

MEMORANDUM

TO: Mayor and Council
FROM: Steve Powers, City Administrator
DATE: May 19, 2014
SUBJECT: Resolution to Adopt Ann Arbor City Budget and Related Property Tax Millage Rates for fiscal year 2015

Attached for your review and action is the proposed FY 2015 City Budget that totals \$334 million and is in compliance with the City Charter. This budget resolution reflects the recommended budget delivered to you on April 21, 2014.

General Fund Activities

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

	<u>FY 2015</u>
Recurring Revenues	\$ 95,336,678
Non-recurring Revenues (Use of Fund Balance)	2,640,105
	<hr/> \$97,976,783
Recurring Expenditures	\$ 95,336,678
Non-recurring Expenditures	2,640,105
Total Expenditures	<hr/> \$ 97,976,783

General Fund recurring expenditures increased by \$13,874,939 (+17%) compared to FY 2014's adopted budget, and recurring revenues increased by \$12,703,880 (+15.3%). This includes the adjustment for GASB #68, **Accounting and Financial Reporting for Pensions**, in the amount of \$11,199,502 for both revenue and expenditures. Below is a summary of non-recurring expenditures:

<u>General Fund Non-recurring Expenditures</u>	<u>FY 2015</u>
Planning Consultants for Zoning	25,000
Financial Services (succession plan/process improvements)	55,000
Art Administration Transition Costs	80,000
Hydropower (regulatory and capital improvements)	606,000
Facilities (capital projects)	178,000
One Corridor Study	150,000
AAHC RAD conversion (operating support)	209,000
Public Services (traffic calming)	60,000
Street Trees	1,000,000
Parks Fairness	23,577
Community Climate Action Plan	<hr/> 125,000

Animal Control	<u>75,000</u>
Police & Fire hiring costs	<u>53,528</u>
Total General Fund Non-recurring Expenditures	<u>\$2,640,105</u>

FTEs

The City's FTEs are proposed to increase from 693 to 720 in FY 2015 (excluding transfers between Service Areas):

- 1 FTE increase in Fire Services
- 3 FTE increase in Police Services
- No change in Public Services
- 23 FTE increase in Community Services (22 FTE for Housing Commission and 1 FTE for Planning and Development)
- No FTE change in Fifteenth District Court
- No FTE change in Attorney
- No FTE change in City Administrator
- No FTE change in Financial and Administrative Services

Millage Rates

The following millages are the maximum allowable levy after the Headlee rollback multiplier is applied (for FY 2015 the Headlee rollback multiplier is anticipated to be 1.00):

	PROPOSED FY 2015	ACTUAL FY 2014	DIFFERENCE
GENERAL OPERATING	6.1682	6.1682	0.0000
EMPLOYEE BENEFITS	2.0560	2.0560	0.0000
REFUSE COLLECTION	2.4670	2.4670	0.0000
AAATA	2.0560	2.0560	0.0000
STREET RECONSTRUCTION	2.1250	2.1250	0.0000
PARK MAINTENANCE & CAPITAL IMPROVEMENTS	1.1000	1.1000	0.0000
OPEN SPACE & PARKLAND PRESERVATION	0.4779	0.4779	0.0000
DEBT SERVICE	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
TOTAL	16.4501	16.4501	0.0000

Prepared by: Tom Crawford, Chief Financial Officer
 Approved by: Steve Powers, City Administrator

RESOLUTION TO ADOPT ANN ARBOR CITY BUDGET
AND RELATED PROPERTY TAX MILLAGE RATES
FOR FISCAL YEAR 2015

Whereas, City Council has reviewed the City Administrator's proposed budget for FY 2015 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 2015 Consolidated Plan, to be funded out of the Community Development Budget;

RESOLVED, That the unexpended grant entitlement for the Community Development Block Grant Fund be re-appropriated at the end of the fiscal year until such time as all grant funds have been expended;

RESOLVED, That any Community Development Program Income be appropriated upon receipt of the funds for the purpose of Community Development Project Activities;

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 \$131,397,341 are approved; and that \$25,465,627 be appropriated in FY 2015 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 \$690,000 be appropriated without regard to fiscal year;

RESOLVED, That a total 720 full-time equivalent positions be adopted in the FY 2015 budget;

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 2015 Ann Arbor-Ypsilanti SmartZone LDFA budget, as a component unit of the City of Ann Arbor in Fiscal Year 2015 in a dedicated Fund containing \$2,071,132 in revenues and \$1,980,271 in expenditures;

RESOLVED, That the following appropriations constitute the General Fund budget for FY 2015;

REVENUES

CITY ATTORNEY	\$ 150,000
CITY ADMINISTRATOR	
Clerk Services	225,000
COMMUNITY SERVICES	
Community Development	151,399
Planning & Development Services	1,626,200
Planning	304,000
Parks and Recreation Services	4,165,158
FINANCIAL SERVICES	
Financial and Budget Planning	26,649,197
Treasury	42,554,195
Customer Service	60,000
PUBLIC SERVICES	
Systems Planning	75,000
Field Operations	90,900
Water Treatment	325,000
SAFETY SERVICES	
Police	2,888,989
Fire	518,976
DISTRICT COURT	2,254,750
NON-DEPARTMENTAL	15,938,019
TOTAL GENERAL FUND REVENUES	\$97,976,783

EXPENDITURES

MAYOR AND CITY COUNCIL	\$390,259
CITY ATTORNEY	1,982,510
CITY ADMINISTRATOR	
City Administrator	852,034
Human Resources	1,746,457
Clerk Services	1,043,278
COMMUNITY SERVICES	
Planning & Development Services	1,461,311
Planning	1,030,576
Community Development	3,930,488
Parks and Recreation	5,594,922
FINANCIAL SERVICES	
Accounting	846,674
Assessor	1,087,107
Customer Service	214,195
Financial and Budget Planning	898,802
Information Technology	3,347,911
Procurement	207,321
Risk Management	99,164
Treasury	647,199
PUBLIC SERVICES	
Field Operations	5,701,292
Fleet & Facilities	3,451,585
Project Management	3,445,040
Public Services Administration	185,181
Systems Planning	209,401
Water Treatment Services	800,685
SAFETY SERVICES	
Police	25,318,872
Fire	14,663,031
DISTRICT COURT	4,611,816
NON-DEPARTMENTAL	14,209,672
TOTAL GENERAL FUND EXPENDITURES	\$97,976,783

RESOLVED, That the following other funds revenue and expenditure appropriations are adopted for FY 2015 budget; and

REVENUES

Fund #	Fund Name	Amount
0001	DDA/HOUSING FUND	377,000
0002	ENERGY PROJECTS	323,542
0003	DOWNTOWN DEVELOPMENT AUTHORITY	4,803,009
0009	SMART ZONE LDFA	2,071,132
0010	GENERAL	97,976,783
0011	CENTRAL STORES	1,412,190
0012	FLEET SERVICES	7,838,301
0014	INFORMATION TECHNOLOGY	7,476,817
0016	COMMUNITY TELEVISION NETWORK	2,005,763
0021	MAJOR STREET	7,225,276
0022	LOCAL STREET	1,912,045
0023	COURT FACILITIES	225,000
0024	OPEN SPACE & PARKLAND PRESERVATION	2,429,200
0025	BANDEMER PROPERTY	5,232
0026	CONSTRUCTION CODE FUND	2,590,308
0027	DRUG ENFORCEMENT	46,000
0028	FEDERAL EQUITABLE SHARING	47,000
0033	DDA PARKING MAINTENANCE	3,072,079
0034	PARKS MEMORIALS & CONTRIBUTIONS	98,625
0035	GENERAL DEBT SERVICE	9,173,042
0036	METRO EXPANSION	349,294
0038	ANN ARBOR ASSISTANCE	4,000
0041	OPEN SPACE ENDOWMENT	10,000
0042	WATER SUPPLY SYSTEM	25,369,967
0043	SEWAGE DISPOSAL SYSTEM	24,015,642
0048	AIRPORT	869,404
0049	PROJECT MANAGEMENT	4,557,772
0052	VEBA TRUST	13,504,811
0053	POLICE AND FIRE RELIEF	6,600
0054	CEMETERY PERPETUAL CARE	724
0055	ELIZABETH R DEAN TRUST	62,916
0056	ART IN PUBLIC PLACES	13,333
0057	RISK FUND	28,755,869
0058	WHEELER CENTER	436,695
0059	EMPLOYEES RETIREMENT SYSTEM	34,849,470
0060	GENERAL DEBT /SPECIAL ASSESSMENTS	51,475
0061	ALTERNATIVE TRANSPORTATION	399,673
0062	STREET REPAIR MILLAGE	10,937,699
0063	DDA PARKING SYSTEM	20,912,369
0064	MICHIGAN JUSTICE TRAINING	40,700

0069	STORMWATER SEWER SYSTEM	7,604,836
0070	AFFORDABLE HOUSING	102,200
0071	PARK MAINTENANCE & CAPITAL IMPROVEMENTS	5,338,954
0072	SOLID WASTE FUND	14,669,028
0073	LOCAL FORFEITURE	100
0082	STORMWATER BOND	3,095,700
0088	SEWER BOND	4,925,000
0089	WATER BOND	4,100,000
00CP	GENERAL CAPITAL FUND	893,000
		<u>\$ 356,985,575</u>

EXPENDITURES

Fund #	Fund Name	Amount
0001	DDA/HOUSING FUND	377,000
0002	ENERGY PROJECTS	323,542
0003	DOWNTOWN DEVELOPMENT AUTHORITY	4,588,548
0009	SMART ZONE LDFA	1,980,271
0010	GENERAL	97,976,783
0011	CENTRAL STORES	1,412,190
0012	FLEET SERVICES	7,613,224
0014	INFORMATION TECHNOLOGY	7,312,264
0016	COMMUNITY TELEVISION NETWORK	2,002,591
0021	MAJOR STREET	7,225,276
0022	LOCAL STREET	1,912,045
0023	COURT FACILITIES	225,000
0024	OPEN SPACE & PARKLAND PRESERVATION	1,434,079
0025	BANDEMER PROPERTY	1,834
0026	CONSTRUCTION CODE FUND	2,567,356
0027	DRUG ENFORCEMENT	46,000
0028	FEDERAL EQUITABLE SHARING	47,000
0033	DDA PARKING MAINTENANCE	3,072,079
0034	PARKS MEMORIALS & CONTRIBUTIONS	37,568
0035	GENERAL DEBT SERVICE	9,173,042
0036	METRO EXPANSION	263,170
0038	ANN ARBOR ASSISTANCE	4,000
0041	OPEN SPACE ENDOWMENT	10,000
0042	WATER SUPPLY SYSTEM	20,753,319
0043	SEWAGE DISPOSAL SYSTEM	21,408,961
0048	AIRPORT	834,491
0049	PROJECT MANAGEMENT	4,557,772
0052	VEBA TRUST	459,234
0055	ELIZABETH R DEAN TRUST	62,916
0057	RISK FUND	28,755,869
0058	WHEELER CENTER	436,695
0059	EMPLOYEES RETIREMENT SYSTEM	34,849,470
0060	GENERAL DEBT /SPECIAL ASSESSMENTS	51,475
0061	ALTERNATIVE TRANSPORTATION	399,673
0062	STREET REPAIR MILLAGE	10,937,699
0063	DDA PARKING SYSTEM	20,912,369
0064	MICHIGAN JUSTICE TRAINING	40,700
0069	STORMWATER SEWER SYSTEM	7,144,742
0070	AFFORDABLE HOUSING	100,000
0071	PARK MAINTENANCE & CAPITAL IMPROVEMENTS	5,305,023
0072	SOLID WASTE FUND	14,669,028
0073	LOCAL FORFEITURE	100

0082	STORMWATER BOND	3,095,700
0088	SEWER BOND	4,925,000
0089	WATER BOND	4,100,000
00CP	GENERAL CAPITAL FUND	893,000
		<hr/>
		\$ 334,298,098
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RESOLVED, That the following millages shall be levied for the City of Ann Arbor for FY 2015:

	PROPOSED
GENERAL OPERATING	6.1682
EMPLOYEE BENEFITS	2.0560
REFUSE COLLECTION	2.4670
AAATA	2.0560
STREET RECONSTRUCTION	2.1250
PARKS MAINTENANCE & CAPITAL IMPROVEMENTS	1.1000
OPEN SPACE & PARKLAND PRESERVATION	0.4779
TOTAL	<hr/> 16.4501 <hr/>

**BUDGET AMENDMENTS AS APPROVED BY ANN ARBOR CITY COUNCIL
ON MAY 19, 2014**

Amendment 1- Increase General Fund budget for Community-Facing Climate Action Programs

WHEREAS, City Council passed Resolution 14-095 directing staff to draft recommendations on Community Energy Efficiency;

WHEREAS, City Council received a recommendation from staff on May 5th detailing the resources necessary to make significant progress on creating and implementing additional community energy efficiency, conservation, and renewable energy programs that further the Climate Action Plan's adopted targets, reduce our community GHG emissions, provide economic benefit to our community and help to preserve our quality of life ("Community-Facing Climate Action Programs");

WHEREAS, The City of Ann Arbor will not achieve the goals articulated the Climate Action Plan if we do not invest in Community-Facing Climate Action Programs; and

WHEREAS, The completion of the Ellsworth Corridor Study is not necessary at this time to effect the completion of any currently contemplated work and is not a known requirement of any currently anticipated grant funding;

RESOLVED, That the General Fund FY2015 Project Management expenditure one-time budget allocation of \$50,000 for the Ellsworth Corridor Study be repurposed to support Community-Facing Climate Action Programs in the General Fund Systems Planning budget;

RESOLVED, That the General Capital Project Fund FY2015 revenue and expenditure budget be reduced by \$50,000; and

RESOLVED, That the General Fund FY2015 Systems Planning expenditure budget be increased by \$75,000 funded by a one-time use of fund balance to support Community-Facing Climate Action Programs, in anticipation of obtaining grant funding in future budget years.

Sponsors: Taylor, Teall, Warpehoski, Mayor Hieftje

Amendment 2 - Council Directive Regarding Alternative Funding Options for Street Repair

Whereas, The current condition of Ann Arbor streets is poor and is a major source of dissatisfaction for current residents and taxpayers. The poor condition also sends a negative message about our community to individuals and businesses who consider relocating and/or investing here;

Whereas, The problem is not unique to Ann Arbor and is a state-wide issue largely caused by the lack of funding;

Whereas, The current funding for Ann Arbor street repair is approximately \$20 million annually with about half from the State and half from the City's Street Repair Millage (2.1250 mills generates approximately \$10 million annually). No General Fund dollars are currently allocated for street repair;

Whereas, The State is investigating alternatives to increase road funding and the County is investigating a possible new street millage, but neither are definitive and the impacts on Ann Arbor are not known;

Whereas, Increasing local taxes to generate funding is not a recommended option given Ann Arbor's already high and increasing tax burden; and

Whereas, The magnitude of the problem is sufficient to warrant considering all other alternatives to increase funding for street repair (both one-time and recurring) including but not limited to one-time expenditures, re-purposing existing city millages, re-

purposing other city-related tax revenues (e.g., DDA, LDFA), allocations of current general fund dollars;

RESOLVED, City Council directs the City Administrator to work within existing resources to study alternatives to increase street funding and present to Council by September 30, 2014 a report outlining options, their financial impact, and the pros and cons of each.

Sponsors: Lumm, Eaton, Kailasapathy, Anglin

Amendment 3- Repurpose budget for Animal Control

Whereas, The City Administrator has been working with the County and Humane Society of Huron Valley (HSHV) to determine the appropriate level of support from the City;

Whereas, Council on May 5, 2014 directed the City Administrator to develop options for Deer Management for Council consideration (R-14-144);

Whereas, The City Administrator's budget includes \$28,000 for animal control; and

Whereas, The Administrator's draft budget includes \$75,000 for a sign inventory to assess community preferences for the placement and appearance of business signs;

Resolved, That the sign inventory project be delayed for one year;

Resolved, That the \$75,000 budgeted for the sign inventory (one-time) be redirected to the Police Department to fund deer management solutions and a one-time increase in expanded services with for HSHV for animal control; and

Resolved, That once the City Administrator negotiates an appropriate amount to fund on a recurring basis, the City Administrator is directed to incorporate the amount into the FY2016 budget.

Sponsors: Petersen, Kailasapathy, Eaton, Anglin

As Amended by Ann Arbor City Council on May 19, 2014

Amendment 4-Increase Major and Local Street Funds contribution to Alternative Transportation

Whereas, The City previously contributed 5% to Alternative Transportation from the Major and Local Street funds;

Whereas, During subsequent budget discussions, this was reduced to 2.5%; and

Whereas, Council desires to restore the 5% contribution from Major and Local Street Funds to Alternative Transportation;

RESOLVED, The Major Streets FY2015 expenditure budget be increased by \$141,079, funded with a one-time use of fund balance;

RESOLVED, The Local Streets FY2015 expenditure budget be increased by \$39,631, funded with a one-time use of fund balance;

RESOLVED, The Alternative Transportation FY2015 revenue and expenditure budget be increased by \$180,710; and

RESOLVED, That the City Administrator is directed to return to City Council later this year with information that will help Council determine the appropriate percentage of Act 51 revenues to allocate for alternative transportation in future budgets.

Sponsor: Briere

Amendment 5- Eliminate 415 West Washington project from FY15 budget

Whereas, Council desires to postpone the demolition of the City building at 415 West Washington to explore other funding sources; and

Whereas, The General Fund budget for the demolition is \$300,000;

RESOLVED, The General Fund FY2015 public services budget be decreased by \$300,000 and the project postponed until FY2016 while funding sources are explored; and

RESOLVED, The General Capital Projects fund FY2015 revenue and expenditure budget be reduced by \$300,000.

Sponsors: Kailasapathy, Lumm, Eaton, Anglin

Amendment 6- Council Directive Regarding Dog Licensing and Funding for Animal Control Services

Whereas, The Ann Arbor City Code, Ch. 107 (Animals), 9:46 (Dog Licenses), provides that the City shall issue dog licenses to residents who apply for licenses, and that the City Clerk is authorized to establish procedures for issuing licenses;

Whereas, Section 9:47 of the City animal code states that dogs over 6 months old are required to have a current license and dog licensing is also State law;

Whereas, Humane Society of Huron Valley animal population estimates (based on American Veterinary Medical Assn. measurements for estimating dog households/population) have previously indicated that Ann Arbor is home to approximately 30,000 dogs, and that with an approximate 50% dog license and enforcement rate, the City, based on the current \$16.00 2 year license fee, would generate \$120,000 annually;

Whereas, For FY15 the City projects approximately \$18,000 in revenue for dog licensing, which represents an approximate 7% compliance/participation rate, and the revenue is allocated to the General Fund;

Whereas, The City does not have a designated animal control officer, and The Humane Society of Huron Valley provides animal support services for stray dog rescues, quarantines, cruelty investigations and other animal care and control services utilized by Ann Arbor residents;

Whereas, The Humane Society of Huron Valley and the City of Ann Arbor have been without a contract for services provided Ann Arbor residents for over two years;

Whereas, The City is not a party to the existing contract between the HSHV and the County, it is understood by the County and City that a "pro rata" share of funding support is to be provided by local governments with animal control ordinances;

Whereas, The City payment for contracted services is provided as part of the current contract with the County and HSHV, and the City's pro-rata budgeted share for FY14 and 15 are not yet determined, but estimated costs are being negotiated by the City, County and HSHV;

Whereas, Enforcement of state and city mandated dog licensing is recommended by the Humane Society of Huron Valley as an animal care and control service and industry best practice that has been successfully utilized by other communities;

Whereas, In addition to providing a recurring revenue source to the City to fund animal control activities, such as picking-up and housing stray animals and providing sheltered animals with food, water, and necessary medical attention, licensing a pet is recognized as one of the most important steps a pet owner can take to increase the chances of reunification should a pet become lost; and

Whereas, The World Health Organization recommends dog licensing as a rabies prevention best practice, and other municipalities and County governments (e.g., Oakland County) have adopted a goal of 70% dog licensing compliance based on the World Health Organization's recommendation for rabies prevention;

RESOLVED, The City Council directs the Administrator to more actively enforce the dog licensing ordinance and establish appropriate procedures for improved dog licensing ordinance customer services, communication, notification, and administration;

RESOLVED, That improved licensing education and enforcement will be defined by a substantially improved rate of dog licensing, with a long-term 50% or greater compliance goal;

RESOLVED, That the FY15 Clerk's Office General Fund revenue budget be amended to reflect an improvement in dog licensing enforcement and compliance to reflect a 30% participation rate which will generate \$54,000 in additional revenue for a total of \$72,000 in revenue under the existing fee structure;

RESOLVED, That staff return to council within FY15 with a revised fee proposal adjusted to reflect the full cost of dog licensing, enforcement, and related animal control support services;

RESOLVED, \$27,000 of the additional \$54,000 FY15 revenue (\$72,000 less the \$18,000 already in budget) will increase the FY15 Police General Fund expenditure budget as a recurring source of revenue to help offset and be utilized as payment for animal services provided the City by the Humane Society of Huron Valley; and

RESOLVED, The FY15 Clerk's Office General Fund expenditure budget be amended to reflect an additional \$27,000 to be utilized to support increased licensing.

Sponsor: Lumm

**Amendment 7-
Recognition of Parks Fairness Resolution with Budget Amendments**

Whereas, On October 3, 2006, Council passed a resolution that, upon approval of the November 2006 Parks Millage ballot initiative, the General Fund portion of the overall budget supporting the City's Park System Budget would not be reduced more than the average of other General Fund operations of the City;

Whereas, The budget amendments adopted by Council for the FY15 budget decrease the General Fund expenditure budget by \$171,000; and

Whereas, The Parks budget should be increased \$23,577 to ensure compliance with the 2006 resolution;

RESOLVED, That the General Fund Parks FY15 expenditure budget be amended to increase \$23,577 to be funded as a one-time expenditure from the General Fund fund balance.

Sponsors: Anglin, Taylor, Lumm
As Amended by Ann Arbor City Council on May 19, 2014