

## STAFF REPORT AND FISCAL IMPACT NOTE

**Legislation No:** R-31-18

**First Reader Date:** 7-9-18

**Note Date:** 7-6-18

**Legislation Title:** City Debt and Financial Administration Policies

**Description:** For the purpose of formally amending and approving the debt and financial administration policies for the City of Annapolis

**Staff report:** This resolution amends the City's debt and financial administration policies adopted by R-9-15. The proposed changes are outlined in the attached document that was reviewed with the Finance Committee and provided to the City Council via email on June 6, 2018.

**Fiscal impact:** The proposed changes to the City's debt and financial administration policies will affect the minimum, maximum, and target amounts of General Fund balance that may be held in reserves in Unassigned General Fund balance, in the Capital Reserve Fund balance, and in the Budget Stabilization Fund. The target for Unassigned General Fund balance is changed from 15% of government-wide expenditures to 15% of budgeted revenue in the General Fund, the Parking Fund, and the Transportation Fund. This calculation, in turn, affects the amounts that can fall to the Capital Reserve and Budget Stabilization Funds.

The policy is modified to provide that the Capital Reserve Fund may be used only to pay-go fund capital improvements, not for debt service or one-time, nonrecurring expenditures that aren't capital expenditures, as is the current policy.

The policy also provides that once the Budget Stabilization Fund reaches 3% of budgeted revenues in the General Fund, the Parking Fund, and the Transportation Fund, the excess may be assigned for contingencies, one-time expenditures, or to fund pension or OPEB liabilities.

The policies also refine and reaffirm the City's goal of increase pay-go for recurring capital projects until those projects are fully funded without debt, which could affect future budget decisions, and the policy clarifies the provisions regarding annual utility rate studies.