

City of Ann Arbor

City-wide Staff Meeting

Jan 2010

PURPOSE

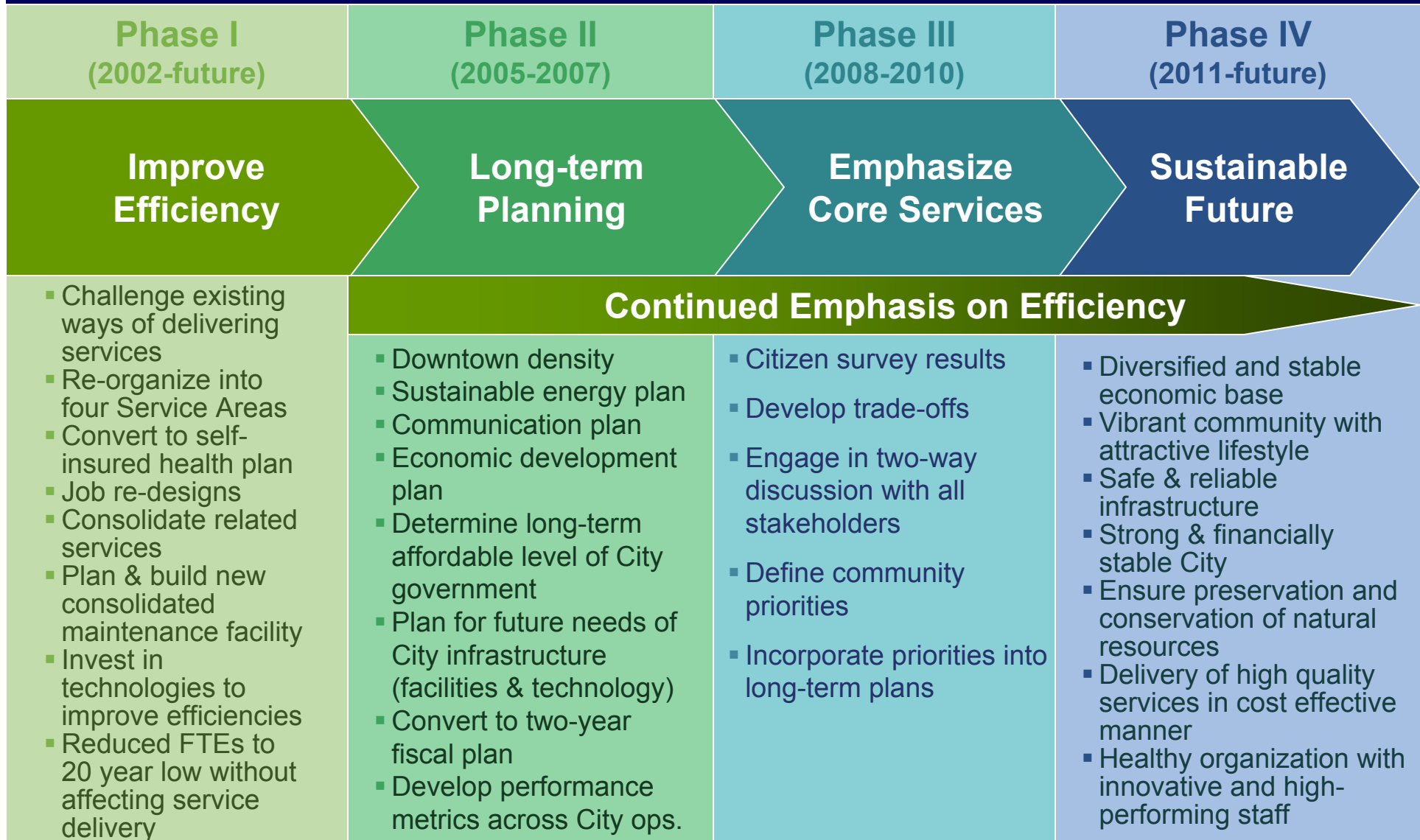
Ensure all employees understand the challenges facing the City

DESIRED OUTCOME

Organization-wide understanding of:

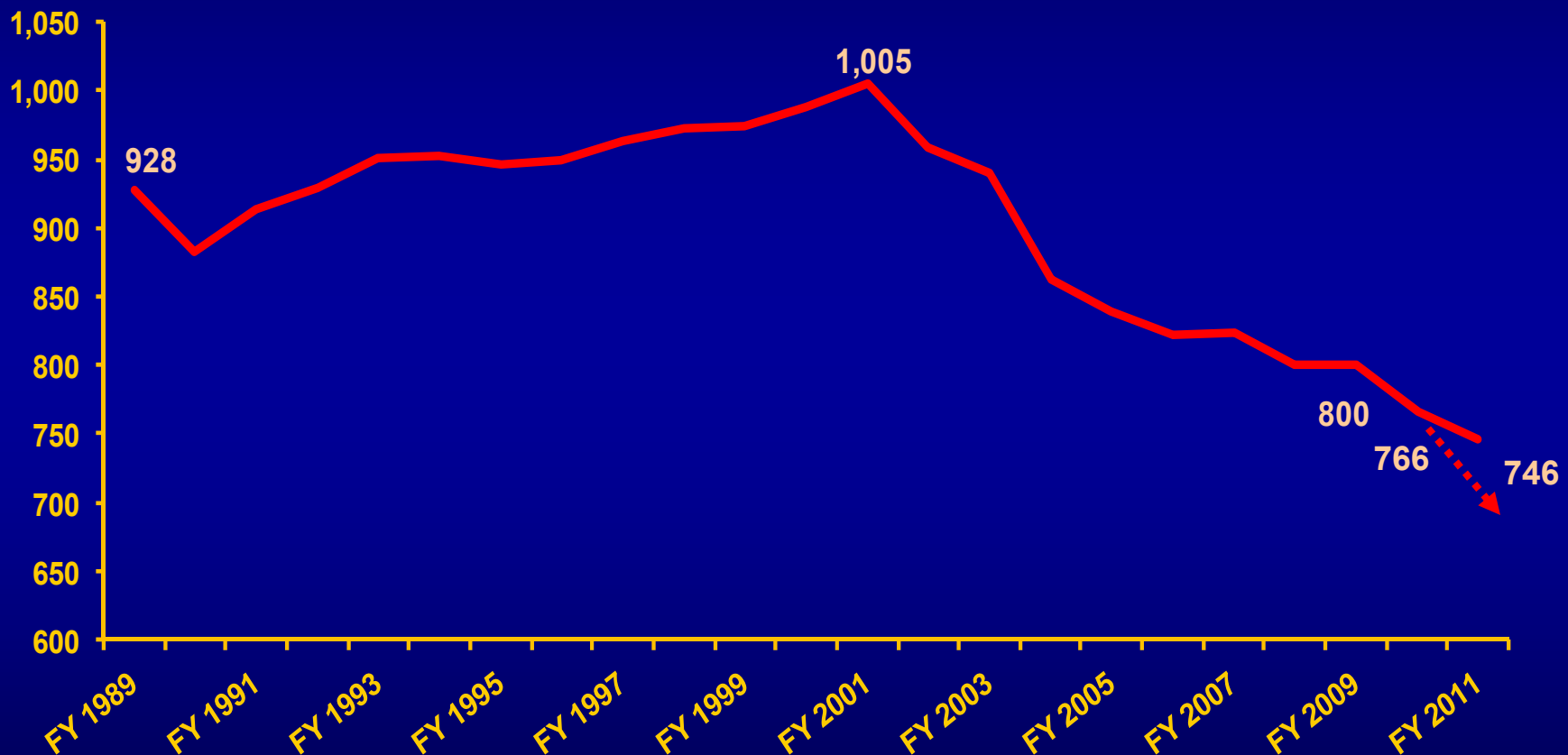
- Why we are where we are
- How we plan to proceed

“Sustaining Our Future”



History of Employee Levels

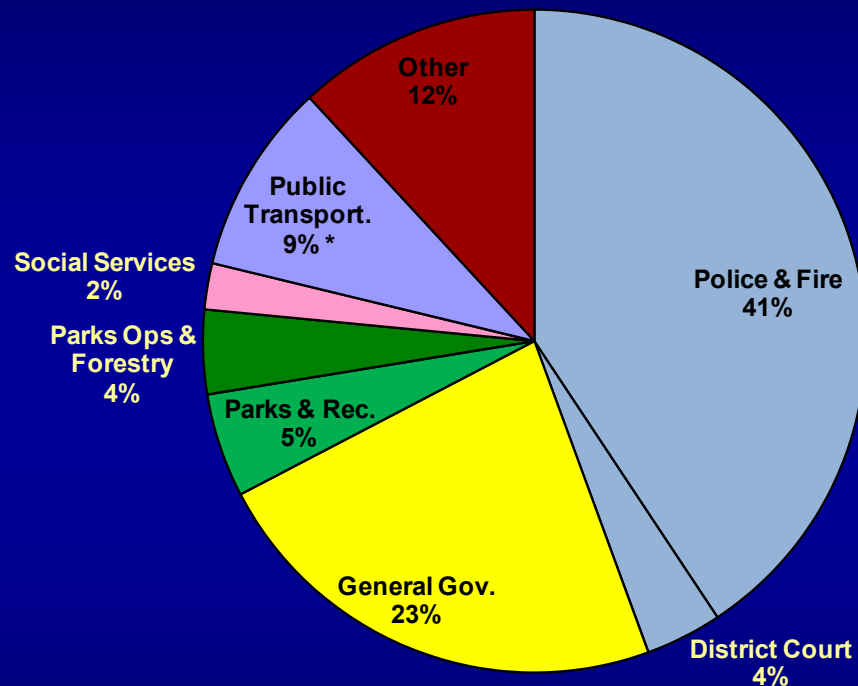
The City has reduced staffing more than 25% over the past 7 years with little impact to services...



... future reductions will impact the number and level of services.

In the General Fund, resources are concentrated on providing vital services...

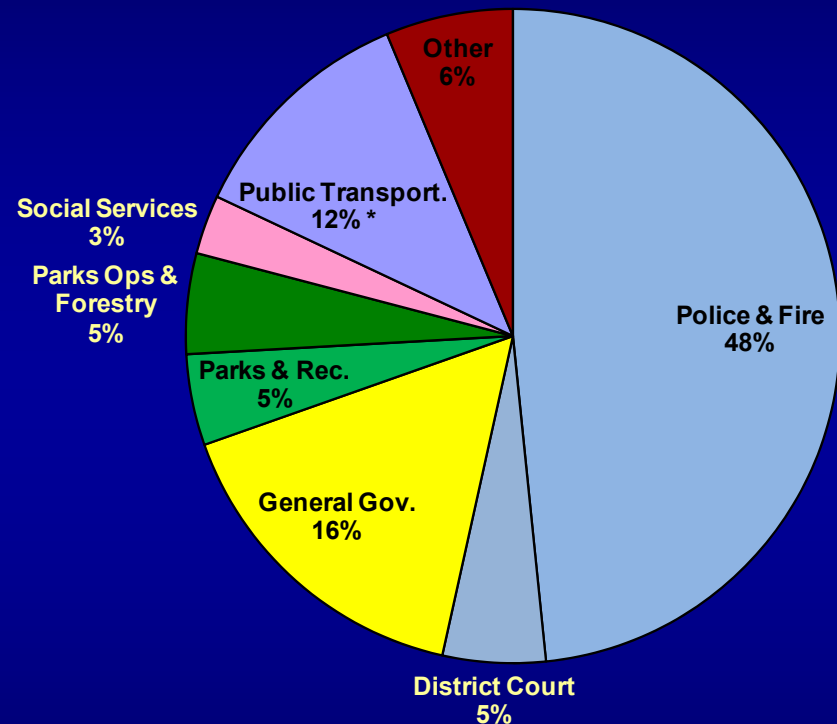
FY 2000



\$69.8 Million adjusted for
current operations

* Currently funding AATA

FY 2010 Budgeted



\$83.2 Million [Excl. 1 timers]
\$69.8 Million CPI adjusted

... future reductions will affect everyone.

Economic Environment

- Grim outlook → Serious implications for City
 - Unemployment (Nov):
 - Ann Arbor Area – 8.8% (prelim)
 - Michigan – 14.7% (prelim)
 - Real Estate
 - Sales prices are declining year-over-year / fewer sales
 - Pfizer property fully off tax rolls in FY 2011
 - State tax collections are down - Income, Sales, Gas
 - State's Core Budget Issues – Unresolved
 - Interest rates – Dramatically lower
 - Stimulus Package – Does not help recurring operations
 - Labor Market
 - Consumer Price Index = negative
 - Survey data = personnel related costs flat or declining in S.E. Michigan

Key Revenue Elements

FY 2010

	<u>General Fund</u>	<u>Dedicated Funds (1)</u>	<u>Enterprise Funds (2)</u>	<u>Total City (3)</u>
Property Taxes	60%	46%	16%	41%
State Shared Rev & Grants	14%	20%	0%	10%
Charges for Services	9%	0%	73%	31%
Fines & Forfeits	6%	1%	0%	3%
Intra Governmental	4%	1%	0%	2%
Operating Transfers	3%	5%	4%	4%
Investment Income	2%	3%	2%	2%
Licenses, Permits, & Registration	1%	12%	0%	3%
Other	1%	0%	1%	0%
Prior Year Surplus	0%	12%	4%	4%
TOTAL	100%	100%	100%	100%

(1) Includes funds with restricted spending like parks millage, open space millage, Act 51 streets, etc.

(2) Includes self-sustaining funds like Water, Sewer, Stormwater, Airport, Farmer's Market, etc.

(3) Excludes Debt, Capital, Internal Service, Trust & Component Unit Funds & the Sale of Bonds

All City Funds are affected by economy

City allocation of State Shared Rev. (sales tax) (General Fund)	\$ (1.2) Mil. FY10 to FY11
Income from Investments (All Funds)	(2.6) Mil. FY10 budget to forecast
Property Taxes (General Fund, Parks, Solid Waste, Streets)	(4.0) Mil. FY10 to FY11
Reduced demand for Services or Commodities (Utilities, Construction, Gen. Fund)	(6.3) Mil. FY09 budget to actual
State funding for Streets (Major & Local Street funds)	(0.7) Mil. Past 5 years
Fines & Forfeits (General Fund)	(1.4) Mil. Past 3 years

Key Expenditure Categories

FY 2010

	<u>General Fund</u>	<u>Dedicated Funds (1)</u>	<u>Enterprise Funds (2)</u>	<u>Total City (3)</u>
Personnel & Fringes	63%	25%	15%	34%
Pass Throughs/Operating Transfers	13%	9%	3%	7%
Other Services (4)	11%	13%	13%	12%
Other Charges (5)	8%	43%	64%	41%
Human Services	2%	0%	0%	1%
Materials & Supplies	1%	4%	3%	3%
Capital Outlay	1%	6%	1%	2%
Other	1%	0%	1%	0%
TOTAL	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Includes funds with restricted spending like parks millage, open space millage, Act 51 streets, etc.

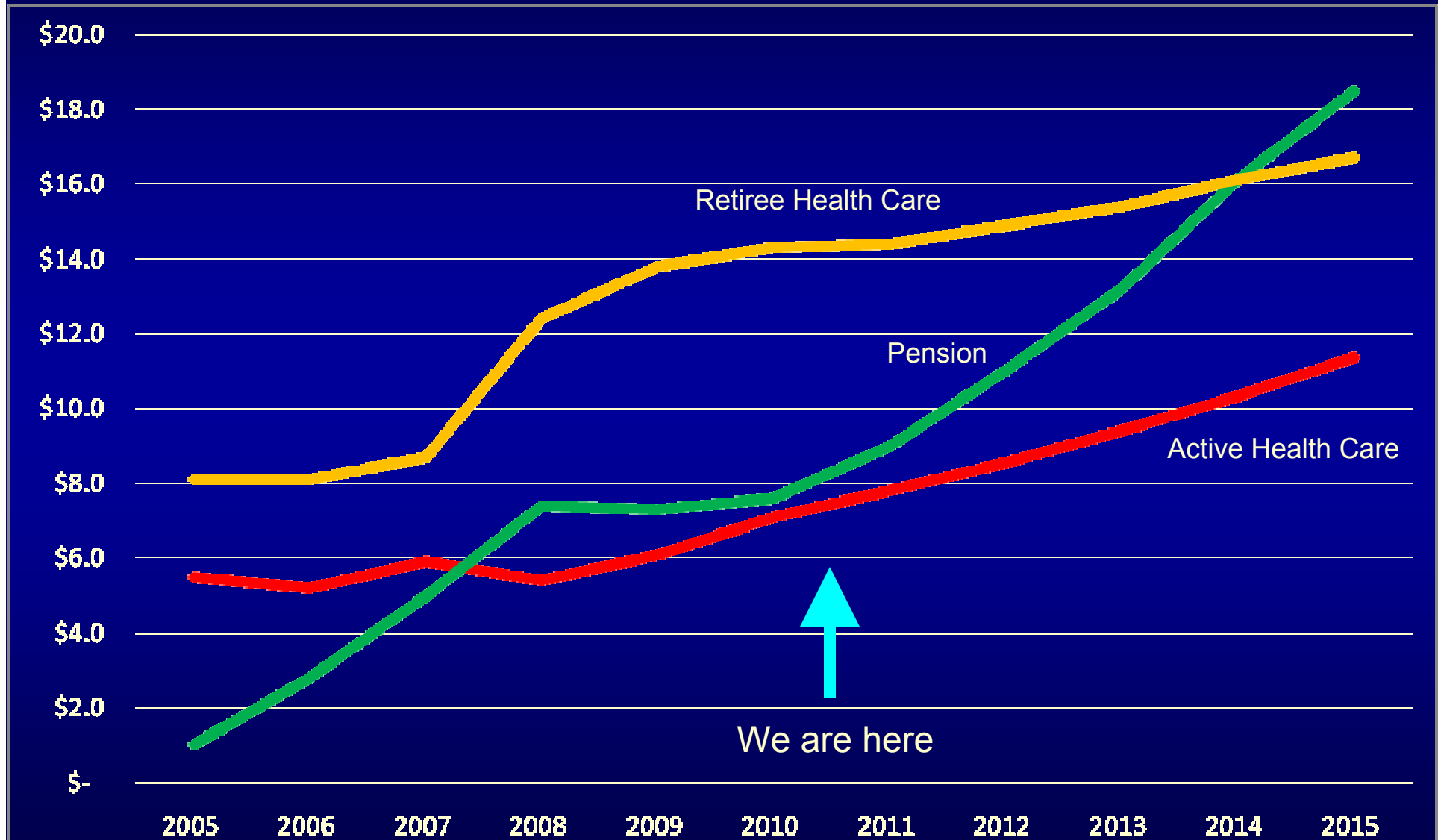
(2) Includes self-sustaining funds like Water, Sewer, Stormwater, Airport, Farmer's Market, etc.

(3) Excludes Debt, Capital, Internal Service, Trust & Component Unit Funds

(4) Other services includes items such as electricity, fleet charges, contracted services, etc.

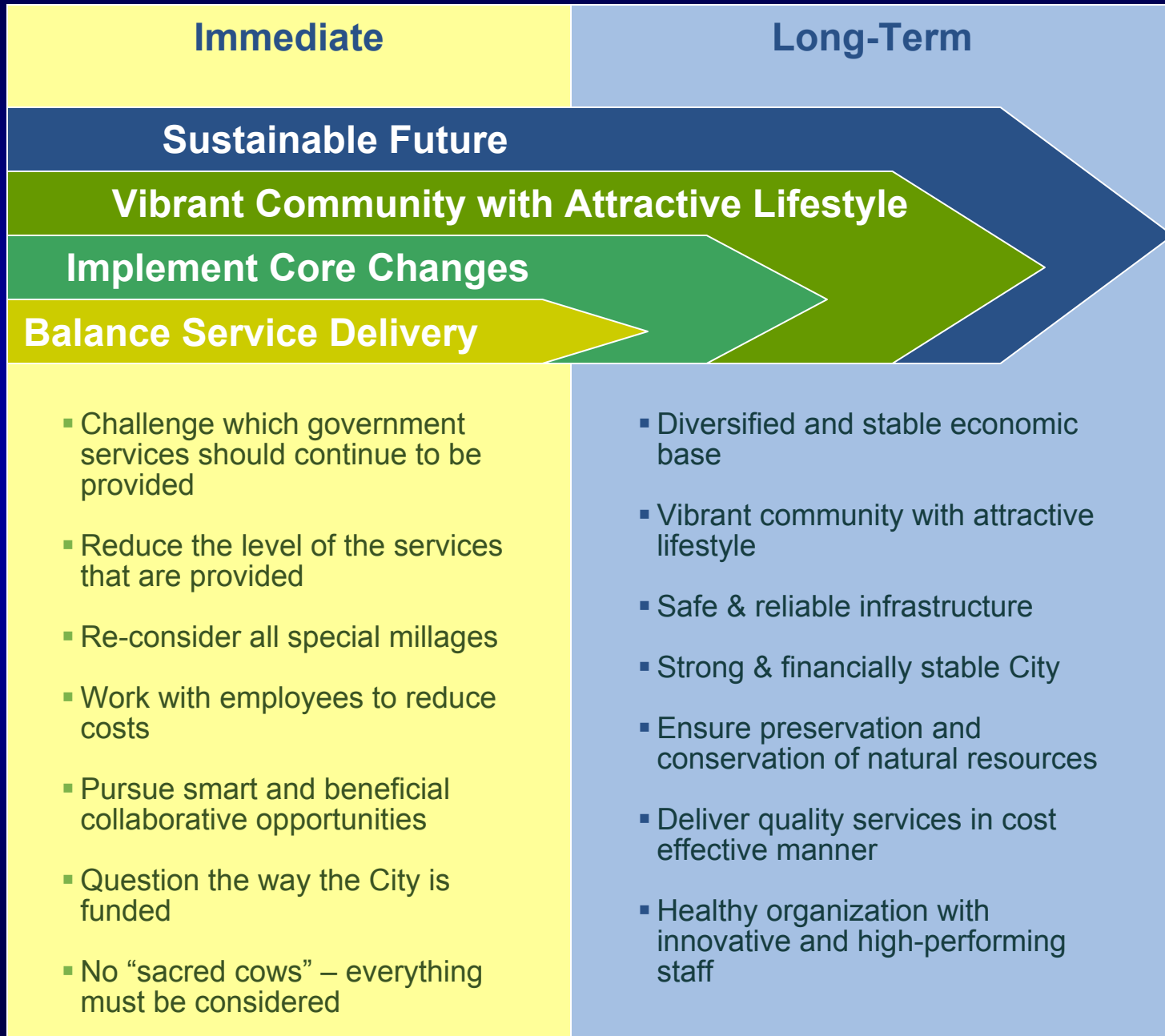
(5) Other charges includes items such as depreciation, interest, MSC, IT, insurance, etc.

Trends of Key Cost Elements (Total City)



How will we proceed?

“Defining Our Future”



What happened to the Budget?

May 2009 - FY 2010 Two Year Plan -10%

Aug. 2009 – Worried about less revenue ?

Nov. 2009 - FY 2010 Confirmed Reductions
(due to lower revenue) - 4%

FY 2011 Additional Reductions
(due to lower revenue) - 8%

Total Reductions FY 2010 & FY 2011 -22%

Memo:

FY 2012 Projected Reductions -8%

Immediate Changes for Mid-FY 2010

Recurring Savings

General Fund

• Eliminate Contingencies	\$	125,000
• Elimination of Temporary-Contracted Crews/Non-Park Tree Removals		38,707
• Transfer (elimination) of Stump removal & Tree Planting from GF to Stormwater		259,001
• Eliminate Hand Trimming with Mowing - Temporary Costs		45,360
• Change mowing cycle for parks from 14 to 19 days		98,000
• Do not fill Police vacancies above the plan for the EOP		811,475
• Adjustment to total compensation		206,000

Total General Fund	\$	1,583,543
---------------------------	-----------	------------------

Other Funds

• Not fill vacant Park Planner in Parks & Rec. (Parks Millage Fund)	\$	76,332
• Not fill vacant Inspector position in Plan. & Dev. (Constr. Code Fund)		85,344

Immediate Changes for Mid-FY 2010

Non-Recurring Savings

General Fund

• Lower than budgeted losses for Golf Courses	\$	135,000
• Possible decrease in temporary staff time through adjusting work schedules		5,000
• Tax Refunds Budgeted for Pfizer but settled in the prior year		500,000
• Eliminate vacancy in Budget Office		90,000
• Not fill anticipated Facilities vacancy slated for April 2010 for remainder of FY		10,000
• Decrease in Conference, Training and Travel		23,875
• Possible energy savings on utilities for rec. facilities based on new estimates		28,000
• Fire Personnel Reductions - Planned reductions advanced to Jan. 2010		396,803
• Reduce contribution to the Ann Arbor Affordable Housing Trust Fund by 10%		10,000
• Eliminate Joint Integrated Funding		250,000

Total General Fund

\$ 1,448,678

Other Funds

• Pull-ahead - Eliminate 3 positions in Planning & Dev. (Construction Code Fund)	\$	108,799
• Water - Staff re-assignments and unfilled vacancies		290,000
• Water - Reduced contracted services & delay equipment replacement		250,000

How will recommendations be determined?

- We will come up with recommendations consistent with our financial principles
- We will:
 - Provide quality services – even if there are fewer of them
 - Balance the diversity of services provided -- no area is exempt
 - Focus on reducing costs -- not just on increasing revenues
 - Fund recurring operations with recurring revenue – not via one-time revenues
 - Set aside money for our obligations -- we won't ignore and defer. (e.g. infrastructure for the community / employee pension, retiree healthcare, etc.)

continued

- We will utilize a two-pronged approach:
 1. Reduce to meet budget targets
 2. Re-think existing services provided

FY 2011 Re-Thinking Services Could Include...

- Require leaves to be bagged by residents
- Eliminate Gen. Fund support for Parks System
- Stop Gen. Fund support for Golf
- Contract with County for Emergency Management
- Eliminate Human Services funding
- Discontinue maintaining some parks
- Reduce solid waste millage
(eliminate waste collection / maintain recycling)
- Sell some parks
- Institute street lighting special assessment districts
- Rescind Parks budget reduction resolution
- Reduce / re-purpose Gen. Fund support for AATA
- Change the way Fire services are delivered
- Contract with County for Parks Services
- Defer uncommitted capital improvements
- Close recreation facilities

What are the possible recommendations?

- We don't know yet
- The Council offsite was start of conversation
- Lots of ideas will get discussed
- There is no “silver bullet” – so recommendations will ultimately involve a combination of things:
 - Renewed emphasis on operating efficiently
 - Taking advantage of collaborative opportunities
 - Recognizing there is pressure to reduce employee total compensation
 - Reductions in the services provided

Are we considering additional revenues?

- Council is interested in learning more about revenue options, but didn't want us to plan on them
- Options may include:
 - Headlee roll-back
 - Local income tax

What's the process to determine recommendations and approve the budget?

- Jan. 25 – Council Working Session
- Jan/Feb – Explore two paths to determine recommendations:
 - Reduce to meet budget targets
 - Re-think existing services provided
- March – Formulate recommendations
- April 19th – Administrator recommendation presented to City Council
- May 17 – City Council adopts FY2011 budget

How will staffing levels be affected?

- There are presently 25 vacancies – all positions will be evaluated to determine if they must be filled. For example:
 - Community Services Area Admin – Interim
 - Fire Chief – Fill
 - Planning & Dev. Manager – Don't fill
 - Field Ops Manager – Fill
- The present market has re-adjusted our expectations for total employee compensation
- Mayor's 3% target – reflects philosophy of reduced expenditures effective July 2010 (salary, healthcare, longevity, steps, allowances, excess sick leave pay-outs, etc.)
- Some additional positions will need to be eliminated

Questions/Rumors

- What about a 4 day work week?
- Why salaried workforce first?
- Reductions across employee groups are not balanced?
- Who is affected by the mayor's request for 3% reductions?
- What about additional buy-outs?
- Status of pension fund?
- How does early retirement affect the budget?
- What is a core service?
- Are we getting money from Univ. or Michigan?

What can we as employees do?

- Come to work with a positive attitude
- Give great customer service
- Look for ways that the organization can be more efficient
- Offer ideas of where the organization can be more efficient → tell your supervisor
- Contribute suggestions to improve the budget
→ on a2central homepage
(link on left column “budget improvement ideas”)