



**FY 2016 Budget Report of
The Finance Committee
of the Annapolis City Council
May 11, 2015**

Finance Committee Members

Alderman Ian Pfeiffer, Ward 7, Chairman

Alderman Ross Arnett III, Ward 8

Alderman Fred Paone, Ward 2



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FINANCE COMMITTEE REPORT SUMMARY

The City Council's Finance Committee has reviewed the Mayor's proposed Budget, and after receiving extensive testimony from Department Heads and undertaking discussions with the City Manager, Finance Director, and Finance office staff, we offer the following report.

This year, The City of Annapolis Government initiated a new budget framework, moving from a traditional line-item budget to a programmatic budget. This new budget blueprint allows our constituents to look at the services that are delivered, with a fuller accounting of the costs of delivering them.

For example, the City function of fire protection is not just the cost of the firefighters, vehicles, equipment and supplies in the Fire Department budget but also a "sliver" of internal departments, HR to help fill vacancies, Finance to process expenses, just to name a few. Our hope is this new process will allow us to rank and compare City functions against each other going forward, and open the door to a more thorough and transparent conversation about budget priorities with our constituents.

The Mayor's budget included a ranking of the City's priorities, numbered 1-83, (the Administration also brought forward an additional project, number 84, dealing with Economic Development activities), although all priority areas were fully funded. Presumably, that won't be true in the future, so the process of ranking the project priorities will require greater focus going forward.

As the Mayor's budget was balanced and didn't require large-scale changes--as were undertaken by the Finance Committee last year--we spent a good deal of time considering the larger budget process and longer term budget issues. At the Committee's request, the Finance Director provided 10-year budget projections. These projections are subject to a great many variables, but any reading of the numbers would surely lead one to think that "business as usual" is not a wise position. In that vein, we delved into analyzing our bond and debt policies, streamlining our Capital Improvement program, and launching a push for greater "pay-go" spending.

This new focus translated into the Finance Committee removing a \$440,000 General Fund subsidy to the Wastewater Fund. This subsidy was put in place to combat a dramatically increased bill for the City's Wastewater services provided by Anne Arundel County. The Committee felt it was better policy to raise the Wastewater fee, so the costs of providing the service match the costs we pay as consumers, instead of using a transfer from funds largely generated by tax revenue.

Then, the Finance Committee proposed that the lion's share of that \$440,000 be dedicated to initiating a new Capital "pay-go" account for infrastructure needs. With this action, the Finance Committee is recommending concrete first steps to get out of borrowing bond funds--that are paid back over decades--to pay for annual, predictable expenses such as roadway repairs.

FINANCE COMMITTEE PROPOSED AMENDMENTS

AMENDMENT # 1

The Appropriation of 250,000.00 to be Transferred from the Other Sources to Planning & Zoning for the Economic Development Program.

RATIONALE:

To Invest in Annapolis' existing businesses; create new connections internal and external to the City Government.

AMENDMENT # 2

To Reduce Wastewater Enterprise Fund revenue by ("440,000")

To Reduce Transfer from General Fund by ("440, 000")

RATIONALE:

The Finance Committee removed a \$440,000 General Fund subsidy to the Wastewater Fund. This subsidy was put in place to combat a dramatically increased bill for the City's Wastewater services provided by Anne Arundel County. The Committee felt it was better policy to raise the Wastewater fee, so the costs of providing the service match the costs we pay as consumers, instead of using a transfer from funds largely generated by tax revenue.

AMENDMENT # 3

To Increase the "Historic Preservation and Cultural Resources Planning Program by 35, 000 to fund the Annapolis Landmark 50th Anniversary". Offset: Reduce "the General Fund Net Surplus by 35, 000.

RATIONALE:

The 50th Anniversary of the Annapolis Historic Landmark District is an appropriate time to examine our rules and laws with an eye to incorporating the latest developments in historic preservation, economic development, arts and, culture and sustainability. It is also an opportunity to increase visitation through activities that commemorate the anniversary conducted jointly with Historic Annapolis, the Annapolis and Anne Arundel County Convention and Visitor's Bureau and the National Park Service.

AMENDMENT # 4

To Create an Account to Increase the Appropriation by 10,000 dollars (See Amendment #8 for R-7-15).

RATIONALE:

This appropriation has been established to be used by the administration to defray the cost to departments for special events.

AMENDMENT # 5

To Cut "23,078.00" from Department of Neighborhood and Environmental Programs Budget for the Environmental Compliance Inspector position.

RATIONALE:

This change to the Environmental Compliance Inspector position will reduce salary of this position from a grade 11 with a salary of \$67,192 to a grade 10 with a starting salary of \$44,114, a budget savings of \$23,078.

AMENDMENT # 6 R-12-15 (FY 2016 Fines Schedule)

On pages 5, and 6 In Sections 12.20.30.B, 12.20.70.B, 12.20.80.B, 12.20.170.B, 12.20.180.B, 12.20.90.B, 12.24.70.B, 12.24.130 and 12.32.190.A add text under Fines in the initial offense column "TO REFLECT THAT THE FINES WILL BE DOUBLE THE DAILY MAXIMUM FEE OF THE GARAGE."

AMENDMENT # 7 R-10-15 (FY 2016 Fee Schedule)

Amend Legislation with the Proposed Fee Analysis Document. (See attached Appendix A)

AMENDMENT # 8 R-7-15 (City Sponsored Special Events Fiscal Year 2016)

On page 3, After line 20 insert "City Fair."

On Page 3, in line 25 add "BE IT FURTHER RESOLVED BY THE ANNAPOLIS CITY COUNCIL THAT AN ACCOUNT BE SET UP IN THE BUDGET TO BE USED BY THE ADMINISTRATION TO DEFRAY THE COST TO THE DEPARTMENTS."

FINANCE COMMITTEE LONG TERM RECOMMENDATIONS

Proposed activities for the near term after adoption of the Budget:

- Request that the Finance Committee and the Administration conduct an overview of the new budget priority program budget to determine how best to proceed with implementation and improve the process.
- Request the Administration review the current programs and descriptions and redefine some of them based upon more clearly identified and consolidated activity e.g., bring programs and projects associated with Flooding, storm water, water quality, nuisance flooding, sea level rise and related activities into a single program with the discrete activities as sub programs even when they cross Departments.
- Request the Administration initiate the next “Community Survey” and incorporate a component to help identify “core value” statements and bring the Council into defining the protocols for the survey.
- Request the Administration to review alternative approaches to management and service delivery for City programs including but not limited to activities such as cross department service support, consolidation of programs within and between Departments, cooperation with other government entities, outsourcing and bring recommendations back to the Finance Committee and Council before preparation of the next budget.
- Request the Finance Department move to a two year budget cycle.
- Request that the Administration continue to make improvements in the Capital Planning process. More specifically improve the rating process and only fund projects over a certain score. Also allow more and earlier in the process input from Alderman regarding Ward projects.
- Request that the Director of Transportation, utilizing his experience in parking management, work with the City Manager to develop a plan for the Finance Committee and Transportation Committee to consider for shifting City employee parking from Hillman to other City facilities, particularly if it can foster usage of the Circulator and increased revenue for the Parking Fund.
- Request that the Finance Director, working with the City Manager, bring forward a plan for the Finance Committee to consider that will identify in detail the properties in the City that are not subject to property taxes, along with recommendations to outreach and educate these entities on the impact of non-assessable properties on the City’s finances, based on best practices from other communities for expanding Payment in Lieu of Taxes (PILOT).

FINANCE COMMITTEE PROPOSED COMMUNITY GRANT ALLOCATIONS FY 2016

	FY14 Allocation	FY15 Allocation	FY16 Requested	FY16 Proposed	FY16 Allocation
Annapolis Londontown/4 Rivers	25,000	25,000	25,000	25,000	
Wiley Bates	Mayor's Budget (25,000.00)	25,000	25,000	25,000	
Annapolis Youth Services Bureau/AA Community Action Agency Youth Services	50,000	25,000	50,000	25,000	
Subtotal (Line Item Grants)	\$ 100,000	\$ 75,000	\$ 100,000	\$ 75,000	\$ -
AA Community Action Agency Housing Counseling		2,000	7,500	7,500	
Annapolis Boating Community, Inc.	-	-	10,000	-	
Annapolis Maritime Museum	21,700	15,000	34,900	5,000	
Annapolis the Beautiful/dba ArtWalk	-	2,000	25,000	-	
Annapolis Wellness House	17,477	-	31,090	12,000	
Box of Rain Foundation	1,750	500	5,500	1,000	
Boys and Girls Club of Annapolis & AACo	5,000	5,500	8,069	5,000	
Center of Help (Centro De Ayuda)	9,700	10,000	15,000	10,000	
Chesapeake Children's Museum	5,667	500	10,000	500	
Compass Rose Studio Theatre	2,856	1,500	1,000	500	
Creating Communities, Inc	4,800	3,000	7,500	4,000	
Feed A Healthy Mind, Inc	-	2,000	15,000	3,000	
Heritage Baptist Church (Backpack Buddies)	3,500	3,000	4,000	3,000	
Historic Annapolis Foundation	13,333	10,000	21,000	16,500	
Kunta Kinte-Alex Haley	7,500	7,500	7,500	7,500	
Lighthouse Shelter	20,400	15,000	20,000	20,000	
OIC of Anne Arundel County	13,667	5,000	20,000	10,000	
Oncology Foundation	-	-	5,000	-	
Partners in Care	-	-	10,000	2,000	
Restoration Community Development Corp	13,333	12,000	15,000	10,000	
Samaritan House	-	-	10,000	6,000	
Seeds 4 Success	20,600	9,000	23,500	5,000	
SPCA	-	-	5,500	-	
University of MD Archeological Project	20,533	12,000	35,000	6,000	
Volunteer Center of Anne Arundel County	2,867	2,500	5,000	3,000	
We Care and Friends	27,040	30,000	58,350	20,000	
Total	\$ 325,456	\$ 225,000	\$ 502,909	\$ 225,000	\$ -

**Totals do not include Kunta Kinte Grant which is budgeted in the Mayor's Office Budget: Special Events