

City of Ann Arbor
BUDGET IMPACT ANALYSIS

SERVICE AREA: Public Services
SERVICE UNIT: Project Management

SERVICE ACTIVITY	Recurring/Non- Recurring	FUND	CHANGES FROM EXISTING SERVICE LEVELS	FY 17 Planned Impact	FY 17 Actual Impact
Stone School Road Sidewalk	Non-Recurring	0010	Enhancing non-motorized transportation by filling a sidewalk gap on the west side of Stone School between Pebble Creek and Birch Hollow. The funding request is for costs associated with the project that will be recovered later through special assessment (\$7,500) and the balance which cannot be specially assessed (\$42,500).- Transfer to 00CP	\$ -	\$ 50,000
TOTAL DOLLARS (\$) IDENTIFIED				\$ -	\$ 50,000
Net New Impact for FY17				\$ 50,000	

City of Ann Arbor
BUDGET IMPACT ANALYSIS

SERVICE AREA:
SERVICE UNIT:

Public Services
Systems Planning

SERVICE ACTIVITY	Recurring/Non-Recurring	FUND	CHANGES FROM EXISTING SERVICE LEVELS	FY 17 Planned Impact	FY 17 Actual Impact
Connector Service Design TR-AT-10-33	Non-Recurring	0010	Fund city share of public transportation development project	\$ -	\$ 183,950
Ellsworth Road Corridor Study	Non-Recurring	0010	Evaluate Multimodal transportation needs for important east-west corridor Address vehicular traffic, transit access, pedestrian, bicycle system needs.		109,421
Energy & Outreach	Recurring	0010	Contracted/Temporary Support of Sustainability Framework and implementation of the Sustainability Action Plan	-	80,000
Street Lighting	Non-Recurring	0010	Street Light Asset Condition Assessment	-	120,000
TOTAL DOLLARS (\$) IDENTIFIED				\$ -	\$ 493,371
Net New Impact for FY17					\$ 493,371

Water Fund (Operating)

PRIMARY SERVICES

- Treatment and Distribution of Safe Drinking Water
- Repair and Maintenance of the Distribution System
- Customer Billing and Service Activities
- Systems Planning Activities - System Modeling

FINANCIAL SUMMARY

	Actual		Projected		
	FY2014 (\$ Mil.)	FY2015 (\$ Mil.)	FY2016 (\$ Mil.)	FY2017 (\$ Mil.)	FY2018 (\$ Mil.)
Revenue:					
Water Sales	\$ 20.9	20.1	\$ 21.0	\$ 22.2	\$ 23.8
Connection Charges	1.3	2.0	1.8	1.3	1.3
Operating Transfers	1.4	2.2	3.0	1.4	1.5
All Other	1.3	5.1	1.1	1.1	1.1
Total Revenue	\$ 24.9	\$ 29.4	\$ 26.8	\$ 26.0	\$ 27.7
Expense:					
Field Operations	\$ 3.4	3.9	\$ 4.0	\$ 4.2	\$ 4.3
Water Treatment Plant	6.8	6.8	7.4	7.7	7.9
Depreciation	3.1	3.3	3.2	3.4	3.5
Customer Service	1.1	1.2	1.2	1.0	1.0
Debt Service	1.4	1.2	1.3	1.1	1.0
Safety Service Fee	0.9	0.9	0.8	0.8	0.7
All Other	2.1	4.3	3.1	3.3	3.5
Total Expense	\$ 18.7	\$ 21.6	\$ 21.0	\$ 21.5	\$ 21.9
Net Operating	\$ 6.2	\$ 7.8	\$ 5.8	\$ 4.5	\$ 5.8
Memo:					
Debt Coverage Ratio (min 1.25)	2.7	2.5	2.4	2.0	2.4
Revenue Requirement Increase per plan	3.5%	4.2%	4.2%	5.5%	7.5%
Capital Projects/Equipment	\$ 7.0	\$ 7.0	\$ 9.0	\$ 8.8	\$ 10.6
Unrestricted Fund balance (net position)	\$ 17.2	\$ 18.6	\$ 15.4	\$ 11.1	\$ 6.3

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- FY 15 Other Revenue includes Capital Contribution from Scio Township for West High Project.
- FY16 Operating Transfer includes one-time return of fund balances from the Project Mgmt, Fleet and Risk funds.
- Annual savings above is planned to pay for capital improvements
- Current Bond Rating is AA-

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Projected Revenue Requirement Increases to 5.5% - 7.5% Thru FY 2017. This increase would support the planned capital investments and Plant 1 Replacement.
- The above projections include increased maintenance needs due to aging infrastructure.

FUND BALANCE (Net Assets)	<u>FY 2015</u>
	(\$ Mils.)
6/30/15 - Total Fund Balance (Net Position)	\$ 92.3
Less:	
Restricted - Capital Assets	(59.4)
Restricted - Equipment Replacement	(10.5)
Restricted - Debt Service	(3.8)
Unrestricted at June 30, 2015	18.6
Less: Obligated - but not yet spent:	
- FY 16 Anticipated Use of Fund Balance	(3.2)
Subtotal	\$ 15.4
Less: Minimum Balance Requirement-25% of Oper Exp	(4.0)
Available Fund Balance	\$ 11.4
<u>Known Risks</u>	
• FY 16 Total Anticipated Capital needs	9.0
• FY 17 Total Anticipated Capital needs	8.8
• FY 18 Total Anticipated Capital needs	10.6
• Water Plant I Replacement (FY 19-Preliminary)	\$65 - \$85 Mil

Sewer Fund (Operating)

PRIMARY SERVICES

- Collection, Treatment and Discharge of Sewage
- Repair and Maintenance of the Collection System
- Customer Billing and Service Activities
- Systems Planning Activities - System Modeling

FINANCIAL SUMMARY

	Actual		Projected		
	FY2014	FY2015	FY2016	FY2017	FY2018
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Sewer Sales	\$ 21.5	21.3	\$ 22.8	\$ 24.1	\$ 25.2
Connection Charges	0.7	0.5	0.9	0.5	0.5
All Other	1.5	1.2	1.4	0.7	0.9
Total Revenue	\$ 23.7	\$ 23.0	\$ 25.1	\$ 25.3	\$ 26.6
<i>Expense:</i>					
Field Operations	\$ 1.7	1.9	\$ 2.6	\$ 2.3	\$ 2.4
Depreciation	2.3	2.3	3.4	3.5	3.6
Waste Water Treatment Plant	7.5	7.4	8.3	9.0	9.3
Debt Service	2.3	3.1	3.8	3.7	3.3
All Other	2.2	4.6	2.9	3.2	3.2
Total Expense	\$ 15.9	\$ 19.3	\$ 21.0	\$ 21.7	\$ 21.8
Net	\$ 7.8	\$ 3.7	\$ 4.1	\$ 3.6	\$ 4.8
Memo:					
Debt Coverage Ratio (min 1.25)	3.4	2.3	1.6	1.3	1.4
Revenue Requirement Increase per plan	5.0%	6.0%	6.0%	6.0%	5.5%
Capital Projects/Equipment		\$ 2.8	\$ 11.5	\$ 5.5	\$ 5.5
Unrestricted Fund balance (net position)	\$ 20.2	\$ 16.5	\$ 9.1	\$ 7.2	\$ 6.5

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- Sales assume flat usage with projected rate increase to fund debt service & capital needs.
- FY 15 All Other Expenses reflects the expensing of project costs that could not be capitalized
- Field Operations expense increases primarily from equipment replacement purchases
- Waste water treatment operating expenses increase projected utility & contract increases
- Increase in depreciation reflects completion of the residuals handling project. The new Facility Renovation project is not included until it becomes operational est FY 19.
- Increase in debt service reflects anticipated debt service for capital needs.
- Annual savings above is required to pay for capital improvements.
- Current Bond Rating is AA+

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Delivery of the Facilities Renovation Project Currently Underway
- The above projections include increased maintenance needs due to aging infrastructure.
- Resolution to policy concerns surrounding the footing drain disconnect program.

FUND BALANCE (Net Assets)	<u>FY 2015</u>
	(\$ Mils.)
6/30/15 - Total Fund Balance (Net Position)	\$ 119.7
Less:	
Restricted - Capital Assets	(85.4)
Restricted - Debt Service	(9.2)
Restricted - Equipment Replacement	<u>(8.6)</u>
Unrestricted at June 30, 2015	16.5
Less: Obligated - but not yet spent:	
- FY 16 Anticipated Use of Fund Balance	<u>(7.4)</u>
Subtotal	\$ 9.1
Less: Minimum Balance Requirement-25% of Oper Exp	<u>(4.1)</u>
Available Fund Balance	<u>\$ 5.0</u>
 <u>Known Risks</u>	
<ul style="list-style-type: none"> • FY 16 Anticipated Capital needs \$11.5 mil. • FY 17 Anticipated Capital needs \$8.4 mil. • FY 18 Anticipated Capital needs \$10.3 mil. 	

Stormwater Fund (Operating)

PRIMARY SERVICES

- Collection and Treatment of Stormwater Runoff
- Repair and Maintenance of the Collection Mains
- Maintain Install Street Tree population

FINANCIAL SUMMARY

	Actual		Projected		
	FY2014 (\$ Mil.)	FY2015 (\$ Mil.)	FY2016 (\$ Mil.)	FY2017 (\$ Mil.)	FY2018 (\$ Mil.)
<i>Revenue:</i>					
Rate Revenue	\$ 6.1	6.2	\$ 6.6	\$ 7.0	\$ 7.4
Grants	1.5	0.3	0.3		
All Other	0.4	1.3	0.9	0.2	0.2
Total Revenue	<u>\$ 8.0</u>	<u>\$ 7.8</u>	<u>\$ 7.8</u>	<u>\$ 7.2</u>	<u>\$ 7.6</u>
<i>Expense:</i>					
Field Operations	\$ 2.5	2.8	\$ 3.0	\$ 2.8	\$ 2.9
Depreciation	0.3	0.3	0.7	0.7	0.7
Debt Service	0.2	0.3	1.1	1.4	1.7
All Other	3.7	4.9	2.1	2.2	2.2
Total Expense	<u>\$ 6.7</u>	<u>\$ 8.3</u>	<u>\$ 6.8</u>	<u>\$ 7.0</u>	<u>\$ 7.5</u>
Net	<u>\$ 1.3</u>	<u>\$ (0.5)</u>	<u>\$ 1.0</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>
<i>Memo:</i>					
Revenue Requirement Increase per plan	3.0%	6.0%	6.5%	6.5%	6.5%
Unrestricted Fund balance (net position)	\$ 8.6	9.3	\$ 8.9	\$ 7.8	\$ 6.0

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- Revenue assumed to increase primarily from increase in rates.
- Rates increases due to Capital Investment projects in CIP.
- FY 2015 All Other revenue includes transfer from road funds dual projects.
- FY 2016 All Other revenue includes one-time return of Project Mgmt, Fleet & Risk funds.

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Address flooding complaints in specific neighborhoods.
- Continued partnership with County is integral to the City's participation in SRF principal forgiveness.
- The Green Streets policy is driving significant capital investment.
- The above financials do not include the \$1 mil. allocated to Forestry to catch-up on tree removal & pruning.
- Stormwater has a larger unmet capital need in relation to its resources than Water or Sewer.
- Recurring funding for Forestry may be inadequate to provide desired street tree maintenance.
- Current annual rate increases of 6.5% may not address these deficiencies.

FUND BALANCE (Net Assets)FY 2015

(\$ Mils.)

6/30/15 - Total Fund Balance (Net Position)**\$ 15.8**

Less:

Restricted - Capital Assets

(6.5)**Subtotal****\$ 9.3**

Less: Minimum Balance Requirement-25% of Oper Exp

(2.2)**Available Fund Balance****\$ 7.1**Known Risks

- FY 16 Anticipated Capital needs 1.5
- FY 17 Anticipated Capital needs 1.2
- FY 18 Anticipated Capital needs 2.0

Solid Waste Fund

PRIMARY SERVICES

- Collection of Solid Waste
- Residential and Commercial Recycling (Material Recovery)
- Compost Collection
- Responsible for Waste/Recycling Transfer station
- Landfill Maintenance

FINANCIAL SUMMARY

	Actual		Projected		
	FY2014 (\$ Mil.)	FY2015 (\$ Mil.)	FY2016 (\$ Mil.)	FY2017 (\$ Mil.)	FY2018 (\$ Mil.)
<i>Revenue:</i>					
Solid Waste Millage	\$ 11.5	\$ 11.7	\$ 12.1	\$ 12.3	\$ 12.5
Recycling Processing Credit	0.5	0.1	-	-	-
Waste Collection - Commercial	2.2	2.4	2.2	2.3	2.4
All Other	1.0	0.6	2.1	0.9	0.9
Total Revenue	\$ 15.2	\$ 14.8	\$ 16.4	\$ 15.5	\$ 15.8
<i>Expense:</i>					
Waste	\$ 5.6	\$ 5.5	\$ 6.0	\$ 6.2	\$ 6.7
Material Recovery	3.7	3.8	4.6	4.2	4.3
Compost	1.1	1.2	1.3	1.0	1.0
Depreciation	0.6	0.9	0.9	1.0	1.0
All Other	2.2	2.2	3.2	2.7	2.8
Total Expense	\$ 13.2	\$ 13.6	\$ 16.0	\$ 15.0	\$ 15.8
Net	\$ 2.0	\$ 1.2	\$ 0.4	\$ 0.5	\$ (0.0)
<i>Memo:</i>					
Anticipated Capital Needs			\$ 3.9	\$ 2.3	\$ 1.7
Unrestricted Fund balance (net position)	\$ 14.2	\$ 15.1	\$ 11.6	\$ 9.8	\$ 8.1

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- FY15 Waste Collection Revenue- Commercial reflects a one-time change in billing periods.
- FY15 All Other revenue includes \$1M in returned monies from Project Mgmt/Fleet/Risk funds.
- Increased Waste costs are due to higher contract rates & increased tip fees in FY 2018.
- Material Recovery expense includes MRF facility/equipment repair.
- Compost projections reflect normal volumes and quality of materials.
- FY 16 includes one-time Organic Mgmt Plan &MRF Contract Development

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Long-term revenues do not support expansion of programs.
- Waste Mgmt landfill contract (tip fees) expires FY18. Anticipate significant increase.
- Resolution to contract management issues with the MRF/Transfer station.
- Solid Waste Plan envisions an expansion of the food waste program.
- Addition of 800-1,000 service stops.
- Expansion of multi-families utilization of existing recycling program

FUND BALANCE (Net Position)	<u>FY 2015</u>
	(\$ Mils.)
6/30/15 - Total Fund Balance (Net Position)	\$ 29.2
Less:	
Restricted - Capital Assets	(14.0)
Restricted - Capital Repair & Replacement Fund	-
Restricted - Landfill reserve	<u>(0.2)</u>
Unrestricted at June 30, 2015	15.1
<u>FY 16 Planned Capital:</u>	
• Container Storage Building	(1.2)
• Methane Gas Recovery Project	(1.4)
• Wheeler P.U.D. Sidewalk Installation	(0.8)
• Natural Gas Fueling Station	(0.3)
• Termination of Public Dead-End Streets	(0.2)
<u>FY 17 Planned Capital:</u>	
• Landfill Plume Remediation/Action Plan	(1.4)
• Landfill Remedial Action Plan/Contingency	(0.5)
• Termination of Public Dead-End Streets	(0.2)
• Methane Gas/721 Site Stabilization	(0.2)
• Subtotal	9.1
Add: FY 16 & FY 17 Recurring Revenue	0.9
Less: Minimum Balance Requirement-25% of Oper Exp	<u>(2.0)</u>
Available Fund Balance	<u>\$ 8.0</u>
Known Risk	
• Establish Equipment Replacement Reserve	tbd

Major & Local Street Funds

PRIMARY SERVICES

- Right-of-Way Maintenance
(Pot-hole filling, guardrails, surface repair)
- Pavement Marking
- Winter Maintenance
- Traffic Engineering
- Street Sweeping
- Traffic Sign/Signal Installation and Maintenance

FINANCIAL SUMMARY

	Actual		Projected		
	FY2014	FY2015	FY2016	FY2017	FY2018
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Weight and Gas Tax	\$ 7.5	7.7	\$ 8.0	\$ 9.1	10.1
Parking Lane Maint/DDA	0.8	0.8	0.9	0.9	0.9
All Other	1.5	1.6	2.4	0.9	0.9
Total Revenue	\$ 9.8	\$ 10.1	\$ 11.3	\$ 10.9	\$ 11.9
<i>Expense:</i>					
Right-of-Way Maintenance	\$ 4.0	4.6	\$ 6.6	\$ 4.8	\$ 5.5
Traffic Control	2.1	2.6	3.0	3.2	3.3
Debt Service	0.8	0.8	0.8	0.8	0.8
Alternative Transportation	0.3	0.2	0.2	0.5	0.5
All Other	1.4	1.2	1.5	1.6	1.8
Total Expense	\$ 8.5	\$ 9.4	\$ 12.1	\$ 10.9	\$ 11.9
Net	\$ 1.3	\$ 0.7	\$ (0.8)	\$ -	\$ -
<i>Memo:</i>					
Non-recurring - Revenue	\$ 0.5	0.5	\$ 1.2		
Non-recurring - Expense			\$ 1.3		
Recurring Net	\$ 0.8	\$ 0.2	\$ (0.7)	\$ -	\$ -
Unrestricted Fund balance (net assets)	\$ 15.0	\$ 15.7	\$ 14.9	\$ 14.9	\$ 14.9

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- Increase of Weight & Gas Tax collection begins 01/2017.
- FY17 All Other revenue declines due to removal of one-time grant & State supplemental funding
- FY 16 Maint. includes supplemental State of Michigan appropriation for road maintenance.
- The City regularly plans/attempts to spend all funding received on right-of-way maintenance
- FY 14 Net Surplus resulted from vacancies.

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- City has unmet right-of-way maintenance needs
- Staff is currently identifying one-time maintenance items to utilize available reserves.
- Increased winter maintenance levels (ie. moving from 4" to 2") would further reduce funds for road maintenance

FUND BALANCE	<u>FY 2015</u>
	(\$ Mills.)
6/30/15 - Total Fund Balance (Net Position)	\$ 15.8
Less: Minimum Balance Requirement (one-year of revenue)	(8.0)
FY 16 Anticipated Use	(0.8)
Available Fund Balance	<u><u>\$ 6.9</u></u>

Street Millage Fund

PRIMARY SERVICES

- Street Reconstruction/Resurfacing
- Bridge Reconstruction/Resurfacing
- Local Matching Funding for Federal/State-Aid Projects
- Sidewalk Repair/Replacement (not new installation)

FINANCIAL SUMMARY

	Actual		Projected		
	FY2014	FY2015	FY2016	FY2017	FY2018
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Street Millage	\$ 9.3	9.5	\$ 9.8	\$ 10.0	10.1
Sidewalk Repair Millage	0.6	0.6	0.6	0.6	0.6
Transfers In	3.2	5.5	3.9		
PA283-County Millage		0.5	1.9		
All Other	0.5	0.3	0.2	0.2	0.2
Total Revenue	\$ 13.6	\$ 16.4	\$ 16.4	\$ 10.8	\$ 10.9
<i>Expense:</i>					
Annual Street Resurfacing	\$ 6.0	6.0	\$ 14.0	\$ 5.6	5.8
Stone School Improvements	0.4	2.7	0.7		
Miller Ave. Improvements	2.2	0.3			
Stadium Blvd.		0.6	0.6	1.7	
Fifth & Kingsley				0.1	1.3
Pontiac Trail Impr	0.1	3.0			
Madison Improvements	2.5	0.4			
Geddes Ave Improvements	0.2	0.6	2.4	1.5	
Annual Capital Maintenance			0.6	0.5	0.7
Sidewalk/Ramp Repair	1.1	2.7	4.0	1.3	0.6
Alternative/Bike Paths	0.8		<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
All Other	2.0	1.2	2.5	2.3	1.2
Total Expense	\$ 15.3	\$ 17.4	\$ 24.7	\$ 12.9	\$ 9.6
Net	\$ (1.7)	\$ (1.0)	\$ (8.3)	\$ (2.1)	\$ 1.3
<i>Memo:</i>					
Unrestricted Fund balance (net assets)	\$ 16.0	\$ 15.0	\$ 6.7	\$ 4.6	\$ 5.9

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- FY17-FY18 Transfers In do not reflect funding from utility funds in support of projects
- FY 16 Annual street resurfacing expanded program due to County Millage Revenue
- FY 18 Sidewalk/ramp repair declines due to improvement in the condition of the system
- Estimates for Alternative/Bike Path expenses are not possible until project design is complete
- Unrestricted fund balance projected to decline to \$5.9 mil. due to revised minimum policy.

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- The Street Millage Fund is Critical for Local Matching for Federal/State-Aid Projects
- Currently completing 5 year review of sidewalk condition, assuming future moderate needs.
- Proposed Plan is to reduce unrestricted fund balance to 1/2 of annual revenue.

FUND BALANCE (Net Assets)	<u>FY 2015</u>
	(\$ Mils.)
6/30/15 - Total Fund Balance (Net Position)	\$ 15.0
Less:	
Minimum Balance Requirement	(5.5)
FY 16 Programmed Fund Balance Use	(8.3)
Obligated - but not yet spent:	
- Geddes Ave.	<u>(1.5)</u>
Available Fund Balance	\$ (0.3)