

City of Annapolis

FY2023 ACFR Review
Finance Committee & Audit Committee

March 20, 2024



ACFR Main Sections

- ▶ Introductory
- ▶ Financial
- ▶ Statistical



Financial Section

Audit Report:

- ▶ Management Discussion & Analysis
- ▶ Government-Wide Financial Statements
- ▶ Fund Level Financial Statements
 - ▶ Major Funds vs. Non Major Funds
 - ▶ Reconciliations to the Government Wide
 - ▶ Fund types - Governmental, Proprietary, & Fiduciary
- ▶ Notes to Basic Financial Statements
- ▶ Required Supplementary Information (RSI)

(includes notes to the RSI)



Financial Section, Continued

- ▶ **Unaudited**
- ▶ **Combining & Individual Fund Statements**
 - ▶ Budget vs. Actual – All funds with legal budgets
 - ▶ Combining Statements for:
Non major Funds - Governmental,
Enterprise, Internal Service, & Fiduciary



Statistical Section

- ▶ Financial Trends
- ▶ Revenue Capacity
- ▶ Debt Capacity
- ▶ Demographic & Economic Information
- ▶ Operating Information



Financial Highlights

City Wide :

- ▶ Increase to Govt-Wide Net Position of \$19.5 million for Govt'l Activities and \$2.8 million for Business-type
- ▶ Fund balances increased in General Fund by \$716,083; Capital Projects by \$17.7 million; Proprietary Funds by \$2.8 million.
- ▶ P3 resulted in \$30 million addition to Fixed Assets for Hillman Garage;
- ▶ Purchase of Carr's Beach in August 2022 \$6.7 million
- ▶ Issued \$34.425 million of debt for ongoing construction, including City Dock
- ▶ City refinanced the P3 sub-debt adding \$8.7 million to Parking Fund Debt.
- ▶ General Fund Reserves Replenished
- ▶ Unspent ARPA \$6.7 million



General Fund Balance Reserves

Reserves' Balances & Activity (in Millions):

	FY 2022 Reserve Balance	FY 2023 Reserves Balances Before New Layer	New Layer Added Per Year End Results	Final Reserves at June 30, 2023	Programmed for Use in FY 2024	Balance of Reserves Not Yet Committed
Capital Reserve Fund	\$ 8.33	\$ 3.87	\$ 3.91	\$ 7.78	\$ 2.66	\$ 5.12
Budget Stabilization Fund	3.36	3.36	0.24	3.60	-	3.60
Assigned for One-Time Uses	9.37	4.65	3.67	8.32	3.90	4.42
Unassigned 15% Reserve	16.86	-	-	18.02	-	-
	<u>\$ 37.93</u>			<u>\$ 37.73</u>		



General Fund Budget

Budgetary Statements

▶ General Fund Revenues

Revenues exceeded budget expectations by \$2.3 million, driven by interest income and Income Taxes exceeding budget by \$2.5 million and \$2.3 million, respectively.

▶ General Fund Expenditures

Expenditure less than budget by \$6.96 million . . . \$4.5 million in Public Safety. Most department showed some savings.



General Fund Budget vs. Actual

Department / Office	Adopted Budget	Amended Budget	Actual Expenditures & Encumbrances	Under (Over) Budget
City Council	\$ 164,000	\$ 164,000	\$ 155,015	\$ 8,985
Mayor's Office	1,576,200	1,730,400	1,589,120	141,280
Office of Law	1,755,200	1,867,100	1,690,394	176,706
City Manager	1,086,900	1,134,500	1,022,842	111,658
Community Services	734,200	744,700	707,347	37,353
Human Resources	1,068,700	1,449,500	1,336,484	113,016
MIT	2,100,500	2,190,600	2,061,489	129,111
Finance & Purchasing	3,496,800	3,567,456	2,793,298	774,158
Planning and Zoning	4,912,500	5,078,700	4,360,140	718,560
Police	24,664,900	27,358,095	24,108,373	3,249,722
Fire	23,632,100	24,930,110	23,713,404	1,216,706
Emergency Management	516,900	548,701	514,761	33,940
Public Works	8,636,200	9,006,600	7,902,995	1,103,605
Recreation and Parks	6,343,200	6,782,500	6,375,428	407,072
Community Assistance Grants	348,000	354,000	354,000	-
Nonallocated	9,721,800	4,346,300	4,215,777	130,523
Debt Service	7,973,000	7,973,000	9,315,149	(1,342,149)
Transfers out	4,380,250	6,627,250	6,680,009	(52,759)
	\$ 103,111,350	\$ 105,853,512	\$ 98,896,025	\$ 6,957,487



Debt

- ▶ Bonds – Issued \$34.425 million Series A and \$8,260,000 Series B
- ▶ Refunding of Sub-debt resulted in \$15.2 million in present value savings
- ▶ Leases & SBITAs – FY22 and FY23 required implementation of new accounting standards recording some leases and significant software contracts as long term liabilities
- ▶ Pension & OPEB Liabilities

Growth in Markets drove \$11.4 million and \$2.1 million growth in Police & Fire Pension and OPEB net positions.

- ▶ Police & Fire: NPL - \$65.4 to \$68.7 / Funding Ratio - 73.9% to 74.1%
- ▶ OPEB: Net OPEB Liability - \$34.9 to \$26.8 / Ratio - 25.3 % to 31.6%
- ▶ State: NPL - \$20.4 to 26.7 / Ratio - 81.84% to 76.27%



Utilities Funds

- ▶ Sewer Fund – Increase to Net Position \$1.72 million
- ▶ Water Fund - Increase to Net Position \$983,388
- ▶ Watershed Restoration Fund - Increase to Net Position \$15,742
- ▶ Refuse Fund - Decrease to Net Position \$766,705 but still ended year with Net Position of \$2.38 million.



Parking & Transportation

12

- ▶ Off Street Parking Fund – Despite Hillman closure, fund had a \$253,719 increase to net position and funded the full subsidy to the Transportation Fund.
- ▶ Transportation Fund – Net position increased \$545,503.



Internal Service Funds

- ▶ Self Insurance Fund - Claims' Liability Estimate increased substantially due to recent court cases. (\$5.45 Million to \$10.5 million)
 - ▶ FY 23 Net deficit of \$3.52 million. Will necessitate additional contribution to offset the deficit.
- ▶ Health Insurance Fund -
 - ▶ Premium holidays offered in last three years successfully depleted the reserves to \$802,288. Costs are increasing and FY2025 may see increases to premiums for first time in several years.



Challenges:

- ▶ FY2024 has been a good year for the General Fund. Improvements in revenue streams and City control of expenditures will end year with additions to reserves.

	FY2023 Actual	FY2024 Adjusted Budget	FY2024 Projected
Total Expenses	\$ 98.90	\$ 111.53	\$ 106.17
Use of Capital Reserve	(4.46)	(2.64)	(2.66)
Use of One-Time	(4.72)	(3.70)	(3.70)
Net Recurring Expenses	\$ 89.72	\$ 105.19	\$ 99.80
Recurring Revenues	98.61	104.87	103.73
	\$ 8.90	\$ (0.32)	\$ 3.92



Challenges (continued)

- ▶ Additional Contributions to Self Insurance Fund required.
- ▶ Union negotiations for FY2025 and FY2026 are underway.
- ▶ Hillman Garage opened, Medco & AMRP now collecting revenues. Limited experience on net revenue coming to City.
- ▶ Monitor revenues to ensure tax increases and other revenue keep pace with budgeted expenses. Property tax abatement activity may increase due to substantial increase to property values.



- ▶ Positive fund balances and ARPA funding will require careful consideration of options