



# FY21 Recommended Fiscal Plan

Tom Crawford, Interim City Administrator  
April 20, 2020

# Plan for This Presentation

- Provide an overview of the City Administrator's recommended FY21 budget.
- By City Charter, Council is required to adopt the budget at its second meeting in May.
- The development of the budget is a complex and time-consuming process. In order to meet the timing requirements in the City charter, this budget was prepared about two weeks after the coronavirus pandemic hit locally. Consequently, this recommended budget is a baseline and does not include any impacts from the pandemic.
- Slides on the projected financial impacts from the coronavirus are included at the end of this presentation.
- As a reminder, the FY21 budget is the second year of the City's two-year fiscal plan adjusted for new information up through early March.
- This presentation, detailed budget documents, and subsequent questions from Council and staff responses are available to the public on the City's website.

# Overview

- The FY21 General Fund recurring revenues are projected to increase by 3.6%.
  - Property tax receipts are expected to increase by 3.8% (1.9% related to the CPI [consumer price index] and 1.7% from net new construction and investments in personal property).
  - Constitutional and City, Village, & Township Revenue Sharing (CVTRS) is assumed flat for recurring purposes with \$247k considered one-time revenues via existing city practice.
- The City expects to receive \$2.35M from the County Public Safety and Community Mental Health millage for maintaining its own police force.
  - These unrestricted funds were programmed as part of the two-year fiscal plan.
  - The following considerations were used to determine allocations:
    - Citizen surveys, including the results received on 3/25/19.
    - Council's policy on allocations to affordable housing, climate action, and pedestrian safety.
- General Fund one-time revenues are \$1.261M from the Fire Protection Grant, Statutory Revenue Sharing, and other reimbursements.
- Proposed utility rates reflect the cost to deliver services, meet regulatory requirements, and complete capital projects.

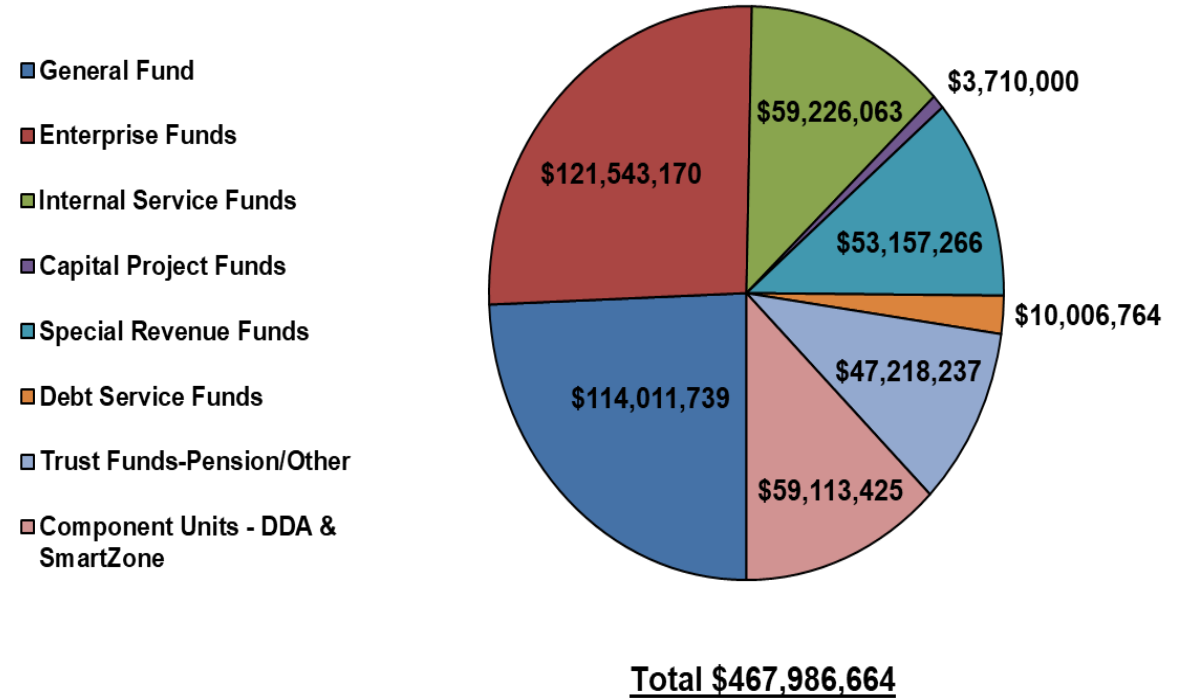
# Funding for Community Priorities(\$000)

PRIORITIES <sup>1</sup>	Amounts
Safe Drinking Water/Water & Sewer Infrastructure	\$574
Community Mental Health	\$350
Additional Street Resurfacing and Repair	\$345
Affordable Housing	\$940
Additional Police Funding	\$679
Climate Action Programs	\$940
Pedestrian Safety Projects (incl. \$105k for streetlight repairs)	\$470

<sup>1</sup>Priorities were established by community surveys, council priorities, and council resolutions.

# Overview

- Total budgeted expenditures are \$468M.
  - \$114M in the General Fund
  - \$121.5M in Enterprise Funds
  - \$47.2M in Trust Funds
  - \$185.2M in Other Categories
- Fund balances remain within City policy guidelines.
- GO Bond rating is AA+ (S&P)
- Typical residential taxpayer impacts:
  - Increase of \$6.99/month in property taxes.
  - Increase of \$5.36/month in utility costs.



# FY21 General Fund Projections

	Amount	
<u>EXISTING OPERATIONS</u>		
Revenues	\$ 111,524,561	} Initial plan adjusted for economics
Expenditures	(111,024,638)	
<b>Projected Recurring Surplus/(Deficit)</b>	<b>\$ 499,923</b>	
 <u>STAFF REQUESTS</u>		
Recurring Revenue Requests	1,060,867	} Staff requests included in recommended budget
Recurring Expense Requests	(1,056,957)	
<b>Adjusted Recurring Surplus / (Deficit)</b>	<b>\$ 503,833</b>	
Non-Recurring Revenue Requests	1,261,900	} Staff requests included in recommended budget
Non-Recurring Expense Requests	(1,930,144)	
<b>Non-Recurring Net Requests</b>	<b>\$ (668,244)</b>	
 <b>Adjusted Net Surplus / (Deficit)</b>	 <b>\$ (164,411)</b>	

Memo: This budget results in an unassigned fund balance of 17.9% of budgeted recurring expenditures.

# Funding for Recurring Priorities (\$000)

PRIORITY	Amount	
VEBA contribution – supplemental amount based on city policy	\$277	
Police – data analyst (1.0 FTE), community policing, training & body cameras	\$269	
Housing Commission – 1.0 FTE for Director of Operations	\$143	
City Attorney – conversion of part -time to full -time & staffing adjustments	\$92	
District Court – temporary staff, overtime and Justice Center screening	\$68	
Information Technology – restructure positions and add 2 FTEs	\$55	
Sustainability – 100% clean and renewable activities	\$50	
Parks & Rec – temporary pay and life guard CPR/first aid certification	\$46	
Fire – software and dispatch contract increase	\$34	
Deer Management	\$30	
Restore OCED Funding	\$30	
Human Resources - conversion of 0.625 FTE to 0.80 FTE	\$22	
Facilities – temporary staff for building maintenance	\$20	
Misc.: Planning – postage, Clerk’s Office temp support, other	\$27	
Building – Staffing allocation adjustments with other funds	(\$102)	
		<b>Total \$1,060</b>

# Funding for Onetime Priorities (\$000)

PRIORITY	Amount
Engineering - Hollywood Drive / A2 Saline Rd projects <sup>1</sup>	\$654
Fire - Plans for Fire Station, Station #1 renovations, software, & siren repairs	\$365
Non -Dept – Capital Sinking fund (\$92k) & Over hire program (\$160k)	\$252
Future Corp Program (\$80k) & Diversity, Equity, Inclusion (\$97k)	\$177
Resident Driven Sidewalk Gap Program	\$100
Election equipment and satellite office	\$75
Planning - Historic District Survey & Internship	\$65
Superior dam gate painting project	\$50
OSI – Lead for America Fellow	\$47
Treeline Trail	\$40
Police – Training & Equipment	\$40
Facilities – Evaluation of 926 Mary St plus other ADA improvements	\$35
Center of the City	\$20
Deer Management	\$10

Total  
\$1,930

<sup>1</sup>Capital improvements with special assessment for later reimbursement for a portion of them.



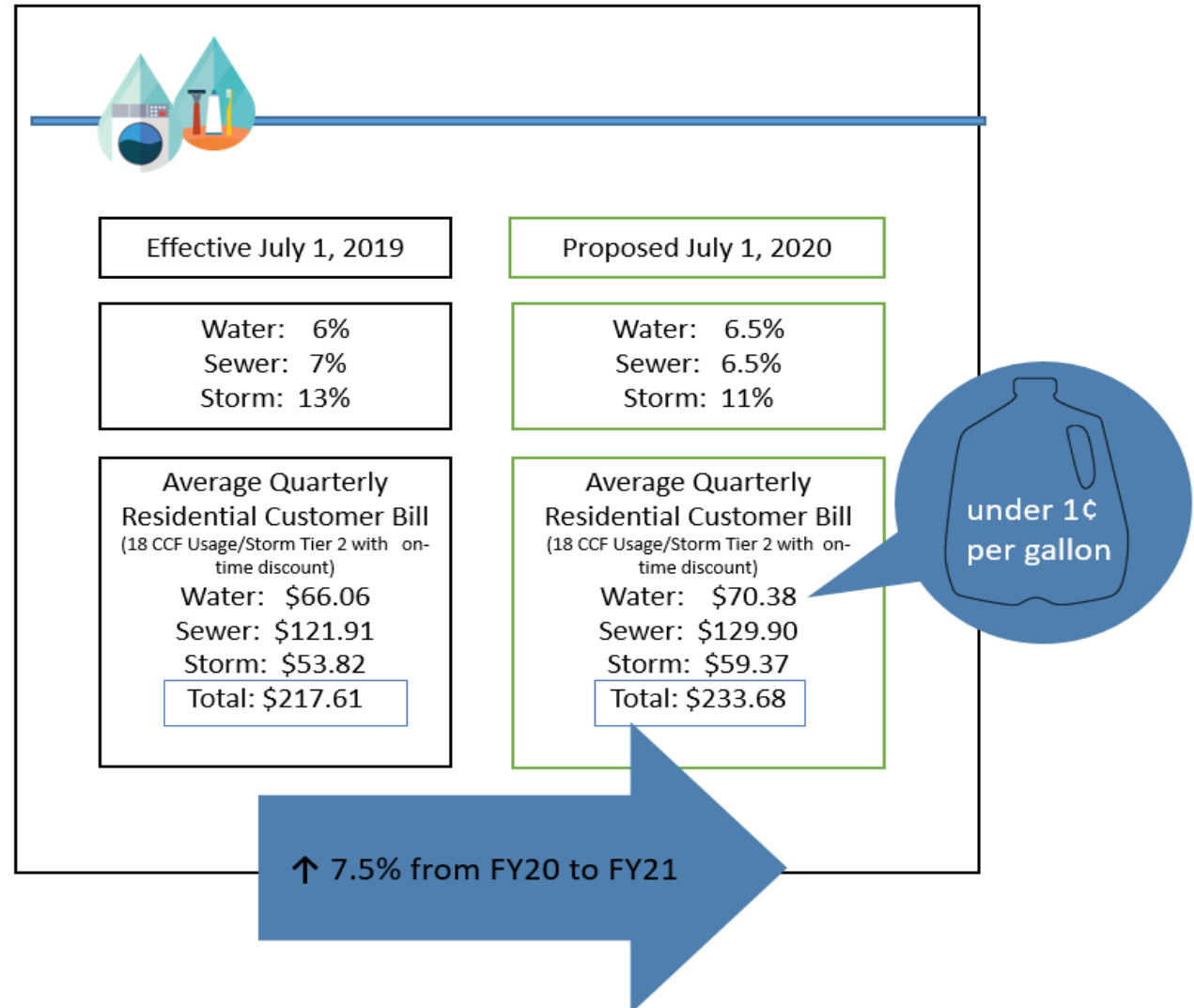
# Staffing Adjustments (FTEs)

POSITION/ACTION	General Fund	All Other Funds
Added Mid -FY20: Police Lieutenant & OSI engagement specialist	1.5	0.5
Police – Data Analyst	1.0	
City Attorney & conversion of part -time employee to full -time	0.75	
Human Resources – conversion of 0.625 FTE to 0.80 FTE	.17	
Community Services Staff Adjustments	.32	
Added Mid -FY20: AAHC – Occupancy Specialist <sup>1</sup>	1.0	
AAHC – Director Operations <sup>1</sup>	1.0	
Information Technology Staff for security and data management <sup>1</sup>	2.0	
Engineering Staff (capital projects engin. / ROW permit coord.) <sup>1</sup>	1.0	1.0
Positions Removed: CTN Programmer position & Systems Planning		(2.0)
Sustainability & Innovations Staff		3.0

<sup>1</sup> General Fund reimbursed by other funds for these positions.

# FY21 Utility Rates

- The budget contains a 7.5% increase in combined utilities rates to fund the cost of operations, regulatory compliance, and capital improvements.

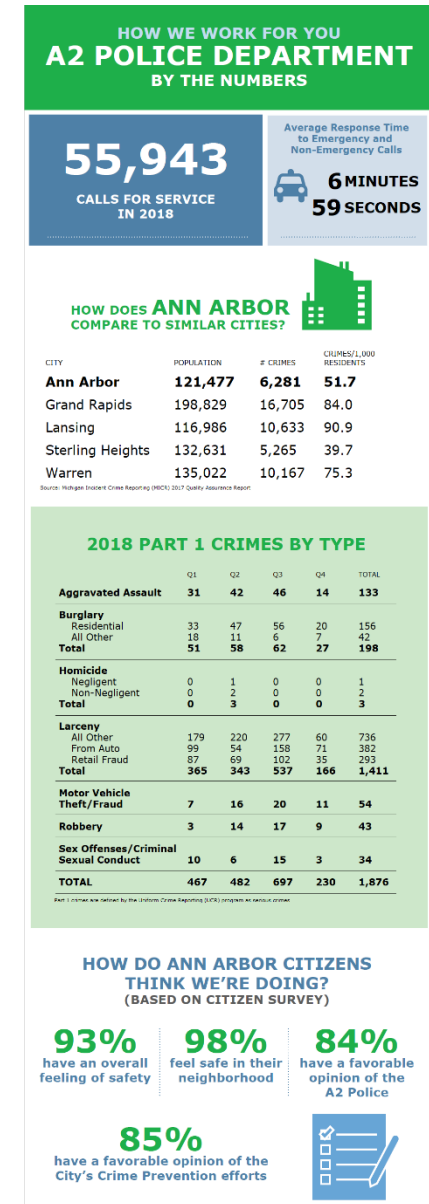


# Total Funding by Priority (\$000)

PRIORITY	Amount
Street Repair & Maintenance recurring operations not including Active Transportation funding for Pedestrian Safety	\$24,359
Active Transportation (Pedestrian/Bicycle)	\$2,088
<b>Total Streets &amp; Active Transportation funding</b>	<b>\$26,447</b>
Public Safety - Police	\$31,066
Public Safety - Fire	\$17,694
Climate Action/Sustainability	\$1,862
Affordable Housing	\$1,100
Diversity, Equity, and Inclusion Programs	\$97
Water/Wastewater/Storm Water Operations	\$60,062
Funding for Pension/OPEB -includes \$500K supplemental GF funding	\$32,899
Parks and Recreation	\$15,593
Community Mental Health	\$440

# Performance Measures

- Service Unit level internal measures/metrics are included in the budget book with each Unit.
- These performance measures form the basis of internal quarterly reviews.
- Staff also has a set of external key performance measures (KPI) in “story board” formats that are published on the City’s website to answer the public question, “How do we know you are doing a good job?”
- Representative example is provided to the right!



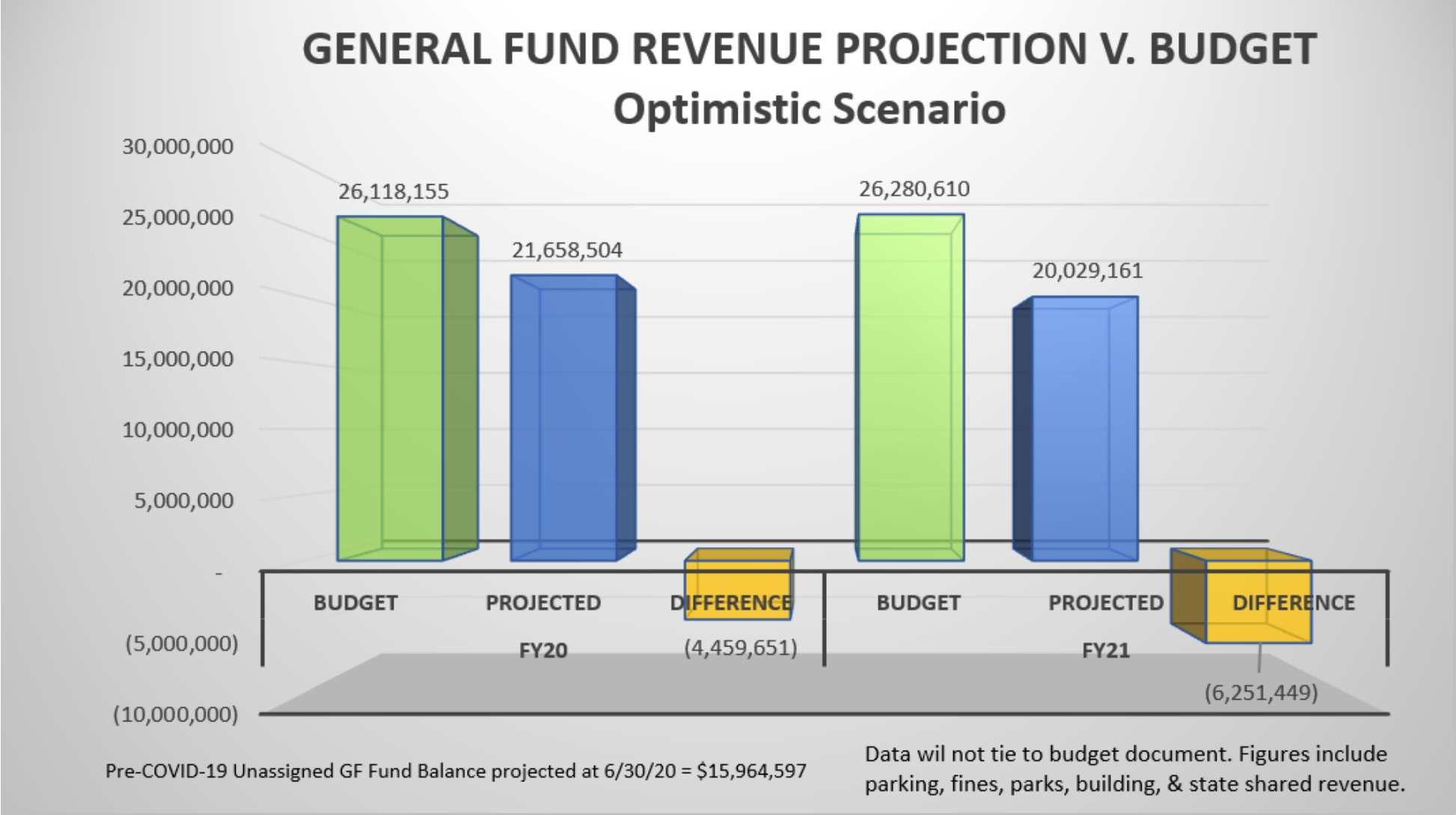
# Next Steps

- May 4<sup>th</sup> Council Meeting – Public Hearings on fee changes/budget
- Please submit any *budget questions* to Sara Higgins with copies to Tom Crawford, Matt Horning, and Kim Buselmeier by **Friday, May 8<sup>th</sup>**.
- Please submit any *budget amendment requests* to Matt Horning and Kim Buselmeier by **Wednesday, May 13<sup>th</sup>** with copies to Tom Crawford.
- May 18<sup>th</sup> Council Meeting – Council considers adoption of the City Administrator's recommended FY21 budget.
- Staff is working on plans to deal with the effects of the pandemic and will return to Council when we have more information.

# Coronavirus Impacts

- Short -term (FY20 & FY21) – Revenues are lower but needs are higher. The Immediate financial impact to the City is lower revenues.
- Long -term (FY22 and beyond) – In addition to lower revenues, significant increases in pension contributions are anticipated if weakness in the financial markets continues.
- Unfortunately, Ann Arbor is uniquely structured to have *worse* financial impacts than most other communities. This is due to the size of DDA payments for parking and the amount of economic activity associated with the UM.
- Key revenues being impacted include: Parks & Rec fees, revenue sharing from downtown parking (DDA), parking fines, State Shared revenue, and permitting & inspections fees.
- Present projections assume a 24 month weakening to allow for immunization and inoculations to be implemented. Significant risks: A cancelled UM football season and/or UM fall classes moving online.
- The recovery is likely to be a marathon and not a sprint. The City needs to retain financial capacity for the mid and long-term.

# Coronavirus Financial Impacts Optimistic



# Coronavirus Financial Impacts Pessimistic <sup>16</sup>

