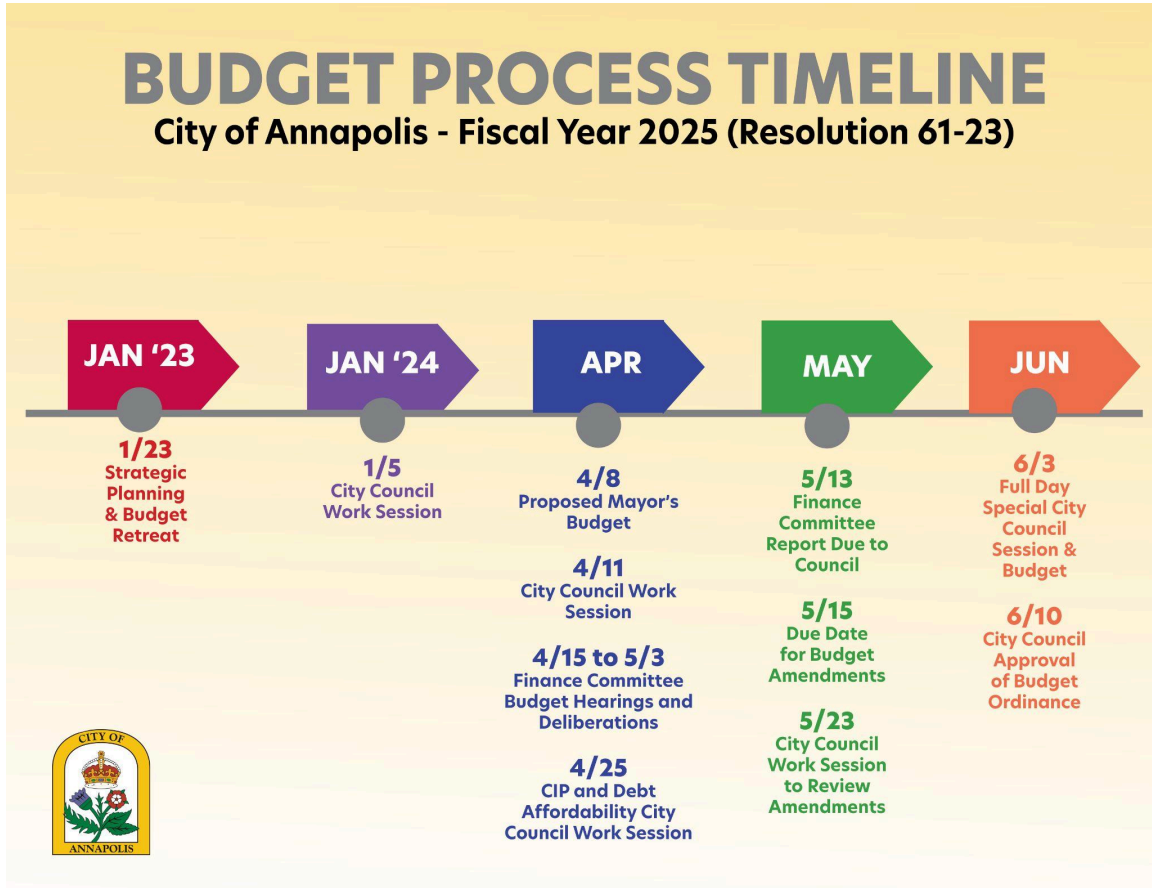


May 13, 2024

# REPORT TO CITY COUNCIL – THE FISCAL YEAR 2025 PROPOSED ANNUAL OPERATING AND CAPITAL BUDGET

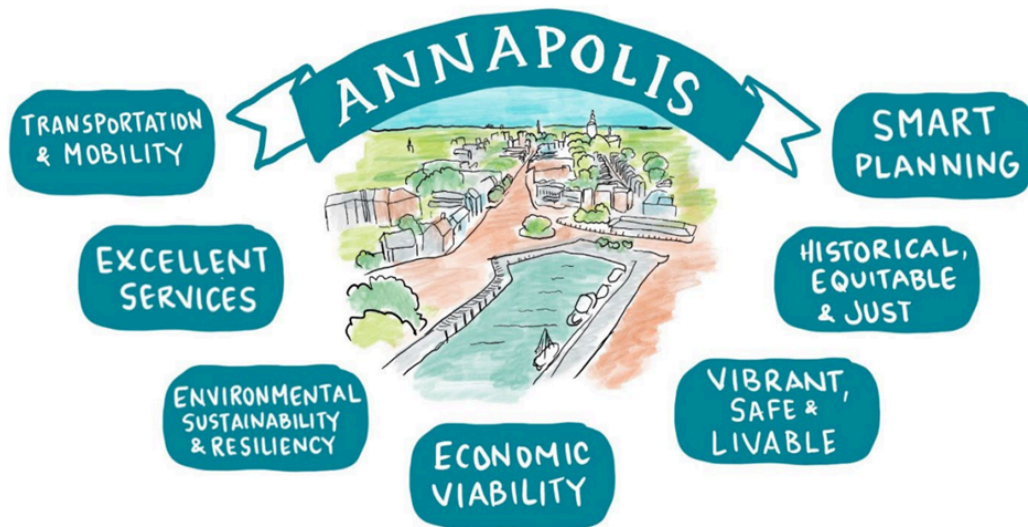


## Council Budget Process Preparation

“Governing is the process of deciding how to allocate limited resources.”

Under the new City Manager's leadership, the Council Members started this process with a 'Strategic Planning and Budget Retreat' in January 2023. The results identified seven key areas. The council chose three that could be translated into the annual budget (meaning the funding allocation would align with these initiatives): Smart Planning, Excellent Services, and Transportation & Mobility. Building on this, a meeting was held with the Staff, and a Council retreat was held in Washington DC on January 5, 2024. This was followed by a leadership strategy session including the Mayor, City Manager, and Finance to finalize the Budget.

Concurrent with this effort, a Community Survey was conducted using Polco as a consultant. The results were distributed to the Council and staff so that the Budget reflected the residents' responses. We found that several departments referred to the survey results in their presentations. Department Directors, with the assistance of City Management, also spent many hours developing goals, objectives, and performance measures to establish their budget proposals to correlate to these measures.



## **FY25 Budget Summary**

### **General Fund Revenue**

#### **The Good News:**

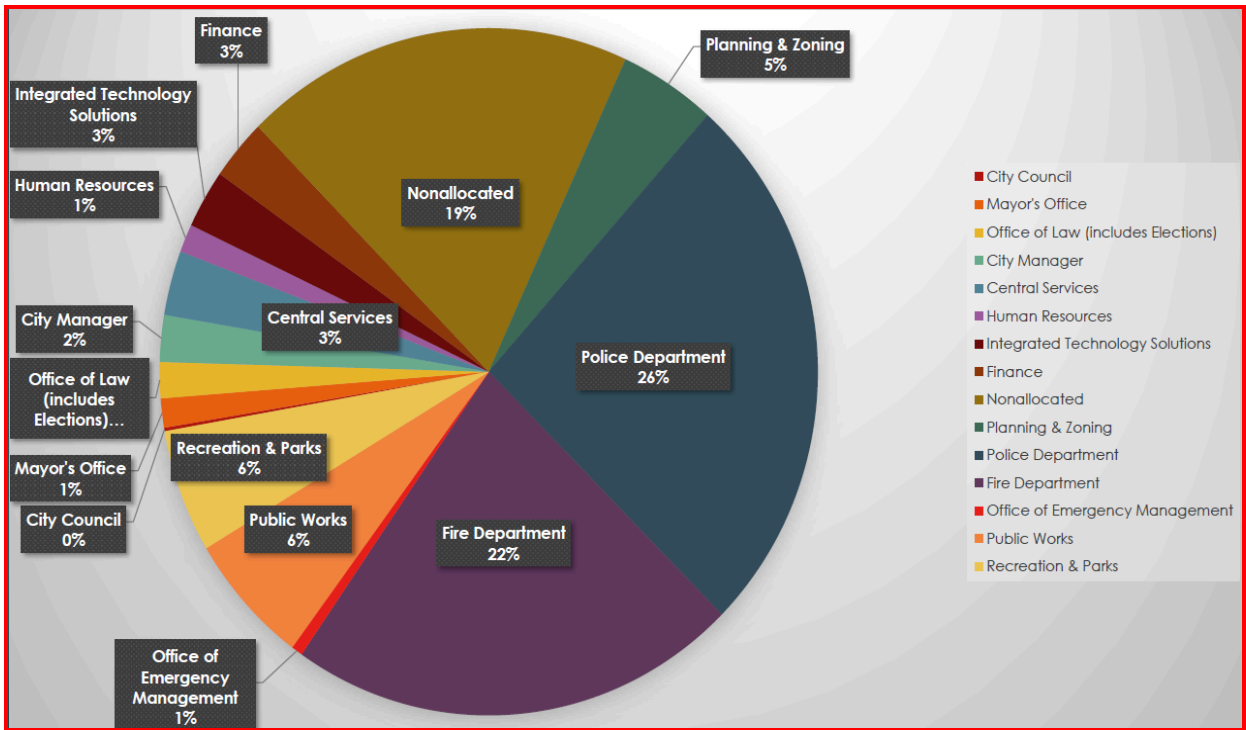
- No property tax rate increase (\$.738 / \$100 & \$1.94 / \$100)
- No ARPA funding is used for General Fund revenue. The assessed value of property and other GF revenues has stabilized the General Fund. No budgeted structural deficit in FY2025!
- General Fund recurring revenue is projected to increase by \$3.1M over the projected FY2024. The growth in property taxes (\$4.3M) is offset by slight decreases in other revenue sources.
- State Income Tax is strong in FY2024 -projected to be \$12.1M in FY25.
- Interest revenue is strong in FY2024 -projected to be \$4.1M in FY2025.
- 60% of GF revenues are from property taxes.

- The fiscal 2024 year-end General Fund Balance is projected to be strong, providing for a 15% reserve and additional funding in three additional reserves.

**Challenges:**

- Potential downward fluctuation of interest rates
- Property tax abatements (state allowance for residents to challenge the assessed values)
- City Dock closure as of November 2024, impacting dock charges, boat show, and tourism
- Occupancy taxes- Ensuring all licensees are identified in fees
- Departmental review of fees and fines so that they reflect the actual costs of City services.
- The Classification & Compensation Study hasn't been completed.
- Union negotiations are still ongoing.

**General Fund Expenditure Projections:**



**The Good News:**

- Revenue growth and tightening of expenditures are allowing new initiatives in departmental budgets.

- 3.6% modest overall growth in General Fund -budget to budget.
- A 3.1% increase in recurring expenses is in line with the recurring revenue increase.

**Challenges:**

- Inflation and competition for job candidates are causing regular vacancies and challenging department bandwidth.
- Steady inflation puts pressure on non-personnel expenses.
- Healthcare premiums have increased by 5% due to inflating healthcare costs in the industry.

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

Per the Fund Balance Policy(R-31-18), the city set aside 15% of the FY2024 General Fund, Parking Fund, and Transportation Funds 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 FY24.

- a. General Fund Budgeted Revenue: **\$108,065,700**
- b. Parking Fund Budgeted Revenue: **\$9,151,000**
- c. Transportation Fund Budgeted Revenue: **\$6,758,815**
- d. Total (a+b+c)= **\$123,975,515**

Applicable Fund Balance Requirement 15%

- e. Required Fund Balance Reserve (d x 15%) = **\$18,596,327**
- f. FY 2024 Projected Fund Balance **\$22,648,051**
- g. Projected Balance above Requirement (f-e)= **\$4,051,724**
- h. Maximize Budget Stabilization Fund: **\$357,171**
- i. 50% of Excess to Capital Reserves (.50 x g)= **\$2,025,862**
- j. Any remaining funds will be allocated to the one-time costs (.50 x g)-h =**\$1,668,690**

(h+i+j=g)

**ARPA Funding**

- Current Balance including interest - \$7.02M
- Planned use in FY24 - \$699,250
- Planned use in FY25 - \$2.M for Fleet, \$1M Eastport CNI capital project, \$1.35M City Office capital project, \$1.96M Transportation deficit

- Balance for FY26 - \$0.

**The Good News:**

- There is no budgeted structural deficit in the FY 2025 General Fund.
- ARPA Funding was not utilized for General Fund revenue due to property assessments and other GF revenues stabilizing the General Fund.

**Challenges:**

- All Remaining Transportation ARPA is being fully utilized in FY 2024.
- ARPA was necessary to offset the FY 2025 Transportation deficit.
- Even with parking fund support, due to the depletion of federal funds and the lack of projected increases in state funds, the FY 2026 transportation budget will have a structural deficit.

**Salary/Benefits/Classifications**

- As of this writing, Union Negotiations still need to be completed, and the Compensation & Classification Study is pending.
- This budget includes a reserve for potential reclassification/upgrades resulting from the study. It consists of an estimate of the impact of the union negotiations known at the time.

**Dept Capacity with Capital Expense Evaluated**

**Re: Dept Capacity Update provided by Davenport April 25, 2024**

**Good News:**

- FY2025 allocation to Capital Reserve complies with our Debt Service Policy.
- Utilizing FY2025 as a starting benchmark and increasing the General Fund expenditures by 1%, debt service as % of expenditures tracks under 10% except for FY2028, which is 10.51%.
- The above calculation is based on conservative projections of general fund expenditures and debt service costs.

**Challenges:**

- Rising 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.

## **Department Presentations**

All departments presented to the Finance Committee from April 15-May 2nd. Each department was asked to provide the following in Budget instructions issued by the Finance Department in November 2023:

- Core current service level budget (all funds: General Fund, grants, internal service funds, and enterprise funds)
- Organization chart
- Performance measures
- Review of fees and fines
- Potential cost savings
- Enhancement requests

For detailed information on each department's presentation, see the **Google Drive Folder** titled "**FY25 Finance Committee Budget Presentations**".

Generally, there was a 2.5% increase in each department's budget due to inflation. Departments were asked to request only 'mission essential' enhancements.

### **Fire Department**

The Annapolis Fire Department (AFD) exists 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.

#### **Service to the Community:**

- Total Calls for Service: 13,099
- EMS Encounters: 10,444
- EMS Transports: 6,341
- EMS Fees Collected: \$2,131,563
- Emergency Service Payment Program (ESPP) (FY2023) Adjusted Fees Collected: \$1,037,412
- Fire Safety Inspections Conducted: 765
- Fire Safety Re-inspections Conducted: 420
- Fire Permit/Plan Review: 222
- Building Permit Review: 113
- Use and Occupancy Inspections: 106
- Collection of Fire Marshall Fees

#### **The Good News:**

- Continued safety record of no Fire Deaths since 2010.
- Maintained ISO 1 Rating.

- Completed the upgrade to the Alerting system for all three (3) stations to be consistent with Anne Arundel County Fire Department Dispatch.
- Put a new Special Operations Support Vehicle in service.
- Purchased and Implemented a new Reporting Software.
- Completed EMS Audit to continue to receive annual Medicaid reimbursement funds.
- Increased our Training to include: Leadership Training for Uniform Supervisors.
- Increased training outside of the immediate area for Fire, EMS, and Special Operations personnel.
- Provided training on Unconscious Bias for all personnel.

**Challenges:**

- Upgrades to all three (3) Annapolis Fire Stations - While the Eastport Fire Station has begun to be updated, there is more that needs to be done in all three (3) stations. This multi-year goal will include funding requests to upgrade all three (3) stations including restroom facilities, Engine Bay floors, Locker areas, new Bay Doors, and TAS windows.
- Ensure Mental Health and Suicide Prevention of First Responders.
- Gain the Commission of Fire Accreditation International Certification. This will require budget assistance.

**Committee's Recommendations:**

- We fully support the Department's long-term goals to provide Suicide Awareness and Prevention Workshops to be taught to all.

**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:**

- Completed the various training courses for the Annapolis Police Department (APD), Annapolis Fire Department (AFD), Office of Emergency Management (OEM), and City Partners with instructors from across the state, including OEM personnel.
- Completed the 2023 Hazard Mitigation Plan Update that reviews 10 existing projects and recommends 16 more in the next five years.

- Worked directly with State elected officials to propose legislation that improves disaster recovery funding procedures in Maryland including local units of government. Initial appropriation from Gov. Moore's FY 25 State budget allocated \$2 million to the State.
- Implemented the Department Disaster Recovery Fund. New legislation allowed for small businesses to receive funds to be activated following the Jan. 10th historic flooding.
- Expanded our mitigation program and has opened up new revenue sources through state and federal grants.

**Challenges:**

- Lacking the capacity to pursue major grant opportunities other than those the Department already receives.
- Securing additional resources to update and complete plans, including the Strategic Plan, COOP Plan, COG Plan, Recovery Plan, Training & Exercise Plan, and many others.
- Lacking the capacity to complete a cyber disruption plan with ITS and provide training and exercise on the plan.
- Lacking the capacity to be a liaison and provide support to residents and property owners seeking funds to mitigate past or future damages to their property.

**Committee Recommendations:**

- We support the funding of the Emergency Planner Position for \$122,133.

**Police Department**

The Annapolis Police Department shall be an impartial and just partner to every citizen it serves, vigorously and constitutionally enforcing the law to protect its residents and others. We shall operate effectively, efficiently, ethically, and equitably, focused on community relationships. The Annapolis Police Department (APD) responded to an unprecedented level of violence in our communities at the end of FY23 and into FY24.

**The Good News:**

- Redistributed officer staffing to address the violence and created the Special Enforcement Action Team.
- Realignment of Police Officer deployment led to the reduction of homicides and shootings in FY2024.



- Cleared 100 percent of the homicides committed during the current budget cycle utilizing technology and other methods the department budgeted, to solve violent crime incidents.
- Vigorously investigated violent crimes, including shots fired incidents where no one was struck.
- The re-entry program, Positive Impact, continued to reach at-risk members of Annapolis communities, providing them with opportunities, resources, and transportation to gain job skills. Many graduates are currently employed, and few have reoffended after graduating from the program. The program also assists people to enroll in a partner drug treatment program.
- Sought and was awarded \$2.2 million of state and federal grant funds needed to assist with crime and community initiatives, improve technology, and purchase or improve equipment. The grant awards continue to be pivotal in engaging the community and gaining assistance in creating a safe environment for Annapolis residents.
- Continued to collaborate with state and federal law enforcement agencies. APD partnerships with federal and state agencies have yielded significant benefits in removing violent offenders from the community, and minimizing sales of illegal narcotics in Annapolis, by seizing large quantities of drugs and monies during the budget cycle.
- Fully complied with the Maryland Police Accountability Act of 2021.
- Created an Inspector and Audit Unit and the Sergeant in charge of the unit completed Inspector General training this year.
- Hired nine officers so far this fiscal year, while anticipating losing nine officers by the end of 2024.
- Continued to maximize limited resources to recruit new officers. We hired 10 officers in FY23.

**Challenges:**

- Lack of a dedicated Grant Writer.
- Lack of revenue for bonus opportunities.

**Committee's Recommendations:**

- Support the Commission on Accreditation for Law Enforcement Agencies (CALEA) recertification.
- Continue to support APD mental health initiatives.

## **Integrated Technology Services (ITS)**

The Integrated Technology Services Division (ITS) is dedicated to delivering high-quality, technology-based services, most cost-effectively while providing excellent customer service to all city staff.

### **The Good News:**

- MUNIS modules were implemented by city departments or offices.
- Three departments deployed new software.
- The Geographic Information System (GIS) open data portal went live, making a plethora of geographic information publicly available.
- 12,764 website hits to access GIS data.
- 7 servers were virtualized.
- 85 hours of city-wide security training completed.

### **Challenges:**

- Transitioning Alcohol Beverage Licenses and Short-Term Rental Licenses to EnerGov.
- Still remediating content posted to the website to make it ADA-compliant.

### **Committee's Recommendations:**

- We encourage further development of the Integrated city and county Geographic Information System (GIS) into a shared environment for an improved citizen and business experience.
- Explore the implementation of a technology fee to distribute the cost of supporting IT services to the customer.

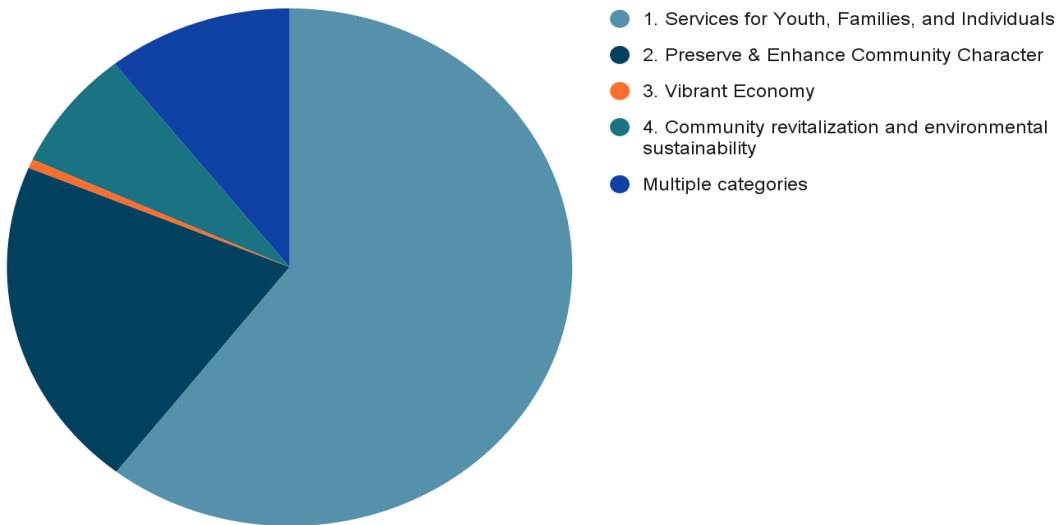
## **Community Grants**

The priority for making Community Grants to non-profit organizations was in two categories, operating and/or capital grants. An “operating grant” shall provide support for the day-to-day costs of running the non-profit organization. A "capital grant" shall provide support for the purchase of property, the construction, remodeling, or expansion of a facility, or the purchase of equipment by a non-profit organization.

### **Proposals must meet one of the following priorities:**

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

Community Grant Recommendations by Category



A Grant Review Team was organized under the leadership of the Office of Community Service Office (OCS). The review team considered all of the applications submitted and made recommendations. Their Committee recommendations were then submitted to the Finance Department for consideration in the Mayor’s budget.

**Fiscal Year 2025 Applications Overview:**

- 54 applications;
- 15 new applications that did not submit in FY24;
- Total requests \$1,237,313;
- Previous request in FY24 was \$1,087,483;
- The funding pool the panel was asked to work with was \$370,750.

**Fiscal Year 2025 Applications by Program**

- 3 Nutritional Programs for Children and Youth
- 17 Programs Serving for Children, Youth and Families
- 2 Educational Programs for Adults
- 9 Homelessness/Addiction Prevention Programs
- 10 Programs that enhance Arts and Culture
- 11 Programs that contribute to a vibrant economy
- 4 Programs that contribute to a clean Environment

**Summary:**

- 54 proposals totaling \$ 1,237,313
- 54 awards totaling \$423,750

**Committee's Recommendations:**

- The Finance Committee voted unanimously to accept the recommendations to fund the 54 Community Grant applicants, with a few exceptions. See the attachment above.

Finance Committee FY 2025 Budget Report

Organization	Award Category								FY2024 Adopted	FY2025 Grant Request	FY2025 Grant Committ ee Reco mme ndati on	FY2025 Council Recommen ded Amount (Finance Committee Recommen dations)
	1					2	3	4				
	F	E	E	H	S							
Annapolis & Anne Arundel Scholarship Trust		X							-	\$ 35,000	\$ 9,000	<b>\$ 9,000</b>
Annapolis All-Stars II, Inc.		X							-	56,250	17,000	<b>17,000</b>
Annapolis Area Imagination Library		X							\$ 4,000	15,000	6,000	<b>6,000</b>
Annapolis H20 4 Life		X							-	30,650	12,000	<b>12,000</b>
Annapolis Kappa Scholarship Fund, Inc.		X							-	6,500	2,000	<b>5,000</b>
Annapolis Maritime Museum					X			X	7,000	30,200	9,000	<b>9,000</b>
Annapolis Pride, Inc.		X				X			5,900	13,000	7,000	<b>7,000</b>
Annapolis Wellness Corp DBA Wellness House of Annapolis					X				5,000	10,000	6,000	<b>6,000</b>
Anne Arundel County CASA				X					-	15,000	2,000	<b>2,000</b>
Anne Arundel County Community Action Agency						X			25,000	25,000	25,000	<b>25,000</b>
Anne Arundel County Food Bank, Inc.	X								5,000	30,000	5,000	<b>5,000</b>
Anne Arundel County Literacy Council, Inc.		X							-	4,000	2,000	<b>2,000</b>
Anne Arundel County Public Library Foundation		X							-	5,000	2,000	<b>2,000</b>
Assistance League of the Chesapeake, Inc.		X			X				2,800	13,000	3,000	<b>3,000</b>
Banneker-Douglass Museum Foundation						X			-	20,000	5,000	<b>5,000</b>

Finance Committee FY 2025 Budget Report

Blacks of the Chesapeake Foundation Inc.								X	-	38,000	2,000	<b>4,000</b>
Blessed in Tech Ministries, Inc.			X						-	15,000	4,000	<b>4,000</b>
Boys and Girls Club of Annapolis & AACo		X							8,000	8,000	8,000	<b>8,000</b>
Charting Careers		X							14,000	40,000	13,000	<b>13,000</b>
Chesapeake Crossroads Heritage, Inc. (Formerly Annapolis Londontown/4 Rivers)								X	21,000	28,000	28,000	<b>28,000</b>
Chesapeake Region Accessible Boating, Inc.		X						X	3,500	3,500	3,500	<b>3,500</b>
Clay Street Community Development Corporation						X			-	28,000	2,000	<b>2,000</b>
Club 164			X						-	50,000	2,000	-
Compass Rose Studio Theatre		X						X	2,500	25,000	2,500	<b>2,500</b>
Co-op Arundel			X						10,000	28,000	12,000	<b>10,000</b>
Farm Unity Limited	X								-	7,500	2,000	-
Forte Meade Alliance Foundation					X				-	30,475	2,000	-
Friends of Eastport Volunteer Fire Company						X		X	2,500	30,000	3,000	<b>3,000</b>
He Opens Paths to Everyone (HOPE for All)				X					7,000	10,000	10,000	<b>7,000</b>
Heritage Baptist Church (Backpack Buddies)	X								4,000	5,000	5,000	<b>5,000</b>
Historic Annapolis Foundation						X			-	4,000	4,000	<b>4,000</b>
Kunta Kinte-Alex Haley						X			4,000	4,000	4,000	<b>4,000</b>
Kunta Kinte Celebrations, Inc.						X			-	15,000	10,000	<b>10,000</b>
Luminis Health Anne Arundel Medical Center				X					-	44,300	-	-
Maryland Hall for the Creative Arts						X	X		20,000	30,000	20,000	<b>20,000</b>

Finance Committee FY 2025 Budget Report

Maryland Latinos Unidos					X				-	75,000	2,000	<b>2,000</b>
Maryland Therapeutic Riding, Inc.		X			X				2,700	27,000	3,000	<b>3,000</b>
Newtowne Community Development Corporation					X				-	22,607	5,000	<b>5,000</b>
OIC of Anne Arundel County		X	X						15,000	60,000	19,000	<b>19,000</b>
One Annapolis, Inc.					X				-	25,000	10,000	<b>10,000</b>
Organization of Hispanic/Latin Americans of Anne Arundel County, Inc.					X				4,700	22,600	4,000	<b>4,000</b>
Partners In Care					X				5,000	25,000	6,000	<b>6,000</b>
Seeds 4 Success		X							7,000	23,000	12,000	<b>12,000</b>
Serenity Sistas				X					4,700	47,000	5,000	<b>9,000</b>
South Forest Drive Business Association (SoFo)							X		2,400	2,400	2,400	<b>2,400</b>
Start the Adventure in Reading (STAIR)		X							9,000	15,000	10,000	<b>10,000</b>
Street Angel Project				X					6,000	28,000	5,750	<b>5,750</b>
Street Cred Education Consultants, Inc.		X							-	5,000	2,000	<b>2,000</b>
Superior Future		X							-	15,000	6,600	<b>6,600</b>
Tennis Alliance of Anne Arundel County		X			X				4,700	5,000	5,000	<b>5,000</b>
The Junior League of Annapolis					X				-	5,761	-	<b>-</b>
The LightHouse Shelter				X					20,000	40,000	20,000	<b>20,000</b>
The Live Water Foundation		X							11,000	15,370	12,000	<b>14,000</b>
Walk the Walk Foundation					X				-	50,000	-	<b>-</b>
We Care and Friends				X	X				15,000	37,700	17,000	<b>17,000</b>
Wiley H. Bates Legacy Center					X				28,000	28,000	28,000	<b>28,000</b>
<b>GRAND TOTAL</b>									<b>\$286,400</b>	<b>\$1,326,813</b>	<b>\$423,750</b>	<b>\$ 423,750</b>

## **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:**

- Hired a new Parking Coordinator.
- FY24 Predictions for parking revenue were accurate.
- Purchased six small buses for microtransit.
- Safety and security - drivers have a very low accident rate(0.01%), buses operate with working lifts and ramps and all buses have functioning video surveillance apparatus.
- Department in full compliance with Federal Transit Administration (FTA) and Maryland Department of Transportation (MDOT)/Maryland Transit Administration (MTA) requirements.
- Surpassed their benchmark in responding to customer complaints within two days.
- The addition of the Pedestrian Coordinator position allows the Transportation Department to focus on green Transportation initiatives, including enhanced bikeways, pedestrian paths, and bike road transit initiatives.
- Budgeted to include defibrillators for all city buses.

### **Challenges:**

- In weighing traffic routes, 42% of transit riders travel outside of the city limits.
- Balancing two different parking contractors and the nuances of the new parking structure(gateless garage, changing meter times, residential parking, especially in Districts 1 & 2).
- The budget does not include bus replacement funds.
- Addressing the State grant reduction.
- In FY26 the Transportation fund faces a \$ 2-2.2 million transit shortfall and the Council will need to address the shortfall.



**Committee's Recommendations:**

- Encourage the new Parking Coordinator to focus on optimizing revenues by incorporating dynamic pricing models so they can submit to the Finance Department in time for budget development.

**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:**

- Completed the Community Survey and utilized results to address the FY25 Budget
- Added funding for Communication App WITH.
- City-wide Standard Operating Procedure framework. Three sections are published by the start of the budget process. (How to create the framework, grant procedures, and travel policies)
- Leadership training through a retreat for department directors and deputies.
- Strategic planning retreat for Council members and the city leadership team.
- Continued focus on finalizing a strategic plan for the city.

**Resiliency and Sustainability**

**The Good News:**

- The major resilience project at City Dock is close to the construction phase.
- DPW hired a Storm Water Project manager to focus on stormwater projects throughout the city.

**Challenges:**

- Maximize the leverage with various partners to address flooding challenges and improve the city-wide resiliency efforts.

### **Harbormaster**

#### **The Good News:**

- Rebuilt park at Cheston Ave, adding a floating dock and pier.
- Started the pilot program for City kayak racks.
- Handled 5 abandoned boats.
- Harbor employees rescued three people.

#### **Challenges:**

- Monitoring abandoned boats for possible removal.
- Replacing the chain and shackle on moorings, as required, every 4 years.
- The projected loss of revenue during City Dock construction.
- The challenge of temporarily relocating the Harbor Master office during the City Dock construction.

### **Office of Community Services**

#### **The Good News:**

- Added a Hispanic Outreach Coordinator.
- Filled the Community Engagement Administrator position.

#### **Challenges:**

- The request for rental assistance exceeds available funds.
- Staffing to manage three grant programs. (child and family success, adopt a community, community grants)

#### **Committee's Recommendations:**

- Encourage the completion of the task force recommendations as defined in Resolution R-48-23.

### **Mayor's Office**

A well-served, sustainable, resilient, equitable, and connected city, where everyone knows they are valued and have a voice. The Mayor as Chief Executive of the City, is responsible for the delivery of municipal services by departments, boards, commissions, and committees, according to the vision mandated by voters in the election of the Mayor and City Council.

**The Good News:**

- Increased funding to enhance communication with residents through mailers regarding important city initiatives. (\$25,000)
- Added a Hispanic Community Services Specialist to enhance our Hispanic community's relationship.

**Challenges:**

- Managing necessary costs for city-wide mailers regarding new programs, projects, and initiatives.
- Continue community outreach and liaison to underserved communities in the absence of the community engagement administrator.

**Committee's Recommendation:**

- Hire a lobbyist to assist in lobbying at the State and County level.
- Support keeping the COA TV with the Mayor's Office under the direction of the PIO Officer.

**Human Resources**

The Human Resources Office is dedicated to the City of Annapolis employees, retirees, and those who aspire to work for us. We are committed to supporting an inclusive, encouraging workplace and providing valuable resources in the form of pay, benefits, and training opportunities. We work closely with our departmental partners and employee organizations to ensure good policy in both creation and interpretation.

**The Good News:**

- Added an HR Analyst and an upgrade to the Office Associate
- Continued the internship program.
- Assisted the Department of Public Works with the career ladder.

**Challenges:**

- The Compensation and Pay Scale Study is not complete, causing the budget to have estimated numbers for salary increases and pay levels.
- Increase in health care premiums.

**Committee's Recommendations:**

- Support the exploration of tuition reimbursement for employees.

## **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:**

- Reduction in contract attorneys.
- Started City Code legal review and modernization.
- Successfully negotiating opioid litigation.
- Provided training for Annapolis Police Department (APD) on the MD Police Accountability.
- Successfully in having a \$75,000,000 case dismissed.

### **Challenges:**

- Attracting professionals due to salaries being lower than the private sector.
- 30% of attorneys' days are spent on HACA cases.
- Inadequate office space for staff.
- Inability to ensure security for office staff.
- Managing unexpected legal needs with current staff.

### **Committee's Recommendations:**

- Increase funding for Special Assignments and unscheduled requests: \$50,000

## **Planning and Zoning**

The Department of Planning and Zoning guides the City's development and conservation, from big policy areas like land use and mobility to common areas like code compliance, enforcement, and property maintenance. We also administer federal and local funding programs: the community development block grant program, the City's Housing Trust fund, and the residential rehab and moderately priced dwelling unit programs. We administer a tree planting program, street tree inspections, and the Critical Area fee-in-lieu fund.

**The Good News:**

- A New Director was hired in the Fall of FY24.
- A weekly expedited project approval program improves permit approval time.
- The Planning & Zoning office is open for project meetings, giving space for a project manager, city staff, architects, and contractors to meet.
- Increased customer service experience by adding dynamic build plans review(resulting in quicker revisions), offering the use of office computers to complete applications.
- The Director is establishing a partnership with the County to “borrow” inspectors when the City Inspectors are not available(sick leave, vacation). This will keep active projects moving forward without unexpected delays.
- Included a new Senior Planner in the FY25 budget to expedite project review time.
- The department is being reorganized to dedicate an existing position to address HACA Inspections.

**Challenges:**

- Need additional personnel to manage grants.
- Necessary to re-evaluate the fee structure to ensure it is aligned with costs and services.
- Working on creating a more user-friendly platform with more person-to-person contact.

**Committee’s Recommendations:**

- Add contract/part-time staff to manage the STR program.
- Continue to seek ways to enhance Customer service satisfaction.

**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. Additionally, the Department maintains and preserves the City’s park system, open spaces, and trails.

**The Good News:**

- Updated Program registration software - On-line registrations
- Membership increase from 7260 to 9073
- 96 sports programs with over 11,000 participants
- Greenscape -69 projects in 25 parks using 370+ volunteers

**Challenges:**

- Fees: altering fee schedule at City-owned properties(Stanton Center, Annapolis Walk Community Center, various sports fields, Pip Moyer, Kenny Dunn Pool)
- Programming - funding for performers and vendors at Pip Moyer events.
- Upgrading facilities(Stanton Center). See Capital budget.
- Allocating staff to park maintenance.

**Committee's Recommendations:**

- Improve financial transparency with the Arts in Public Places Commission. (AIPPC)
- Expedite the renovations of Weems Whalen field.

**Finance Department**

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. These are not addressed in our review of the finance department's budget below.

**The Good News:**

- Continued high bond ratings, achieving a Fitch AA+, Moody's Aa1, and S&P Global AA+ this year.
- The external audit reported that the department met all generally accepted accounting principles (GAAP) without any corrective action needed.
- Additional staff allowed a more expeditious completion of the Annual Comprehensive Financial Report (ACFR).
- Improved the City's budget process by utilizing OpenGov for departmental budget entry.

**Challenges:**

- Managing the department's workload with continuing significant turnover and in a competitive job market.
- Providing adequate space for existing staff and new hires.

**Committee's Recommendations:**

- Support moving the Grant Administrator to the Department of Public Works.

- Continue to support the Department’s plan for expansion (presented in FY 2023), which includes a 2nd Budget Analyst in this budget.
- Enhance the recruitment and retention efforts.

### **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:**

- Centralizes services from Purchasing, Facilities Management, and Fleet Operations.

#### **Challenges:**

- The procurement office has to catch up after having vacant positions.
- The procurement office will need to focus on CIP projects and State and Federal funds
- Hiring staff who can fill the positions in the Procurement Office and Fleet Operations department.
- Identifying and proceeding with study options to accommodate space for mission-critical departments and evaluating lease, purchase, or fit-out options as the Annapolis government offices have outgrown the current space available.

#### **Committee’s Recommendations:**

- We support the creation of the Central Services Department. This is a new department and we look forward to supporting their success!
- Support keeping the COA TV with the Mayor’s Office under the direction of the PIO Officer.

### **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.

**The Good News:**

- Completed construction of new traffic signals on Church Circle.
- Completed construction of a new Department of Public Works (DPW) facility at Hudson Street and moved out of facilities at Spa Road.
- Completed the Spa Road/WeemsWhelan's Phase I Environmental Site Assessment, and Phase II has been scoped and initiated.
- Completed a bulkhead replacement and installed an aluminum gangway and a floating dinghy dock at Cheston Avenue Street End Park.
- Reduced Street closure due to Compromise Street Nuisance Flooding reduced significantly with the Dutch TubebARRIER installation.
- Relocated grant administrator from the Finance Department to assist in securing and monitoring available project grants.
- Water Plant personnel began operating and monitoring a new booster station that will improve water pressure for existing customers and new customers including the Parkside Preserve Development.
- Was able to allocate the cost of an additional Civil Engineer to the water/sewer Enterprise fund.
- Well exceeded performance benchmarks for providing high-quality and safe drinking water.

**Challenges:**

- Implementing a life cycle asset management system for streets, sidewalks, and utilities that will improve performance and longevity.
- Improve cost control of Capital Improvement Projects (CIP) to stay within budget.
- Improve monitoring of Capital Improvement Projects (CIP) CIP to stay on schedule.
- Enhancing staffing for Capital Improvement Projects (CIP).

**Committee's Recommendations:**

- Due to a substantial increase in Capital Improvement Projects (CIP), an additional Engineer is necessary, to manage the cost and schedule.
- Provide a quarterly update to the City Council on the status of Capital Improvement Projects.



## **Capital Improvements Budget**

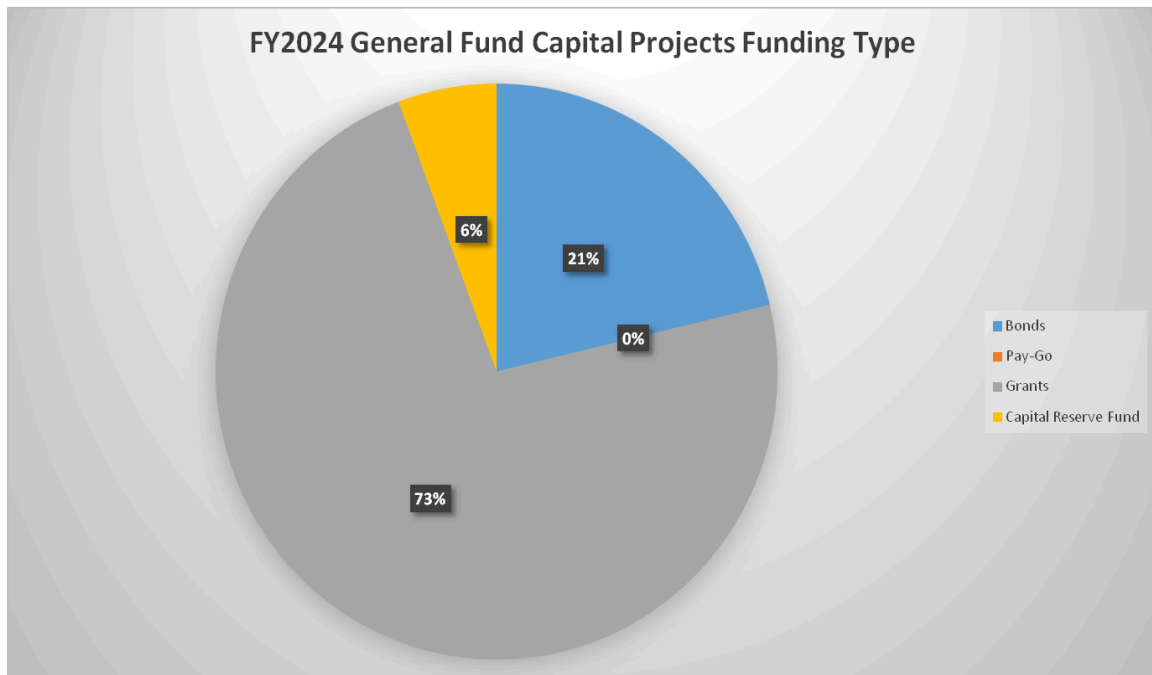
The Capital Improvement Program addresses facilities, infrastructure, equipment, and networks that enable or improve the delivery of public sector services.

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

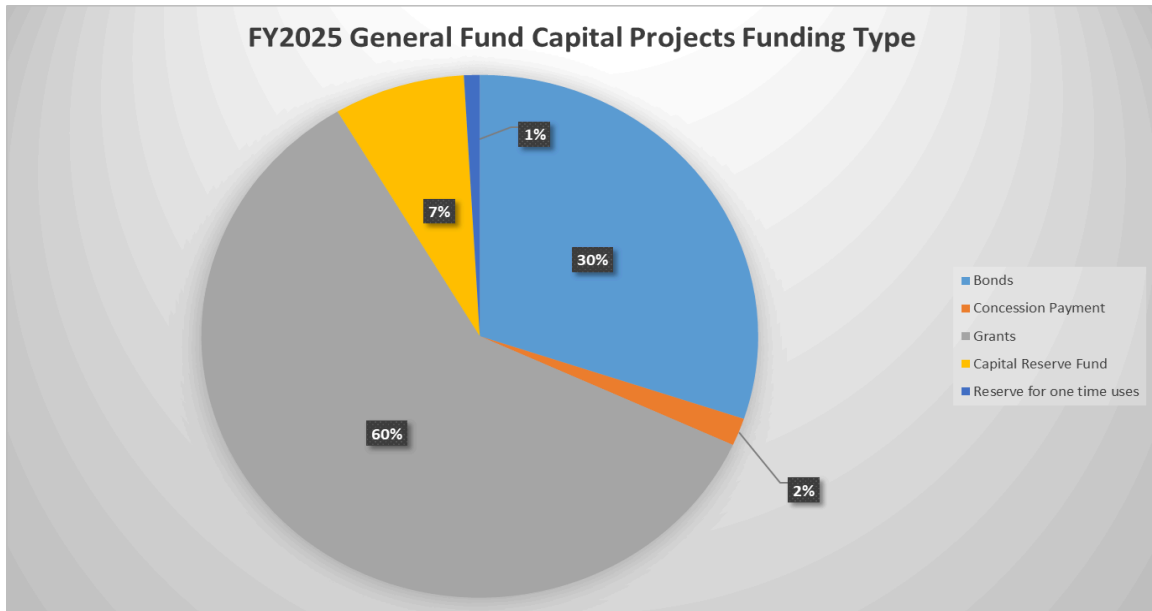
### **Source of Funding**

These charts compare the funding allocations between FY25 and FY24. Grant funding decreased by 13%, and bond funding increased by 9%. As the graphs below indicate, we continue to diversify our funding portfolio.

### **FY2024**



## **FY2025**



### **Capital Projects Overview**

#### **The Good News:**

- Completion of the following projects and removal from the CIP:
  - Melvin Avenue Traffic Calming
  - Truxtun Pool
- The following projects added 20.3 Million to the FY 2025 CIP:
  - Police Department Carport - \$147,000
  - Bay Ridge Avenue Bikeways - \$294,000
  - Children's Museum Improvements - \$ 315,000
  - City Dock Boater Electrical Upgrades - \$262,500
  - City Facility Roof Replacements - \$305,000
  - City Green Roof Repair - \$262,500
  - City Offices Space Planning - \$3,300,000
  - Eastport CNI - \$2,000,000
  - Eastport Flood Mitigation - \$6,000,000
  - Fuel Island Tank Replacement - \$1,100,000
  - Hilltop Lane Hiker/Biker - \$735,000
  - Newman Street Playground - 735,000
  - Public Mooring Replacement - \$309,750
  - Traffic Safety Improvements Hilltop Lane - \$735,000
  - Truxtun Park Road Parking - \$945,000
  - Truxtun Shoreline Stabilization - \$2,100,000
  - WW Improvement 4th Street - \$341,000
  - WW Improvement Shipwright - \$341,000
  - WW Improvement Truxtun Pump House Road - \$100,000

**Challenges:**

- Monitoring additional scope and potential cost overruns as these projects significantly exceeded their original cost and scope. (Reference is made to page number in the CIP budget)
  - Acton Cove (page 13)
  - Gateway Park (page 14)
  - Carr's/Elktonia Beach Park (page 23)
  - City Dock Resilience (page 27)
  - City Harbor Flood (page 32)
  - Citywide Water Access (page 34)
  - College Creek Connector (page 35)
  - Connecting Communities (page 36)
  - Hawkins Cove (page 50)
  - Parks Maintenance Facility (page 57)
  - Pickleball Court Lights (page 59)
  - Robert Eades Park (page 61)
  - Spa Road Environmental (page 64)
  - Stanton Center Renovations (page 67)
  
- The Russell Street project is being further delayed due to our inability to acquire the necessary property. (page 62)
- Securing additional funding for the City Dock project (see above) to avoid delay of the project and deferment of scope.
- Identifying and proceeding with study options to accommodate space for mission-critical departments and evaluating lease, purchase, or fit-out options as the Annapolis government offices have outgrown the current space available.
- Securing community and financial support and investment in the Eastport Choice Neighborhood Initiative (CNI) as it is a major revitalization of Annapolis' largest public housing communities, Eastport Terrace and Harbour House, and potentially the City-owned property on Spa Road that formerly housed the Department of Public Works facilities.

**Committee's Recommendations:**

- Align CIP to Strategic Plan and 2040 Comprehensive Plan goals and outcomes.
- Provide additional staff to manage projects (see DPW).
- We should expeditiously finalize the plans for the Weems Whalen athletic fields.

## **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 3%*
- *Water Rates – Increase by 4.75%*
- *Watershed (Stormwater) Restoration – Increasing by 15%*
- *Solid Waste Rate increasing by 10%*
- *Residential quarterly bill for 10,000 gallons of use increases 7%*

### **The Good News:**

- Assign project managers specific to each utility installation to better control costs and the scheduling of respective projects.
- The Stormwater Engineer has strong knowledge of Maryland Department of the Environment (MDE) requirements as they relate to implementing city projects and available sites.
- The City of Annapolis's water & sewer bill remains competitive against comparable cities.

### **Challenges:**

- Preventing predicted water/sewer increase beyond FY 2028.
- The city will need to continue to escalate stormwater fees to meet capital needs and restore cash balance.
- Control O&M expenses in stormwater funds that have increased 4% over FY2024.

### **Committee's Recommendations:**

- Recommend the city implement an alternative stormwater charge structure for non-residential in FY 2026. (Transition to actual measure of impervious footprint vs. current tier system.)

## **Fees & Fines**

### **Committee Recommendations:**

- Increase the fee 17.44.030.B- Short-term rental license for the type of premises listed in 17.44.010. Other than bed and breakfast homes, hotels, motels, or inns from \$200 to \$400.

## **Finance Committee Final Recommendations**

### **Fire Department**

- We fully support the Department's long-term goals, providing Suicide Awareness and Prevention Workshops taught to all Fire Departments.

### **Office of Emergency Management**

- The total requested for Emergency Planner Personnel of \$122,133.

### **Police Department**

- Support the Commission on Accreditation for Law Enforcement Agencies (CALEA) recertification.
- Continue to support APD mental health initiatives.

### **Central Services Department**

- We support the creation of the Central Services Department. This is a new department and we look forward to supporting their success!
- Support keeping the COA TV with the Mayor's Office under the direction of the PIO Officer.

### **ITS Department**

- We encourage further development of the Integrated city and county Geographic Information System (GIS) into a shared environment for an improved citizen and business experience.
- Explore the implementation of a technology fee to distribute the cost of supporting IT services to the customer.

### **Community Grants**

- The Finance Committee voted unanimously to accept its recommendations to fund the 54 Community Grant applicants, with a few exceptions.

### **Department of Transportation**

- Encourage the new Parking Coordinator to focus on optimizing revenues by incorporating dynamic pricing models so they can submit to the Finance Department in time for budget development.
- Encourage the availability of defibrillators for all city buses.

### **City Manager's Office - Office of Community Services**

- Encourage the completion of the task force recommendations as defined in Resolution R-48-23.

**Mayor's Office**

- Hire a lobbyist to assist in lobbying at the State and County level.

**Human Resources**

- Support the exploration of tuition reimbursement for employees.

**Office of Law**

- Increase funding for Special Assignments and unscheduled requests: \$50,000.

**Planning & Zoning**

- Add contract/part-time staff to manage the STR program.
- Continue to seek ways to enhance Customer service satisfaction.

**Recreation and Parks**

- Improve financial transparency with the Arts in Public Places Commission. (AIPPC)
- Expedite the renovations of Weems Whalen field.

**Dept. of Public Works**

- Due to a substantial increase in Capital Improvement Projects (CIP), an additional Engineer is necessary to manage the cost and schedule.
- Provide a quarterly update to the City Council on the status of Capital Improvement Projects.

**Capital Improvement Budget**

- Align CIP to Strategic Plan and 2040 Comprehensive Plan goals and outcomes
- Provide additional staff to manage projects (see DPW)
- We should expeditiously finalize the plans for the Weems Whalen athletic fields

**DPW Enterprise Funds Account**

- Recommend the city implement an alternative stormwater charge structure for non-residential in FY 2026. (Transition to actual measure of impervious footprint vs. current tier system.)

**Finance Department**

- Support moving the Grant Administrator to the Department of Public Works.
- Continue to support the Department's plan for expansion (presented in FY 2023), which includes a 2nd Budget Analyst in this budget.
- Enhance the recruitment and retention efforts.

**Fees & Fines**

- Increase the fee 17.44.030.B- Short-term rental license for the type of premises listed in 17.44.010. Other than bed and breakfast homes, hotels, motels, or inns from \$200 to \$400.

**Finance Committee Amendments:**

1. Add Emergency Planner \$122,133.
2. Support keeping the City of Annapolis (COA) TV with the Mayor's Office under the direction of the PIO Officer.
3. Increase the fee 17.44.030.B- Short-term rental license for the type of premises listed in 17.44.010. Other than bed and breakfast homes, hotels, motels, or inns from \$200 to \$400.
4. Increase funding for Special Assignments and unscheduled requests: \$50,000 for the Office of Law