



Office of City Administrator

April 18, 2016

To Mayor Taylor and Members of City Council:

I am pleased to submit the City of Ann Arbor's Recommended Fiscal Year 2017 Budget. The FY 2017 budget is the second year of the City's two-year fiscal plan adjusted for the latest anticipated revenue receipts and includes expenditure strategies to establish an operating fiscal plan that is balanced. Balanced is defined as a plan that supports a sustainable delivery of services within the projected revenues.

### **Budget and Fiscal Health**

Fundamental to a fiscally responsible budget is balancing the amount of recurring revenues with recurring expenditures and starts with realistic revenue estimates. FY 2017 General Fund recurring revenues are projected to increase by 1.8%. Property tax receipts are expected to increase approximately 2.1% in FY 2017.

The other major source of revenue in the General Fund is state shared revenues. State shared revenue has two components – constitutional and statutory (now called City, Village, & Township Revenue Sharing, or CVTRS). The recommended budget includes \$10.7 million for revenue sharing, a 1% increase from FY 2016.

Minor fee changes for Public Services are recommended. No other fee changes are contemplated. The budget does not assume an increase in property tax rates.

The city's enterprise funds anticipate revenue increases as follows: Water 5.5%, Sewer 6.0%, and Storm water 6.5%. The increase for the average residential customer without a change in usage is 5.0% overall. The rate increases are necessary to fund debt service coverage, operating and maintenance expenses, and provide funding for capital improvements for aging collection and distribution systems.

One-time expenditures are funded by use of non-recurring revenues. The General Fund unassigned balance is projected to be 20% of expenditures at the end of FY 2017. The fund balance is at the top of the range deemed acceptable by City Council policy.

### **Priorities**

City Council adopted the Sustainability Framework in 2014. Among the Sustainability Framework theme areas are Climate and Energy, Community, Land Use and Access, and Resource Management.

In December 2015, using the Sustainability Framework as an overarching policy guide, City Council continued the priorities established in the prior year. The recommended budget for Fiscal Year 2017 provides resources to accomplish City Council's priorities.

Accessory Dwelling Units - The city has prepared a draft ordinance for community and council consideration regarding accessory dwelling units. The public process and council consideration is expected to continue into FY 2017.

Allen Creek Greenway – The city has started the process to develop a master plan for the Allen Creek Greenway. This process is anticipated to take a year to 18 months to complete. The process will include community feedback from stakeholders such as property owners along the route, the Ann Arbor Railroad, the Michigan Department of Transportation, the University of Michigan, city commissions, and residents. The master plan will provide analysis of land use, transportation, historic preservation, and economic impacts of a greenway in a floodplain; develop cost estimates for a preferred route and propose funding options for acquisition and construction; and identify trail stewardship, operational budgets, and risk management approaches.

Forestry – A level of service study for the stormwater system is being performed to determine whether rates are sufficient to support all of the stormwater fund activities. The study will include rates necessary to maintain trees in the City's rights of way. The study will be completed in the first half of FY 2017, for consideration in the FY 2018 budget process.

Streets and Roads - During FY 2016, the city established a goal that 80% of the major and local roads would be rated "good" or better by 2025. With targets established, the city has completed five of the ten steps necessary for a robust asset management plan. Staff will be continuing their efforts in FY 2017 to complete the plan and start implementing the revised capital asset management strategies.

Critical to the success of improving roads is the revenue generated from the city's street and sidewalk millage. The existing street and sidewalk millage expires December 2016, and Council has approved replacing it with another five year street and sidewalk millage, which will be on the August 2016 ballot. Approval of this millage is required for the city to maintain and improve its roads.

Safe Systems for Autos, Pedestrians, and Bikers – The recommended General Fund budget includes \$100,000 in FY 2017 for implementation of the Pedestrian Safety Task Force report. The proposed amount is intended to provide the city with flexibility to address the task force's most pressing needs and recommendations.

The city will also be constructing street improvements that include non-motorized enhancements, such as Stadium Blvd and the Geddes Road sidewalk.

In addition, the recommended budget includes new amounts:

- \$183,950 for the City share of the Connector project
- \$109,421 for Ellsworth Road Corridor Study
- \$120,000 for a street light asset condition assessment
- \$720,000 for street light replacement (this represents an increase of \$320,000 over the original FY 2017 plan)
- \$50,000 to construct the Stone School Road sidewalk

The FY 2017 budget of \$720,000 for street light maintenance is only a portion of what is needed. The street light asset condition assessment noted above is intended to determine the extent of resources required to address deferred maintenance and/or replacement of street lights. As future recurring resources are available, staff will incorporate a recurring capital contribution of \$400,000 for street lights.

### **FY 2017 Budget Impacts**

The recommended FY 2017 budget includes the following changes from FY 2016:

**General Fund** (Unless otherwise noted, amounts listed are total increases in expenditures)

#### **ONE-TIME REQUESTS**

City Administrator - Strategic Management Assistance-carry forward not spent - \$38k

City Administrator - Clerk's Office City Election Equipment – \$161k

Non-departmental - Workforce Planning - \$500k

Non-departmental - Provision for Human Rights Commission Police recommendation - \$50k

District Court-Document Imaging Project – \$12k

Housing Commission - Assistance for Housing Choice Voucher program - \$105k

Community Services - Purchase vehicle for Zoning Inspector - \$12k

Community Services - Update hardware for inspectors - \$5k

Community Services – Investigate non-lethal deer management - \$35k

Community Services - Consultant Sign Ordinance amendments – \$100k

Public Services - Connector project - \$184k

Public Services - Ellsworth Road Corridor Study - \$109k

Public Services - Street light asset condition assessment - \$120k

Public Services - Street light replacement - \$720k

Public Services - Stone School Road sidewalk - \$50k

Public Services - Loss of Dam revenue – \$64k

Public Services - Contractual support for sustainability plan - \$80k

Public Services - Pedestrian Safety - sidewalk gaps & enforcement – \$100k

Public Services - Barton and Superior Dam work – \$250k

Public Services - Fire Station generators (CIP item) – \$100k

Public Services - Fire Stations 1 and 6 Rehab (CIP item) – \$221k

Public Services - Fire Stations 3 and 4 Rehab (CIP item) – \$100k

Public Services - Larcom Building Freight Elevator replacement (CIP item) – \$200k

Safety Services - Police-CALEA support – \$25k  
Safety Services - Police-Fair & Impartial Police Training - \$25k  
Safety Services - Fire-Dashboard Inspection Module & Support - \$15k  
Safety Services - Fire-Reduction in Inspection revenue - \$25k reduction  
Safety Services - Fire-Extrication Replacement - \$33k  
Safety Services - Fire-Three passenger vehicles for inspectors - \$63k  
Institute GF contribution for Capital Needs – \$50k

#### **RECURRING REQUESTS**

City Administrator - Clerk's Office - .25 FTE Increase for Election Coordinator - \$25k  
City Administrator – Human Resources - .5 FTE Decrease - \$42k  
Housing Commission - 2.0 FTEs for Dir. of Operations & Occupancy Specialist - \$186k  
Community Services - 1.0 FTE added for new planner - \$88k  
Community Services - Deer Management (lethal) – \$35k  
Community Services - Additional Fleet Charges for Zoning Coordinator Vehicle - \$3k  
Community Services - Additional IT Charges for new iPads \$6k  
Community Services - Expansion of Parks programs - \$128k  
Community Services - Expansion of Parks programs - \$150k (revenue)  
Community Services - Increase in Human Services for Shelter Association - \$90k  
Safety Services - Police - Loss of Federal Funding - \$93k  
Safety Services - Police - Fleet Charges for Community Engagement Vehicle - \$6k  
Safety Services - Fire - Additional Fleet charges for 3 new inspection vehicles - \$20k  
Safety Services - Fire - Additional Fleet charges for Quint upgrade - \$18k  
Safety Services - Fire - Additional Fleet charges for second reserve engine - \$8k  
Safety Services - Fire - Hydrant Maintenance charges restored per ordinance - \$25k  
City Attorney - .5 FTE added for new Attorney - \$6k

#### **Risk Fund**

City Administrator - Safety - .5 FTE increase for full time safety technician - \$42k

**Construction Code Fund** – Addition of 2 FTEs and budget authorization for technology enhancements to support building official and in response to increase building activity. The Construction Code Fund is funded by permit fees and receives no General Fund support.

#### **Various Public Service Related Funds**

Public Services – Increase 1.0 FTE for Administration and 1.0 FTE for Systems  
Planning - \$297K

The proposed budget sets staffing levels at 729 for FY 2017. As part of the workforce planning initiative, Council is authorizing staff to exceed the authorized 729 FTEs by 10 on a temporary basis.

General Fund Expenditures2017*Recurring Items:*

Mayor & Council	\$ 375,406
City Attorney	2,144,764
City Administration - Administrator, Clerk, Human Resources, Safety	3,922,039
Planning & Development	1,507,620
Planning	1,152,731
Community Development	4,287,775
Parks & Recreation	5,934,520
Finance	7,529,246
Public Services: Public Works	4,832,580
Public Services: Public Services All Other	7,196,463
Fire	15,773,122
Police	26,543,056
Fifteenth District Court	4,522,108
AAATA	10,249,942
Debt Service/Transfers/Other	3,402,719
<i>Subtotal Recurring Expenditures</i>	<hr/> \$ 99,374,091

*Non-recurring Expenditures:*

City Administrator-Strategic management assistance	\$ 38,588
City Clerk-Election equipment	161,000
Housing Commission-One-time support	105,000
Community Services-Non-lethal deer management	35,000
Community Services-Purchase vehicle for Zoning Inspector	12,500
Community Services-Update hardware for inspectors	5,000
Community Services-Consultant for sign ordinance changes	100,000
Public Services-Streetlight asset condition assessment	120,000
Public Services-Guy C. Larcom Building freight elevator	200,000
Public Services-Fire Stations 1 & 6 rehab	221,000
Public Services-Fire Stations 3 & 4 rehab	100,000
Public Services-Fire Station generators (CIP item)	100,000
Public Services-Barton and Superior Dam work	250,000
Public Services-City share of public transportation development project	183,950
Public Services-Multimodal transportation needs	109,421
Public Services-Stone School sidewalk gap	50,000
Public Services-Contractual support for Sustainability Plan	80,000
District Court-Document Imaging Project	11,600
Safety Services-Police-CALEA accreditation	25,297
Safety Services-Police-Fair & Impartial police training	25,000
Safety Services-Fire-Three vehicles for inspectors	63,129
Safety Services-Fire-Extrication replacement	33,495
Safety Services-Fire-One year support for Fire Dashboard	15,293

Non-departmental-Streetlight replacement	720,000
Non-departmental-Succession planning	500,000
Non-departmental-Other Capital Needs	50,000
Non-departmental-Pedestrian Safety - sidewalk gaps & enforcement	100,000
Non-departmental-Provision for Human Rights Commission Police recommendations	50,000
<i>Subtotal Non-Recurring Expenditures</i>	<u>\$ 3,465,273</u>
Total General Fund Expenditures	\$ 102,839,364

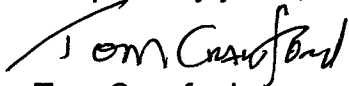
General Fund Revenues

Taxes	\$ 54,359,689
State-shared Revenue	10,753,965
Charges for Services	6,016,067
Fines & Forfeitures	4,392,285
Transfers from other funds/AAHC for personnel	11,781,299
Other	12,321,906
Total General Fund Revenues	<u>\$ 102,839,364</u>

Memo: Unassigned Fund Balance as of 06/30/2015 \$ 17,235,156

City employees and City Council over the past decade have built a solid financial foundation. This foundation has been essential to the City providing the award-winning services expected by Ann Arbor's taxpayers, residents, and businesses. I thank all the members of the staff for their hard work in preparation of this budget. I thank City Council for their time and thoughtful consideration of the budget.

Respectfully yours,



Tom Crawford  
Interim City Administrator