

Summary of "Big Ideas" from Council Offsite

1. Parks and Recreation
 - a. Land acquisition millage - repurpose millage to support parks system
 - b. Public/private partnership for Huron Hills Golf Course (HHGC)
 - c. Understand cost to support HHGC if it wasn't golf course
 - d. How close are LPGC/HHGC to being self supporting
 - e. Explore ways to stop General Fund support to golf – let this play out over next couple of months
 - f. Discontinue maintaining some parks. Which ones would be recommended?
 - g. Change/rescind parks millage administration resolution
 - h. Sell some parks. Which ones would be recommended?
 - i. Citizens doing more in parks (clean up, pick up trash, etc) - volunteers
 - j. Contract/collaborate/consolidate with AAPS and/or County P&R - reopen discussions
 - k. Explore ways to eliminate General Fund support for parks system
 - l. Reduce or defer parks capital projects - what would impact be
 - m. What is likelihood of AAPS closing 5 pools
 - n. Look at what is funded in General Fund for park maintenance
 - o. What recreation facilities would staff recommend closing? (exclude community centers, per Teall)
2. Human Services Funding
 - a. Have Funders meeting. Funders recommend which non-profits should stay, which ones should consolidate, which ones should go away (City, County, AAACF, United Way need to have this conversation)
 - b. Can we suspend \$100,000 General Fund contribution for Affordable Housing Trust Fund for 2 years
 - c. Can the General Fund support for human services be reduced? What do other cities/counties in MI provide for human services funding? Do other agencies in cities/counties provide funding rather than government? If they dis-continued funding, what were the effects? If Ann Arbor reduced funding, what would the impacts be?
 - d. Press the issue of non-profit consolidation or integration - only fund agencies who have collaborated or consolidated with another agency
3. Planning and Development
 - a. Consider outsourcing inspections, plan review and planning
 - b. Improve phone system
 - c. What do we do with Building Official responsibilities?
4. Field Services
 - a. Proceed with analysis of bagging leaves
 - b. Develop scenarios for 'privatizing' or franchising solid waste collection services (priority to explore reducing millage)
 - c. Establish an on-going Council/Staff workgroup on improving services related to Field Operations (snow removal, sidewalks, etc.)
 - d. Prepare Snow Removal Protocol/Policies packet for Council and circulate (ASAP)
5. Street Lighting
 - a. Develop options for street lighting:
 - i. 100% SAD for all street lighting costs
 - ii. SAD for 'over lighting'
 - iii. SAD for purchase and/or conversion of DTE streetlights to LED
 - iv. Share map of DTE/ City owned Streetlights (ASAP)
6. Capital Improvements
 - a. Prepare list of uncommitted Capital Improvements and identify how funds could be re-purposed

- b. Bring forward (ASAP) impact of Stadium Bridges Reconstruction and impact on street repair programs

7. Fire Services

- (1) Information / Data – Total number of Fire calls – Separate total into 2 categories
 - (i) Fire Suppression
 - (ii) Non Fire Suppression
- (2) Restructuring Plan for Fire Department after the lay-off of personnel – wait till new chief
- (3) Response time for second unit to scene, after the lay-off of personnel

8. Emergency Management

- a. Functionality of allowing the Sheriff's Department to handle – any savings? Control factors? What happens to grants? Total costs?

9. Finance / IT

- a. Provide the amount of uncommitted funds left in the Economic Development Fund.
- b. Can IT be outsourced? Can more revenue be obtained from existing investments in IT?
- c. Understand revenue options

10. Misc.

- a. Identify and bring forward for consideration the discontinuation of fees paid to SEMCOG
- b. Identify and reconsider reservation of Act 51 funds for ALT Transportation
- c. Identify/ Create Opportunities for Council inclusion in MDOT discussions with staff on critical community issues (YMCA, N. Main sidewalks, etc.)
- d. Prepare an Annual summary of UM Contributions to the City (Cross Organization effort & needs better definition)

MEMORANDUM

TO: Mayor and Council
FROM: Jayne Miller, Community Services Area Administrator
DATE: February 8, 2010
RE: Community Services Area Follow Up Information from January 25th
Council Work Session

This memo serves as a follow-up response for the Community Services Area budget questions raised at the January 25, 2010 Council Work Session.

Issue: Feasibility of Farming at Huron Hills Golf Course

Response:

Overall Suitability for Farming / Crop Production: Staff has conducted an initial analysis of the suitability of the 'front-7' at Huron Hills Golf Course for gardening or urban farming. This analysis is based solely on a "big picture" view, and a more detailed analysis is recommended if the concept were to be pursued further.

The Huron Hills Golf Course parcel that is north of Huron River Drive and east of Huron Parkway does contain characteristics suitable for garden or farm plots. The area contains approximately 43 acres in total, of which approximately 25 – 28 acres may be suitable for crop production. The primary soil types are Waespi sandy loam and Blount loam, both of which are conducive for crop production and are classified as "farmland soils of local importance" by the Natural Resource Conservation Service. The topography is gently rolling, further justifying the area's suitability for crop production. In addition, the fact that there is already irrigation on the site makes it desirable for vegetable production.

There are a few cautions to take into consideration. For one, if the parcel were to be converted to certified organic farming, it would need to be fallow for a 3-year period with no application of pesticides or fertilizers. The City may opt to plant a cover crop to build up soils in preparation for crop production. While the irrigation and accessibility of water is desirable for vegetable production, given the fact that the irrigation lines are less than 3 feet underground, using large equipment to till the land would not be recommended. We do not see a concern with using hand tools to till the soil. In order to prepare the ground for crop production the sod would need to be removed. It may either be composted or harvested and sold for revenue. This would be a time-consuming process.

Below are two scenarios for consideration on how farming might be accomplished and some of the implications to consider:

Option 1: Community Garden Plot, Operated by City: The City may opt to lease garden plots to individuals. City run programs exist throughout the country and all charge at

least something for the garden plot. The prices range from Evanston, IL where a 20' x 20' plot is \$65.00 per year to Rockville, MD where a 20' x 25' plot is \$50 per year for resident and \$75 for nonresident, to Lancaster, PA where a 20' x 20' plot is \$18 per year. All the sites have the ground prepared for gardening, paths between the gardens, and access to a water spigot on the site. There are on site compost bins that are maintained by the City. In some cases there are gardening classes offered by City.

If there were 25 acres available for plots at Huron Hills as many as 1,000 garden plots might be possible, depending on layout. While the interest in locally grown food is on the rise, a more detailed analysis would be needed to determine if the level of demand could meet this amount of supply.

Each city program mentioned above has a set of rules as to what can and can not be done at the respective site. In most cases the gardeners can keep the same plot year after year by paying the renewal costs. Each city has a full-time employee in charge of managing the program. Additional costs would be the maintenance of water lines (water is essential for vegetable production), establishing spigots, marketing of the program and the plots for lease, and tilling the land in preparation for the growing season.

In addition to the typical growing season, hoop houses may be built to provide additional plots for year – round production. Hoop house production has increased significantly in the few years in the area. A small hoop house (10' x 24') costs roughly \$600 and larger (10' x 48') costs roughly \$1,039.

The city may opt for varying sized plots with varying rates ranging from the smaller sizes mentioned above to larger plots of 3 acres. The target audience for the larger plots would be for beginning farmers to start a Community Supported Agriculture (CSA). In information reviewed, the average CSA farm size is 3 acres. Students completing the Organic Farmer Certification program at MSU would be a potential target audience for the larger lots. The vast majority of people interested in a CSA farm would want it to be organic, which would require the land to lay fallow for 3 years.

Option 2: Public – Private Partnership: The City may opt to release a Request for Proposal to partner with a private organization to manage the site as a farm incubator. One prominent example of a farm incubator is Intervale, Vermont that supports beginning farmers by leasing land and facilities to small organic enterprises and provides technical support and networking among other more experienced farmers (<http://www.intervale.org/index.shtml>). With the increased interest in locally grown food, more young individuals have become interested in starting their own farm, in particular close to Ann Arbor. Land acquisition staff has received calls from people looking for farmland, interested in starting a CSA close to Ann Arbor.

As previously mentioned, the parcel would need to be fallow for 3-years in order to be certified organic, if the City desired to have organically grown food, or at least the option of organic food, on the site.

Examples of some non-profits that may be interested include Food System Economic Partnership, local land trusts, or other non-profits that have an expertise in farming and farm businesses.

Issue: Why is there an increase in the hypothetical municipal service charge to the Senior Center between Fiscal Year 2005 and 2009?

Response: The FY06 Municipal Service Charge (MSC), if charged to the Senior Center would have been \$65,389. In FY09 this amount would have been \$111,571. It should be noted that all facilities saw a significant increase in their hypothetical MSC between FY06 and FY09, in most cases doubling. The MSC charge in FY06 would have been based on charges from FY04, as the calculation of the MSC lags two years behind.

The MSC for all of Parks & Recreation in FY06 would have been \$995,962. In FY09 the MSC would have been \$1,592,444. These total amounts are then shared amongst the facilities, relative to the facilities percentage of total Parks GF expenses.

The following chart shows what items compose the MSC and how costs changed from FY06 to FY09.

Central Service Department	FY06 (For FY04)	FY09 (For FY07)
Building Depreciation	\$315,708	\$451,068
Mayor/Council	\$2,789	\$6,978
City Admin	\$10,971	\$10,962
Purchasing/Procurement	\$6,685	\$35,220
City Attorney	\$21,310	\$13,451
City Clerk	\$3,487	\$5,977
Finance Admin	\$513	\$6,818
Accounting	\$27,406	\$31,710
Assessor	\$5,057	\$9,285
Treasurer	\$15,305	\$11,276
Parks & Rec Admin	\$268,571	\$677,773
Parks & Rec GF Retiree	\$314,360	\$267,560
Environmental Coordinator	\$3,800	\$5,358
Customer Service Call Center	NA	\$27,022
HR	NA	\$2,173
Facility Management	NA	\$4,029
TOTAL	\$995,962	\$1,566,660

Issue: What level of net General Fund support do other Park systems across the state and country receive? Do they have dedicated Parks millages?

Response: Staff has been requesting information from other communities throughout the state & country. The following table shows information collected to date.

City	Total City General Fund	Total Parks Net General Fund Support	Percentage of General Fund allocated to Parks	Millage Y/N	Millage/Other Support
Ann Arbor	\$85,633,290	\$4,256,313	4.97%	Y	\$5,315,526
Madison, WI	\$230,000,000	\$15,000,000	6.52%	N	NA
Warren, MI	\$97,535,119	\$0	--	Y	\$3,800,000
Boulder, CO	\$78,600,000	\$5,500,000	7.00%	Y	\$10,844,000
Troy, MI	\$62,000,000	\$4,248,920	6.85%	N	NA
Canton, MI	\$50,829,100	\$5,274,342	10.38%	N	NA
Kentwood, MI	\$26,500,000	\$470,000	1.77%	N	NA
East Lansing, MI	\$34,515,075	\$2,810,980	8.14%	N	NA
Wyoming, MI	\$31,597,600	\$0	--	Y	\$3,400,000
Romulus, MI	\$22,000,000	\$792,000	3.60%	N	NA
Oak Park, MI	\$21,372,803	\$717,930	3.36%	N	NA
Adrian, MI	\$19,812,229	\$1,822,685	9.20%	N	NA
Chesterfield Township, MI	\$6,200,000	\$386,000	6.23%	N	NA
Frankenmuth, MI	\$4,200,000	\$300,000	7.14%	N	NA

Issue: What Capital projects and major renovations are expected in the Parks system over the next few years?

Response: The focus of capital improvements since FY07 has been to take care of the assets in the Parks System, rather than add new features that will increase the burden in the future. The majority of recently completed and planned capital projects focus on restoration, rehabilitation or renovation of existing infrastructure.

Below are two charts: one that lists potential future projects at the recreation facilities and another that lists projects in process and planned future park capital projects.

Facility	Description	Cost Estimate	Date Estimate
Buhr Pool & Ice Arena	Painting of steel beams and roof at outdoor ice arena to avoid corrosion	\$100,000	2011
Cobblestone Farm	Replace AC units	\$20,000	2014
	Historic House – New Roof	\$15,000	2014
	Rental Barn – Roof and Sidings	\$65,000	2013
Fuller Pool	New Pool Liner	\$100,000	2016
Gallup Livery & Argo Livery	Possible small livery at base of Barton	\$100,000	Uncertain
	Replace Gallup dock	\$25,000	2012
	Replace brick paving at Gallup	\$35,000	2011
	Replace Argo Dock	\$15,000	2013
Leslie Science Nature Center	New Roof	\$20,000	2015
Mack Pool	New Roof	\$75,000	2018
Senior Center	Refinish wood floors	\$10,000	2011
Veteran's Memorial Pool and Ice Arena	Interior roof and purlins need to have rust removed and repainted	\$100,000	2012
	Refinish waterslide	\$15,000	2016
	Replace Interactive Play Equipment in Tot Pool	\$25,000	2012

Capital Project	Description & Project Justification	Cost (includes engineering, design & construction)	Notes
Path renovations	Sites to be determined according to state of disrepair and level of use. Potential areas include Veterans Park along Maple, and the path between Beckley Park and Argo and entry to Riverside Park.	\$172,000	Future project for Summer 2010
West Park Master Plan Implementation	Majority of work is to improve stormwater issues. Primary funding is from the Stormwater Revolving Loan Fund as well as federal funding. Parks portion is \$215,000 for construction and additional for consultants fee of approximately \$50,000	\$1,400,000 (\$275,000 from Parks)	In Process
Neighborhood Play Areas	3-4 Sites determined by condition of equipment, usage level, as well as safety codes.	\$188,000	Future project for Summer 2010
Barrier Free entry to Buhr Pool and Ice Rink	Install sloped sidewalk to replace steps for ADA compliant barrier free access	TBD	Future project For Summer 2010
Parking lot renovations	Renovate parking lots due to poor condition of asphalt at Veterans Memorial and Fuller Parks.	\$250,000	Future project for Summer 2010, 2011
Tennis and Basketball Court Renovations	Sites TBD based on condition and usage level	\$150,000	2011

Capital Project	Description & Project Justification	Cost (includes engineering, design & construction)	Notes
Farmers Market	Electrical works to upgrade service in order to install outlets for vendors, replaces wires, and add panels. Whether there will be additional improvements is yet to be determined.	\$500,000 (\$50,000 for electrical)	Electrical work to proceed, additional improvements on hold
Path renovations	Sites to be determined according to state of disrepair and level of use.	\$200,000	2011
Neighborhood Play Areas	3-4 Sites determined by condition of equipment, usage level, as well as safety codes.	\$270,000	2011
Shelter Renovations	Update and renovate Park shelters based on condition and usage	\$200,000	2012
Neighborhood Play Areas	3-4 Sites determined by condition of equipment, usage level, as well as safety codes.	\$270,000	2012
Shelter Renovations	Update and renovate Park shelters based on condition and usage	\$200,000	2012
Neighborhood Play Areas	3-4 Sites determined by condition of equipment, usage level, as well as safety codes.	\$270,000	2012
Parks and Recreation Open Space Plan	Part of the City Master Plan and a requirement in order to receive State funded grants	\$125,000	In Process
Path renovations	Sites to be determined according to state of disrepair and level of use.	\$200,000	2012

Issue: Identify 2009 updated recreational facility costs.

Response: See attached table.

Recreation Facility City Cost/Visitor Operating Budgets with Millage Funds and Municipal Service Charge

	FY03 Actuals							FY04 Actuals							FY05 Actuals							FY06 Actuals						
	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor
Leslie Park Golf Course	28,083	783,540	895,778	5,240	Included in Operating	117,478	4.18	25,456	772,487	956,474	0	Included in Operating	183,987	7.23	25,200	730,597	809,239	0	Included in Operating	78,642	3.12	23,612	706,740	387,080	59,101	Included in Operating	-260,559	-11.04
Huron Hills Golf Course	30,488	416,237	529,532	5,240	Included in Operating	118,535	3.89	25,218	370,442	289,373	0	Included in Operating	-81,069	-3.21	18,733	312,900	343,827	0	Included in Operating	30,927	1.65	17,988	300,799	401,921	36,894	Included in Operating	138,016	7.67
Farmers Market	478,000	80,162	116,028	0	Included in Operating	35,866	0.08	478,000	151,244	102,739	62,630	Included in Operating	14,125	0.03	478,000	131,347	109,266	0	Included in Operating	-22,081	-0.05	478,000	125,347	114,568	0	Included in Operating	-10,779	-0.02
Bryan & Northside Community Centers	10,000	14,204	169,406	65,642		220,844	22.08	10,000	15,813	254,233	820		239,240	23.92	10,000	16,843	199,282	9,743	70,487	262,669	26.27	10,000	17,224	210,478	1,718	91,809	286,781	28.68
Senior Center	15,000	54,590	115,603	1,749		62,762	4.18	15,000	48,074	135,344	7,060		94,330	6.29	15,000	41,699	154,457	9,392	54,633	176,783	11.79	15,000	49,429	149,907	6,069	65,389	171,936	11.46
Veterans Memorial Ice Arena	71,844	621,897	459,931	537,856		375,890	5.23	68,412	657,528	462,949	88,751		-105,828	-1.55	63,000	537,949	475,151	131,807	168,064	237,073	3.76	63,099	527,054	490,617	94,569	214,005	272,137	4.31
Burn Park Ice Arena	20,807	78,844	111,624	69,932		102,712	4.94	22,558	118,819	121,285	14,543		17,009	0.75	23,464	112,666	107,279	15,736	37,945	48,294	2.06	18,984	108,220	119,524	90,436	52,136	153,876	8.11
Veterans Memorial Pool	38,904	167,814	185,779	579,335		597,300	15.35	35,068	119,695	203,597	36,706		120,608	3.44	33,170	136,346	199,626	32,000	70,609	165,889	5.00	39,000	143,211	221,151	9,213	96,465	183,618	4.71
Burn Park Pool	30,056	102,545	185,069	21,171		103,695	3.45	29,567	86,096	157,784	2,876		74,564	2.52	37,811	110,250	149,197	12,500	52,772	104,219	2.76	37,660	137,210	155,828	18,683	67,971	105,272	2.80
Fisher Pool	54,987	245,479	190,381	240,834		185,736	3.38	56,844	187,608	178,463	261,227		252,082	4.43	54,117	246,980	190,026	29,979	67,214	40,239	0.74	55,113	260,235	206,583	39,698	90,110	76,156	1.38
Max Pool	32,233	74,411	156,787	23,041		105,417	3.27	34,035	150,867	198,508	7,818		55,459	1.63	32,403	125,660	202,022	13,414	71,457	161,233	4.98	39,523	139,324	209,311	23,543	91,300	184,830	4.68
Algo Livery	4,856	47,419	71,460	22,751		46,792	9.64	5,547	59,861	87,844	11,344		39,327	7.09	8,104	67,116	102,317	11,549	36,190	82,940	10.23	10,217	105,068	61,531	160,476	26,840	143,779	14.07
Gallop Livery	19,565	118,279	144,972	57,660		84,353	4.31	19,921	125,158	105,388	11,344		-8,426	-0.42	26,639	140,871	115,915	11,549	41,000	27,593	1.04	29,540	218,255	229,194	23,571	99,973	134,483	4.55
Cobbleside Farm	25,000	175,814	181,678	98,300		104,164	4.17	25,000	151,716	205,594	36,048		89,926	3.60	25,000	146,490	176,139	10,014	62,302	101,965	4.08	25,000	177,096	229,172	24,847	99,964	176,887	7.08

* Ann Arbor population: 114,042

Fund 47

Fund 46

Fund 10

Estimate

Italics

Recreation Facility City Cost/Visitor Operating Budgets with Millage Funds and Municipal Service Charge

	FY07 Actuals							FY08 Actuals							FY09 Actuals							FY03-09 Actual			Per Capita Cost
	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor	# Visitors	\$ Net Cost	City Cost Per Visitor	Per Capita Cost Per Visitor*
Leslie Park Golf Course	21,857	615,449	713,179	13,914	Included in Operating	111,644	5.11	22,358	626,131	894,892	2,164	Included in Operating	270,925	12.12	29,973	811,804	989,614	626,712	Included in Operating	804,522	26.84	168,924	1,495,879	8.86	13.12
Huron Hills Golf Course	13,913	242,677	388,523	6,638	Included in Operating	152,484	10.96	15,627	226,533	422,045	5,348	Included in Operating	200,860	12.85	17,469	250,298	526,462	62,659	Included in Operating	338,823	19.40	137,594	891,272	6.48	7.82
Farmers Market	478,000	126,978	113,414	1,485	Included in Operating	-12,079	-0.03	478,000	132,855	130,979	0	Included in Operating	-1,876	0.00	478,000	115,902	124,004	0	Included in Operating	8,102	0.02	3,346,000	7,790	0.00	0.07
Bryant & Northside Community Centers	10,168	12,555	178,523	6,123	102,855	274,946	27.04	12,000	0	139,412	7,049	89,139	235,600	19.63	12,000	0	155,693	26,850	101,433	283,976	23.66	74,168	1,810,073	24.41	15.87
Senior Center	14,278	51,423	147,649	4,480	85,067	185,773	13.01	11,392	17,385	171,057	5,628	109,372	268,672	23.58	10,034	37,870	195,111	16,893	111,571	285,705	28.47	97,062	1,224,011	12.61	10.73
Veterans Memorial Ice Arena	76,961	458,573	455,543	13,158	262,458	272,586	3.54	66,073	477,646	498,623	22,806	318,815	362,598	5.49	72,371	465,288	486,690	82,165	308,200	411,767	5.69	475,462	1,739,585	3.66	15.25
Burr Park Ice Arena	20,902	117,037	125,378	70,813	72,236	151,390	7.24	19,785	123,291	120,395	13,451	76,979	87,534	4.42	18,124	119,780	148,514	19,523	107,337	155,594	8.58	146,285	733,722	5.02	6.43
Veterans Memorial Pool	35,127	127,361	237,108	33,820	136,608	280,175	7.98	32,894	104,044	218,252	88,092	139,548	341,848	10.39	31,989	119,107	226,466	15,475	141,940	264,774	8.28	247,057	1,946,131	7.88	17.07
Burr Park Pool	42,473	142,702	198,073	5,606	114,118	175,095	4.12	37,712	133,959	225,047	24,775	143,893	259,756	6.89	44,765	152,433	253,000	15,452	148,132	264,151	5.90	252,991	1,083,650	4.28	9.50
Edgar Pool	56,214	241,845	213,663	56,373	123,101	151,292	2.69	45,115	215,300	211,937	18,630	135,510	150,777	3.34	47,211	235,888	227,324	72,617	153,495	217,548	4.61	367,505	1,037,817	2.82	9.10
Max Pool	32,611	144,336	210,207	22,264	121,109	209,244	6.42	29,732	127,277	234,427	13,035	149,890	270,075	9.08	20,542	95,113	226,613	23,388	154,164	309,052	15.04	230,269	1,286,183	5.59	11.28
Argo Livery	15,349	160,144	128,735	1,925	74,170	44,686	2.91	17,380	184,142	156,778	3,531	100,242	76,409	4.40	19,032	211,561	184,141	16,200	100,736	89,516	4.70	78,833	510,934	6.48	4.48
Gallup Livery	27,035	217,565	192,642	13,459	110,989	99,525	3.68	28,115	219,372	188,680	4,153	120,640	94,101	3.35	29,096	252,856	190,089	82,323	111,494	131,050	4.50	178,930	500,391	2.60	4.39
Dobbstone Farm	25,000	135,079	204,962	6,606	118,088	194,577	7.78	30,037	258,526	265,213	8,303	169,575	184,565	6.14	33,500	248,675	283,482	144,081	153,942	332,830	9.94	185,074	1,167,121	6.31	10.23

* Ann Arbor population: 114,042
 Fund 47
 Fund 46
 Fund 10
Italics Estimate

IT and Outsourcing



Dan Rainey

IT Director

City of Ann Arbor

Overview

- Common Reasons For Outsourcing
- City IT Core Competencies
- The IT Environment
- City IT and Outsourcing
- Recommendations
- Notes on Outsourcing
 - Outsourcing Pros
 - Outsourcing Cons

Reasons For Outsourcing IT

- The current state of technology is so bad that is negatively impacting the operations of the City and the only way to move forward in a timely manner is to turn over IT to a 3rd party who is then charged with “sweeping” the technology, upgrading the staff and flattening the costs.
- The City can not attract and retain enough qualified IT staff to run the City’s IT operation.
- IT is too expensive.

City IT Core Competencies

▶ Extraordinary Customer Service

- ▶ Putting people at ease and turning adverse situations into opportunities that build lasting relationships with our customers.

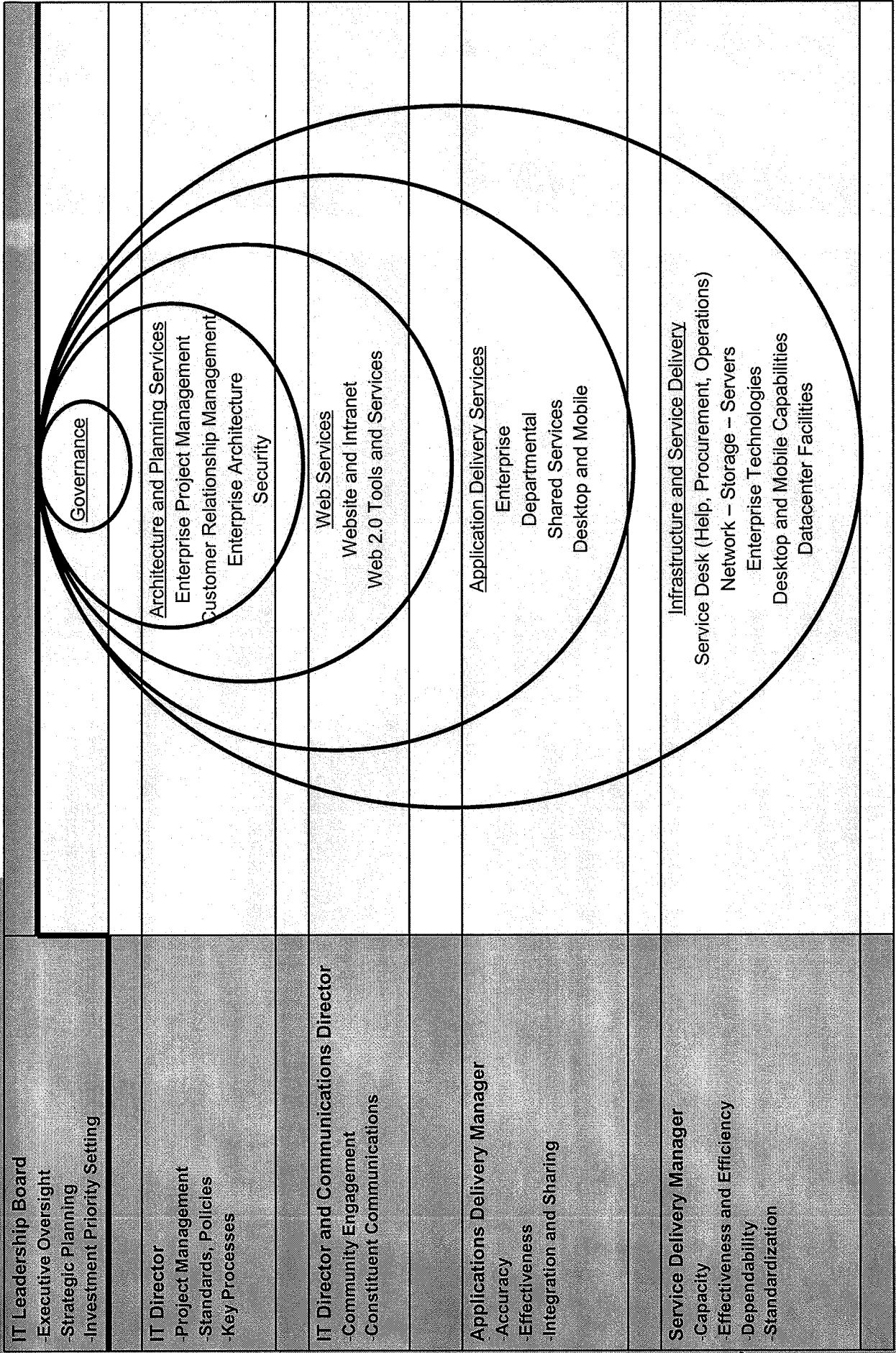
▶ Business Process, Infrastructure and Services Optimization

- ▶ Becoming a catalyst for the organization by identifying business process improvement opportunities, consistently meeting IT service levels while minimizing infrastructure costs and mitigating risks, and by adopting industry best practices around hardware and software optimization.

City IT Core Competencies

- ▶ **Selective Sourcing**
- ▶ Focusing on IT as portfolio of activities, some of which should be outsourced and others of which should be performed by internal staff, becoming expert in identifying opportunities for sourcing and effectively managing vendor relationships.

The City's IT Environment



City IT and Outsourcing

- ▶ Between 2005 and 2009 City IT outsourced
 - ▶ Police Operations Software & Services
 - ▶ Human Resource Management & Payroll
 - ▶ 15th District Court Operations Software & Services
 - ▶ Housing Commission Operations
 - ▶ Parking Ticket Issuance and Payment Processing
 - ▶ Retirement System Operations Software
 - ▶ Enterprise Content Management Software
 - ▶ Parks Reservation & Class Registration
 - ▶ Tax and Assessment Reporting
 - ▶ Tax, Invoice & Water Bill Payments
 - ▶ Constituent RSS & Email Notifications

City IT Costs

● 5.6 Million Operating Budget

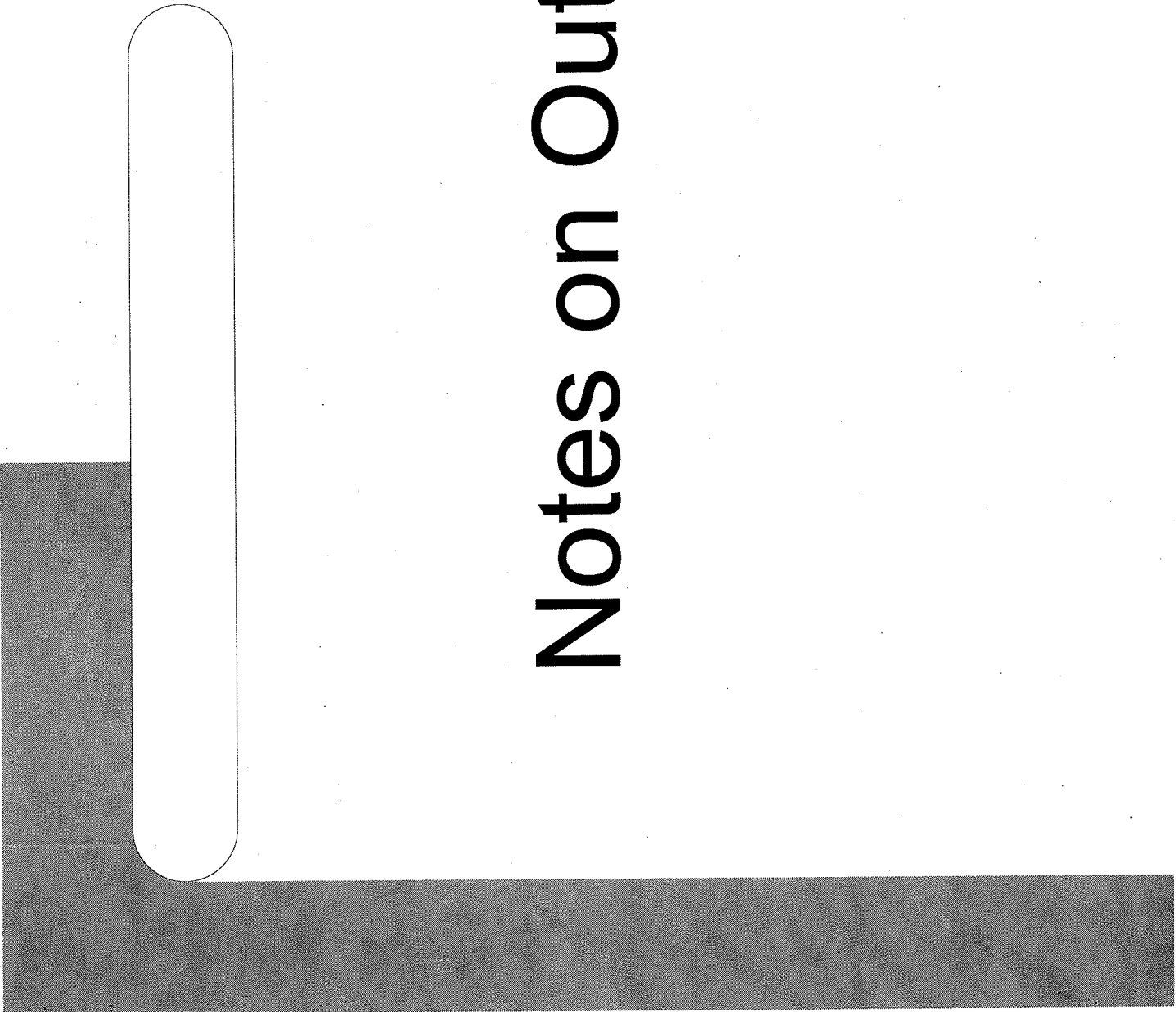
- 2.7 Million in Staff, Benefits and Other Personnel Costs
- 1.2 Million in Software
- 1.7 IT Operations, MSC & Other Obligations

● Cost Structure

- Internal Service Fund
- Lowest possible costs for software, hardware & services
- People are the greatest costs
 - Blended rate for 19 staff
 - excluding IT director and 2 project managers
 - \$50.00/HR. Including Benefits

Recommendations

- ▶ Continue to Utilize Selective Sourcing
 - ▶ Source more infrastructure and non-core applications
- ▶ Continue to benchmark costs
 - ▶ Price internal services to market
 - ▶ Participate in surveys
- ▶ Embrace Collaboration Opportunities
 - ▶ Continue working with Washtenaw County, AATA and other local partners
 - ▶ Strive to reduce overall tax burden for City and County residents



Notes on Outsourcing

Outsourcing Pros

- ▶ **Flexibility on how to provide certain services.**
 - ▶ Customer can select from an endless menu of choices.
- ▶ **Performance based contracting.**
 - ▶ Financial penalties when SLA's are missed, but only if agreed to in final contract.
- ▶ **Competitiveness on pricing.**
 - ▶ By going to market, pricing for services becomes competitive.

Outsourcing Pros

- ▶ Can create flexibility in determining how to provide services and meet budget constraints at the same time.
- ▶ Options for delivering a lower class of service for some types of activities at a lower cost per user (PC replacement or help desk response for instance).
 - ▶ The City can obtain certain services without capital outlay.

Outsourcing Pros

- ▶ Some services, like desktop and printers, can be priced as services with the City having no physical ownership of any assets.
 - ▶ The City can control many expenses via the contract.
- ▶ Requests for additional services will always generate a change order, audit trail and contract amendment providing more transparency.
- ▶ Potential of savings for the City and taxpayers through more efficient delivery of services.
 - ▶ Relocation of infrastructure outside of City may lower operational costs.

Outsourcing Cons

- ▶ The efforts around entering into a comprehensive agreement are lengthy, specialized and very expensive.
 - ▶ Specialized legal and subject matter assistance is highly recommended in this sector.
- ▶ There are limited options to “undo” contracts and few alternatives available to take over the outsourced services in case of a provider’s failure (either financially or contractually).
 - ▶ The cost of re-entry (start up costs) to a service could become be a barrier.

Outsourcing Cons

- ▶ The intangible aspect of losing a City employee who has taken ownership and pride in his or her job, and the accountability to that job vs. a contractor focused on generating a profit.
 - ▶ Outsourced staff work for the outsourcer, with the outsourcer's interests in mind, not the City's.
- ▶ For-profit companies have profit motives and tax ramifications which the City does not have to consider in making services cost effective.
 - ▶ The bottom line with outsourcing is the Bottom Line, especially if the outsourcer is publically held.

Outsourcing Cons

- ▶ To retain control and accountability of public fund expenditures, contracts must be extremely detailed and require tight management and oversight.
 - ▶ This generally means one or more staff dedicated to the financial oversight and operational management of the agreement.
- ▶ There is generally some inflexibility in outsourcing contracts regarding “baseline” services.
 - ▶ Changes to these services are handled as a “Cost-plus” transaction.

Outsourcing Cons

- ▶ Often, promised savings never materialize because of poor organizational planning, which generate contract exceptions – and additional costs.
- ▶ Unplanned projects and requests for additional services will generate unplanned expenses.