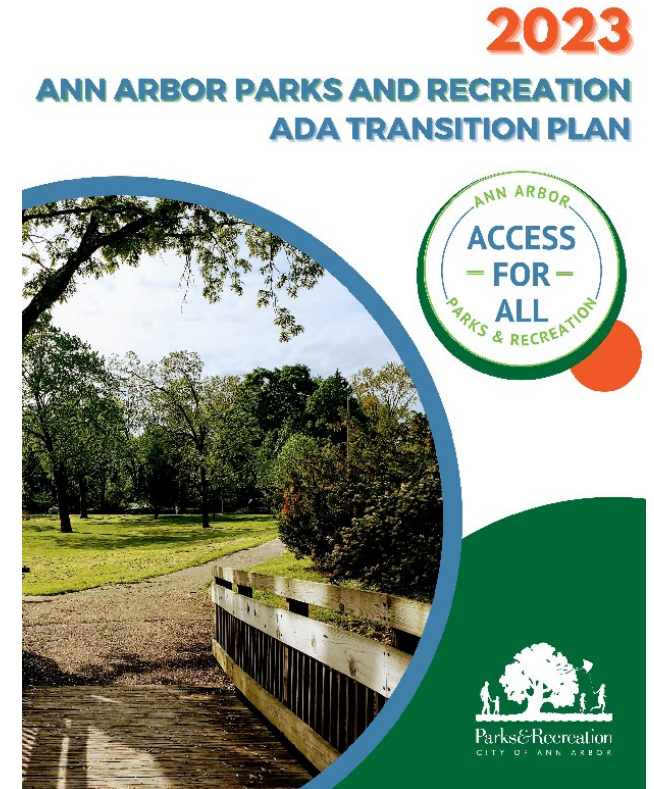
Capital Funding (Needs)

- Dam Rehabilitation (partner w PSA) 2-6 Million
- Dixboro Bridge (partner w PSA) 2-4 Million
- ADA Implementation 20 Million
- Capital Study Implementation (In Process) 75-125 Million
- Playgrounds at End of Life (13x150k each) 2-3 Million
- Veterans Rink Updated Existing System 2-3 Million
 - Facility Replacement 20 – 25 Million
- Buhr Rink Compressor Updates 2-3 Million

Parks and Recreation Horizon Issues

Capital Funding (Process/Considerations)

- No Magic Bullet – Some Combination of All
- Capital Study
- Extending Millage Renewal to Allow Bonding
- Fee Evaluation
- Sponsorships, Grants, P3's
- Evaluation of Property for Sale to Meet Other Council Priorities
- Elimination of Services and Facilities
- Additional Millage / Bond



DIVERSITY, EQUITY & INCLUSION

Laura Orta, Director of Organizational Equity

Office of Organizational Equity (OOE)

Major Focus Areas and Initiatives

Highlights/Focus Areas	Description	Outcome
<ul style="list-style-type: none"> • Visibility, engagement, knowledge, and implementation of expertise • Professional Development 	<ul style="list-style-type: none"> • Creative branding • Participation in community events • Continuously honing and updating expertise through ongoing certification and discipline maintenance 	<ul style="list-style-type: none"> • Strengthened stakeholder engagement and connectivity to community • Positioning Ann Arbor as THE leader of DEIAJ+ in public service

Office of Organizational Equity (OOE)

Major Focus Areas and Initiatives

Highlights/Focus Areas	Description	Outcome
<ul style="list-style-type: none"> Everything Begins with Equity (EBE) Create OOE Ambassadors infusing DEIAJ+ in every area of City. 	<ul style="list-style-type: none"> Empower and guide leaders on seamless DEIAJ+ integration of reports, reviews, project, programs, etc. City staff empowered with OOE-certified DEIAJ+ training 	<ul style="list-style-type: none"> Informed decision making through data utilization Improved accountability and transparency Fostering of an inclusive culture Demonstration of commitment to DEIAJ+ principles

Office of Organizational Equity (OOE)

Major Focus Areas and Initiatives

Highlights/Focus Areas	Description	Outcome
<ul style="list-style-type: none"> Refreshing and refining all areas of City work with an accessible, equitable, and inclusive framework Elevating City-wide data mastery: best practices, training, and support for all departments and commissions. 	<ul style="list-style-type: none"> Accessibility Coordinator creating, educating, reviewing, and updating as needed Revolutionizing DEIAJ+ reporting for resolutions, assessments, audits, accreditations, and beyond. 	<ul style="list-style-type: none"> Continued compliance to ADA regulations Modernized approach to accessible public and internal communications & services Enhancement of decision making through data

Office of Organizational Equity (OOE)

Major Focus Areas and Initiatives

Highlights/Focus Areas	Description	Outcome
<ul style="list-style-type: none"> Embedding DEIAJ+ in HR Equitable & Inclusive Modernization of Recruitment and Retention 	<ul style="list-style-type: none"> DEI Training for HR employees Measure and assess changes Data collection and gap analysis Reconstruction of entire hiring and retention processes 	<ul style="list-style-type: none"> Expanded knowledge & approach to HR work through a DEIAJ+ lens Increased retention & employee satisfaction Driving institutional and systemic changes

Office of Organizational Equity (OOE)

Horizon Issues

Highlights/Focus Areas	Description	Outcome
<ul style="list-style-type: none"> Internal & External Equity Assessments 	<ul style="list-style-type: none"> Assessing DEIAJ+ needs and understanding in City employees and community 	<ul style="list-style-type: none"> Identification of disparities and driving systemic change Enhancing resource allocation Building trust, promoting space for constructive discourse Greater satisfaction in community opinion of City governance

FIRE SERVICE- FUTURE

Chief Kennedy

Fire Service Future

Highlights/Focus Areas	Description	Outcome
Emergency Operations Center	Create multi-use, turnkey EOC space	Coordination of response to increasing hazards
Ambulance transport	Purchase second ambulance to address increasing peak demand periods	Ensure EMS transport capability to City
New Fire Station 4	Replace failing infrastructure	First Net-Zero Fire Station in Michigan



Fire Station 4

- Wait for federal earmark window
- Use State of Michigan funds for bond – eligible use
- Fall 2024 bid
- Spring 2025 construction

STATE & FEDERAL APPROPRIATIONS

John Fournier, Deputy City Administrator

State and Federal Appropriations

Current Requests

State Appropriations	Federal Appropriations
Election Center Funding \$2 million	Train Station Design \$1.5 million
Fire Station Replacement \$12 million	Barton Pond Embankment \$2 million
Emergency Operations Center \$500K	Treeline Trail Acquisition \$2 million

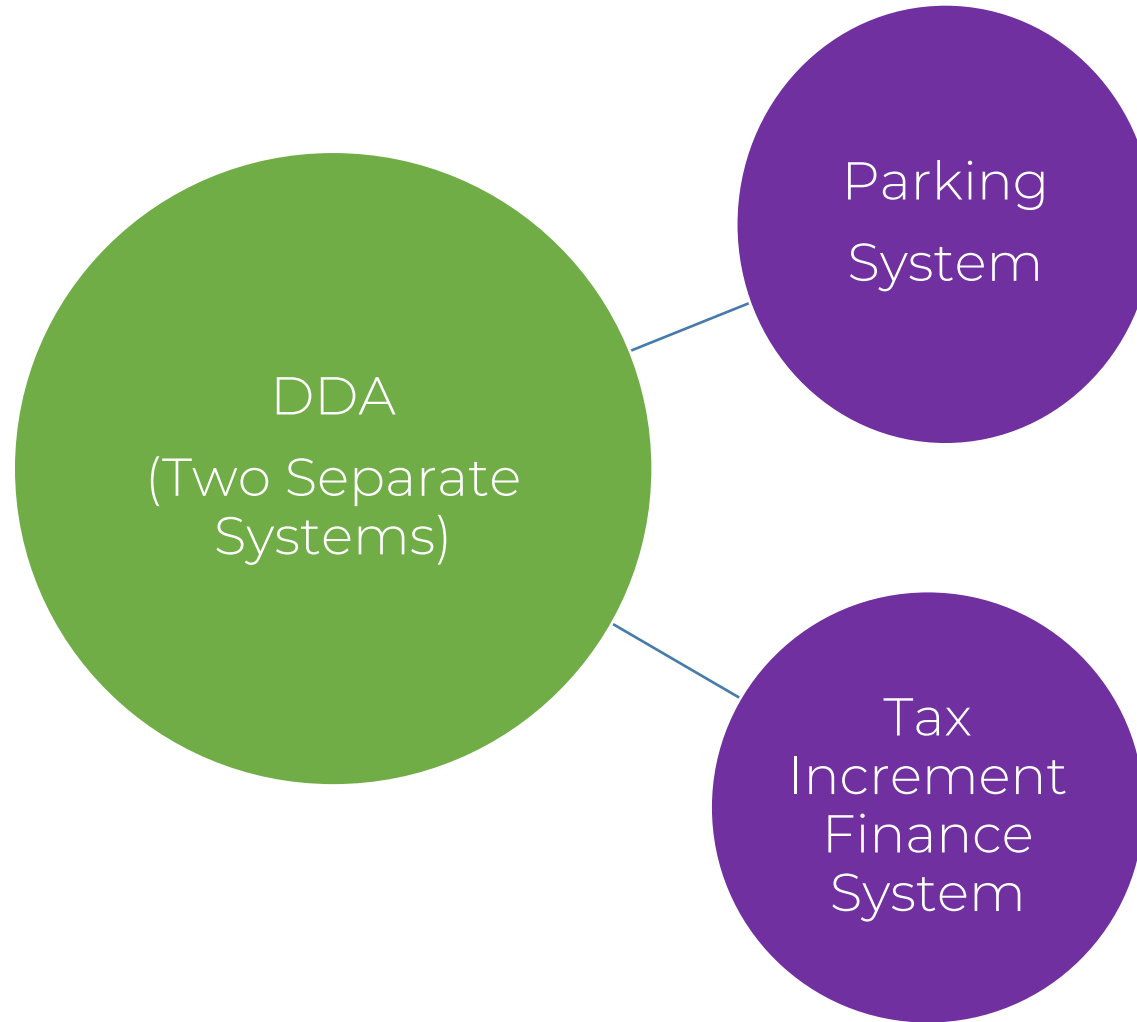
State and Federal Appropriations

Horizon Issues

Major Projects
Replacement of Water Treatment Plant (\$108.1 million)
Recycling Drop Off Center (\$4.75 million)
Major Capital Needs in the Parks System (Unknown)
Treeline Trail (\$110 million)
Barton Dam Rehabilitation (\$7.2 million)
Carbon Neutral Ann Arbor (\$55 million)
Train Station (\$100+ million)

Downtown Development Authority (DDA)

Maura Thomson, Executive Director



Parking System

DDA Parking System FY25

Major Focus Areas and Initiatives

Highlights/Focus Areas	Description	Outcome
Proposed Rate Increases	April DDA Board consideration for June 1 implementation	Maintain City assets and a financially sound parking system
Sustainability / Energy Efficiency	Replace 888 metal halide light fixtures with LEDs (\$1M)	Energy efficient light fixtures in 2 structures / energy savings
Rooftop Fencing	Replace rooftop fencing (\$1.4M)	Enhanced design and materials
Annual Restoration	Concrete & masonry repairs, joint sealants, striping, Weatherproofing (\$1.6M)	Extend longevity of City assets

DDA Parking System On the Horizon

Highlights/Focus Areas	Description	Outcome
Financial Stewardship	Muniworth Software	Ensure financially sound system
Capital Improvements	Follow 20-year maintenance plan	Maximize longevity of City assets
Sustainability / Energy Efficiency	Continue light fixture replacement & maintain existing facilities	Reduce energy use & reduce demand for new construction
Encourage transit use	Continue funding the goPass & getDowntown program	Reduce VMT, downtown employee benefit

Tax Increment Finance System (TIF)

DDA TIF System FY25

Major Focus Areas and Initiatives

Highlights/Focus Areas	Description	Outcome
New Development & TIF Plan	Create new plans based on values & goals	Plan alignment with City goals and State Statute
Downtown Area Circulation Study	Balance demands on streets based on community values	Inform future capital investments downtown
Energy Utility Study	Identify locations for geothermal downtown	Inform future capital investments downtown
Base Level of Service Documentation	Document City/DDA maintenance responsibilities	Identify gaps in maintenance
Data Collection	Placer.ai ; Replica; Eco-counters	Understand pandemic recovery trends & project outcomes

DDA TIF System

Horizon Issues - Resiliency

Highlights/Focus Areas	Description	Outcome
Place Making & Vibrancy	Quality of life infrastructure	Vibrant downtown
A2Zero	Transit corridors, bikeway connections, geothermal, stormwater infiltration, street trees	Lower VMT, guard against climate events, advance 2030 A2Zero goals
Vision Zero	Street redesign, two-way restoration, separated bikeways	Advance 2025 Vision Zero goals
Affordability	Infrastructure investments & Housing grants	Increase housing options & safeguard existing units
Revenue Constraints	DDA Development & TIF Plan discussions	Prioritization

Ann Arbor Housing Commission (AAHC)

Jennifer Hall, Executive Director

Ann Arbor Housing Commission

Major Focus Areas and Initiatives

Highlights/Focus Areas	Description	Outcome
<ul style="list-style-type: none"> Affordable Housing Development 	New Construction, Acquisition, Renovation	Housing Diversity, Sustainability & Accessibility
<ul style="list-style-type: none"> Financing 	Millage & Bond	Leveraged Local \$'s, Faster Production
<ul style="list-style-type: none"> Low-Income Resident Services 	Pass-Through Grants to Non-Profits	Housing Stability, Increased Physical & Economic Health

Ann Arbor Housing Commission

Horizon Issues

Highlights/Focus Areas	Description	Outcome
County Mental Health Millage Rebate	Expires FY26, County Nov 24 ballot	\$1.2 million annually passed through AAHC to nonprofits resident services for eviction prevention, youth & families, financial self-sufficiency & other
Marijuana Rebate Funds	Intent to redress historical drug policy harms	Resident services for eviction prevention, homeless shelters, trauma-informed case management, youth programs, Catherine community space
Staffing, Office & Maintenance Facility	Add FTE's & acquire or build facility	Capacity to deliver housing & services

Budget Question Process

WRAP-UP AND QUESTIONS

- Please send any FY25 budget questions to **Sara Higgins**, copying Milton Dohoney Jr., Marti Praschan, and Kim Buselmeier. Responses will be organized by topic and responded to throughout the budget season.



THANK YOU
