



## STAFF REPORT ON PROPOSED LEGISLATION

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To: Mayor Gavin Buckley

From: Michael Mallinoff, City Manager

Date: May 9, 2024

Subject: O-12-24: Maritime Industry Economic Development Fund

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### **Purpose of legislation**

The purpose of this legislation is to establish a Maritime Industry Economic Development Fund is to promote, stabilize, and protect the maritime industry in the City of Annapolis; and generally dealing with maritime development in the City..

### **Impact of legislation on operations**

As noted in the legislative summary, when the original legislation was passed, the City intended to use a portion of the slip tax for this purpose. At that time, Anne Arundel County had a slip tax that was assessed as part of each docking or storage fee charged by a marina, at that time set at 10%. The City of Annapolis slip tax was set by law to the same rate as the County's and was assessed under the County's enabling legislation. In 1994, the County cut their slip tax rate in half, and in 1995 passed legislation to eliminate the slip tax entirely by 1997. With the tax rate at 5%, the City collected approximately \$250,000 in funding annually according to news reports at the time<sup>1</sup>. The primary funding mechanism for the Maritime Industry Economic Development Fund was therefore eliminated.

O-12-24 lists several fees that would be applied to the Maritime Industry Economic Development Fund. None of them appear within the FY24 fee schedule. Council resolution R-54-22 established a fee of \$1 per square foot per year for non-maritime uses granted through water access incentives contained in section 21.46.010 in the City Code, the first fee related to the Maritime Industry Fund since the elimination of the slip tax. That fee appears to have been

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<sup>1</sup> <https://www.baltimoresun.com/1995/03/21/county-council-bill-seeks-to-eliminate-boat-slip-tax-by-1997-2/>

missed when setting the FY24 fee rates. The fees associated with non-maritime uses described in sections 21.64.520 and 21.64.550 of the City Code do not appear to have ever been set, let alone carried forward into the FY24 fee rates.

Given the current fee structure, it appears that there is a single establishment that is subject to the fees that are slated for the Maritime Industry Economic Development Fund. While the initial fee can be collected as part of permit fees when the organization first applies through Planning and Zoning for the non-maritime use, any collection in subsequent years must be done through invoicing; the fee is not automatically collected. I will note here that the staff assumption has been that the fee was intended to be a one-time fee collected at the time of permitting. It would be helpful to confirm Council's intention for this fee to be assessed annually, since tracking these kinds of fees takes extra effort.

There will be initial impacts to operations to establish this fund and ongoing impacts to administer it. Initially, the Department of Finance must establish the fund in MUNIS, ensure it rolls up correctly within the overall accounting structure, and adjust financial reporting protocols to include the extra steps required to correctly incorporate this fund into the City's financial statements and financial monitoring efforts. Once that is done, Finance and the Department of Planning and Zoning will need to validate that all establishments subject to fees slated for this fund have been identified and adjust invoicing procedures to ensure assessed fees are appropriately credited to the fund. Given the low revenue amount, this extra effort may not be worthwhile.

#### **Impact of legislation on staffing**

The Department of Finance does not have a staffing impact estimate, since the impacts are largely due to making existing financial reporting and budget processes more complex through the need to account for another dedicated fund. Initial fee assessments done through Planning and Zoning are able to be absorbed.

*Prepared by Victoria Buckland, Assistant City Manager*