Judge Burke,
Judge Hines,
Judge Valvo, and
Court Administrator
Samborn

State of Michigan

15th Judicial District Court

301 E Huron St • Ann Arbor, Michigan 48104

www.15thdistrictcourt.org

Question#2: Please provide more information on the underlying workload and caseload needs and demands that are driving the part-time to full-time FTE request in Probation. CM Lumm asked on March 22, In terms of the requested FTE probation officer at the 15th District Court, the response to a Q at the work session was a bit confusing at least for me. It was not clear to me if this was an incremental position or just additional funding from the GF to allow grant funding to pay for something else. Can you please clarify that and if it's a new FTE (or partial FTE increase), also provide the underlying workload/caseload data driving the need? (Councilmember Lumm)

Response:

Mental Health Court Probation Agent Position

The 15th Judicial District Court respectfully requests the addition of one FTE position as well as funding from the General Fund to finance the position of Probation Agent for Mental Health Court. The request is being made to provide a more sustainable model for the Mental Health Court Probation Agent position, which is currently a part-time, grant-funded position. Under the current funding model, the level of grant funding from the State Court Administrative Office for each annual grant period helps determine the number of hours the probation agent may work each week. In turn, the probation agent's availability directly affects the number of participants accepted into the program and the participants' successful completion of the program. The probation agent is responsible for meeting with participants weekly or bi-weekly, tracking their progress, and reporting to the judge and other team members bi-weekly about each participant's progress and need for revisions to treatment plans. This position is critical to the successful functioning of the Mental Health Court program. Grant funds are limited, and any funds spent on personnel expenses reduces the funding available for participant treatment and testing. Thus, the change in funding sources would not only provide sustainability to the position, it would also benefit program participants as it would allow the grant funding currently directed to funding the probation agent position to be redirected towards treatment and testing services for participants.

In 2014, the Court received a planning grant from the State Court Administrative Office with which to implement a Mental Health Court. The creation of a Mental Health Court here in Ann Arbor, just as in many other jurisdictions, came about as a response to the overrepresentation of people with mental illness in the criminal justice system and the jail. The program, which concentrates on helping participants manage or resolve the underlying mental health and substance use disorders that contribute to criminal behavior, has been maintained with the assistance of State Court Administrative Office grant funding.

This specialized problem-solving program utilizes a team approach to treatment and supervision. The court and its community partners work collaboratively and coordinate treatment, life skill training, housing needs and supervision. Eligible defendants are diverted into judicially supervised, community-based treatment. Treatment plans are tailored to each individual participant's needs based upon his or her professional mental health and substance use assessments. The goal is to assist participants in understanding and coping with their mental illness and/or substance use disorders so that they can improve their quality of life while at the same time benefiting the larger community long-term through a reduction in recidivism rates and incarceration expenses. The program provides intensive supervision, education, long-term treatment, support groups, counseling services, substance use testing, life skill training, assistance with housing placement and court sessions to encourage participants to become more engaged in treatment and positive outcomes. Although this program is categorized as a judicially supervised program, the primary contact person for participants is the Mental Health Court Probation Agent. The agent is responsible not only for providing support to participants but also for providing intensive oversight of participants' compliance or non-compliance with court guidelines and treatment plans. The agent meets regularly with participants (e.g. participants in Phase 1 meet weekly with the agent), and consults family, friends, treatment providers, co-workers, and others to gather information regarding progress toward goals. This information is shared with the judge and other team members and, based upon the information, treatment plans are adjusted, incentives given, or sanctions applied. Providing sustainability to this position is important as judicial oversight of participants is primarily informed by the probation agent's reports. Constant probation agent oversight is a significant factor in a participant's success.

According to the State Court Administrative Office's *Best Practices Guide for Mental Health Courts,* released earlier this month, specialized probation caseloads should not exceed forty-five active participants per supervision officer. Probationers on 45:1 caseloads received significantly more mental health services, were less likely to be arrested, and were less likely to have their probation revoked. (Prins & Draper, 2009) The Mental Health Court Probation Agent is currently averaging 35 work hours per week; the adjusted best practices ratio would be 39:1. Caseload numbers at various "snapshots" in time are as follows:

7/9/14	1/1/15	7/1/15	1/1/16	7/1/16	1/1/17	3/23/17
3	39	49	33	25	32	34

Caseload numbers fluctuate as participants are admitted to or exit the program. The lowest participant level, which was three, occurred at the start of the program whereas the highest level, which was sixty-one, occurred in the latter half of 2015. Mental Health Court currently has 34 active participants not including the five new participants who are coming onboard. And, according to the presiding judge, the Mental Health Court has been receiving 2-3 referrals each week from courts or attorneys, who have identified candidates for the program. The Mental Health Court serves people with a variety of mental illnesses. Often, those served can be easily identified as they are disruptive in public spaces; they panhandle on the streets; and, they rotate through the homeless shelter. Successful treatment through Mental Health Court not only benefits its participants but it can increase community safety while also reducing the draw on public resources by reduced law enforcement contacts, jail bed days, and days in the homeless shelter.

The funding of a dedicated Mental Health Court Probation Agent would be consistent with City Strategic Goal #2 – Deliver Exceptional Service. Within the Sustainability Framework emphasis would be on items 6) Human Services and 7) Safe Community. The focus of Mental Health Court is to promote the well-being and quality of life for participants while also improving community safety for the citizens of Washtenaw County.

The current incumbent in the Mental Health Court Probation Agent position has a Bachelor of Science in Economics as well as a Master of Social Work. His work experience includes: working at a correctional facility in Jackson, Michigan, with sex offenders in a specialized program; providing therapy for participants in a drug court program in Flint, Michigan; and, working as a therapist with patients afflicted by mental illness, substance abuse, dual disorders, and trauma. His dual knowledge and experience in the areas of social work and probation benefits the Mental Health Court and its participants.

The Court understands that there is a significant difference in personnel expenses between the wages and benefits of a part-time, grant-paid employee and a full-time, General Fund paid employee. The approximate cost for this position is $99,840 (Salary: $66,560; Estimated fringe benefits $33,280).

Reference:

Prins, S. & Draper, L. (2009). Imrproving Outcomes for People with Mental Illnesses under Community Corrections Supervision: A Guide to Research-Informed Policy and Practice. Council of State Governments Justice Center, New York, New York.

TO: Mayor and Council

FROM: Tom Crawford, CFO
Carrie Leahy, LDFA

CC: Karen Lancaster, Finance Director
Howard S. Lazarus, City Administrator

SUBJECT: LDFA

DATE: March 31, 2017

Question #20: For the 15 year extension, what is the MEDC's new TIF capture policy? (Councilmember Lumm)

Response: See attached.

Question #21: What is the scope & process of the strategic plan? Please elaborate on the process, timeframe, and involved parties. (Councilmember Lumm)

Response: The scope of the LDFA's strategic planning effort is to identify strategic direction for the next 15 years. The attached scope from the consultant engagement and agenda describe in greater detail the scope and process. The process has not been completed so a final report is not available. The Board identified additional items that need to be worked on in FY18 to derive an appropriate plan.

Question #22: What are the latest revenue forecasts for FY17, 18, & 19? (Councilmember Lumm)

Response: Attached is the requested budget approved by the LDFA's board which includes the best revenue estimates at that time. After the LDFA's recommendation was approved and after the City Administrator's recommended budget book was prepared, the tax roll was finalized by the City Assessor. The revised projections are $3.75 million ($350k increase) for FY2018 and $3.815 million ($350k increase) for FY2019. Due to the late nature of this increase and since there is not a corresponding request to increase expenditures, the LDFA's FY2018 budget will not be revised unless it is amended by City Council.

<u>Question #40</u>: Regarding the LDFA, please do provide the TIF revenue forecast for FY17 and projections for FY18 and FY19 when they become available? Also, in the LDFA financial projections the reimbursement to the City for indirect services in FY18 increases significantly (about $140K over FY17) for "professional services" and then drops back down in FY19. Can you please explain what this jump is for? (Councilmember Lumm)

<u>Response</u>: During the presentation, Vice-Chair Leahy described additional strategic planning work (third party expert review and additional strategic planning by the LDFA) that needs to be accomplished to develop a robust plan for the next 15 years. $150k is set aside for this effort.

<u>Question #41</u>: We briefly discussed the LDFA strategic planning initiative at the Work Session and I appreciate that we're taking a clean-sheet approach. When is it expected the new strategic plan will be completed and shared with Council? (Councilmember Lumm)

<u>Response</u>: The Board does not have a firm date since the extension has still not been approved. The changes we've seen thus far from MEDC have shifted some of the strategy (eg: elimination of use of funds for a microloan program). If the extension is approved in the later part of FY17 and there are no further material changes, a strategic plan is anticipated to be completed in FY18.

<u>Question #42</u>: Can you please elaborate a bit on why the Microloan program is being discontinued and what the new line item in the budget called Mobility Support means and what specifically the $100K in the recommendation pays for? (Councilmember Lumm)

<u>Response</u>: While the microloan program was permissible by the MEDC when the SmartZone was created, the MEDC has directed SmartZones to discontinue this activity going forward so that it does not overlap with some of their other non-SmartZone programs.

The $102k for Mobility reflects the cost for the LDFA to contract for an additional employee at SPARK to specifically focus on start-ups related to the mobility space. With the emerging autonomous and self-driving car infrastructure being supported locally, the LDFA is attempting to bolster this growing sector as a potential focus area or "cluster" for new innovative technologies.

SMARTZONE ELIGIBLE COST GUIDANCE

This appendix is intended to be used by the reader as a comprehensive listing of eligible costs provided by the Local Development Finance Authority Act (Act 281 of Michigan of 1986) and supported by the Michigan Economic Development Corporation. This guidance will also facilitate consistent, accurate, efficient and timely completion of the TIF Ratification approval process where the capture of state school taxes is desired. MEDC SmartZone Program staff will evaluate Act 281 TIF eligible costs submitted by each SmartZone, taking into consideration the Development and Tax Increment Financing (TIF) Plan ("The Plan"), applicable laws, regulations and established policy. No provision of this guidance document should be construed to limit the MEDC's authority to require additional information. This guidance document shall replace and supersede any previously established guidance document. Upon a detailed evaluation of the request and affiliated paperwork, the MEDC will make a determination of eligibility and state school tax capture based upon the content of The Plan and any other relevant factors.

ELIGIBLE PROPERTY

Eligible Property is defined as: Land Improvements, building, structures, and other real property, and machinery, equipment, furniture, and fixtures, or any part or accessory thereof whether completed or in the process of construction comprising an integrated whole, located within an authority district, of which the primary purpose and use is or will be one of the following:

I. Manufacture of goods or materials or the processing of goods or materials by physical or chemical change
II. Agricultural processing
III. A high technology activity
IV. The production of energy by a facility that is primarily fueled by biomass or wood waste
V. A business incubator
VI. An alternative energy technology business
VII. A transit-oriented facility
VIII. An eligible next Michigan business

TIF ELIGIBLE COSTS

The cost of funding **public facilities** (125.2152(ff)) related to, or for the benefit of eligible property located within a Certified Technology Park or Certified Alternative Technology Park.

PUBLIC FACILITIES

A Public Facility means one of the following:

I. A street, road, bridge sewer, etc.
II. The acquisition and disposal of land that is proposed or intended to be used in the development of eligible property or an interest in that land, demolition of structures, site preparation, and relocation costs.

III. All administrative costs related to real and personal property acquisition and disposal costs related to a public facility, including, but not limited to, architect's, engineer's, legal, and accounting fees as permitted by the district's development plan.

IV. An improvement to a facility used by the public which improvement is made to comply with the barrier free design requirements of the state construction code under the Stalle-DeRossett-Hale act.

V. The following MEDC approved costs:

    I. Business incubator operational costs

    II. Costs related to acquisition, improvement, preparation, demolition, disposal, construction, reconstruction, remediation, rehabilitation, restoration, preservation, maintenance, repair, furnishing, equipping of land and other assets for the following:

        i. Business Incubator (located in a Certified Technology Park or Certified Alternative Energy Park)

        ii. Laboratory Facilities, Research and Development Facilities, Conference Facilities, Teleconference Facilities, Testing, Training Facilities, and Quality Control Facilities (that are or support Eligible Property, Owned by a public entity, and are located in a CTP)

        iii. Publicly Owned Facilities that support an alternative energy technology business (Located in a CAEP and have been or will be conveyed, by gift or sale, by such public entity to an alternative energy technology business)

VI. Operating and Planning Costs of marketing within the district and attracting development of eligible property within the district

TIF LIMITATIONS

I. All new Satellite TIF requests – approve first 10 years at 50% capture and then reducing by 10% increments for each of the remaining years (year 15=0%), unless a re-evaluation by MEDC and Treasury staff determines that a different level of support is warranted. (Specific to school operating and State Education Tax)

II. Time Extensions for existing Host SmartZones (5 or 15 years) – would limit new growth to 25% of the new tax capture, while maintaining the last original TIF year as their funding base, unless a re-evaluation by MEDC and Treasury staff determines that a different level of support is warranted. (Specific to school operating and State Education Tax)

III. Instances where there is an overlay of TIF authorities and local capture is not directed to the SZ, up to 10% of annual capture may be allocated to reserves provided that funds are matched with a local contribution. Tax Increment Revenue identified for SZ eligible activities that are multi-year projects are not considered reserves.

IV. Reserves shall not exceed 15% of total annual capture for those SZs that have both local and state proportional capture. Tax Increment Revenue identified for SZ eligible activities that are multi-year projects are not considered reserves.

V. The following costs are not permitted:

    i. Microloans or any funding directly provided to a business.

    ii. To fund the costs of direct subsidies, programs or services provided to or for tenants in the Business Incubator such as research stipends or grants, employee compensation subsidies, or grant proposal assistance.

VI. In the instance where local capture is reduced in any given year, the State portion of capture shall be reduced proportionally.

VII. Any reduction or expansion of a Plan, the LDFA shall seek input from MEDC prior to any local action taken. Any expansion of a Plan, the LDFA shall demonstrate a direct impact on high-tech growth in the expanded area.

LDFA Strategic Planning Retreat

Friday, November 4th – Saturday, November 5th 2016

Location: Ann Arbor, MI

Friday, November 4th

Timing	Activity	Presenter / Facilitator	Intent(s)
8:00am – 8:30am	**Welcome** 1. Review of the agenda 2. Goals for the meeting	Julie	Format/goals for the multi-day meeting
8:30am -10:30am	**Background: LDFA funds usage and success metrics to date** 1. Presentation of facts 2. Discussion of facts 3. Discuss and compile group thoughts on definitions of success 4. Discuss and compile group thoughts on 'stop, start, continue' spending of funds	Paula/Julie	Review what has worked and not worked to date (based on facts); Brainstorm potential definitions of success; Implications on spend moving forward
10:30am – 10:45am	**BREAK**		
10:45am – 12:30pm	**Background: Review of focus group results** 1. Presentation of results 2. Discussion of results 5. Discuss and compile additional group thoughts on definitions of success 3. Discuss and compile additional group thoughts on 'stop, start, continue' spending of funds	Julie	Review of thought leaders' comments; Implications on spend moving forward
12:30pm-1:15pm	**LUNCH**		

1:15pm – 2:15pm	**Discussion of vision / mission** 1. Round robin on a vision for AA/YP SmartZone 2. Review of current mission 3. Implication on what LDFA mission should be moving forward 6. Discuss and compile additional group thoughts on definitions of success 4. Discuss and compile additional group thoughts on 'stop, start, continue' spending of funds	Julie	Agree on modification to mission given success/failure to date and needs of constituencies
2:15pm – 3:15pm	**Converge on definitions of success for the next 15 years** Vote and agree on success metrics (short-term, medium-term, long-term) moving forward	Julie	Prioritize and have group agreement on LDFA success definition moving forward
3:15pm – 3:30pm	**BREAK**		
3:30pm – 5:00pm	**Converge on LDFA funds spending** 1. Vote and agree on categories of spend (short-term, medium-term, long-term) moving forward 2. Vote and agree on strategies within categories (short-term, medium-term, long-term) moving forward	Julie	Agree on what LDFA funds will be spent
5:00pm-5:15pm	**Close of Day 1: Reflections on Accomplishments**	Julie	
5:15pm – 6:00pm	**BREAK**		
6:00pm – 8:00pm	**Group Dinner *(optional)*** TBD	ALL	

Saturday, Nov 5th

Timing	Activity	Presenter / Facilitator	Intent(s)
8:00am-8:10am	**Review the Day** 1. Agenda for Day 2 2. Recap/Reflections on Day 1	Julie	

8:10am –10:10am	**From Strategies to Tactics** 1. Review strategies from Day 1; Note any changes 2. Break into groups to develop tactics over the short-term, medium-term and long-term 3. Readout to group 8:10am – 8:40am: Rotation 1 8:40am – 9:10am: Rotation 2 9:10am – 9:40am: Rotation 3 9:40am – 10:10am: Readout	3 facilitators (Julie, Paula, Laura)	Develop tactics that can be implemented over the ST, MT and LT
10:10am – 10:30am	**BREAK**		
10:30am – 12pm	**Agreement on strategies and tactics** 1. Prioritize strategies and tactics for ST, MT, LT 2. Ensure link to success metrics 3. Discussion of which companies/organizations/people can possibly execute these tactics	Julie	Ensure agreement on tactical plan moving forward
12:00pm -12:30pm	**LUNCH**		
12:30pm – 1:30pm	**Financing plan for strategies and tactics** 1. What process do we follow to ensure tactics are executed? 2. How much in funding for each strategy/tactic?	Julie	Ensure funds cover the strategies and tactics agreed to
1:30pm – 2:30pm	**Implication of future financial plans on current investment areas** 1. What areas are expanded from today? 2. What areas are cut? 3. Plan for communications regarding modifications	Julie	What stops, starts, changes?
2:30pm - 2:45pm	**BREAK**		
2:45pm – 3:45pm	**Targets for success metrics** What goals should we have for ST, MT and LT in achieving success?	Julie	Set expectations for success that are leading, not lagging
3:45pm – 4:45pm	**Summary of Plan** 1. Review elements of plan developed over 2 days 2. Refine any items that need further discussion/polishing	Julie	Alignment and agreement on plan

4:45pm – 5:15pm	**Next steps/actions – where do we go from here?** 1. Discuss timeline and expectations	Julie	Agree on expectations
5:15pm	**Meeting Close/Thank You to Group**	Strategy Committee & Julie	

EXHIBIT A
SCOPE OF SERVICES

Ann Arbor/Ypsilanti Local Development Finance Authority
15-year Strategic Plan Facilitation

Background:
The Ann Arbor/Ypsilanti LDFA Board was established in 2001 to support the growth of a technology economy and distribute funds to support early stage tech activities. Since that time, the tech economy in Washtenaw County has grown significantly. 1,800 start-up companies were assisted and hundreds of tech jobs have been created since the LDFA's inception, and more than $200 million in economic impact has been attributed (in part) to the support (through its contractor Ann Arbor SPARK) – primarily through the funding of an incubator, a microloan, technical and business support services, and business education. Now the LDFA is looking to the next 15 years to answer the question: "What should the tech economy in Ann Arbor/Ypsilanti look like in 15 years and how is the LDFA Board best able to support this vision?"

Description of the Project:

The elements of this work entails:
- Gaining insight from technology community leaders in preparation
- Presenting findings/recommendations from community to LDFA Board
- Facilitating planning discussion with LDFA board
- Processing board discussion into actionable plan

The qualified facilitator will have:
- Been a professional strategic planning facilitator for a minimum of 10 years
- A standardized process for developing strategic plans from board retreats
- A national view of the technology economy
- Experience facilitating nonprofit board retreats
- Background in the technology economy, particularly venture capital, angel investment, and start-ups

Project Deliverables:

1. **Planning and Preparation:**
   - Review of Past documents
   - 2 pre-planning phone calls with the LDFA Board's strategic planning committee, one prior to focus groups and one prior to board retreat
   - Two focus groups of approximately 12 Ann Arbor-based tech industry leaders, to be selected by the LDFA Board. Focus groups are to be held in Ann Arbor at a City of Ann Arbor facility.
   - A summary of the focus group feedback, to be presented to the LDFA board retreat
   - Planning Session preparation

2. **On-site Facilitation of Client Strategic Planning Retreat:**

- Two-day board retreat, to be held at a City of Ann Arbor facility.
- A summary strategic planning document that includes short, medium, and long-term activities the board can undertake to achieve an agreed-upon long-term vision

3. **Strategic Plan for 2017-2032 which includes:**
   - Prioritization of key areas of focus, timelines, resources and milestones
   - Review of content and Post facilitation feedback and recommendations

   Please forward your proposal outlining your process, budget, and references to work@paulallc.com by Friday, August 5, 2016.

Ann Arbor/Ypsilanti SmartZone LDFA

	Actual FY2015	Actual FY2016	Amended Budgeted FY2017	Requested FY2018	Projected FY2019
REVENUES					
Tax Revenue	$ 2,321,467	$ 2,512,493	$ 3,170,000	$ 3,400,000	$ 3,465,000
Miscellaneous Revenue	25,429	-	140,000	75,000	75,000
Investment Income	15,728	16,897	16,419	24,576	24,854
Total Revenue	**$ 2,362,624**	**$ 2,529,390**	**$ 3,326,419**	**$ 3,499,576**	**$ 3,564,854**
EXPENDITURES					
Business Accelerator Support Services					
SPARK Business Accelerator Direct Staffing	$ 420,000	$ 546,000	$ 674,868	$ 722,795	$ 750,000
Phase II - Due Diligence	10,200	14,576	25,000	-	-
Phase III - Intensive Service	492,428	605,000	830,000	800,000	850,000
Phase IV - Accelerating Opportunities	42,700	-	-	-	-
Sub-Total	**965,328**	**1,165,576**	**1,529,868**	**1,522,795**	**1,600,000**
Micro Loan Program for Entrepreneurs	**-**	**100,000**	**100,000**	**-**	**-**
Entreprenuerial Development & Education Programs					
Education & Development Programs	24,771	33,268	60,000	-	-
Business Networking Events/Sponsorships	39,003	48,351	45,000	145,000	150,000
Bootcamp	43,500	47,000	50,000	50,000	55,000
Sub-Total	**107,274**	**128,619**	**155,000**	**195,000**	**205,000**
Mobility Support	**-**	**-**	**-**	**102,000**	**110,000**
Internship Support & Talent Training	**189,159**	**226,186**	**300,000**	**450,000**	**450,000**
Business Software Access for Clients	**21,189**	**17,361**	**20,000**	**25,000**	**25,000**
SPARK Central Incubator Operating Exp	**225,638**	**219,930**	**228,000**	**242,000**	**250,000**
Incubator Expansion	**59,633**	**300,000**	**-**	**45,000**	**25,000**
Ypsilanti (a)	**-**	**-**	**77,000**	**340,000**	**346,500**
SPARK Indirect Services					
SPARK Accounting	68,500	95,000	104,000	117,000	121,000
Marketing	150,899	156,085	150,000	200,000	200,000
Sub-Total	**219,399**	**251,085**	**254,000**	**317,000**	**321,000**
City of Ann Arbor Indirect Services					
Legal & Admin Support	53,913	57,716	54,300	67,600	69,100
Professional Services	20,000	-	30,000	170,000	-
Total Operating Expenditures	**$ 1,861,533**	**$ 2,466,473**	**$ 2,748,168**	**$ 3,476,395**	**$ 3,401,600**
Net Increase (Use) of Fund Balance	**$ 501,091**	**$ 62,917**	**$ 578,251**	**$ 23,181**	**$ 163,254**

Notes:

(a) Ypsilanti - Pending the approval of the Amended TIF Agreement.

Beginning Fund Balance	$ 905,766	$ 1,406,857	$ 1,469,774	$ 2,048,025	$ 2,071,206
Ending Fund Balance	$ 1,406,857	$ 1,469,774	$ 2,048,025	$ 2,071,206	$ 2,234,461
Admin/OH provision					
20%	$ 464,293	$ 502,499	$ 634,000	$ 680,000	$ 693,000
Actual/Projected	$ 265,370	$ 320,982	$ 378,084	$ 422,144	

TO: Mayor and Council

FROM: Tom Crawford, CFO

CC: Karen Lancaster, Finance Director
Howard S. Lazarus, City Administrator

SUBJECT: General Fund

DATE: March 31, 2017

Question #25: In prior years, you have done high-level GF revenue and expenditure projections out a couple of years. As I recall, I think you did four-five years or so and that was helpful in providing context and perspective. Have you done any projections beyond FY18 and FY19 and if so, can you please share them? (Councilmember Lumm)

Response: Please see attached.

General Fund Revenues	Estimate 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
TAXES					
Operating & Benefits levy	41,092,205	42,004,452	43,037,761	44,122,313	45,234,195
AATA taxes	10,272,799	10,500,855	10,759,176	11,030,307	11,308,271
Tax admin fee	2,743,729	2,804,640	2,873,634	2,946,049	3,020,290
Penalties & pmt in lieu	453,104	461,658	471,481	481,797	492,338
Total taxes	54,561,837	55,771,605	57,142,053	58,580,467	60,055,094
INTERGOVERNMENTAL REVENUES					
State shared revenue	10,335,052	10,422,252	10,510,188	10,599,276	10,689,119
U of M fire protection	923,756	923,756	923,756	923,756	923,756
Other intergovernmental	384,167	384,167	384,167	384,167	384,167
Total intergovernmental	11,642,975	11,730,175	11,818,111	11,907,199	11,997,042
CHARGES FOR SERVICES					
Police	897,733	897,733	897,733	897,733	897,733
Fire	451,479	451,479	451,479	451,479	451,479
Parks & Rec	4,332,993	4,332,993	4,332,993	4,332,993	4,332,993
Hydropower	456,279	525,900	531,159	536,471	541,835
Transfers from DDA	2,815,565	2,896,382	2,979,516	3,065,035	3,153,009
Other charges for services	268,078	270,249	272,824	275,527	278,299
Total charges for services	9,222,127	9,374,736	9,465,704	9,559,238	9,655,348
FINES & FORFEITS					
Standing violations (parking)	2,386,495	2,386,495	2,386,495	2,386,495	2,386,495
UofM Parking & Referee Service Fees	264,940	272,888	281,075	289,507	298,192
District Court	1,703,440	1,703,440	1,703,440	1,703,440	1,703,440
Total fines and forfeits	4,354,875	4,362,823	4,371,010	4,379,442	4,388,127
MISCELLANEOUS REVENUE					
Tower Rental Fee	507,979	539,335	562,975	545,244	526,032
Other miscellaneous	275,091	275,091	275,091	275,091	275,091
Total miscellaneous	783,070	814,426	838,066	820,335	801,123
INTRA-GOVERNMENTAL SALES					
Municipal Service Charge	3,821,116	3,962,785	4,081,669	4,204,119	4,330,242
Other intra-governmental (GASB 68)	11,781,299	12,567,965	12,722,773	13,119,724	13,532,995
Total intra-governmental	15,602,415	16,530,750	16,804,442	17,323,842	17,863,237
LICENSES, PERMITS & REGISTRATION	1,532,195	1,532,195	1,532,195	1,532,195	1,532,195
INVESTMENT INCOME	364,951	400,437	400,437	400,437	400,437
OPERATING TRANSFERS	1,190,467	1,072,281	950,549	825,166	696,021
CONTRIBUTIONS	1,000	1,000	1,000	1,000	1,000
Total on-going revenues	**99,255,912**	**101,590,428**	**103,323,567**	**105,329,321**	**107,389,625**
% change		1.88%	1.71%	1.94%	1.96%
without GASB 68 revenue		1.24%	1.77%	1.78%	1.79%
Non-recurring revenues	-	**619,915**	-	-	-
Total revenues	**99,255,912**	**102,210,343**	**103,323,567**	**105,329,321**	**107,389,625**
% change		2.98%	1.09%	1.94%	1.96%
$ change		2,954,431	1,113,224	2,005,754	2,060,304

General Fund Expenditures	Estimate 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Personnel Services					
Personnel: permanent	35,747,012	36,581,688	37,711,677	38,843,027	40,008,318
Personnel: OT & Excess comp time pd	2,194,234	2,260,061	2,327,863	2,397,699	2,469,630
Personnel: temporary	2,500,843	2,520,437	2,631,937	2,631,937	2,631,937
Severance	500,000	500,000	500,000	500,000	500,000
Total Personnel Services	40,942,089	41,862,186	43,171,477	44,372,663	45,609,885
Fringes					
Pension Contribution	9,271,811	9,438,274	9,627,389	9,819,937	10,016,336
VEBA & RHRA	5,008,745	5,076,285	5,061,234	5,162,459	5,265,708
Social Security	1,656,470	1,666,014	1,668,619	1,718,678	1,770,238
Employee Medical	6,053,183	6,458,670	6,919,024	7,348,003	7,803,580
Other Fringes	1,292,110	1,272,249	1,290,419	1,340,745	1,393,034
Total Fringes	23,282,319	23,911,492	24,566,685	25,389,822	26,248,895
Other Services					
Natural Gas	203,352	209,348	213,535	217,806	222,162
Electricity	2,069,993	2,152,793	2,195,849	2,239,766	2,284,561
Radio charges	332,387	219,585	189,231	194,908	200,755
Fleet charges	2,424,542	2,497,342	2,523,477	2,599,181	2,677,157
Rent	123,369	123,369	123,369	123,369	123,369
Other Services	4,474,724	4,699,724	4,699,724	4,699,724	4,699,724
Total Other Services	9,628,367	9,902,161	9,945,185	10,074,754	10,207,728
Other Charges					
Retiree Benefits Tfr. To Insur Fund	5,343,719	5,655,475	5,655,475	5,768,585	5,883,956
Insurance	338,836	300,982	300,982	300,982	300,982
IT fund charges	3,704,313	4,208,192	4,332,713	4,462,694	4,596,575
AATA fee	102,749	105,009	107,592	110,304	113,083
Tax refunds	100,000	100,000	100,000	100,000	100,000
Contingency	497,874	259,500	259,500	259,500	259,500
Other Charges	493,745	525,038	525,038	525,038	525,038
Total Other Charges	10,581,236	11,154,196	11,281,300	11,527,103	11,779,135
Pass-throughs					
Annual debt service (0035)	1,239,206	1,232,131	1,227,488	1,234,882	1,230,384
Other transfers	201,203	203,012	204,875	206,794	208,770
AATA Pass-through	10,145,050	10,395,846	10,651,584	10,920,004	11,195,188
Total Pass-throughs	11,585,459	11,830,989	12,083,946	12,361,679	12,634,342
All other categories					
Employee Allowances	495,789	498,068	496,648	496,648	496,648
Materials & Supplies	1,316,206	1,331,310	1,357,936	1,385,095	1,412,797
Capital Outlay	-	-	-	-	-
Vehicle Operating	68,500	68,500	68,500	68,500	68,500
Community Development Recipients	1,338,329	1,341,329	1,344,329	1,344,329	1,344,329
Total all other categories	3,218,824	3,239,207	3,267,413	3,294,572	3,322,274
Total on-going expenditures	**99,238,294**	**101,900,231**	**104,316,007**	**107,020,592**	**109,802,258**
% ongoing change		2.68%	2.37%	2.59%	2.60%
Non-recurring expenditures	**3,865,957**	**505,000**	**400,000**	**400,000**	**400,000**
Total expenditures	**103,104,251**	**102,405,231**	**104,716,007**	**107,420,592**	**110,202,258**
% overall change		-0.68%	2.26%	2.58%	2.59%
without GASB 68 expense		1.99%	2.53%	2.52%	2.52%
Total On-going Revenue	99,255,912	101,590,428	103,323,567	105,329,321	107,389,625
Total On-going Expenses	99,238,294	101,900,231	104,316,007	107,020,592	109,802,258
On-going surplus (deficit)	17,618	(309,803)	(992,440)	(1,691,272)	(2,412,634)
Total Revenue	99,255,912	102,210,343	103,323,567	105,329,321	107,389,625
Total Expenses	103,104,251	102,405,231	104,716,007	107,420,592	110,202,258
Total surplus (deficit)	**(3,848,339)**	**(194,888)**	**(1,392,440)**	**(2,091,272)**	**(2,812,634)**

TO: Mayor and Council

FROM: James Baird, Police Chief

CC: Tom Crawford, CFO
Karen Lancaster, Finance Director
Howard S. Lazarus, City Administrator

SUBJECT: Police

DATE: March 31, 2017

Question #26: At the February 13th Work Session, I asked about Police enforcement efforts related to traffic, neighborhood safety, pedestrian safety at schools and what, if anything would be done differently to make improvements in those priority areas. The response at the meeting focused on current deployments (not what the plans were for next year) and I'd still appreciate understanding what specific changes, if any, are planned for FY18 (add'l deployments etc) in these areas. And given that no additional police staffing is being requested, if there are additional deployments or efforts planned for FY18, where will they be re-deployed from (what current efforts will be reduced)? (Councilmember Lumm)

Response: There are no changes currently planned in our allocation of police officers. Generally speaking, we evaluate staffing changes coinciding with the patrol shift changes, which occur in January, May and September. Any modifications will likely be minor changes.

TO: Mayor and Council

FROM: Karen Lancaster, Finance Director
Robyn Wilkerson, Human Resources and Labor Relations Director

CC: Tom Crawford, CFO
Howard S. Lazarus, City Administrator

SUBJECT: Workforce Planning

DATE: March 31, 2017

Question #27: It was indicated we'll be carrying over about half ($475K) of the $1M workforce planning provision. Can you please provide detail on how the $525K has been used? Also, the HR budget impact sheet indicates that a regular position (Recruiter for Temp Positions) is being funded by this provision which is a one-time source. Can you please clarify that? (Councilmember Lumm)

Response: The amount appropriated by Council for FY17 for workforce planning was not $1 million, it was $500,000. Of the $500,000, we currently have $475,000 to carry forward. The program was utilized heavily by Police and Fire in FY17 but did not result in any additional funding needs for Police and Fire, just the ability to have FTE overhire flexibility. With respect to the HR position, the overhire program was used for this position to ensure that the temporary employee would remain employed with us. As a temp, we were his 2nd job and when he lost his benefited job, he would have had to quit working with us. His main customers (parks and rec) were very concerned about the continued turnover in this role. We had already decided to pursue a full-time headcount in the upcoming budget, so we need the overhire program to bridge that gap until the new budget.

TO: Mayor and Council

FROM: Craig Hupy, Public Services Area Administrator
Marti Praschan, Financial Manager, Public Services

CC: Tom Crawford, CFO
Karen Lancaster, Finance Director
Howard S. Lazarus, City Administrator

SUBJECT: Public Services

DATE: March 31, 2017

February 27, 2017 Work Session

Question #28: At the February 27th work session, there was a brief discussion of the $165K in both FY18 and FY19 to "put in place staff time and funding to (1) augment the County's weatherization program in AA and (2) include weatherization and energy efficient appliances as an element of the rental inspection". Can you please confirm if this is the same $165K that's been added to the budget as a one-time spending the last couple of years and specifically what the "adding weatherization and energy efficient appliances as an element of rental inspections" means for landlords (if anything) and the City's expectations for landlords? (Councilmember Lumm)

Response: This is the same allotment as the one-time funds in previous years.

Primarily, the Systems Planning staff support will help to better connect residents and businesses with emerging opportunities including weatherization for lower income residents, energy efficiency rebates, and renewable energy. There would be no new expectation of landlords if additional information is collected on appliance energy efficiency and structure weatherization conditions by inspectors. The information could help direct resources to landlords from emerging City or DTE utility energy savings/rebate programs

Question #29: I asked a couple of questions on the new streetlight program at the February 27th session and some were answered that night and some were to be responded to later. In planning for another possible budget amendment this year, what I'm still looking for is

(1) which specific Tier 1 and Tier 2 installations will be done this fiscal year (FY17), what installations (if any) have been made or are planned for this year that were not on the list we approved in the Fall (3) what balance (if any) we anticipate having in the $200K fund at fiscal year-end and (4) how large is the "waiting list" for new streetlights at this point? (Councilmember Lumm)

Response: All Tier 1 and 2 installations are targeted for FY17 installation, with the exception of the Nixon Road corridor installations as those will align with the roundabout project work planned there for later in summer, FY18. If there are any remaining funds, two additional streetlights not on the initial list will be installed on Packard Road at the crosswalk just west of US-23 based on staff consensus for the location and model scoring.

Private development proposals (e.g., North Sky, South Pond) will include new lights on public streets, and may be energized sometime in FY18, though initial installation costs for these are paid by the developers.

The balance at the end of FY17 is anticipated to be approximately $100,000, which is the estimated cost for the Nixon Road streetlights.

Following the completion of the Tier 1 & 2 lights already programmed for the $200,000, the requests to-date would result in approximately one hundred (100) additional streetlights beyond the Tier 1 & Tier 2 lights.

Question #30: My takeaway in the response to the question about the degree of flexibility the city has in how we use Act 51 dollars (both the existing and the new, incremental funding) was that there is a great deal of flexibility – that the funds can be used for road maintenance, road re-surfacing and for pedestrian-related improvements (crosswalk improvements, RRFB's, etc). Can you please confirm if that takeaway is accurate and if not, what restrictions there are in how this state Act 51 funding is used? (Councilmember Lumm)

Response: Act 51 funds are distributed by the State of Michigan based on a population and road-mileage formula. The dollars are categorized as either major or local street revenue. The funds must be used for maintenance of the right-of-way in the appropriate street classification (major/local).

Question #31: On slide 11 of the Feb 27th meeting presentation, – the slide on initiatives for Engineering – it lists a new FTE for a non-motorized Transportation Engineer position. How many Transportation Engineers do we have now and are any of them non-motorized experts? (Councilmember Lumm)

Response: We currently have two transportation engineers and a Transportation Program Manager. Our staff has significant experience with non-motorized systems; however, would not consider them experts in the field. The City's focus on the non-motorized program and the resulting increase of non-motorized infrastructure has resulted in a significant increase of workload in this area, which requires additional support.

Question #32: It was indicated the new FTE "Telecommunication Manager" will oversee the City's cell tower locations/business. How many locations are there, how many contracts, and can you please remind me what the annual revenue is from these contracts? Also, since the expense is General Fund, I'm assuming the revenue accrues to the General Fund – correct? (Councilmember Lumm)

Response: The City manages twelve contracts at five locations. The annual revenue from these contracts was $531,972 in FY16 and is anticipated to be $553,250 in FY17. The City is negotiating a 13th contract that would be effective in FY18 and increase the revenue projection by approximately another $50,000 annually. All of the revenue goes to the General Fund. In addition to the annual revenue from the licensing agreements, the City is compensated for plan review and inspections associated with any modifications made to any of the twelve installations.

Question #33: Slide 49 of the February 27th presentation indicated the Solid Waste Master Plan is to be updated in FY18. I'd think that would be a significant effort and given everything that's going on in the SW/recycling/composting area at the moment -- transition at MRF & potential new operator (RAA), new food waste collection program and pilot, renovations for the drop-off center facility, coordinating programs with the County etc – is updating the SW Master Plan something we may want to consider deferring for a bit? (Councilmember Lumm)

Response: As the City reacts and responds to the changing status of the Solid Waste Program, it is agreed that a deferral for a year to FY19 is an excellent suggestion, so that staffing can be prioritized for immediate and necessary programs and services.

Question #34: On the "core services-strategic goals crosswalk" page for Systems Planning, there is a performance measure "complete water main maintenance agreement with UM by December 2017." I didn't realize we had such an agreement - what does it cover, how does it work, and what are the City's objectives we're trying to accomplish in the agreement? (Councilmember Lumm)

Response: The City of Ann Arbor's drinking water distribution system partially flows through segments of the University of Michigan's drinking water distribution system. As a requirement of the Michigan Safe Drinking Water Act, a formal agreement must be in place between entities that share distribution system piping. This agreement would designate emergency and repair procedures, preventative maintenance programming and new connection protocols.

Question #35: As I mentioned at the March 13th work session, slide 11 shows the utility rate increases for other cities and while that's important, helpful information, I'm also interested in seeing the absolute costs for the services here and in other cities. I understand it may be difficult to get perfect apples-to-apples comparisons (as Mr. Hupy indicated), but can you please take the average AA customers bill (proposed at $169 a quarter or $676 a year) and compare that to the average customer in other cities like Grand Rapids, Lansing or say a Detroit suburb like Livonia or Dearborn as best you can? (Councilmember Lumm)

Response: Staff provided comparable data in our March 24th response and do not have anything additional to provide.

Question #36: At the March 13th work session, we briefly discussed slide 14 which showed the stormwater operations and maintenance phase-in plan and the fact that once the plan is fully implemented after four years, recurring annual costs will be $3M (60%) higher than they are now. While the $700K for tree pruning is self-explanatory, can you please provide some texture on the remaining cost increases (System Repair $920K annually; Best Practices $200K; Green Inf. Mant. $200K; Field Ops $150K). And for the $650K for sewer inspection and cleaning, I'm assuming that's something we do now so how much of an increase/acceleration would this represent? (Councilmember Lumm)

Response:

System Repair ($920K): Provides increased funding for effective Asset Management, including rehabilitation and replacement, for both the City & Washtenaw County Water Resources Commissioner's Office. (Please note – all County Stormwater Projects in the City of Ann Arbor are funded by the City's Stormwater Fund)

Best Practices ($200K): Staff has indicated several needs to address the City's Municipal Separate Storm Sewer (MS4) Permit (additional erosion control staff (1 FTE) and a detention pond inspection and maintenance program)

Green Infrastructure Maintenance ($200K): The City's Green Streets Policy, in addition to holistic stormwater management practices, has led to the City having a substantial amount of Green Infrastructure (Rain Gardens, Bioswales, etc.) that require maintenance that City Staff has not performed in the past. This maintenance is in addition to the System Repair noted above.

Field Ops ($150K): Public Works (previously Field Ops) has indicated that with the City's revised approach to street resurfacing, there is additional stormwater work associated with this approach that needs to be performed and has not been previously fully funded.

Sewer Inspection and Cleaning ($650K): This represents the need for an increased frequency of cleaning and inspection, as identified in the Stormwater Rate Analysis Project. An estimated 20% of the stormwater system has been identified as needing priority preventative maintenance (inspection and cleaning), on a 5-year recurring schedule. The remainder of the system would be on a 20-year recurring schedule.

Question #43: Also regarding the proposed water/sewer/stormwater rates, are you planning any structural changes to the existing stormwater tier structure or the volume-based structure on water rates or planning any changes in the relative pricing among the tiers? In the past you have indicated these tier structures are fairly common and I'd also appreciate knowing if our relative volume-based price differentials in the water rates also common/typical? (Councilmember Lumm)

Response: The level-of-service study for the stormwater rates is complete. The study confirmed that the existing tiers were appropriately established; therefore, needed no adjustment.

The existing water tiered structure and sewer flat rate structure will be reviewed as part of the cost-of-service study approved by City Council on March 20, 2017. The study will include a review of the existing structures and recommend any changes while maintaining bolt compliance, rate equity, affordability, and system capital needs. The results of the study will be incorporated in our FY 19 rate proposal.

In response to questions last year, research was conducted on the benchmarking the City of Ann Arbor's tiered rate structure in other municipalities. In Michigan, the tiered rate structure is fairly uncommon. There are two other communities with a tiered rate structure, Traverse City and Sterling Heights. There are also numerous other communities including—Seattle, WA and Colorado Springs, CO—in other states with a tiered rate structure. As illustrated below, the other communities in Michigan have two tiers with less of a multiplier for the second tier. The second tier also starts at a lower consumption level than Ann Arbor's. Communities outside of Michigan, in Seattle and Colorado Springs, have rates in the second and third tier that are similar to Ann Arbor with double or more than double rates for the increasing tiers.

	Traverse City, MI	**Sterling Heights, MI**	**Seattle, WA[1]**	**Colorado Springs, CO**	**Ann Arbor**
Tier 1	$3.40 (1-6 CCF)	$2.06 (1-3 CCF)	$5.20 (1-5 CCF)	$3.49 (1-9 CCF)	$1.45 (1-7 CCF)
Tier 2	$4.00 (> 6 CCF)	$2.57 (>3-CCF)	$6.43 (6-17 CCF)	$6.54 (10- 24 CCF)	$3.09 (8-28 CCF)
Tier 3			$11.80 (> 18 CCF)	$9.88 (>25 CCF)	$5.31 (>29 CCF)

[1] Seattle has a tiered rate structure only during peak usage, which is May 16-September 16th. The flat rate is $5.06 per CCF during the "off-peak" season.

TO: Mayor and Council

FROM: Susan Pollay, Executive Director, DDA
Joe Morehouse, Deputy Director

CC: Tom Crawford, CFO
Karen Lancaster, Finance Director
Howard S. Lazarus, City Administrator

SUBJECT: Downtown Development Authority (DDA)

DATE: March 31, 2017

<u>Question #37</u>: On slide 16 of the March 13th presentation, the first bullet says that the City's tax capture on property in DDA district is $4.8M. The DDA's tax capture on the same property is $6.2M so the total is $11M and the split is about 65% DDA/55% City – how does that relative sharing of the tax revenue in AA compare which other communities in Michigan? Also, for FY17 and FY18, can you please provide the "rebate" amounts going back to the other taxing authorities as a result of the cap on the DDA TIF? (Councilmember Lumm)

<u>Response</u>: The figure for the City's tax capture presented at the budget presentation has been updated. The new estimate for what the City will receive in taxes from within the DDA District is now $5.2M. In addition to the City capture, it is estimated Washtenaw County will capture approximately $1.8M, Washtenaw Community College will capture approximately $1.1M, and the Ann Arbor District Library will capture approximately $.6M.

The DDA's TIF capture includes a portion of new County, WCC, AADL, and City taxes captured from new construction within the DDA District. Of the estimated $6.2M TIF that the DDA will capture in FY2017, the portion of this that is attributable to City taxes is 58%, or $3.6M.

The DDA does not have any data from other cities or DDAs in Michigan to compare to, as there is no source to look to for this data. Moreover, each DDA has its own capture rules and the growth in each downtown has been different.

The City's data for FY17 estimates that based on the DDA's TIF cap, the additional revenues received by the taxing authorities, including the City, will total $438,000. The City's portion of this is approximately 58%, or $254,498. There is no way to estimate what the FY18 amount may be until the Taxable Values are set next spring.

<u>Question #38</u>: Slide 20 of the March 13th presentation references DDA debt and the last bullet point references upcoming debt service completions. How much debt is being retired and what are the projected outstanding DDA debt levels the next five years? Also, 4th & Washington appears twice – are there two separate projects and bond issues? (Councilmember Lumm)

<u>Response</u>: The Fourth & Washington construction bond being retired in FY 17 was originally for $10.1M and was last refunded in 2009. Another upcoming bond completion is scheduled for FY20 (refunding a bond issued to repair multiple structures, including Maynard, Forest and demolition of the former 4th & Washington structure and construction of the current structure) originally issued for $6.3M. The next bond scheduled to be completed will be in FY22 (a bond issued to add a floor to the 4th & William structure, originally issued for $3.6M). Because it was refunded, the 4th & Washington construction bond is being paid off prior to the earlier bond that was used in part to repair the former 4th & Washington structure.

The projected DDA annual debt payments for the next five years are:

FY 2017	$6.5M
FY 2018	$5.9M
FY 2019	$5.9M
FY 2020	$5.0M
FY 2021	$4.3M

<u>Question #39</u>: At the work session, we discussed the new parking manager position that was added in FY17 and that a possible new FTE for communications would be added to the DDA staff. Can you please provide a bit more detail on what the communications FTE would do? (Councilmember Lumm)

<u>Response</u>: The DDA's parking system has grown enormously in complexity and size over the past decades. Originally overseen by the DDA by a .5 FTE, the parking system requires much more oversight and management that can only be done with additional staff.

In FY17 a Parking Manager position was created. This individual is responsible for day-to-day oversight of the DDA's parking operator, to ensure that DDA parking policies and programs are implemented effectively. This includes reviewing for accuracy and compliance all reports submitted to the DDA, ensuring effective preplanning is done so parking operations run smoothly especially during special events or peak periods, as well as taking on special projects such as overseeing the parking operator RFP process, or addressing issues that might arise from projects such as the installation of the new epark machines.

An FTE is shown for a possible communications staff member because the DDA recognizes the need to engage more with the public about DDA programs and policies, so citizens have a greater awareness of and involvement with the DDA,. A job description would need to be developed, but it is envisioned this FTE would be responsible for the development and maintenance of effective communication practices which affect the DDA's relations with the public. In particular, it is envisioned that this future staff person would be focused on working with the public on issues related to public parking, such as about rate changes, changes to meter enforcement or significant construction and repair projects.