

**BUDGET AMENDMENTS AS PROPOSED BY ANN ARBOR CITY COUNCIL  
ON MAY 21, 2018**

**Amendment 1-Amendment to decrease the General Fund fund balance by \$1,295,000 and increase the General Fund Non-departmental expenditure budget by \$1,295,000 to finance and effectuate settlement of the litigation related to 350 S. Fifth Ave.**

Whereas, On or about April 2, 2014, the City executed a deed (“Deed”) and delivered it to Fifth Fourth, LLC (“Fifth Fourth”), which accepted it, and the conditional, limited interest it conveyed to in the property commonly known as 350 South Fifth Avenue, Ann Arbor, Michigan 48104 (“Property”);

Whereas, The Deed conditions Fifth Fourth’s interest on, among other things, its acquisition of a certificate of occupancy for Deed-prescribed improvements (“Certificate of Occupancy”) prior to January 1, 2018 (administratively extended to April 3, 2018, at Fifth Fourth’s request);

Whereas, The Deed provides that if Fifth Fourth failed to satisfy all conditions on its interest, fee simple absolute title to the Property returns to the City with the City’s payment of the lesser of \$4,200,000 or an appraised value of the Property;

Whereas, Fifth Fourth filed a lawsuit in February 2018 to, among other things, challenge the City’s reversionary interest in the property;

Whereas, On May 9, 2018, the City attempted to pay Fifth Fourth the \$4,200,000, but Fifth Fourth refused the payment;

Whereas, The City, Fifth Fourth, and Dennis A. Dahlmann, Fifth Fourth’s owner, who is also a plaintiff in the lawsuit, have entered into settlement negotiations in which Fifth Fourth has indicated willingness to now accept this payment along with an additional payment to resolve all remaining claims in the lawsuit;

Whereas, Dennis A. Dahlmann and Fifth Fourth have made a written offer to the City to accept the \$4,200,000 along with an additional \$1,000,000 to Fifth Fourth to settle the entire lawsuit;

Whereas, Other City costs associated with this settlement are estimated at approximately \$145,000, and may, as applicable, include estimated costs for: a title insurance premium, closing costs, a Baseline Environmental Assessment, transfer taxes (\$36,000), reimbursement of taxes paid (\$6,500) and payment of property taxes (\$78,500, approximately \$21,000 of which will be paid back to the City as its share of the taxes.);

Whereas, In Council resolution R-18-140 the City anticipated funding the \$4,200,000 payment and other costs associated by the issuing a general-obligation bond, the cost of which the City estimates to be \$150,000;

Whereas, If Council approves this budget amendment and resolves to approve the settlement offer, a resolution authorizing a Notice of Issuance for General Obligation Bonds should be brought for Council consideration at its next regularly scheduled meeting; and

Whereas, The additional amount that should be budgeted for additional costs is up to:

\$1,000,000	possible settlement payment
\$ 150,000	possible bond-issuance costs
<u>\$ 145,000</u>	<u>possible closing costs and taxes</u>
\$1,295,000	total costs to be reimbursed by bond issuance;

RESOLVED, That the General Fund fund balance be decreased by \$1,295,000;

RESOLVED, That the General Fund Non-departmental expenditure budget be increased by \$1,295,000; and

RESOLVED, That staff bring the Notice of Issuance of General Obligation Bonds to fund the full costs effectuating title to the Property to the City Council's June 4, 2018 regularly scheduled meeting.

Sponsors: Councilmember Smith, Westphal, Grand

**Amendment 2- Amendment to Utilize FY18 Deer Management Spending Underrun to Increase Deer Management Funding in the FY19 Budget**

Whereas, The City has determined that its urban deer population are creating public safety and ecological conflicts in its natural areas and neighborhoods;

Whereas, Council has approved a multi-year Deer Management Program with planned recurring funds for FY2018 and FY2019 of \$260,000 per year;

Whereas, the FY2018 General Fund Deer Management Program budget was amended and increased to \$370,000 by reducing the FY2019 planned funding from \$260,000 to \$150,000;

Whereas, the FY2018 program is projected to not utilize \$61,000 of the approved expenditures plus received \$32,000 in unbudgeted revenues for a combined underrun of \$93,000 in the General Fund;

Whereas, the final report for the FY2018 program will not be available until June 2018 due to the continued data collection efforts (i.e. citizen survey and deer browse damage study);

Whereas, the final scope of the FY2019 program cannot be established without the final results of the FY2018; and

Whereas, the General Fund proposed FY2019 budget includes \$150,000 in the Building & Rental Services expenditure budget for deer management;

RESOLVED, the General Fund Building & Rental Services expenditure budget be increased by \$93,000, increasing the funding for the Deer Management Program with a one-time use of fund balance from \$150,000 to \$243,000; and

RESOLVED, after the FY2018 final report is issued that city staff share with Council a spending plan for the FY2019 program.

Sponsors: Councilmembers Lumm, Westphal, Kailasapathy, and Eaton

### **Amendment 3-Amendment to Increase 2 FTEs for Police Service Specialists**

WHEREAS, sworn officers staff the police front desk after normal business hours;

WHEREAS, the cost of 2.0 FTEs for Police Service Specialists is \$149,198;

RESOLVED, the General Fund Police expenditure budget be increased by \$149,198 for 2.0 Police Service Specialist FTEs for the purpose of staffing the front desk after hours funded with the elimination of the Assistant City Administrator (1.0 FTE) reducing the General Fund City Administrator budget by \$149,198.

Sponsors: Councilmembers Eaton, Lumm

### **Amendment 4-Amendment to Increase Funding for Outside Counsel for Advisory Task Force**

WHEREAS, The City Council adopted Resolution R-18-039, Creating an Advisory Task Force to Make Recommendations Regarding the Roles and Responsibilities of a Community Policing Commission, on February 5, 2018 directing the City Administrator to prepare a resolution by the March 19, 2018 regular City Council meeting to confirm nomination of the task force members;

WHEREAS, The City Council appointed a task force on March 19, 2018 to serve on the Advisory Task Force;

WHEREAS, The Advisory Task Force met on May 3, 2018, and its Co-Chair expressed

a clear and unequivocal request for the hiring of independent legal counsel to advise the Community Policing Commission;

RESOLVED, the General Fund Police non-recurring expenditure budget be increased by \$75,000 for the purpose of funding outside legal counsel for the Advisory Task Force and/or Community Policing Commission funded with the reduction of the General Fund Non-departmental budget for governance documents by \$75,000.

Sponsors: Councilmembers Eaton, Bannister, Kailasapathy

### **Amendment 5-Amendment to Increase Funding to Study Mental Health Needs**

WHEREAS, Washtenaw County residents, including residents of the City of Ann Arbor, approved a ballot measure to authorize a Mental Health and Public Safety Preservation Millage;

WHEREAS, The City of Ann Arbor has significant unmet needs in addressing community mental health issues, including but not limited to the opioid crisis, student mental health services and suicide prevention;

WHEREAS, A poll conducted by Public Policy Polling for Citizens for Mental Health & Public Safety, indicated that Ann Arbor voters support the use of public funds to provide additional mental health services;

WHEREAS, The City of Ann Arbor has not budgeted any funds for Mental Health assessment and planning;

RESOLVED, the General Fund Police non-recurring expenditure budget be increased by \$75,000 for the purpose of funding a study of mental health needs funded with the reduction of the General Fund Non-departmental budget for governance documents by \$75,000.

Sponsors: Councilmembers Eaton, Bannister

### **Amendment 6-Amendment to Increase Police Staffing in the FY19 Budget by Two Officers with Consideration to Enhance Unassigned Proactive Patrolling (Free Patrol) in Neighborhoods**

Whereas, public safety is a core, essential city service and a service priority highly valued by many community residents and taxpayers; and

Whereas, over the last fifteen years, the number of sworn officers in the AAPD has been reduced by 49 officers, or 29%, from 171 in FY03 to 122 in FY18; and

Whereas, the Community Policing Unit had 23 FTE at its peak (lieutenant, sergeant, 14 officers, and community service assistants) and currently the Community Engagement Unit consists of 4 FTE's; and

Whereas, the number of hours of unassigned proactive patrolling (free patrol) has decreased from 42,424 hours in 2013 to 25,333 in 2017; and

Whereas, the FY19 budget proposal for the Police Department increases the number of sworn officers by two, but as indicated at the Council budget retreat in December, these two officers will “replace staff pulled off for training and FOIA”; and

Whereas, the Hillard Heintz study commissioned by the City made two primary recommendations in November 2017 to improve police-community relationships and build trust (1) establish a co-produced policing committee and (2) re-invigorate its community policing effort and operationalize a community policing strategy; and

Whereas, City Council has re-affirmed “Safe Systems for Auto, Pedestrian, and Bike Users” as a Council budget priority and A2SafeTransport - a community-based organization focused on improving pedestrian safety at Ann Arbor schools - identified increased traffic enforcement as an essential improvement necessary at each school location: and

Whereas, in addition to improving pedestrian safety at schools, enhanced traffic enforcement and patrols will also improve neighborhood safety (both real and perceived) which is a priority of many residents and neighborhoods; and

Whereas, the incremental cost of two officers is \$182,560; and

Whereas, Ann Arbor voters supported the Washtenaw County “Mental Health and Public Safety Millage in November 2017, and it is reasonable to conclude many of those voters believed the millage would result in improved public safety in Ann Arbor; and

Whereas, the County Millage will provide \$2.2 million annually in revenue to the City of Ann Arbor and the cost for two officers represents just 8% of that \$2.2 million;

RESOLVED, that the recommended FY19 budget be amended to increase the budgeted FTE in the Police Department by two (150 FTE to 152 FTE) and that FY19 Police General Fund recurring expenditures be increased by \$182,560, funded with a transfer from the County Millage fund (fund 0100), to reflect the two additional officers;

RESOLVED, that the County Millage fund (fund 0100) expenditure budget be increased \$182,560, 50% from the Affordable Housing allocation and 50% from the Climate allocation, for a transfer to the General Fund (fund 0010) so the General Fund recurring revenues and expenses remain balanced;

RESOLVED, that City Council requests AAPD to consider deploying the additional officers and resources in unassigned proactive patrol (free patrol) to improve neighborhood and school safety.

Sponsors: Councilmember Lumm, Eaton

**Amendment 7- Amendment to Remove the \$750,000 undefined, line-item expenditure for Strategic Initiatives in the SmartZone LDFA's FY19 Budget Proposal and Reduce the SmartZone LDFA FY19 Expenditure Budget by \$750,000 to \$3,564,100**

Whereas, the Ann Arbor-Ypsilanti SmartZone is a Local Development Finance Authority (LDFA) funded by the State of Michigan and its governing body is a nine-member Board of Directors with six members appointed by Ann Arbor City Council and three members by Ypsilanti City Council; and

Whereas, the SmartZone LDFA is included in the City of Ann Arbor's Comprehensive Annual Financial Report (CAFR) as a Component Unit; and

Whereas, the SmartZone LDFA budget is submitted by the SmartZone LDFA Board to Ann Arbor City Council for consideration and City Council explicitly approves the SmartZone LDFA budget as part of the "Resolution to Adopt the Ann Arbor City Budget and Related Property Tax Millage Rates"; and

Whereas, the SmartZone LDFA expenditures have grown dramatically from \$1.9 million in FY15 to an estimated \$3.3 million in FY18 – an increase of over 70% in just three years: and

Whereas, the SmartZone LDFA expenditure budget for FY19 submitted by the Board for Council consideration is \$4,314,100 – 31% higher than last year – and includes an expenditure line item of \$750,000 for "Strategic Initiatives"; and

Whereas, in response to Council Member requests for additional detail on the \$750,000 for Strategic Initiatives, it was indicated that "The SmartZone is wrapping-up its strategic planning efforts in the next couple of months and will share this with Council later this year"; and

Whereas, Ann Arbor City Council believes that approving a budget that authorizes expenditures of this magnitude (three quarters of a million dollars) without any detail or

commitments on deliverables and outcomes is not appropriate or consistent with Council's fiduciary responsibilities to taxpayers;

RESOLVED, that the undefined \$750,000 line item for Strategic Initiatives be removed from the SmartZone LDFA FY19 expenditure budget and the SmartZone LDFA FY19 total expenditure budget be reduced by \$750,000 from \$4,314,100 to \$3,564,100;

RESOLVED, that if the SmartZone LDFA Board subsequently presents to City Council an amended FY19 budget request with supporting detail for additional expenditures, City Council will consider the amended proposal on a timely basis.

Sponsors: Councilmembers Lumm, Bannister, Eaton, and Kailasapathy

**Amendment 8- Amendment Regarding Community Participation and Engagement in Developing City Budget and Spending Priorities for the FY2020 Budget and FY2021 Financial Plan and Authorizing One-Time Expenditure in FY19 of up to \$50,000**

Whereas, an essential element of an effective local government is alignment of revenue and spending plans with the priorities of the citizens it serves; and

Whereas, active public engagement and community input are cornerstones of local government in Ann Arbor and principles highly valued by, and expected from our citizens: and

Whereas, the City of Ann Arbor operates on a two year budget cycle and in May 2019, the City will adopt the FY20 Budget and FY21 Financial Plan; and

Whereas, City Council's participation in the planning/priority setting for the FY20 Budget and FY21 Financial Plan officially commences on December 10, 2018 at Council's annual budget retreat: and

Whereas, City Council believes soliciting citizen input on budget and spending priorities in advance of the December kickoff will provide staff and Council the information and data that's required to ensure a FY20 Budget and FY21 Financial Plan that reflects the community's priorities: and

Whereas, the City conducts the National Cities Survey which provides general feedback on livability in Ann Arbor, but does not provide meaningful input on budget and spending priorities and the City has not solicited specific budget and spending priority feedback since the City-Wide Services Study conducted 20 years ago which was based on a Eugene, Oregon model; and

Whereas, many cities now utilize interactive, on-line tools to actively engage citizens in setting budget and spending priorities and those tools share three common characteristics (1) educating residents about the budget and cost of services (2) soliciting specific input on service priorities and tax/fee levels, ensuring that tradeoffs are clearly understood and (3) providing residents the opportunity to indicate how they would structure spending (e.g. increase/decrease spending on a service/program); and

Whereas, some cities have adopted Participatory Budgeting which is a process that actually allows residents to make decisions on how to spend a small portion of the budget. While that may also be appropriate for Ann Arbor, it is different and does not provide the input necessary in determining overall budget and spending priorities: and

Whereas, the proposed FY19 City budget includes \$667,200 in one-time funding for Governance Plan updates including \$500,000 in new funding for FY19 and \$167,200 in carryover funding from FY18:

RESOLVED, that City Council directs staff to:

(1) evaluate potential tools (surveys, workshops, other) the City could utilize to obtain meaningful, objective citizen input and data on budget and spending priorities to better inform staff and council's deliberations on the FY20 Budget and FY21 Financial Plan, and (2) Present to City Council no later than September 1<sup>st</sup> staff's recommendations on the preferred tool/mechanism including projected cost and a process outline and timetable that obtains input prior to December 1<sup>st</sup>;

RESOLVED, that the General Fund one-time expenditure line item of \$667,200 for Governance Plan Updates be reduced by \$50,000 and a one-time expenditure line item of \$50,000 be established in the General Fund for Citizen Participation in Developing City Budget and Spending Priorities.

Sponsors: Councilmembers Lumm, Bannister, and Eaton

**Amendment 9- Amendment to Authorize a One-Time Expenditure in FY19 of up to \$20,000 to Obtain Citizen Input Regarding Partisan vs. Non-Partisan Local Elections in Ann Arbor**

Whereas, the City of Ann Arbor is one of just three cities in Michigan to conduct local elections on a partisan basis (Ionia and Ypsilanti are the other cities): and

Whereas, all of Ann Arbor's regular benchmark cities (Boulder, Berkeley, Madison, Austin, East Lansing, Columbus) conduct local elections on a non-partisan basis; and

Whereas, the result of conducting local elections on a partisan basis in Ann Arbor is that the large majority of contested elections are held in low-turnout August primaries; and

Whereas, conducting elections on a non-partisan basis in Ann Arbor would allow the contested elections to be held in November where voter turnout is significantly higher.

Whereas, conducting elections on a non-partisan basis would require a change to the City Charter which must be approved by Ann Arbor voters; and

Whereas, the residents of Ann Arbor have not had an opportunity to have their voices heard on this question of partisan vs. non-partisan local elections since the 1950's; and

Whereas, regardless of one's personal position on the question of partisan or non-partisan local elections, it is reasonable and appropriate to offer voters the choice given that (1) Ann Arbor is a very clear outlier in conducting partisan local elections and (2) residents have not had the opportunity to weigh-in on the question in 60 years; and

Whereas, City Council has twice in the last 3 years (July 20, 2015 and July 7, 2016) rejected offering voters an opportunity to decide this question at the ballot box; and

Whereas, obtaining objective community feedback on the question of partisan vs. non-partisan local elections in Ann Arbor will serve to inform any future Council consideration; and

Whereas, the community survey component of the Deer Management program conducted by MSU's Research Center using a random sampling of households may provide a relevant survey process example and the cost for that service is approximately \$20,000; and

Whereas, the FY19 proposed General Fund budget includes \$262,612 of workforce planning carryover funding and in response to a question on the expected use of the overhiring provision, it was indicated that "for FY19, we are only aware of the City Attorney's two overhire employees at this time"

RESOLVED that City Council directs staff to develop and conduct a resident survey to obtain objective feedback on resident's opinions and preferences with regard to

conducting local elections on a partisan vs.non-partisan basis and report the findings to Council when completed;

RESOLVED that City Council authorizes up to \$20,000 for this purpose, and that the General Fund one-time expenditure line item of \$262,612 for workforce overhiring be reduced by \$20,000 and a one-time General Fund expenditure line item of \$20,000 be established for Citizen Survey on Non-Partisan Local Elections.

Sponsors: Councilmembers Lumm, Bannister, and Eaton

**Amendment 10-Amendment to Increase FY19 Funding for Street Resurfacing, Repair and Capital Preventative Maintenance, to Develop a Funding Plan to Achieve the City's Road Condition Target, and to Consider Revising the Fund Balance Policy for the Major and Local Street Funds**

Whereas, the poor condition of Ann Arbor streets is a continuing source of concern/frustration for Ann Arbor residents and "fixing the roads" is a priority frequently and passionately expressed by residents; and

Whereas, the City and MDOT have adopted the Pavement Surface Evaluation and Rating (PASER) scale to objectively measure street condition and the City has established a goal of having 80% of city streets rated at 7 (good) or higher by 2025; and

Whereas, the State of Michigan classifies streets as either "Major Streets" or "Local Streets" and roughly 2/3's of the Ann Arbor street system are Local Streets; and

Whereas, in April of 2014 and again in June 2017, a consultant was engaged to rate all city streets; and over the three year period from 2014 to June 2017 the condition ratings for Major Streets were essentially the same, but the ratings for Local Streets deteriorated significantly; and

Whereas, for Local Streets, 43% were rated "failed, very poor or poor" in 2017 compared with 30% rated "failed, very poor or poor" in 2014, and just 29% of Local Streets were achieving the target level of a 7 rating or higher; and

Whereas, for Major Streets, the ratings are higher than for Local Streets, but just half (49%) are at the target level of 7 or higher; and

Whereas, the City's current policy regarding fund balance for Local and Major Street funds is that "a one year's collection of the weight and gas tax revenues are held in fund balance" while the current policy regarding the fund balance for the City's Street and Sidewalk Millage is that "a half year's collection of the repair millage are held in fund balance"; and

Whereas, the projected FY19 year-end unrestricted fund balance in the Major and Local Street Funds is projected at \$15.6M which is \$4.3M (38%) more than the required fund balance under the current policy; and

Whereas, if the fund balance policy for Major and Local Street Funds was revised to match the Street Millage policy of a half year of revenues (rather than a year), an additional \$5.6M of immediately available funding would be created: and

Whereas, for several years it has been indicated that “staff is identifying one-time maintenance items to utilize available reserves” and spending has increased, but with the significantly increased revenue from the State of Michigan for roads, the projected Major and Local Street fund balance at \$15.6M is essentially the same as it was at the end of FY15 (\$15.7M) and well above the required amount; and

Whereas, the City has identified a promising new category of preventative maintenance called “surface treatments” and in calendar year 2018 will be applying these treatments to approximately 10% of city streets; and

Whereas, City Council believes achieving the goal of having 80% of city streets rated at 7 (good) or higher by 2025 is one of the top City priorities and Council supports the approach and tools identified by staff in the Pavement Asset Management Plan; and

Whereas, at Council’s Infrastructure Work Session in April and again in conjunction with the budget proposal, city staff was requested to provide Council with an assessment of the annual spending likely required to ensure the City’s road condition target is met and it was indicated that assessment is in process;

RESOLVED, that City Council re-affirms its commitment to achieving the goal of having 80% of city streets rated at 7 (good) or higher by 2025;

RESOLVED, that the FY19 Major Street Fund expenditure budget be increased by \$2.1 million for road improvements (capital maintenance, repair, or re-surfacing) funded with a corresponding use of the Major Street Fund fund balance which is consistent with the current policy on end of year fund balance equal to one year of revenue;

RESOLVED, that the FY19 Local Street Fund expenditure budget be increased by \$2.2 million for road improvements (capital maintenance, repair, or re-surfacing) funded with a corresponding use of the Local Street Fund fund balance which is consistent with the current policy on end of year fund balance equal to one year of revenue;

RESOLVED, that by September 1<sup>st</sup>, City staff provide Council a plan to achieve the City goal of having 80% of city streets rated at 7 (good) or higher by 2025. The plan should include at a minimum:

- an estimate of annual funding required
- recommended sources of funding

- identification of potential obstacles and challenges and specific recommendations to address them

RESOLVED, that by September 1<sup>st</sup>, City staff provide Council a recommendation with regard to changing the required fund balance policy for Major and Local Streets to match the current policy for the City's Street and Sidewalk Millage.

Sponsors: Councilmember Lumm, Eaton, and Kailasapathy

**Amendment 11- Amendment to Provide One-Time Special Event Funding for Security Costs for FY19 and Direct Staff to Develop Alternatives for Addressing Security Costs for Future Downtown Events**

WHEREAS, the City wants to provide a safe environment for our downtown events;

WHEREAS, the additional costs to provide enhanced barrier protection is significantly increasing the costs of special events;

WHEREAS, the City values downtown special events for their contribution to a vibrant downtown;

WHEREAS, the City desires to investigate sustainable solutions for safety at downtown events;

WHEREAS, the City estimates the additional costs at \$150,000;

RESOLVED, the FY19 General Fund Building and Planning service unit expenditure budget be increased by \$150,000 funded by a one-time use of fund balance; and

RESOLVED, the City Administrator recommend to Council as part of the FY20 budget sustainable solutions for funding the safety of downtown non-profit events.

Sponsors: Mayor Taylor and Councilmember Westphal

**Amendment XX-Recognition of Parks Fairness Resolution with Budget Amendments**

Must be calculated after all amendments are considered

Whereas, On May 17, 2010, Council passed a resolution (R-10-150) adopting policy guidance for the administration of the Parks Maintenance and Capital Improvements Millage that, among other things, that the General Fund Parks & Recreation budget be increased at the same percentage as the average General Fund overall budget percentage increase;

Whereas, On May 16, 2011, Council passed resolution R-11-186 amending the policy guidance;

Whereas, On August 9, 2012, Council reaffirmed via resolution R-12-382, their intent to administer the Parks Maintenance and Capital Improvements Millage policy adopted per resolution R-11-186 for the duration of the current millage;

Whereas, The budget amendments adopted by Council for the FY19 budget increase the General Fund expenditure budget by \$XX,000; and

Whereas, The Parks General Fund budget did not increase for budget amendments for FY19 approved by City Council;

Whereas, The Parks General Fund budget should be increased \$XX to ensure compliance with the 2010, 2011 and 2012 resolutions;

RESOLVED, That the General Fund Parks FY19 expenditure budget be amended to increase \$XX to be funded as a one-time expenditure from the General Fund fund balance.

Sponsors: