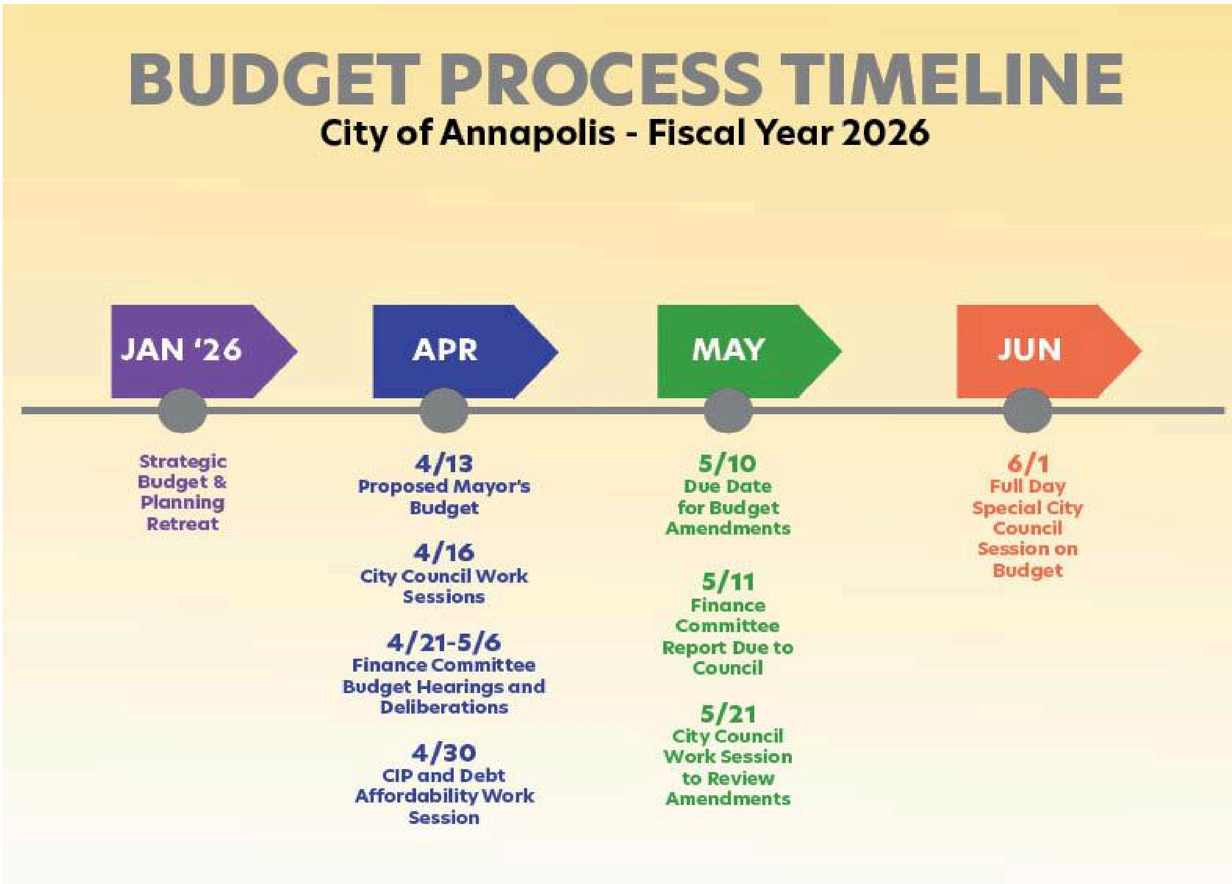
May 11th, 2026

REPORT TO THE CITY COUNCIL – THE FISCAL YEAR 2027
PROPOSED ANNUAL OPERATING AND CAPITAL BUDGET

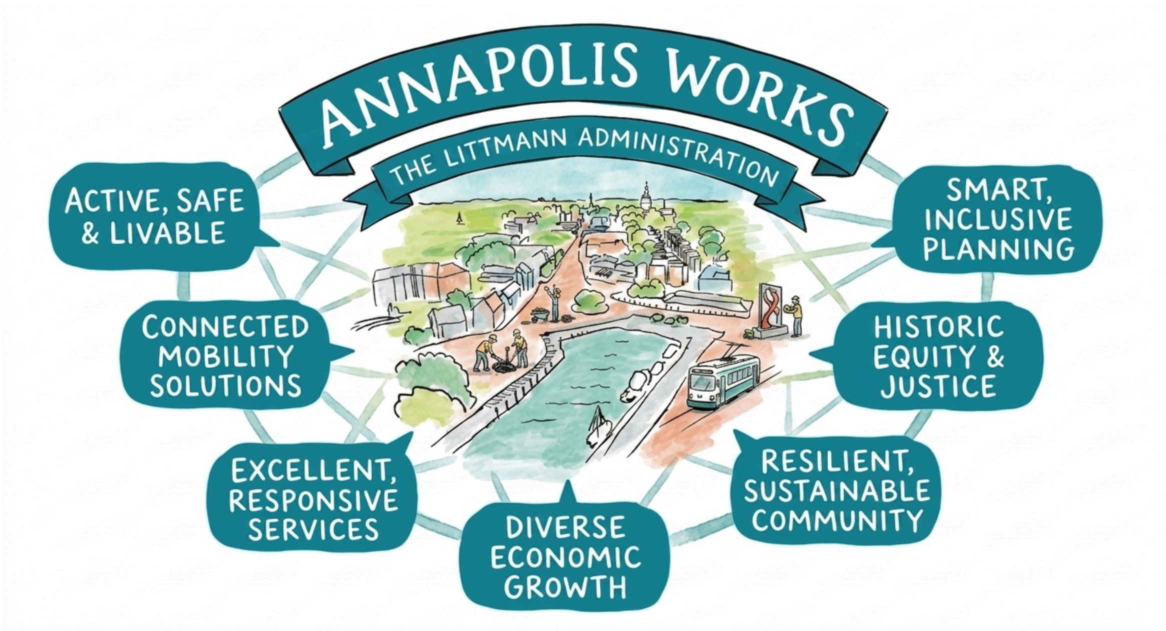


Council Budget Process Preparation

"We know that budgets are moral documents. Where we choose to invest actually defines our values. And it dictates the course of our future."

-Governor Wes Moore

In December, the council adopted a resolution defining the budget timeline and soon after held a work session to discuss budget priorities. Some of the most commonly mentioned priorities were Improved Infrastructure (sidewalks, crosswalks, walkability, streetlights, speed reduction, smart signals, raised intersections), better Service Delivery for residents (permit timing, ease of parking, snow and garbage removal), and Youth and Community Programs (after school, mentoring, child-care and recreation investments), Environment and Sustainability (tree canopy, flood resilience, clean energy, and watershed restoration), and Long Term Planning (maintenance plans, project metrics, and multi-year funding strategies). After the mayor proposed his budget, the Finance Committee reviewed each section with a presentation from the appropriate city leader, deliberated on amendments, and constructed this report.



FY27 Budget Summary

General Fund Revenue

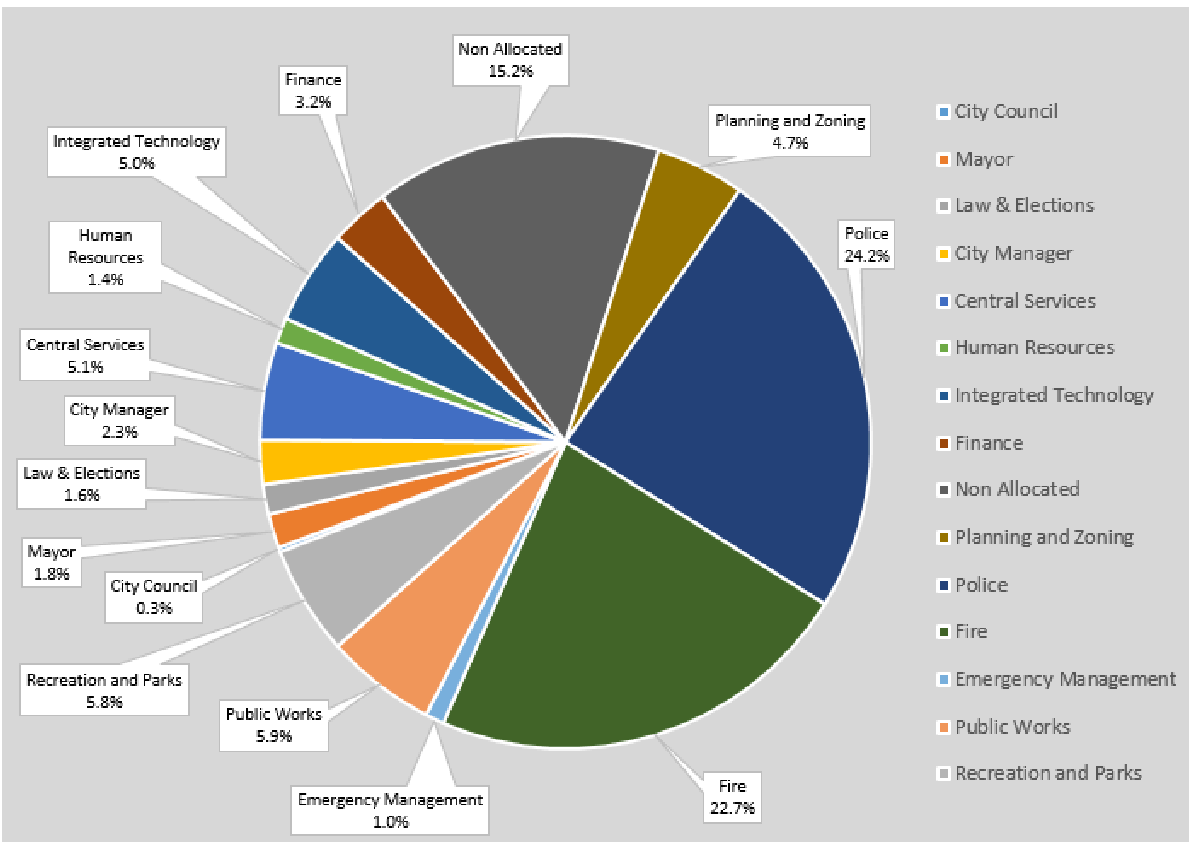
The Good News:

- No property tax rate increase ($.738 / $100 & $1.94 / $100)
- The assessed value of property and other General Fund revenues have stabilized the General Fund.
- The total proposed General Fund revenue for FY27 is $122,006,000, which is an $8,125,902 increase over the FY26 projected revenue of $113,880,098
    - Primarily due to the growth in property tax revenue ($5M)
    - Also, income tax growth ($1.2M)
- Fiscal 2026 year-end General Fund Balance is projected to be strong, providing 15% unallocated and additional funding in the three other reserves

Challenges:

- 61.5% of revenue is from property taxes, not very diverse.
- One-time use and capital reserve funding available is reduced relative to previous years.
- FY27, being year 3 of the state assessment cycle, gives little visibility into property tax revenue next year.
- Some tightening of state and federal grant availability.
- How will the Transportation Fund impact the General Fund in future years?

General Fund Expenditure



The Good News:

- 1.1% overall growth in General Fund - budget to budget.
- Revenue growth and tightening of expenditures are allowing new initiatives in departmental budgets.

Challenges:

- Inflation and competition for job candidates are causing regular vacancies and challenges to department bandwidths.
- Steady inflation and tariffs have put pressure on non-personnel expenses.
- Health care self-insurance fund costs have increased by 3.2%.

Fund Allocation to Capital Reserve and Replenishing of the Budget Stabilization Fund

Per the Fund Balance Policy(R-31-18), the city set aside 15% of the FY27 General Fund, Parking Fund, and Transportation Fund revenues as unassigned fund balances. Further, the policy requires the City to divide any excess above the 15% requirement among the City's three reserves: Budget Stabilization, Capital Reserve, and reserve held for one-time uses. The City is projected to add to these reserves at the end of FY26.

a. General Fund Budgeted Revenue: **$122,006,000**
b. Parking Fund Budgeted Revenue: **$8,946,300**
c. Transportation Fund Budgeted Revenue: **$7,108,200**
d. Total (a+b+c)= **$138,060,500**

Applicable Fund Balance Requirement 15%

e. Required Fund Balance Reserve (d x 15%) = **$20,709,075**
f. FY26 Projected Fund Balance **$30,412,198**

Using the formula, g=h+i+j:

g. Projected Balance above Requirement (f-e)= **$9,703,123**
h. Maximize Budget Stabilization Fund**: $219,513**
i. 50% of Excess to Capital Reserves (.50 x g)**= $4,851,562**
j. Any remaining funds will be allocated to the one-time costs (.50 x g)-h =**$4,632,049**

Dept Capacity with Capital Expense Evaluated

Re: Dept Capacity Update provided by Davenport, April 30, 2026

Good News:

- FY27 allocation to Capital Reserve complies with our Debt Service Policy.
- FY27 and FY28 debt service is below the 10% policy target as a percentage of expenditures.

- The calculations below are based on conservative projections of general fund expenditures and debt service costs.

Challenges:

- Relatively high interest rates mean higher borrowing costs. These increased interest rates affect our loan/debt repayments, potentially reducing the expansion of our Capital Improvement Program (CIP) in future years.
- Utilizing FY27 as a starting benchmark and increasing the General Fund expenditures by 1%, debt service as % of expenditures exceeds the 10% policy target in FY29 through FY33 by no more than one percentage point.

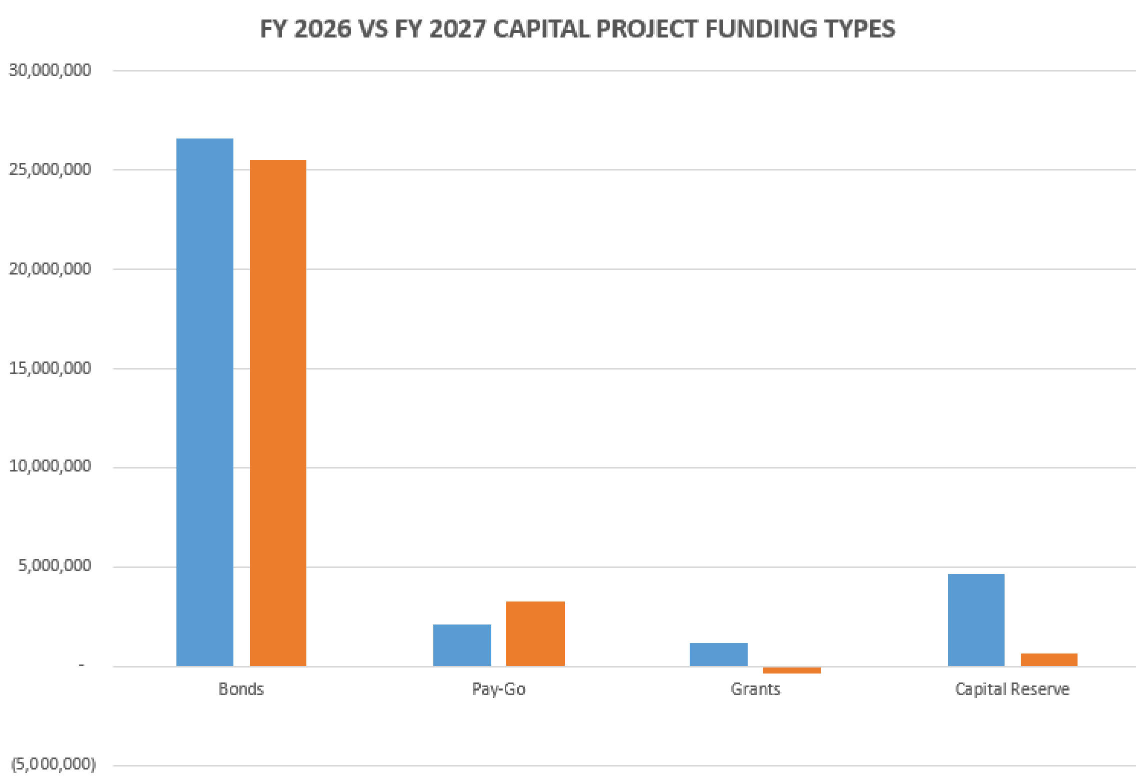
Capital Improvements Budget

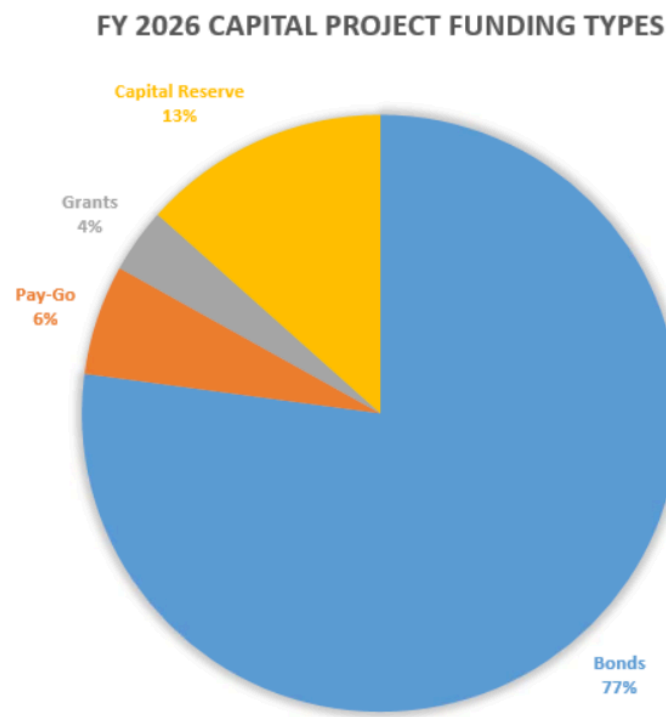
The Capital Improvement Program addresses facilities, infrastructure, equipment, and networks that enable or improve the delivery of public sector services.

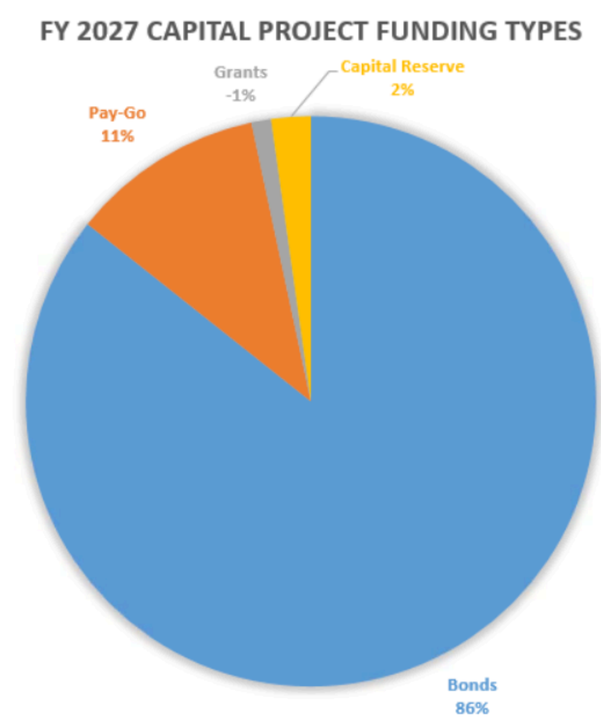
See the Capital Improvement Program in the city code for the process of selecting projects.

Source of Funding

These charts compare the funding allocations between FY26 and FY27. As shown below, the FY27 funding portfolio is heavily reliant on City funding.




FY 2026 CAPITAL PROJECT FUNDING TYPES
Capital Reserve
13%
Grants
4%
Pay-Go
6%
Bonds
77%


FY 2027 CAPITAL PROJECT FUNDING TYPES
Grants
-1%
Capital Reserve
2%
Pay-Go
11%
Bonds
86%

**Funding sources for capital projects only reflect the FY 2026 or FY 2027 funding sources, not the total funding of each capital project.*

Capital Projects Overview

The following projects were completed and/or removed from the CIP:

- **Burtis House:** Project aspects completed by Preservation Maryland. Remaining work is de-appropriated from this CIP and incorporated into City Dock CIP.
- **Pickleball Court Lights:** Construction was completed in FY26.
- **Truxtun Park Improvements:** Project was completed in FY26.
- **Duke of Gloucester Floating Pier:** The project was terminated and closed out because a lease agreement could not be obtained.
- **Gibralter Avenue:** The project was terminated due to uncooperativeness for private owners.
- **Russell Street:** While not technically removed, this project has been suspended due to delays in the confirmation of existing right-of-way and ownership.

The following projects were added to the FY27 CIP, totaling approximately $25.5M over the life of the projects:

- **APD Restroom Remodel** - $840,000
- **City Hall Renovations** - $1,415,000
- **Facility Generators** - $840,000
- **Facility HVAC Controls** - $1,050,000
- **Fire Department Engine Bay Floors** - $200,000
- **Fire Station Restrooms (Taylor Ave)** - $349,125
- **Fire Stations (Complete Remodel/Rebuild of All 3)** - $11,000,000
- **General Striping and Marking** - $1,575,000
- **Howard Dignan Alley** - $1,102,500
- **Gotts Garage Improvements** - $2,516,588
- **Gorilla Posts for Parking** - $157,500
- **Knighton Garage Improvements** - $1,050,000
- **Park Place Garage Improvements** - $2,100,000
- **WIFI Garages** - $410,865
- **Merryman Stream Restoration** - $892,500

The following projects had significant changes in funding or scope:

- **Acton Cove Waterfront Park:** Total project cost increased by $268,000 in relation to an updated scope clarifying Phase I and Phase II work.
- **Annapolis Walk Parking:** An additional $52,500 was requested for recreational park improvements.
- **Carr's/Elktonia/Moore's Beach Park:** A $3 million Congressional Earmark was not awarded; to compensate, $1.8 million in additional bond funding was added, construction costs were reduced by $1.2 million, and an additional $100,000 was requested for park interior design.
- **City Dock Resilience and Revitalization:** Funding was bolstered by $2 million from Enterprise Funds for utility work, an additional $3.5 million FEMA HMGP grant, $1.15 million in HUD funding, and a $500,000 MDOT/SHA grant, while a potential $3 million donation was removed as a funding source. The scope was expanded to include renovations for the Burtis House.
- **Connecting Communities (formerly Trail Connections):** $8 million in out-year funding was removed, and the Truxtun Green Network Connector project scope was moved to this CIP from the Hawkins Cove project.
- **Eastport Choice Neighborhood Initiative:** State grant funding from MD DHCD increased from $1 million to $1.5 million.
- **Eastport Flood Mitigation:** An additional $590,000 was requested for the design phase.
- **Electric Annapolis Mobility Plan:** Funding was removed for two battery electric buses (which were purchased under the operating budget). The scope was changed from battery electric ferry vessels to diesel-electric hybrid vessels, and the charging infrastructure was removed from the pilot ferry project.
- **General Roadways:** De-appropriated $1.58 million in FY27 due to the accumulation of previously unspent funds. Requested an additional $675,000 per year for FY29-32 to account for inflation.
- **General Sidewalks:** Removed expected funding of $20,400 in FY27 and only funds $300,000 per year in the out years.
- **Griscom, Collison, & Weems Whelan Ballfields:** An additional $1.3 million was requested for construction.
- **Hawkins Cove Restoration:** Funding schedules were realigned to reflect $3 million in grants that were not awarded, requiring an additional $945,000 in bond funding to complete full implementation. The boardwalk trail scope was moved out to the Connecting Communities project.

- **Sewer Rehabilitation & Water Distribution Rehabilitation:** Both programs requested increases of over $6.1 million from the prior year due to continuous rises in construction costs.
- **Stanton Center Renovations:** An additional $504,000 was requested for design costs. The $6 million grant that would have funded a computer lab, robotics lab, sound studio, two-story extension, and rooftop playground was not awarded.
- **Waterway Improvement Project - Conduit Street:** Requested $204,750 in additional funding to include a geotechnical analysis and reconstruction of the street end.

Committee's Recommendations:

- Shift from internal-facing upgrades to city government facilities towards external-facing improvements to the city's physical world that residents can actually see.
- Increase general roadways, general sidewalks, general sidewalks - brick, and general striping & marking

DPW Enterprise Funds Accounts

Water and Sewer

Rates were adjusted to cover operating expenses, existing debt requirements, and future capital investments. The rate increases were explained using the STANTEC Enterprise Rates Fund Rate Study. Revenue sufficiency was evaluated for respective expenses (eg, Capital, Debt, and O&M costs). Operating expenses were reviewed with City Staff.

- *Sewer Rates – Increase by 4.75% compared to 4.75% in FY26*
- *Water Rates – Increase by 4.75% compared to 4.75% in FY26*
- *Watershed Restoration (Stormwater) – Increasing by 15% compared to 15% in FY26*
- *Solid Waste Rate increasing by 7.5% compared to 10% in FY26*

The Good News:

- The City of Annapolis water & sewer bill remains competitive against comparable cities.
- New 10-year Refuse contract begins in FY27.
- Transitioning to a more fair fee structure for non-residential storm water properties.
- Anticipate 4.75% increases through 2030 for Sewer and Water Rates to remain financially viable.
- Anticipate 7.0% increase in Stormwater Fee in 2028, 2029, and 2030 to remain financially viable.
- Anticipate 5.0% increase in Solid Waste Rate in 2028, 2029, and 2030 to remain financially viable.

Challenges:

- Rates continue to rise, but proposed increases in FY27 are the same (Sewer, Water, and Stormwater) or lower (Solid Waste) than FY26.
- Anticipated rate increases in outyears (FY28, FY29, and FY30) are anticipated to be the same (Sewer and Water) or lower (Stormwater and Solid Waste) than FY27.

Committee's Recommendations:

- Support fee schedule amendment for adoption prior to start of FY27 with an alternative fee structure for non-residential properties.
- Consider spreading stormwater fee increases more evenly across FY27-FY30
- Investigate the additional cost from Anne Arundel County for the sewer contract.

Fees & Fines

Changes in Proposed Budget

- **Public Information Act Request Fee:** The records search and review fee increased from $30 to $35 per hour.
- **Refuse Hauler Permit Fee:** The application fee for 1 to 5 vehicles decreased from $210 to $150. The permit fee per vehicle increased from $60 to $100. The reinspection fee for 6 to 10 vehicles increased from $60 to $125.
- **Commercial Recycling Annual Fee:** The annual administrative fee increased from $76 to $100. The first container collection fee increased from $72 to $150. The fee per container increased from $43 to $50.
- **Docking Utility Fees**: For each 20 Amp Outlet, winter monthly fees increase from $75 to $100 per month.
- **Main Mooring Field Daily Fee**: Numbers 1 through 40. Daily fee increasing from $35 to $40 per day
- **Truxtun Boat Ramp Fee:** The per-launch fee increased from $10 to $15.
- **FBI and State Livescan Fee**: Increasing from $20.00 to $30.00 plus a $20.00 service fee
- **Long-Term Rental License Fee:** The biennial rental operating license fee increased from $200 to $250 for premises consisting of 50 or more units.
- **Short-Term Rental License Fee:** The short-term rental licensing fee increased from $420 to $650.
- **House Barges Violation Fine:** Increasing from $500 to $1000.

Committee Recommendations:

- Increase baseline fines for unlicensed Short-Term Rentals to $500 per night and set a minimum fine equal to twice the highest advertised nightly rate, due to variable impact on neighborhoods.
- Increase Short-Term Rental registration fees for non-owner-occupied while lowering them (relative to the proposed) for owner-occupied.
- Ensure that STR fees cover full program costs.
- Increase fees for Rec and Parks for nonresidents.
- Increasing the main mooring field daily fee to $45.
- 12.20.120.B: Parking Buses - Increase fine from $100 to $300.
- 12.20.130.B: Posted "No Parking" - Currently is $100, which is different than parking on a red curb; it should be the same as parking on a red curb.

Department Presentations

All departments presented to the Finance Committee from April 21st to May 6th, 2026. Each department was asked to focus its presentation on its performance measures and how the requested funds would allow it to achieve these specific performance measures. They were also encouraged to provide some highlights from FY26 and considerations or context for the year ahead.

For detailed information on each department's presentation, see the **Google Drive Folder** titled "**FY27 Finance Committee Budget Presentations**".

Mayor's Office

The Mayor serves as the Chief Executive, responsible for the delivery of municipal services and implementing the vision supported by voters. The Mayor's office handles community stakeholders (like boards and commission members) and government relations, public information and communication (including City of Annapolis TV), ombudsman and constituent services (acting as the front line for phone calls and emails), and community outreach. The office also delivers some community programs like the Naptown Anti-Dope Movement.

This is the Mayor's first budget submission, and the funding for the Mayor's office reflects his stated objective to demonstrate "Annapolis Works." The added capability develops and implements policy strategies and liaison with the City Council, other government agencies, and stakeholders.

The Good News:

- The Mayor's office team is focused on modernizing processes and streamlining work products.
- The budget maintains funding for 22 positions, the same number as the previous administration, replacing the position of Constituent Services/Special Projects with the more senior position of Deputy Chief of Staff.
- Successfully hired a new City Manager and City Attorney, and is well on the way to hiring a new Finance Director and HR Director.
- The public communication efforts are significantly enhanced with the conversion of the Assistant PIO position, transitioning from a contract person to a full-time person.
- To date, the mayor has conducted 7 Town Halls, 4 Ward Walks, and more than 40 (10-minute) office hours meetings.
- As the new mayor and his team came on board, they hosted 19 staff meetings and 2 All Staff Meetings.
- As the mayor's office develops its new processes, in just a month, it managed approximately 580 incoming emails, issued approximately 245 responses, managed an estimated 120 total constituent case interactions, and built a growing database of 100+ constituent contacts.
- African American Outreach, Hispanic Outreach, NO HARM, and N.A.M. continued to have major impacts in our community.
- Consistently adding funding for supplies for the boards and commissions training conducted by existing staff.

Challenges:

- The city is in major need of modernizing its administrative processes. Currently, some administrative packages are routed through the departments in a twentieth-century manila envelope rather than online. The proposed budget recognizes this challenge and invests in software to be more efficient.
- Processes for the Board and Commissions need to be formalized.
- The connection and coordination with the City Council has potential for improvement. The addition of the Deputy Chief of Staff and the recent hiring of a new Ombudsman should better connect City Council members efforts with the office of the Mayor.
- There is a significant lack of performance metrics in the office of the Mayor. This budget proposal moves in the right direction in this area by identifying benchmarks for which future performance will be measured.

Committee's Recommendation:

- There are significant resources being spent on broadcasting meetings online in addition to being able to attend in person. This appears to be the process continuing from the COVID era. Review what committee meetings are available in-person and online, and determine if the value of making all of these meetings available online is a good use of taxpayer dollars.

- Ensure the role of the Deputy Chief of Staff is adequately focused on collaboration with the City Council.
- Enhance the connection between the City's Ombudsman and individual members of the City Council.
- Provide clear City guidelines and processes for the use of alderman expenses and electronic devices.

Office of Law

The Office of Law is a full-service municipal law office consisting of the City Attorney, Assistant City Attorneys, Legislative and Policy Analyst, and Legal Assistant. The City Attorney's primary role includes providing legal advice and counsel to the Mayor and Aldermen of the City of Annapolis and to all City Departments and agencies. The City Attorney is also the Director of the Office of Law.

The Good News:

- The office has handled approximately 140 claims and managed 20 lawsuits entirely in-house, including successfully defending against a temporary restraining order and preliminary injunction to ensure the City Dock construction could continue.
- The office drafted approximately 150 bills, resulting in 55 adopted pieces of legislation, and successfully implemented web-accessible legislation a full year ahead of the federal deadline.
- The Office of Law assisted in the management of 30 current City leases and directly handled or assisted with approximately 140 MPIA requests (including 9 massive email searches).
- The office drafted and negotiated 410 documents via DocuSign, 69 documents recorded in Land Records, 79 City grants, and 70 employment agreements.

Challenges:

- The Public Housing Resident Lawsuit against the City is currently in mediation.
- Salaries and benefits are over budget due to a severance payment.
- 40% of attorney positions are vacant.
- County management of municipal elections is becoming increasingly expensive.
- The Office of Law is seeing an increase in litigation activities.

Committee's Recommendations:

- Update the fee schedule so that the City can charge the actual hourly rate of the employee fulfilling an MPIA request, rather than the current flat rate of $30 per hour, which does not cover costs.

City Manager

The mission of the City Manager's Office is to successfully oversee City operations to fulfill the City's goal of providing comprehensive quality services to a diverse population of residents, businesses, and visitors through a broadly representative, accessible, and accountable city government recognized for its professionalism, stewardship of resources, and efficiency.

The Good News:

- Oversaw the onboarding of new Mayor and City Council members with respect to City services and operations.
- The Acting City Manager has made great strides in improving the collaboration and effectiveness of the city staff.
- Numerous projects and process improvement initiatives are in progress that will increase the productivity of the city staff.
- Managed an increasing number of special events and council meetings.

Challenges:

- With the arrival of the new City Manager, the Deputy City Manager will be able to return to her primary functions, including a significant improvement to defining the Department's performance metrics.

Resiliency and Sustainability

The Good News:

- The major resilience project at City Dock is in progress and on track.
- Completed a climate action plan and greenhouse gas emissions updates that will guide city infrastructure, transportation, and planning projects.

Challenges:

- Maximize the leverage with various partners to address flooding challenges and improve the city-wide resiliency efforts.
- With less federal funding, greater reliance on state and local funding for resilience projects. Staff capacity will be stretched.

Committee's Recommendations:

- Provide FY27 Performance Measures relative to stated benchmarks.
- Provide the City Council with ongoing updates on electric leaf blower rebates and enforcement.

Harbormaster

The Good News:

- Relocated the Harbormaster's Office in coordination with the renovation of the City Dock.
- Helped coordinate logistics for City Dock construction concerning boaters, visitors, and lessees.
- Oversaw the task force to study houseboats, floating homes, and other commercial vessels.

Challenges:

- As the Annapolis City Dock project continues to progress, power outages and construction may change the amount of available docking, mooring activity, and revenue.
- Working in a temporary office space and planning a permanent Harbor Master office during the City Dock construction.

Committee's Recommendations:

- Provide FY27 Proposed Performance Measures.

Office of Community Services

The Good News:

- Rebranding- new branding materials to include new flyers, door signs, and yard signs.
- increased Grant Trainings, Site Visits, and Quarterly Progress Sessions with grantees.
- Increased Health Literacy/ Enrollment and Medical Billing.
- Implemented Rental Assistance changes, creating longevity of rental funds.

Challenges:

- There is still an ongoing high demand for rental and utility assistance, yet funding has decreased by 25%. Need continues to grow, yet funds are less than in FY26.
- Community Grant funding decreased by 10%, even though requests were higher than in FY26.
- "Repeat clients" - residents who come back multiple times for rental and utility assistance.

Committee's Recommendations:

- Partnering with nonprofits to offer education and financial literacy for sustainability.
- Create a process to make housing assistance funds last longer.
- Agree with the implementation of case management software to better track progress and people.
- Outside of the budget process, rewrite the community grants code section to focus more on funding that can support self-sustainability.

Central Services

The Central Services Department oversees Purchasing, Facilities Management, Fleet Operations, and replacement. The Facilities Management Division is responsible for all administrative buildings and Police and Fire stations throughout the City. Central Purchasing ensures compliance with purchasing policies and assists departments with competitive bidding and other purchasing processes to ensure efficient use of City funds. Fleet Operations and Replacement is responsible for vehicle maintenance and replacement.

Good News:

- The Central Services Department is up and running. This is the first budget produced by the Director.
- All Central Service expenses across other departments have been consolidated and will be managed under this Director.
- All positions that were vacant at the creation of Central Services have been filled.
- All Central Service employees have been consolidated from six worksites into a new office at 25 Shaw Street.
- Reduced procurement process timelines, identified and completed critical facility work orders, modernized fleet operations and replacement, and established departmental roles and responsibilities.
- Improvements are anticipated across the city in three areas: cost, efficiency, and productivity.

Challenges:

- The Director anticipates improvements in Central Purchasing, Facility Management, Fleet Management, Real Estate Management, Resiliency and Sustainability, and Risk Management.
- Performance Metrics and Benchmarks are being developed.

Committee's Recommendations:

- Determine the best organizational structure, support the department's organizational efforts, and track performance metrics.
- Determine significant cost savings that result from the creation of this department.
- Remove the Risk Management Specialist position.
- Create the Real Estate Manager position.

Human Resources

The Human Resources administers the provisions of the City Charter and Code that pertain to employee appointments and promotions, recruitment and retention, benefits and wellness, classification and compensation, performance and training, personnel records, separation and retirement, and employee and labor relations. The department is currently led by an Acting Director, and interviews to hire a permanent Human Resources Director are underway.

The Good News:

- The City will sponsor 24 interns across two age groups (15-17 and 18-24), supported by an $80,000 budget.
- Following the adoption of the NeoGov applicant tracking system, online application submissions have increased from 20% to 80, heading towards the goal of 100% online applications.
- Following the class and compensation study, the department has implemented a standardized career ladder framework to provide clear, consistent criteria for non-competitive employee promotions.
- The department rolled out Job Description Cover Sheets and Fair Labor Standards Act checklists to ensure positions are accurately designated as exempt or non-exempt in a way that's legally defensible.

Challenges:

- Employee training is behind and trying to catch up.
- Maryland's upcoming Family and Medical Leave Insurance Act will require the city to begin making premium contributions starting in January 2027, but costs

are not in this budget because the state and insurance brokers have not yet provided the rates.
- Health care premiums continue to be substantial, and the department is meeting with insurance brokers and benefit service vendors to look for cost savings.
- Some high-profile positions continue to be unfilled, including Director of HR, Chief of Police, and Finance Director.

Committee's Recommendations:

- The City's onboarding process needs to be clearly defined and have a timeline.

Integrated Technology Services (ITS)

The Department of Integrated Technology Services (ITS) is dedicated to delivering high-quality, technology-based services, most cost-effectively, while providing excellent customer service to all city staff. In this budget, its funding has gone up significantly as software expenses are centralized in this department. The Department is also responsible for ensuring the city's cybersecurity.

The Good News:

- Worked with the Office of Law to successfully make all online legislation web-accessible and ADA-compliant, a full year ahead of the federal government's April 2027 deadline.
- Updating the department's strategic plan is currently underway, finishing up its first phase of stakeholder engagement and information gathering, and entering phase two–the first new strategic plan since 2010.
- The webmaster has developed a new, public-facing AI concierge assistant named "Annie" completely in-house, which is expected to launch on the city's homepage soon.
- Integrated Technology Services (ITS) implemented new help desk ticketing and uptime monitoring systems this year, helping them better track their performance metrics.
- The budget proposes converting a previous consultant role into a full-time employment agreement position.

Challenges:

- ITS requested two additional software analysts, but these positions were not funded.
- ITS has not yet developed an internal AI usage policy to encourage staff to use the new technology safely and productively.

Committee's Recommendations:

- Realize software efficiencies and cost reductions, perhaps 1%, through completed centralization. (Alderwoman O'Neill dissents).
- Ensure that the new ITS Program Specialist position is a generalist who can work on various departments' technology needs–not just the fire department.

Finance Department

The Finance Department oversees all financial transactions in the city, including its budget development and tracking. Included in the Finance Department Budget is a placeholder for 'non-allocated funds'. Non-allocated is composed of items that cannot be specifically allocated to other departments within the general fund. It contains debt service, community grants, contributions to Other Post-Employment Benefits (OPEB), contributions to self-insurance, contingency, inter-fund transfers, compensation contingency, and other smaller accounts.

The Good News:

- Continued high bond ratings, achieving a Fitch AA+, Moody's Aa1, and S&P Global AA+ this year.
- Deputy director hired, who's helped create over 50 new SOPs to build institutional durability.
- The external audit reported that the department met all generally accepted accounting principles (GAAP) with only one minor corrective action needed.
- This budget funds the conversion of a contractor to a full-time Certified Payroll Manager to handle federal grant compliance.
- Improved the City's budget process by utilizing OpenGov for departmental budget entry and for public viewing of the budget.

Challenges:

- The ACFR required an extension to complete.
- The City is lagging in its use of electronic payments for vendors. Implementing the Munis Accounts Payable module to address this will require extensive coordination with the IT department, which is not yet fully planned or funded.
- Need to fill vacant positions, including the permanent Finance Director, Budget Manager, Finance Office Manager, and Accounting Associates
- Preparing to move the whole department to Shaw Street.

Committee's Recommendations:

- Ensure debt service for FY27 matches bonds that are actually issued, to avoid the underbudgeting for debt service that occurred in FY26.

- Increase the precision of our budgeting process, which would require an increase in our contingency fund.
- Put processes in place to complete FY26 ACFR by December 31, 2026.

Planning and Zoning

The Department of Planning and Zoning is a full-service municipal agency responsible for all development review, permitting, inspections, and licensing relating to all facets of the City Code. This includes construction, rental housing, zoning, Critical Area compliance, and construction trades. The department is also responsible for long-range planning, historic preservation, economic development, and community development activities.

The Good News:

- Reduced average days for residential building permit reviews from 27 to 14. This computes to a 48% improvement.
- Reduced average days for commercial building permit reviews from 16 to 9, for a 44% improvement.
- Expedited (with next-day approvals) 240 simple residential permits.
- Achieved 83% of zoning violations resolved with just a Notice of Violation letter and personal outreach.
- Achieved an average of 85 working days, from application to approval, for Major Site Design Plan and Planned Development Review, a decrease from 88 days in FY25.
- Achieved an average of 17 in-house business days per Commercial Building Permit submittal, a decrease from 27 days in FY25.
- Achieved an average of 12 in-house business days per Residential Building Permit submittal, a decrease from 16 days in FY25.

Challenges:

- Achieved an average of 57 working days, from approval application, for Minor Site Design Review, an increase from 51 days in FY25.

Committee's Recommendations:

- Support the addition of AI capability to improve the accuracy of resident permit applications.

Police Department

The Annapolis Police Department is dedicated to preventing and reducing crime for the community it serves and preserving the quality of life in the city through fair and impartial law enforcement services. The men and women of the APD are highly qualified individuals whose core values are honor, respect, integrity, and service. The department strives to recruit, train, and equip an unrivaled and diverse workforce and works diligently to preserve and uphold democracy and the freedoms afforded to all by the Constitution through proactive problem-solving and community policing

The Good News:

- APD officers participated in over 640 community outreach events and activities, attended over 270 community meetings, and visited Annapolis schools over 260 times.
- The clearance rates for Homicide, Robbery, and Aggravated Assault are all well-above the national average.

Challenges:

- Trying to overcome shortfalls in staffing and filling vacancies.
- Recruitment

Committee's Recommendations:

- Strive toward 0% vacancy of sworn officer positions.
- Strong support for the drone program and speed camera additions.

Fire Department

The Annapolis Fire Department (AFD) provides essential fire, rescue, and emergency medical services. AFD strives to provide a safe environment for the community by minimizing the impact of fire and injury through public education, quality service, emergency preparedness, and an overall culture of safety.

The Good News:

- Response times continue to meet or exceed national standards.
- This budget funds a peak-time unit.

Challenges:

- $2.9 million in overtime
- The fire department is in need of more office space.

- EMS billing changes could reduce department revenue or slow growth.

Committee's Recommendations:

- Include a full accounting of costs and revenue from the peak-time medic unit.

Office of Emergency Management (OEM)

The City of Annapolis Office of Emergency Management provides vision, direction, and subject matter expertise to coordinate the City's all-hazards emergency preparedness, response, recovery, and mitigation efforts and develop an overall culture of safety.

The Good News:

- Helped secure the $35.5 Million FEMA grant for City Dock.
- Coordinated the Emergency response to Storm FERN.
- Significant reduction in total overdoses.

Challenges:

- Federal Grants that have not materialized, causing the department to convert three staff from grant-funded to capital budget-funded.
- Increased festivals, events, and parades add planning hours/workload to staff. If the trend remains, the department will need to request more staff.

Committee's Recommendations:

- No Recommendations.

Department of Public Works

The American Public Works Association defines "public works" as " the combination of physical assets, management practices, policies, and personnel necessary for the government to provide and sustain structures and services essential to the well-being and acceptable quality of life for its citizens. In the City of Annapolis, the Department of Public Works (DPW) provides infrastructure and related services essential for a modern city via enterprise funds and the general fund.

The Good News:

- Awarded construction contract for City Dock Phase I and Maritime Welcome Center.
- Managed requirements resulting in the award of $35M Hazard Mitigation grant for City Dock.

- Revised stormwater utility fee structure and fee reduction program for non-residential properties to reduce their environmental impact.
- Started Traffic Safety concept designs for West Street, Edgewood Road, and Hilltop Lane.
- Achieved clear results based on data-driven performance metrics.
- Impressive response to major snow and ice storms, and tremendous commitment to improve where there are opportunities to do so.
- Achieved the goal of 3.5 miles of road resurfacing.
- Well exceeded performance benchmarks for providing high-quality and safe drinking water.

Challenges:

- Continuing effort to revitalize roads and sidewalks, as well as less visible, but essential, infrastructure, such as sewer mains.
- Implementing a life cycle asset management system for streets, sidewalks, and utilities will improve performance and longevity.
- Speed execution of capital improvement projects through procurement improvements and staffing increases.

Committee's Recommendations:

- Fully support technology additions to support more efficient snow removal.
- Place more emphasis and resources on visible infrastructure, including roads, sidewalks, and water access parks
- Continue to provide a quarterly update to the City Council on the status of Capital Improvement Projects.
- Explore more emphasis and resources on street cleaning.

Recreation and Parks

The Department of Recreation and Parks develops and implements quality recreation and leisure programs, activities, and events for all citizens of Annapolis, regardless of financial, economic, or educational status. The mission of the Department of Recreation and Parks is to enrich the quality of life for the Annapolis community by providing recreational, educational, and wellness programs within facilities, parks, and natural open spaces. The Department develops and implements quality recreation and leisure programs, activities, and events for all citizens of Annapolis, regardless of financial, economic, or educational status, on land and sea.

The Good News:

- The Truxtun Park Tennis & Pickleball Courts won Public Park of the Year at the 25th Annual Champions of Tennis Awards.
- The department debuted a Blind & Visually Impaired Tennis Experience and a "Superhero" therapeutic basketball program for adults.
- Many events were well attended
    - Community Fun Day had over 700 attendees
    - The Harvest Festival had 758 participants
    - Kids Day In hosted 157 children
    - The adult and kids Easter egg hunts saw nearly 1,400 combined attendees
    - The Hispanic Heritage Festival hosted 928 people
- The department achieved an 87% programming satisfaction rate in the National Community Survey.
- The parks team laid 75 tons of new ball diamond mix.
- ARPD started its first master plan in 20 years and introduced a new logo.

Challenges:

- Having trouble with staffing difficulties, especially lifeguards and seasonal employees.
- Park acreage has expanded without proportional staffing increases.
- The Weems Whelan field redesign is still undergoing complex risk assessments.
- Costs to address the failing dam at Waterworks Park increased due to inflation.
- Recreation and Parks does not use targets for revenue.

Committee's Recommendations:

- Increase funding for park maintenance staff.
    - Likely by removing the front desk staff at Pip Moyer.
    - The department suggests converting seasonal workers to full-time, but the committee thinks it could be better to increase the number of seasonal workers.
- The department should establish and publish maintenance schedules for parks to set public expectations.
- Provide the committee with a report on deferred facilities maintenance.
- Use funding in the proposed budget to hire a pool management company to be hired for the Harbor House pool, so that it can be opened.

Department of Transportation

The Annapolis Department of Transportation (ADOT) provides two core services: (1) public transportation services, and (2) parking management and enforcement.
The department plans, develops, and provides all public transportation services for the City. It also establishes routes, schedules, and fares for all transportation services provided by the department, subject to the requirements of the Maryland Public Service Commission and the approval of the City Council.

The Good News:

- Securing and managing grant funding: $1.58M in Federal/State grants ($900K operating; $684K capital).
- Maintain reliable service: 93% on-time, 100% service delivery.
- Zero-incident rate for driver and passenger assaults/deaths.
- Maintain strong service: 99% residential enforcement coverage, 98% meter readiness, and 95% complaint response.
- Improve wayfinding signage for both garages and on-street parking, ensuring all parking assets are maintained in a state of good repair
- Comprehensive review of parking revenues and expenditures, enabling us to streamline operations and eliminate unnecessary costs.

Challenges:

- Fixed routes
- Ridership
- Ability to collect fares electronically to adjust to modern money habits.

Committee's Recommendations:

- Consider ways to expand Annapolis Go.
- Operate the electric shuttle in Eastport.
- Work with parking contractors to consolidate parking apps.

Community Grants

A Grant Review Team was organized under the Office of Community Service (OCS) leadership. The review team considered all of the applications submitted and made recommendations to the Finance Committee.
Grant applications must contain one of the following:

1. Provides services that sustain and empower youth, families, and individuals to move towards an improved quality of life and self-sufficiency;
2. Provides programs that preserve and enhance a community's character;
3. Provides programs that contribute to a vibrant economy; or
4. Promotes programs that are integral to community revitalization, economic development, and environmental sustainability.

Fiscal Year 2027 Applications Overview:

- 62 applications; 35 awarded
- Total requests $1,107,052

- The previous request in FY26 was $995,996
- The funding pool the panel was asked to work with was $373,700.

Summary:
The Community Grant Program needs an overhaul. The Council will create an ordinance to enact changes to the code, including eligibility, granting guidelines, and use of funding. We strive to make the process more transparent and assist non-profits with growth and future sustainability.

Committee's Recommendations:

	FY26 Council Adopted	FY27 Grant Request	FY27 Committee Recommendation	FY27 Finance Committee Recommendation	FY27 Council Adopted
Homelessness Prevention					
Anne Arundel County Department of Social Services		25,000	20,000	10,000	
Blessed in Tech Ministries, Inc		15,000	0	0	
College Creek Church		15,000	15,000	15,000	
The Light House Shelter		40,000	20,000	20,000	
Housing Initiative Partnership, Inc		25,000	20,000	20,000	
Food Program for Children/ Youth					
Anne Arundel County Food Bank		20,000	20,000	10,000	
HBC Food Pantry		7,500	7,500	7,500	
Heritage Baptist Church (Community Garden)		2,500	2,500	2,500	
Heritage Baptist Church (Backpack Buddies)		7,000	7,000	7,000	
Restoration Community Development		50,000	10,000	10,000	
Marshall Hope- FOOD AND BABY PANTRY		27,000	20,000	5,000	

Education Programs for Adults (Minority Focused-Hispanic)					
Center of Help Inc		50,000	10,000	10,000	
Annapolis Immigration Justice Network Space		20,000	10,000	10,000	
OIC of Anne Arundel County		50,000	10,000	10,000	
Education Programs for Children/Youth					
Seeds 4 Success		15,000	10,000	10,000	
Start the Adventure in Reading (STAIR)		15,000	10,000	10,000	
Assistance League of the Chesapeake, Inc(School Uniforms)		16,500	15,000	5,000	
Charting Careers		40,000	10,000	10,000	
Chesapeake Children's Museum		40,000	10,000	10,000	
He Opens Paths to Everyone (HOPE for All)		12,000	10,000	10,000	
Annapolis Area Imagination Library		10,000	6,310	6,310	
Annapolis All-Stars II, Inc		56,125	10,000	15,000	
Annapolis Kappa Scholarship Fund, Inc		10,000	10,000	10,000	
We Care and Friends		77,050	10,000	10,000	
Live Water-Junior Wai Koa Program		16,100	10,000	15,000	
Tennis Alliance of Anne Arundel County		7,000	7,000	7,000	
Boys and Girls Club of Annapolis & AACo-Summer Brain Game		28,022	10,000	10,000	
Anne Arundel County Literacy Council		4,500	4,500	4,500	
Annapolis Pride		50,000	0	20,000	
Play Annapolis		15,000	0	10,000	
One Annapolis		39,960	0	7,500	
Kingdom Kare Inc		10,000	0	5,000	

Services for Youth and Adults					
Annapolis Maritime Museum		**10,005**	**5,000**	**5,000**	
Wellness House of Annapolis		**4,890**	**4,890**	**4,890**	
The Salvation Army of Annapolis(social services; wrap-around services).		**7,500**	**7,500**		
Newtowne Community Development Corporation		**5,000**	**5,000**	**5,000**	
Category 1 Subtotal		**1,000,152**	**330,700**	**317,200**	**-**
CATEGORY 2					
Promote community pride and cultural enrichment through programs that preserve local history, expand access to the arts, and foster education & sustainability within the community.					
Friends of Eastport Volunteer Fire Company		**10,000**	**5,000**	**5,000**	
Kunta Kinte-Alex Haley		**4,000**	**0**		
The Ballet Theater of Maryland		**10,000**	0		
Wiley H Bates Legacy Center		**28,000**	**0**	**0**	
Blacks of the Chesapeake		**40,000**	**0**	**0**	
4 The Culture		**10,000**	**0**		
Category 2 Subtotal		**102,000**	**5,000**	**25,000**	
CATEGORY 3					
Support free and accessible participation, community programs that foster connection, and pride among Annapolis residents.					
Kunta-Kinte Celebrations		**25,000**	**10,000**	**10,000**	
Historic Annapolis		**5,000**	**0**		
					-
Category 3 Subtotal		**5,000**	**10,000**	**10,000**	

CATEGORY 4					
Provide programs that are integral to community revitalization, economic development, and environmental sustainability					
Chesapeake Crossroads Heritage, Inc (Formerly Annapolis Londontown/4 Rivers)		**28,000**	**28,000**	**25,000**	
Category 4 Subtotal			**28,000**	**25,000**	
GRAND TOTAL		**$ 1,107,152**	**$ 373,700**	**$ 373,700**	

Finance Committee Final Recommendations/Amendments

Mayor's Office

- There are significant resources being spent on broadcasting meetings online in addition to being able to attend in person. This appears to be the process continuing from the COVID era. Review what committee meetings are available in-person and online, and determine if the value of making all of these meetings available online is a good use of taxpayer dollars.
- Ensure the role of the Deputy Chief of Staff is adequately focused on collaboration with the City Council.
- Enhance the connection between the City's Ombudsman and individual members of the City Council.
- Provide clear City guidelines and processes for the use of alderman expenses and electronic devices.

Office of Law

- Update the fee schedule so that the City can charge the actual hourly rate of the employee fulfilling an MPIA request, rather than the current flat rate of $30 per hour, which does not cover costs.

City Manager's Office

- With the arrival of the new City Manager, the Deputy City Manager will be able to return to her primary functions, including a significant improvement to defining the Department's performance metrics.

City Manager's Office - Resilience & Sustainability/Harbormaster

- Provide FY27 Proposed Performance Measures. ***(Harbormaster)***
- Provide FY27 Performance Measures relative to stated benchmarks.
- Provide the City Council with ongoing updates on electric leaf blower rebates and enforcement.

City Manager's Office - Office of Community Services

- Partnering with nonprofits to offer education and financial literacy for sustainability.
- Create a process to make housing assistance funds last longer.
- Agree with the implementation of case management software to better track progress and people
- Outside of the budget process, rewrite the community grants code section to focus more on funding that can support self-sustainability

<u>Central Services Department</u>

- Determine the best organizational structure, support the department's organizational efforts, and track performance metrics.
- Determine significant cost savings that result from the creation of this department.
- Remove the Risk Management Specialist position.
- Create the Real Estate Manager position.

<u>Human Resources</u>

- The City's onboarding process needs to be clearly defined and have a timeline.

<u>ITS Department</u>

- Realize software efficiencies and cost reductions, perhaps 1%, through completed centralization. (Alderwoman O'Neill dissents)
- Ensure that the new ITS Program Specialist position is a generalist who can work on various departments' technology needs–not just the fire department.

<u>Finance Department</u>

- Ensure debt service for FY27 matches bonds that are actually issued, to avoid the underbudgeting for debt service that occurred in FY26
- Increase the precision of our budgeting process, which would require an increase in our contingency fund
- Put processes in place to complete FY26 ACFR by December 31, 2026.

<u>Planning & Zoning</u>

- Support the addition of AI capability to improve the accuracy of resident permit applications.

<u>Police Department</u>

- Strive toward 0% vacancy of sworn officer positions.
- Strong support for the drone program and speed camera additions.

<u>Fire Department</u>

- Include a full accounting of costs and revenue from the peak-time medic unit.

<u>Office of Emergency Management</u>

- No Recommendations.

Department of Public Works

- Fully support technology additions to support more efficient snow removal.
- Place more emphasis and resources on visible infrastructure, including roads, sidewalks, and water access parks
- Continue to provide a quarterly update to the City Council on the status of Capital Improvement Projects.
- Explore more emphasis and resources on street cleaning.

Recreation and Parks

- Increase funding for park maintenance staff
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  - The department suggests converting seasonal workers to full-time, but the committee thinks it could be better to increase the number of seasonal workers
- The department should establish and publish maintenance schedules for parks to set public expectations.
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Department of Transportation

- Consider ways to expand Annapolis Go.
- Operate the electric shuttle in Eastport.
- Work with parking contractors to consolidate parking apps.

Community Grants

- Partnering with nonprofits to offer education and financial literacy for sustainability.
- Create a process to make housing assistance funds last longer.
- Agree with the implementation of case management software to better track progress and people.
- Outside of the budget process, rewrite the community grants code section to focus more on funding that can support self-sustainability.
- Remove the recommendations for Bates Legacy, Kingdon Kare, and add 25,000 back in for Heritage Baptist Church (Community Garden).

Capital Improvement Budget

- Shift from internal-facing upgrades to city government facilities towards external-facing improvements to the city's physical world that residents can actually see.
- Increase general roadways, general sidewalks, general sidewalks - brick, and general striping & marking

DPW Enterprise Funds Account

- Support fee schedule amendment for adoption prior to start of FY27 with an alternative fee structure for non-residential properties.
- Consider spreading stormwater fee increases more evenly across FY27-FY30
- Investigate the additional cost from Anne Arundel County for the sewer contract.

Fees & Fines

- Increase baseline fines for unlicensed Short-Term Rentals to $500 per night and set a minimum fine equal to twice the highest advertised nightly rate, due to variable impact on neighborhoods.
- Increase Short-Term Rental registration fees for non-owner-occupied while lowering them (relative to the proposed) for owner-occupied.
- Ensure that STR fees cover full program costs.
- Increase fees for Rec and Parks for nonresidents.
- Increasing the main mooring field daily fee to $45.
- 12.20.120.B: Parking Buses - Increase fine from $100 to $300.
- 12.20.130.B: Posted "No Parking" - Currently is $100, which is different than parking on a red curb; it should be the same as parking on a red curb.