

M E M O R A N D U M

TO: Mayor and Council

FROM: Howard Lazarus, City Administrator

DATE: May 21, 2018

SUBJECT: Resolution to Adopt Ann Arbor City Budget and Related Property Tax Millage Rates for fiscal year 2019

Attached for your review and action is the proposed FY 2019 City Budget that totals \$440 million in revenue and \$396 million in expenditures and is in compliance with the City Charter. This budget resolution reflects the recommended budget delivered to you on April 16, 2018.

General Fund Activities

This recommended budget holds recurring expenditure levels in line with the projected revenue levels.

	FY 2019
Recurring Revenues	\$ 103,543,501
Non-recurring Revenues	3,075,812
Total Revenues	\$ 106,619,313
Recurring Expenditures	\$ 103,543,501
Non-recurring Expenditures	3,075,812
Total Expenditures	\$ 106,619,313

General Fund recurring expenditures increased by \$1,490,442 (+1.5%) compared to FY 2018's adopted budget, and recurring revenues increased by \$811,189 (0.79%). Below is a summary of non-recurring expenditures:

General Fund Non-recurring Expenditures	FY 2019
Mayor-Sister City Celebration	\$ 1,000
Human Resources-Ultipro Improvements	9,000
Housing Commission-One-time support	68,000
Community Services-Annexation funding	100,000
Community Services-Special Event Funding	150,000
Community Services-Deer Management	93,000
Public Services-Streetlights	130,000
Public Services-ADA Accessibility Compliance Study	25,000
Public Services-Barton and Superior Dam work	125,000
Public Services-Fire Stations 1 & 6 Bathroom Renovations	150,000
Non-departmental-Workforce planning carryover funding	262,612
Non-departmental-350 S. Fifth Ave Settlement and Debt Costs	1,295,000
Non-departmental-Citizen Engagement in Developing City Budget and Spending Priorities	50,000
Non-departmental-Update governance plans	450,000
Non-departmental-Carryover for FY18 governance plans	167,200
Total General Fund Non-recurring Expenditures	\$ 3,075,812

FTEs

The City's FTEs are proposed to increase from 742, as amended during FY18, to 743 in FY 2019 (excluding transfers between Service Areas and net of incidental changes):

- 2.0 FTE increase in Safety Services, Police
- 1.0 FTE decrease in Safety Services, Fire

As part of the workforce planning initiative, Council is authorizing staff to exceed the authorized 743 FTEs by 10 on a temporary basis.

Millage Rates

The following millages are the maximum allowable levy after the Headlee rollback multiplier is applied (for FY 2019 the Headlee rollback multiplier is anticipated to be 0.9845):

	PROPOSED FY 2019	ACTUAL FY 2018	CHANGE
GENERAL OPERATING	5.9407	6.0343	(0.0936)
EMPLOYEE BENEFITS	1.9802	2.0114	(0.0312)
AAATA	1.9802	2.0114	(0.0312)
REFUSE COLLECTION	2.3759	2.4134	(0.0375)
STREET, BRIDGE & SIDEWALK MILLAGE	2.0920	2.1250	(0.0330)
PARK MAINTENANCE & CAPITAL IMPROVEMENTS	1.0594	1.0761	(0.0167)
OPEN SPACE & PARKLAND PRESERVATION	<u>0.4601</u>	<u>0.4674</u>	<u>(0.0073)</u>
TOTAL	15.8885	16.1390	(0.2505)

Prepared by: Tom Crawford, Chief Financial Officer
Approved by: Howard Lazarus, City Administrator

RESOLUTION TO ADOPT ANN ARBOR CITY BUDGET
AND RELATED PROPERTY TAX MILLAGE RATES
FOR FISCAL YEAR 2019

Whereas, City Council has reviewed the City Administrator's proposed budget for FY 2019 for the City of Ann Arbor; and

Whereas, A public hearing and various public meetings have been held to obtain citizen input on the proposed budget; and

RESOLVED, That Council adopts the General Fund Allocations as listed in the FY 2019 Consolidated Plan, to be funded out of the Community Development Budget;

RESOLVED, That any contributions to the Special Assistance Fund in excess of the budgeted amount, shall be appropriated at the time of receipt and for the purpose of the Ann Arbor Assistance Fund;

RESOLVED, That any funds contributed to the Parks Memorials and Contributions fund in excess of the budgeted amount shall be appropriated at the time of receipt for the purpose of that fund without regard to fiscal year;

RESOLVED, That any contributions to the Drug Enforcement Fund, the Federal Equitable Sharing Forfeiture Fund and the Michigan Justice Training Fund in excess of the budgeted amount, shall be appropriated at the time of receipt, without regard to fiscal year, and for the purpose of the Drug Enforcement Fund, the Federal Equitable Sharing Forfeiture Fund and the Michigan Justice Training Fund, respectively;

RESOLVED, That the proposed list of Capital Improvement projects in the amount of \$159,173,734 are approved; and that \$38,667,784 be appropriated in FY 2019 for these or similar projects, within the respective funds, as determined by the Service Area, and may be carried forward without regard to fiscal year;

RESOLVED, That the Technology Improvement projects in the amount of \$501,587 be appropriated without regard to fiscal year;

RESOLVED, That a total 743 full-time equivalent positions be adopted in the FY 2019 budget;

RESOLVED, That as part of the workforce planning initiative, Council is authorizing staff to exceed the authorized 743 FTEs by 10 on a temporary basis;

RESOLVED, That the City Administrator be authorized to transfer funds between service units within the designated service areas or from Non-Departmental within the same fund;

RESOLVED, That the City Council approve the proposed FY 2019 Ann Arbor-Ypsilanti SmartZone LDFA budget, as a component unit of the City of Ann Arbor in Fiscal Year 2019 in a dedicated fund containing \$4,314,100 in revenues and \$4,314,100 in expenditures;

RESOLVED, That the following appropriations constitute the General Fund budget for FY 2019;

<u>REVENUES</u>	
CITY ATTORNEY	\$ 277,976
CITY ADMINISTRATOR	
Clerk Services	187,460
COMMUNITY SERVICES	
Building & Rental Services	1,511,079
Planning	371,778
Parks and Recreation Services	4,805,136
FINANCIAL SERVICES	
Financial and Budget Planning	27,086,004
Treasury	47,373,113
PUBLIC SERVICES	
Engineering	64,075
Public Works	59,500
Public Services Administration	74,399
Water Treatment	400,000
Fleet & Facilities	4,000
SAFETY SERVICES	
Police	3,788,185
Fire	673,033
DISTRICT COURT	1,931,425
NON-DEPARTMENTAL	18,012,150
TOTAL GENERAL FUND REVENUES	\$ 106,619,313

EXPENDITURES

MAYOR AND CITY COUNCIL	\$ 359,834
CITY ATTORNEY	2,220,828
CITY ADMINISTRATOR	
City Administrator	889,526
Human Resources	1,970,972
Clerk Services	1,286,985
Safety	343,651
Sustainability & Innovation	206,397
COMMUNITY SERVICES	
Building & Rental Services	1,809,371
Planning	1,434,969
Community Development	4,550,349
Parks and Recreation	8,738,591
FINANCIAL SERVICES	
Accounting	869,651
Assessor	1,212,673
Financial and Budget Planning	1,013,288
Information Technology	3,625,642
Procurement	151,637
Risk Management	117,828
Treasury	946,205
PUBLIC SERVICES	
Public Works	46,422
Fleet & Facilities	3,492,575
Engineering	4,089,211
Public Services Administration	155,063
Systems Planning	20,088
Water Treatment Services	466,677
SAFETY SERVICES	
Police	28,516,331
Fire	16,525,325
DISTRICT COURT	4,757,396
NON-DEPARTMENTAL	16,801,828
TOTAL GENERAL FUND EXPENDITURES	\$ 106,619,313

RESOLVED, That the following other funds revenue and expenditure appropriations are adopted for FY 2019 budget; and

REVENUES

Fund #	Fund Name	Amount
0001	DDA/HOUSING FUND	\$ 775,724
0002	ENERGY PROJECTS	238,266
0003	DOWNTOWN DEVELOPMENT AUTHORITY	9,966,428
0009	SMART ZONE LDFA	4,314,100
0010	GENERAL	106,619,313
0011	CENTRAL STORES	1,092,863
0012	FLEET SERVICES	8,884,102
0014	INFORMATION TECHNOLOGY	7,992,767
0016	COMMUNITY TELEVISION NETWORK	2,316,121
0021	MAJOR STREET	12,284,401
0022	LOCAL STREET	4,912,533
0023	COURT FACILITIES	225,000
0024	OPEN SPACE & PARKLAND PRESERVATION	2,606,984
0025	BANDEMER PROPERTY	11,834
0026	CONSTRUCTION CODE FUND	3,328,062
0027	DRUG ENFORCEMENT	19,048
0028	FEDERAL EQUITABLE SHARING	47,933
0033	DDA PARKING MAINTENANCE	3,974,235
0034	PARKS MEMORIALS & CONTRIBUTIONS	39,973
0035	GENERAL DEBT SERVICE	8,924,765
0036	METRO EXPANSION	406,910
0038	ANN ARBOR ASSISTANCE	5,062
0041	OPEN SPACE ENDOWMENT	20,000
0042	WATER SUPPLY SYSTEM	29,160,888
0043	SEWAGE DISPOSAL SYSTEM	28,250,119
0048	AIRPORT	925,155
0049	PROJECT MANAGEMENT	4,808,843
0052	VEBA TRUST	12,105,584
0053	POLICE AND FIRE RELIEF	7,059
0054	CEMETERY PERPETUAL CARE	3,980
0055	ELIZABETH R DEAN TRUST	60,130
0057	RISK FUND	31,414,098
0058	WHEELER CENTER	446,124
0059	EMPLOYEES RETIREMENT SYSTEM	54,358,806
0061	ALTERNATIVE TRANSPORTATION	692,336
0062	STREET, BRIDGE & SIDEWALK MILLAGE	16,697,833
0063	DDA PARKING SYSTEM	23,945,100
0064	MICHIGAN JUSTICE TRAINING	21,073
0069	STORMWATER SEWER SYSTEM	10,499,265
0070	AFFORDABLE HOUSING	5,000
0071	PARK MAINTENANCE & CAPITAL IMPROVEMENTS	6,307,175
0072	SOLID WASTE FUND	18,961,535
0082	STORMWATER BOND	3,263,600
0088	SEWER BOND	9,668,000
0089	WATER BOND	6,074,000
0100	COUNTY MENTAL HEALTH MILLAGE	2,200,000
00CP	GENERAL CAPITAL FUND	889,637
		<u>\$ 439,771,764</u>

EXPENDITURES

Fund #	Fund Name	Amount
0001	DDA/HOUSING FUND	\$ 775,723
0002	ENERGY PROJECTS	238,266
0003	DOWNTOWN DEVELOPMENT AUTHORITY	9,966,428
0009	SMART ZONE LDFA	4,314,100
0010	GENERAL	106,619,313
0011	CENTRAL STORES	1,067,388
0012	FLEET SERVICES	8,656,768
0014	INFORMATION TECHNOLOGY	7,907,908
0016	COMMUNITY TELEVISION NETWORK	2,278,826
0021	MAJOR STREET	12,284,401
0022	LOCAL STREET	4,912,533
0023	COURT FACILITIES	225,000
0024	OPEN SPACE & PARKLAND PRESERVATION	1,335,941
0025	BANDEMER PROPERTY	11,834
0026	CONSTRUCTION CODE FUND	3,315,063
0027	DRUG ENFORCEMENT	17,894
0028	FEDERAL EQUITABLE SHARING	46,912
0033	DDA PARKING MAINTENANCE	3,974,235
0034	PARKS MEMORIALS & CONTRIBUTIONS	39,973
0035	GENERAL DEBT SERVICE	8,924,765
0036	METRO EXPANSION	406,910
0038	ANN ARBOR ASSISTANCE	5,000
0041	OPEN SPACE ENDOWMENT	20,000
0042	WATER SUPPLY SYSTEM	20,493,219
0043	SEWAGE DISPOSAL SYSTEM	23,913,266
0048	AIRPORT	917,357
0049	PROJECT MANAGEMENT	4,768,553
0052	VEBA TRUST	769,444
0055	ELIZABETH R DEAN TRUST	60,130
0057	RISK FUND	30,437,922
0058	WHEELER CENTER	446,124
0059	EMPLOYEES RETIREMENT SYSTEM	41,581,199
0061	ALTERNATIVE TRANSPORTATION	692,336
0062	STREET, BRIDGE & SIDEWALK MILLAGE	15,374,884
0063	DDA PARKING SYSTEM	23,945,099
0064	MICHIGAN JUSTICE TRAINING	21,000
0069	STORMWATER SEWER SYSTEM	9,520,678
0071	PARK MAINTENANCE & CAPITAL IMPROVEMEN	6,307,175
0072	SOLID WASTE FUND	18,961,535
0082	STORMWATER BOND	3,263,600
0088	SEWER BOND	9,668,000
0089	WATER BOND	6,074,000
0100	COUNTY MENTAL HEALTH MILLAGE	495,000
00CP	GENERAL CAPITAL FUND	889,637
		<u>\$ 395,945,339</u>

RESOLVED, That the following millages shall be levied for the City of Ann Arbor for FY 2019:

	PROPOSED
GENERAL OPERATING	5.9407
EMPLOYEE BENEFITS	1.9802
AAATA	1.9802
REFUSE COLLECTION	2.3759
STREET, BRIDGE & SIDEWALK MILLAGE	2.0920
PARK MAINTENANCE & CAPITAL IMPROVEMENTS	1.0594
OPEN SPACE & PARKLAND PRESERVATION	0.4601
TOTAL	<hr/> 15.8885

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

Amendment 1 – Approved on a Voice Vote

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 1st, 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 1st, 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 2 – Approved on a Voice Vote

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 1st staff's recommendations on the preferred tool/mechanism including projected cost and a process outline and timetable that obtains input prior to December 1st;

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 3 – DEFEATED ON ROLL CALL 4-7

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

Amendment 4 – Approved on Roll Call 7-4

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 5 – Accept Substitute for Discussion Approved on Roll Call 7-4
Substitute Amendment Approved on Roll Call 11-0**

**Amendment to Develop Police Cadet Program for Police Service Specialists
(Substitute Amendment)**

Whereas, Sworn officers perform administrative functions that could be performed by Police Service Specialists during non-peak hours of operation at the discretion of the Police Chief; and

Whereas, Freeing sworn officers from these administrative duties would have the impact of increasing their availability to perform other duties; and

Whereas, The Police Service Specialist position can serve as a recruiting tool that could increase interest in the Ann Arbor Police Department for a diverse pool of candidates;

RESOLVED, That Council directs the City Administrator and Police Chief to develop a Police Cadet program to employ Police Service Specialists to relieve sworn officers of administrative duties where appropriate; and

RESOLVED, That the Police Cadet Program be used as a screening opportunity for the award of scholarships to police academies with the intent of increasing interest in and diversity of the Ann Arbor Police Department; and

RESOLVED, That if a program is not able to be initiated in FY2019 that the City Administrator incorporate the program in the FY2020 budget.

Sponsors: Councilmembers Eaton, Lumm

Amendment 6 – DEFEATED ON ROLL CALL 4-7

Amendment to Increase Funding for Outside Counsel for Advisory Task Force

Amendment 7 – DEFEATED ON ROLL CALL 4-7

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

Amendment 8 – DEFEATED ON ROLL CALL 4-7

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

Amendment 9 – DEFEATED ON ROLL CALL 4-7

Amendment to Increase Funding to Study Mental Health Needs

Amendment 10 – Approved on a Voice Vote

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 11 – Approved on Roll Call 8-3

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

As Amended and Approved by Ann Arbor City Council on May 21, 2018

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