

FY 27 BUDGET WORK SESSION

March 23, 2026 – Council Chambers



INTRODUCTION

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

- **Marti Praschan, CFO - FY27 Fiscal Outlook/Budget Process**
- **Shoshannah Lenski, Sustainable Energy Utility (SEU) Director**
- **Derek Delacourt, Community Services Area Administrator**
- **Jacqueline Beaudry, City Clerk**
- **Mike Kennedy, Fire Chief**
- **Andre Anderson, Police Chief**
- **Joe Giant, Economic Development Director**
- **Jordan Roberts, Public Services Area Administrator**
- **Milton Dohoney Jr., City Administrator**

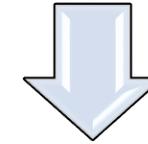
Thank you for your participation and thoughtful consideration.

FY27 BUDGET PLAN FISCAL OUTLOOK

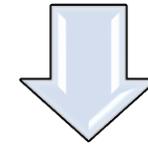
**Marti Praschan, CFO & Financial & Administrative
Services Area Administrator**

Budget Calendar

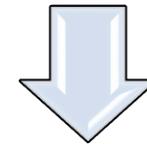
March 23, 2026 – **Today** (Council Work Sessions)
Staff Presents Overview of Budget



April 20, 2026 (Council Presentation & First Readings)
City Administrator Presents Recommended Budget
First Readings of Ordinances for Rates Changes



May 4, 2026 (Public Hearings & Second Readings)
Public Hearings on Budget, Ordinances and Fee/Rates Changes
Second Readings of Ordinances and Rates Changes



May 18, 2026 (Council Consideration)
Council Considers Resolutions for Fee Changes and Budget Adoption



Development of Recommended Budget

- Two kinds of budgets are adopted – Operating Budget and Capital Improvement Budget.
- City policies, strategic plan, adopted plans, staff expertise, and public input guide the development of City Administrator’s recommended budget.
- City policies include:
 - Fund balance policy
 - Pension & OPEB funding policy
 - Capital Improvement program policies
 - Capital repair/replacement policy
 - Enterprise capital repair/replacement policy
 - Parks “fairness” resolution

City Financial Performance Measures

FY2021 FY2022 FY2023 FY2024 FY2025

Independent Assessments

- 1. Financial Audit - 0 material weaknesses & 0 significant deficiencies
- 2. Bond Rating (S&P) - LTGO is AAA, Water is AA, Sewer is AA+

0 / 0	Jan-00	0 / 0	0 / 2	0 / 0
AA+/AA/AA+	AA+/AA/AA+	AAA/AA/AA+	AAA/AA/AA+	AAA/AA/AA+

Fiscal Control

- 3. General Fund structural deficit (recurring revenues - expenditures)
- 4. General Fund unassigned fund balance

Balanced	Balanced	Balanced	Balanced	Balanced
20%	28%	29%	27%	20%

Debt/Liability Management

- 5. Pension funded ratio
- 6. VEBA (retiree healthcare) funded ratio

88%	88%	88%	90%	94%
76%	83%	83%	94%	100%

Rules Surrounding Budget Adoption



7 votes to adopt the budget.



6 votes to amend on the night of the meeting.



8 votes to amend during the fiscal year.



If not adopted at the end of the 2nd Council meeting in May, the City Administrator's recommended budget is considered adopted.



Budgets are adopted by the fund in total, not each line item, with one exception – the General Fund.



General Fund budget is adopted by Service Area represented in the fund (Safety Services, City Administrator, Community Services, etc.).



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

Revenue Assumptions

Real & Personal Property Tax

- FY 27 – Increase 4.58% Increase (\$2.8M)

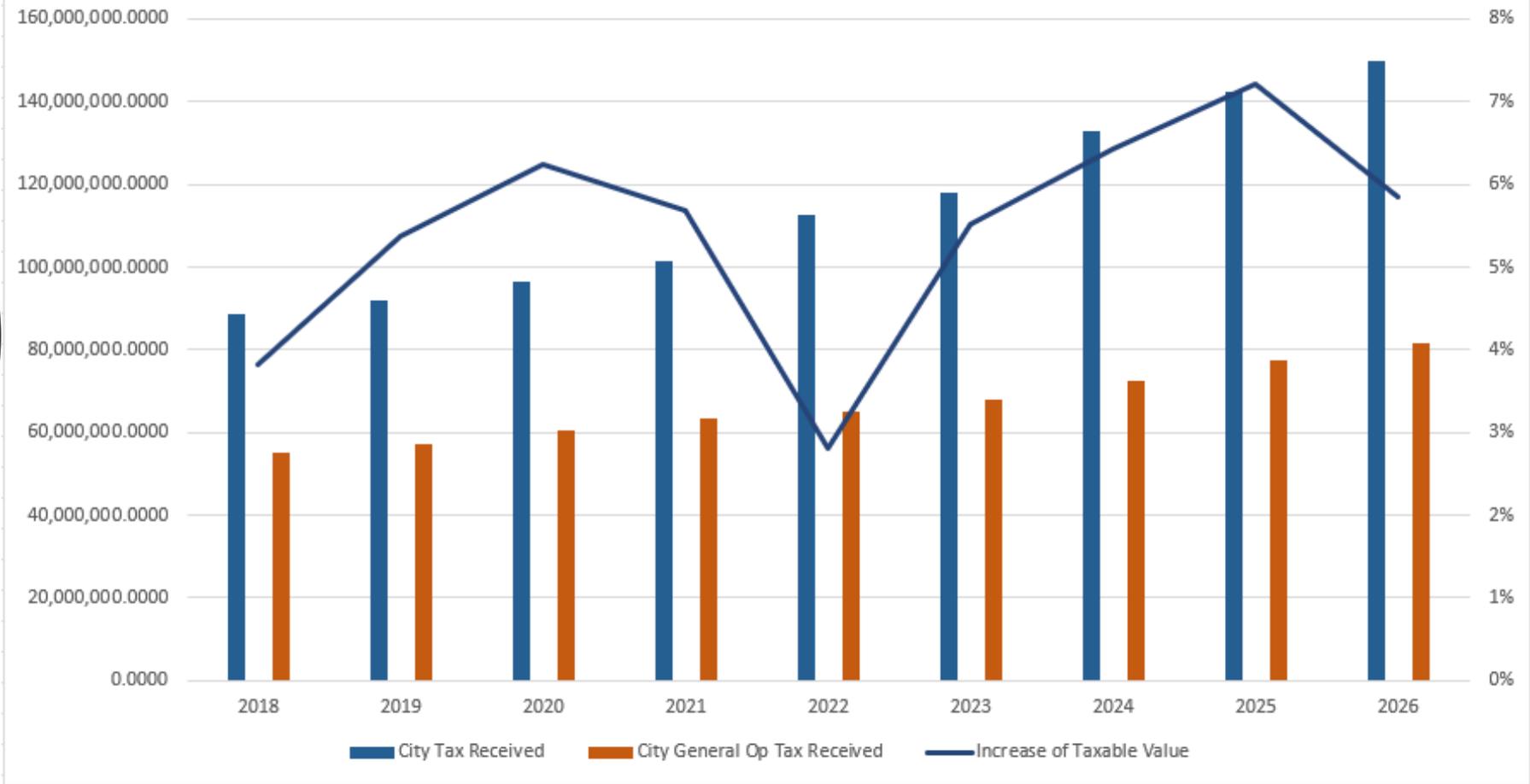
State Shared Revenue

- FY 27 - 1% increase (\$100K)

Parking

- 6.8% Increase (\$253K)

Tax Levy History



STATE OF MI BUDGET REVENUE SHARING IMPACTS



HOUSE BILL 4183

Effective 01/01/26 increased motor fuel tax rate from 31 cents per gallon to at least 51 cents per gallon

Annual inflationary adjustment tied to CPI (01/01/26 increase = 52.4 cents-per gallon)

Eliminates 6% sales tax



HOUSE BILL 4951

Creates New Act to Impose Excise Taxes on Wholesale Marijuana Sales

Creates Neighborhood Roads Fund (NRF) – funding for Local Streets

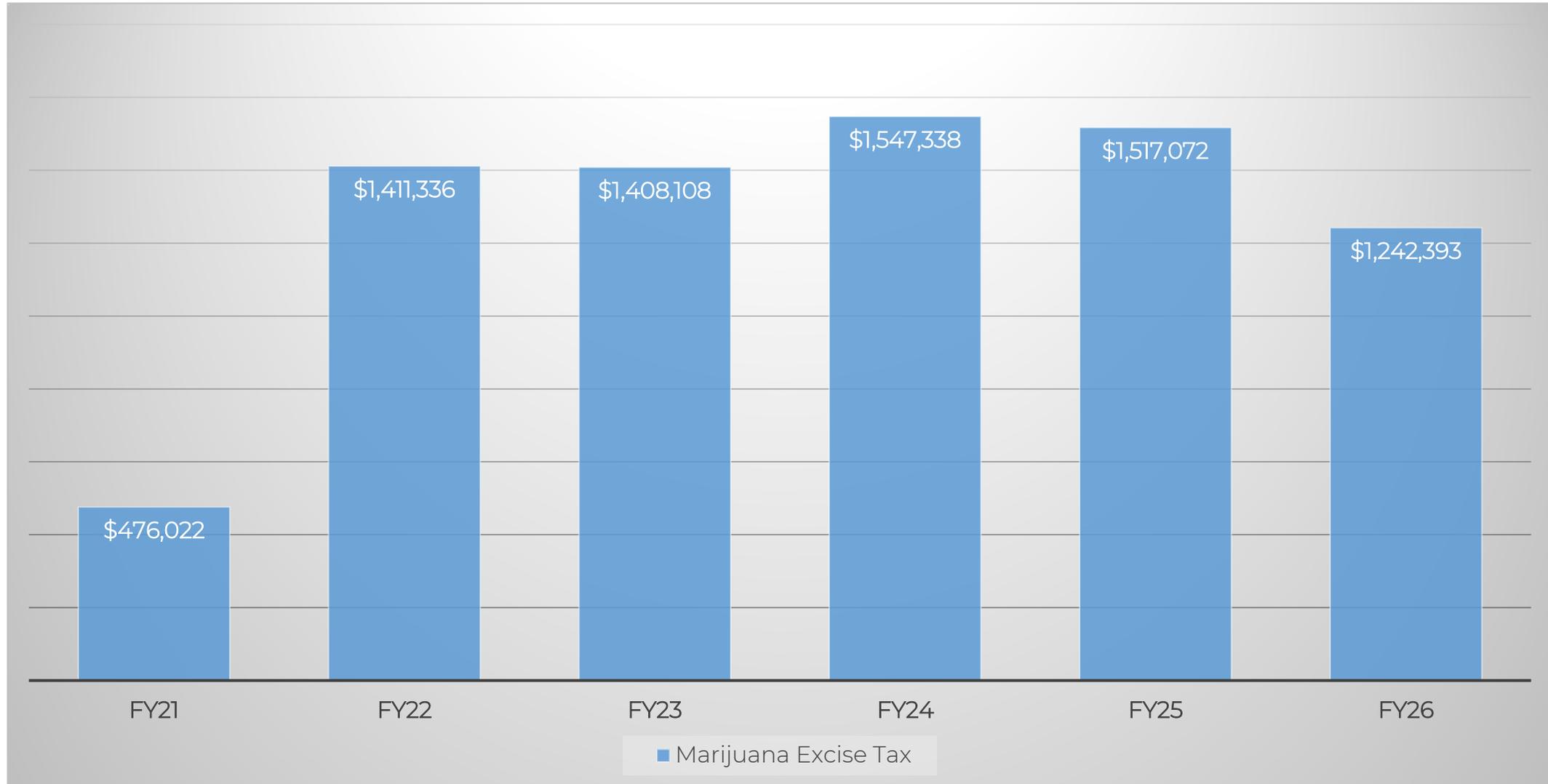


HOUSE BILL 4961

Amends the Income Tax Act –repeals the \$600M currently redirected to MTF to the NRF

Directed additional revenue from the Corporate income Tax to the NRF

Marijuana Excise Tax History/Trend



Proposed Utility Rate Increases



Water – The proposed budget includes a revenue increase approximately **6%** for the to fund reinvestment in the water system including the water treatment facility and the distribution system.



Sewer– Revenues need to increase by **3%** to fund debt service related to the completed wastewater treatment plant and planned capital investment.



Stormwater – Revenues need to increase in FY27 by an estimated **3%** to fund capital projects in the pipeline; as well as the systematic implementation of the asset management program.

Expenditure Assumptions

Personnel Services

- FY 27 – 6.7% Increase (\$3.7M)
- FY 28-31 – 3% Increase

Medical Insurance

- FY 27 – 14.3% increase (\$1.6M)
- FY 28-31 – 10% increase

Other Services/Charges

- FY 27 – 9% Increase
- FY 28-31 – 3% Increase



FLEET/EQUIPMENT REPLACEMENT COSTS

- INSTABILITY
 - COVID
 - Demand/Supply
 - Tariffs
 - Conversion to EV
 - Emission Regulations





SUSTAINABLE ENERGY UTILITY (SEU)

- NEW ENTERPRISE FUND
 - Budget
 - Balance Sheet
 - Assets
 - Existing City Solar Assets

Sustainable Energy Utility (SEU)

Budget Impacts

Shoshannah Lenski, Executive Director

The SEU has been fully grant-funded to date



\$250k in startup funds, supporting foundational planning work (through April 2026)



\$5M for solar and storage “virtual power plant” (grid support/integration) in Bryant neighborhood (through October 2026)



U.S. DEPARTMENT
of ENERGY

\$10.8M for geothermal system in Bryant neighborhood – requires 50%+ match (through November 2028)

For FY2027, we need to secure core operating funds to maintain and grow operations, including staffing

- Start-up grant funding to cover SEU administration is ending
 - We continue to seek additional grant opportunities and philanthropic support
 - In FY2027, we will begin collecting very modest earned revenue
- The SEU requires additional staff capacity to be successful
 - Operations manager to lead development and execution of utility operations (RFPs, contractor engagement, processes and documentation, asset management, and more)
 - Outreach/engagement FTE to connect with residents and businesses (community engagement, onboard potential customers, provide support for existing customers, and more)
- We also seek a modest budget to cover general expenses like municipal bill-downs, staff development, office supplies, etc.

What's on the SEU's agenda?

- Acquiring and installing our first pilot assets
 - Equipment procurement
 - Customer enrollment
 - Installation & commissioning
- Having systems in place to operate and maintain those assets
 - Basic operational processes & procedures
 - IT systems: asset management, billing, etc.
 - Rates and regulations
- Preparing to scale city-wide offerings
 - Customer interest (marketing)
 - Securing capital

Community Services

Budget Impacts

Derek Delacourt, Community Services Area Administrator

Comprehensive Plan Implementation Process

- **Staff availability / What don't we do**
- **This process is technical, time-consuming, and can become political**
- **Code is a living document (A perfect code cannot be written)**
- **The Comprehensive Plan does not memorialize any status quo**

Comprehensive Plan – Consultant Assistance



A hybrid approach (balance of staff and consultant time)



Staff is the most familiar with the code and our development pressure but have an unpredictable workload (Development Review)



A supplemental team of experts helps keep implementation moving

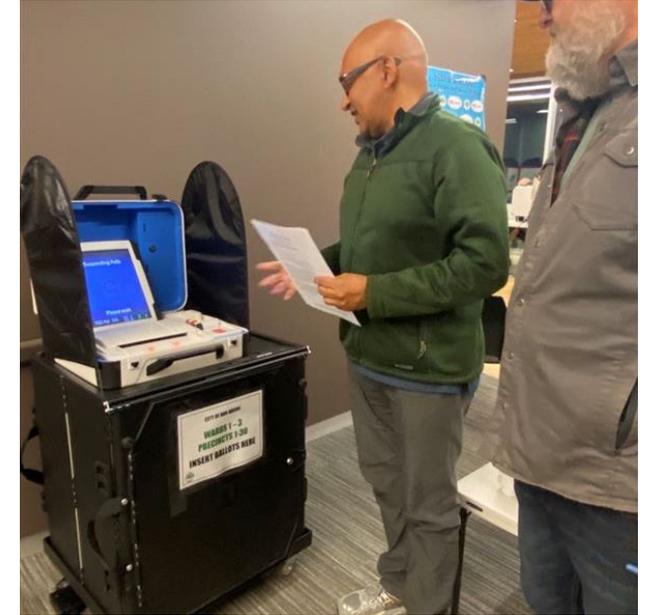
Consultant Benefits

- **Can readily research and share case studies from similarly situated communities across the country**
- **Bring an independent perspective to the work**
- **Bring unique skills that are not currently present in Planning (e.g. graphic design, unique software for presenting regulations, specializations in planning areas)**

City Clerk's Office
Budget Impacts
Jacqueline Beaudry, City Clerk



City Council Support – Boards and Commissions, Open Meetings Act
Election Administration – Voter outreach, pollworker training, absentee ballots
Records Management – Licensing and permits, cemetery, FOIA



Increase support for equipment maintenance - \$32,330 recurring

- Additional voting equipment acquired in 2020 has now reached the age where the City must pay for annual maintenance.
- Significant increase due to the acquisition of high-speed scanners for AVCB.



**Add 1 Full-Time Clerk's Office Staff Person and associated costs - \$112,463 recurring
Proposed Revenue Offset with Additional Service – Passport Acceptance Agency - \$50,000
annually**

- Requires State Department Approval and will take time to get the program started if approved.
- Allows for flexibility in schedules – set appointment days and times

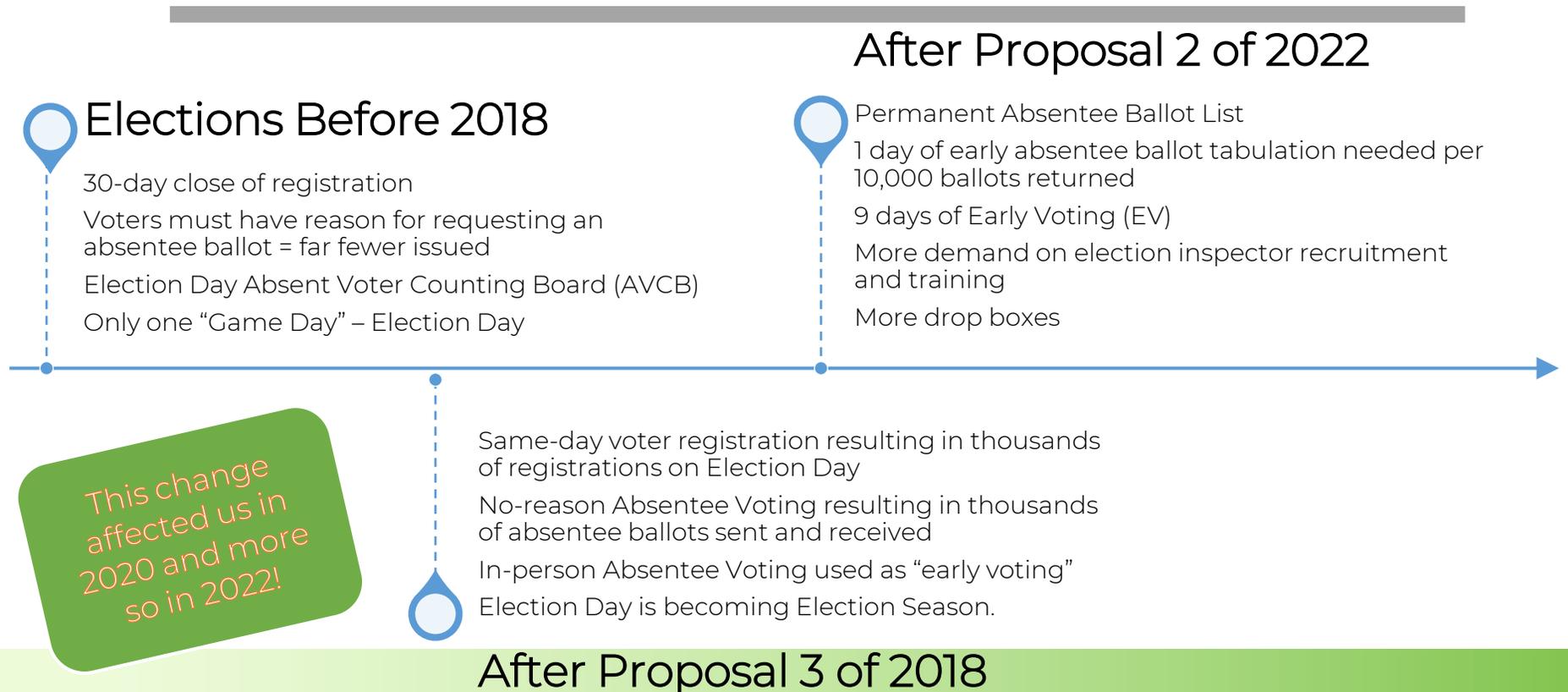
Why do we need another full-time staff person?

- FOIA is becoming a full-time job. We need an assistant to help with this work. This is currently one of many duties assigned to one non-union deputy clerk.
 - We answered 937 FOIAs last year- a 25% increase from 2024. Police answered 1992 requests with an entire unit dedicated to this work.
- More help for elections, of course. Support the non-union deputy clerks and chief deputy clerk in election inspector recruiting and training and voter outreach efforts.
 - The implementation of the permanent absentee ballot list and early voting have changed how we run elections. Early voting days include nights, weekends and even holidays.
 - Training includes focusing on special jobs like absentee count board, EV workers, ePollbook, Receiving Board, etc.
- Assure continued success of the award-winning elections we are known for – campus satellite offices, AADL early vote sites, etc.
- *Support the new Passport Agency work and more!*

MI Election Landscape

The scope of election administration in Michigan has expanded tremendously over the past 5 years.

77.8% of ballots in November 2024 were cast before Election Day!



How have we been getting by?

- Hundreds of hours of paid overtime for hourly employees and unpaid overtime for salaried employees.
- Reliance on personal and professional relationships for help.
- A high-performing, dedicated, permanent and temporary employee team.
 - We don't quit (but it is taking a toll on our team). For more than 40 days each election cycle, we have deadlines that must be met daily. There is no backlog allowed under Michigan Election law.

**Thank you.
Questions?**



Ann Arbor Fire Department

Budget Impacts

Mike Kennedy, Fire Chief

FLEET REPLACEMENT

- Two, 2011 apparatus due for replacement in 2029
- Total shortfall FY27 \$1,247,846
- Need to order, nearly 3-year delay
- Litigation



EMPLOYEE WELLNESS

- Forced inverse overtime
 - Previously 1-2 times annually.
 - 17 occurrences since October 2025
 - Parental leave (66% < 40 years old, 14 pregnancies in 18 months)
 - Mental health leave
- Dual income families have reduced availability to work overtime
 - Value work / life balance
 - More partners also work versus prior generation. Need to go home, so partner can work.





INVERSE / OVERTIME REDUCTION

- 1.0 FTE for Firefighter – shift 1
 - \$113,462 - reoccurring
- 1.0 FTE for Firefighter - shift 2
 - 113,462 - reoccurring
- 1.0 FTE for Firefighter - shift 3
 - \$113,462 - reoccurring



CURRENT DEPLOYMENT

- Single / multi-family dwelling
- 18 on-duty
- 3 engine companies
- 2 ladder companies
- 1 ambulance (EMS focused)
- Battalion Chief – shift commander



NATIONAL FIRE PROTECTION ASSOCIATION

- Occupancy Type: High-Rise
- The initial full alarm assignment to a fire in a building with the highest floor greater than **75 ft** above the lowest level of fire department vehicle access must provide for a minimum of **42** members.

12 PROBLEM AREAS IN HIGH-RISE FIREFIGHTING

1. Reaction Time / Reflex Time
2. Objects Falling From Heights
3. Communications
4. Premises Security
5. Complexity of Internal Layout
6. Water Supplies
7. Physiological Demands and Physical Workload
8. Failure of Electrical Systems
9. Casualty Retrieval
10. Fire and Smoke Spread
11. Effects of Wind
12. Catastrophic Building System Failures

HIGH-RISE UNIT

Vehicle

- \$1,169,708 one-time

Personnel

- \$1,667,142 recurring
- 12 FTEs



A photograph of a multi-story building under construction. The building is partially covered in yellow scaffolding and green safety netting. A large red crane is positioned behind the building. In the foreground, there is a street with traffic lights, a utility pole with a street sign that says 'CHERRY', and a grey construction barrier. The barrier has signs for 'Findorff BUILDING & REPAIR' and 'TREEHOUSE'. There are also concrete trucks and other construction equipment visible. The sky is overcast. A large white rectangular box with the text 'THANK YOU' in blue is centered over the image. There are also blue rectangular shapes on the left and right sides of the white box.

THANK YOU

Ann Arbor Police Department

Budget Impacts

Andre Anderson, Police Chief



1.0 FTE	Community Standard Officer	\$ 85,128.00
2.0 FTEs	Municipal Safety Officers (Unarmed)	\$130,630.00
4.0 FTEs	Police Officers (downtown/Briarwood Mall)	\$481,580.00
2	Police Vehicles (one-time cost)	\$174,000.00
2	Police Vehicle Operating/Fleet Costs (Recurring)	\$ 34,306.00
Total:		\$905,644.00



Roadmap Prioritizing Policing Excellence

ECONOMIC DEVELOPMENT

Budget Impacts

Joe Giant, Executive Director



*“Cities are the absence of physical space
between people and companies...
The real advantage of cities is proximity.”
- Edward Glaeser*

Due Diligence & Site Assessment

An aerial photograph showing a large, cleared construction site on the left bank of a river. The site is mostly dirt and sand, with some construction equipment and materials scattered around. A red line is drawn on the ground, possibly indicating a boundary or a specific area of interest. To the right of the site is a paved walkway and a road. In the background, there is a town with various buildings, including a large white building with a blue roof. A bridge crosses the river in the distance. The sky is clear and blue.

No funds currently allocated to evaluate opportunities that may come up:

- **Participation in a public-private partnership**
- **Strategic land acquisition / sale**
- **Pre-development work**

Due Diligence & Site Assessment

An architectural rendering of a modern residential development. The scene features several multi-story brick and blue-clad buildings in the background. In the foreground, there is a lush green park area with a paved walkway, a playground, and a large tree on the right. People are shown walking, playing, and sitting on a set of wide concrete steps leading down to a body of water. The overall atmosphere is bright and vibrant, suggesting a high-quality, community-oriented living environment.

- **Low-cost validation of high-value investments**
- **Stronger negotiating position**
- **Early identification of risks**
- **Reduced uncertainty in decision-making**
- **Increased competitiveness for deals**
- **Faster response to opportunities**
- **More proactive economic development strategy**

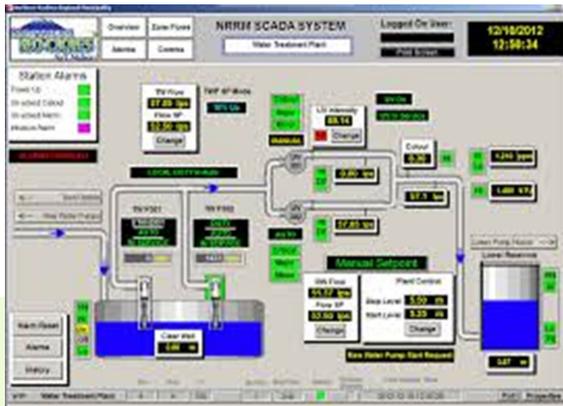
PUBLIC SERVICES AREA

Budget Impacts

Jordan Roberts, Public Services Area Administrator

Request Overview

- Human capital to address single point failures, cost inefficiencies, and increasing service demands
- Equipment to increase service quality, enhance safety, and replace aging systems
- Programmatic funding to implement study findings and increase transportation safety



Coming Soon in 2026!

- Enabling our transportation team to capitalize on opportunities beyond quick builds.
- Leveraging new state road money
- Requesting a renewal of street, bridge, and sidewalk millages



Budget Question Process

WRAP-UP AND QUESTIONS

- Please hold questions until after the **April 20** City Administrator's Recommended FY27 Budget Presentation.
- Please send any FY27 budget questions to **Sara Higgins**, copying Milton Dohoney Jr., Marti Praschan, and Kim Buselmeier. Responses will be organized by topic and responded to throughout the budget season.



THANK YOU
