

# Fiscal Year 2026 Budget



City Council Work Session - April 17, 2025

# Opening Remarks by the Assistant City Manager



# Outlook for FY2025 Closeout

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- ▶ General Fund Revenue Projection
  - \$109,322,779 . . . \$849,979 over budget
- ▶ General Fund Expenditure Projection
  - \$110,896,400. . . \$5.89M under budget
- ▶ Projected Surplus - \$6.7M
- ▶ Savings –Primarily due to vacancies
  - ▶ Police - \$1.6 M
  - ▶ Recreation and Parks \$695k
  - ▶ Planning and Zoning \$675k



# Good News

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- ▶ No property tax rate increase (\$.738 / \$100 & \$1.94 / \$100)
- ▶ Assessed value of property and other General Fund revenues have stabilized the General Fund.
- ▶ General Fund recurring revenue is projected to increase by \$5.6M over projected FY2025.
  - ▶ Primarily due to the growth in property taxes (\$4.5M)
  - ▶ Growth in Administrative Reimbursements (\$2M)
- ▶ Fiscal 2025 year end General Fund Balance is projected to be strong, providing for 15% reserve and additional funding in the three additional reserves.





# Fund Balances

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Fund Balances Summary	FY 2024 Fund Balances Available to Appropriate	Projected FY 2025 Fund Balance	Transfer of Excess to Reserves	Projected FY 2025 Fund Balance After Transfer of Reserves	FY 2026 Revenue	FY 2026 Appropriations	Projected FY 2026 Fund Balance
<b>General Fund</b>	\$ 19,035,391	\$ 25,478,220	\$ (5,927,655)	\$ 19,550,565	\$ 114,975,000	\$ 114,975,000	\$ 19,550,565
<b>Budget Stabilization</b>	3,733,098	3,733,098	177,015	3,910,113	-	-	3,910,113
<b>Capital Reserve</b>	9,386,774	5,667,224	2,963,828	8,631,052	-	4,227,100	4,403,952
<b>Assigned for One-time Uses</b>	8,815,286	4,518,386	2,786,813	7,305,199	-	3,089,300	4,215,899
<b>Total General Fund</b>	\$ 40,970,549	\$ 39,396,928	\$ -	\$ 39,396,928	\$ 114,975,000	\$ 122,291,400	\$ 32,080,528



# Revenue Assumptions for FY2026

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- ▶ Taxes – Second year of 3-year assessment, with increase of approximately \$4.5M over projected FY25.
- ▶ Licenses and Permits – Increase of \$347k over FY2025 budget primarily due to an increase in fees.
- ▶ Fines and Forfeitures – Remains relatively flat compared to FY2025 projections
- ▶ Interest, Rent, and Other – Remain relatively flat compared to FY2025 budget and we show a decline in interest over FY2025 projected
- ▶ Intergovernmental –
  - ▶ Income taxes-Estimate for FY2026 – Decrease of \$2.3M, or 23% over FY2025 budget.
  - ▶ No ARPA budgeted for FY2026
  - ▶ Slight increase in Hotel/Motel tax over FY2025 projections
- ▶ Charges for Services– 4% increase over FY2025 projections and we've accounted for the closure of City Dock
- ▶ Other Revenue – Increase is primarily due to an increase in administrative reimbursements



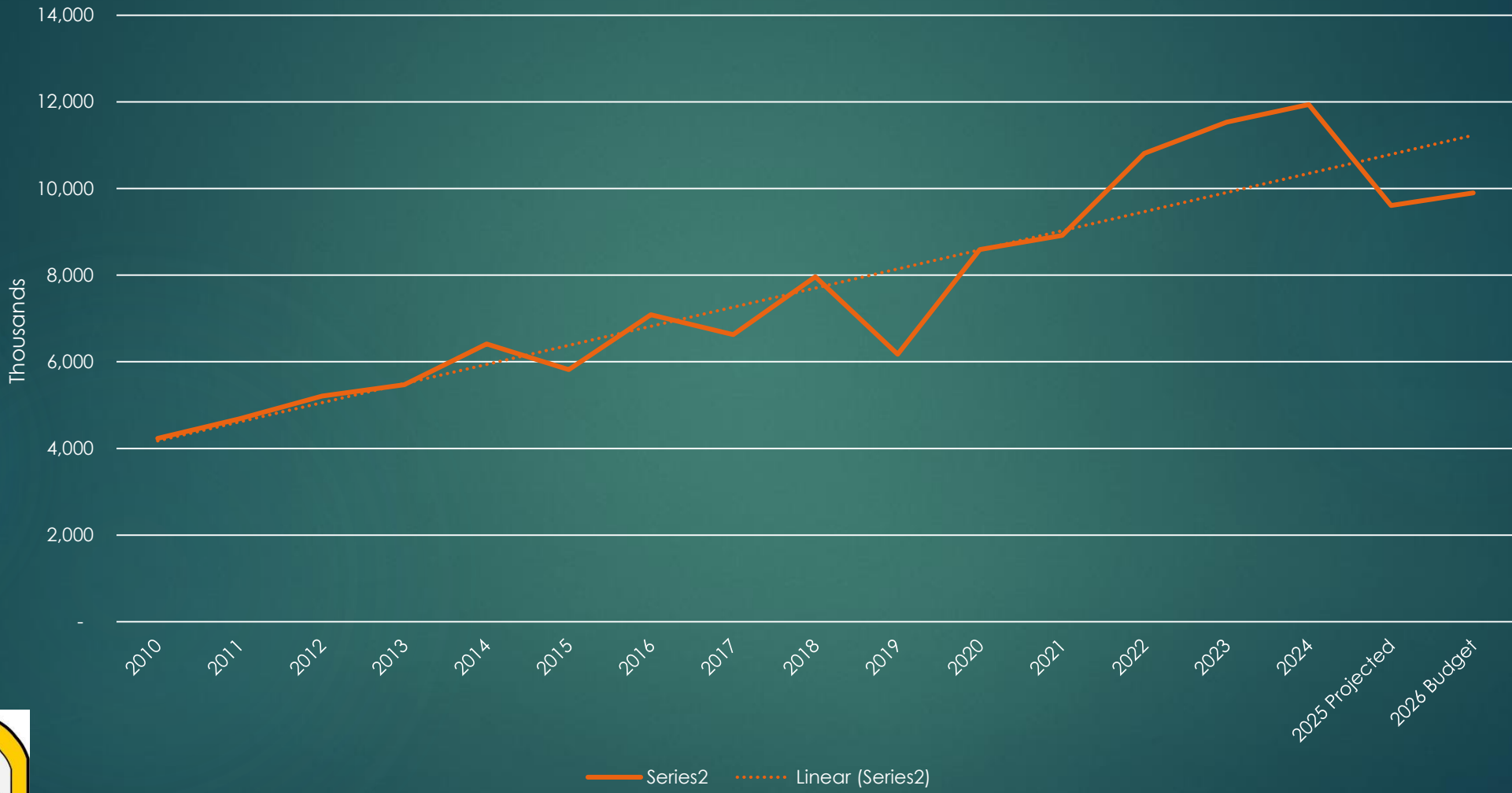
# Revenue Challenges

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- ▶ Potential downward fluctuation of interest rates
- ▶ 61% of revenue is from property taxes. We need to diversify
- ▶ Uncertainty of how City Dock closure will truly impact revenue. (20% loss of revenue budgeted)
- ▶ Volatility of income taxes
- ▶ Annual departmental review of fees and fines
- ▶ How will the Transportation Fund impact the General Fund in future years?



# State Income Tax Revenue Analysis





# General Fund Expenditures by Category

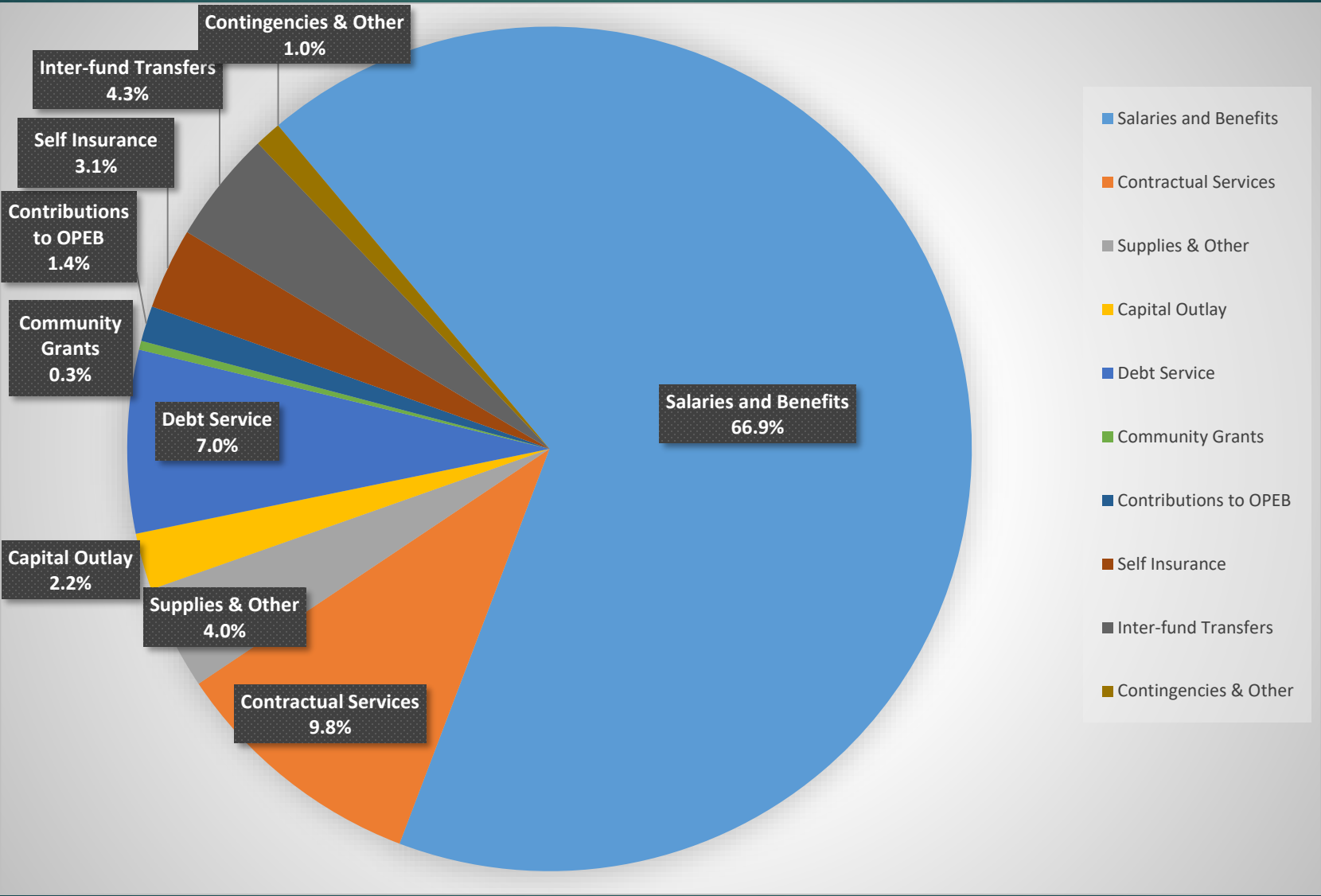
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Expenditure Type	FY24 Actual	FY25 Projected	FY26 Proposed
Salaries and Benefits	68,186,821	73,439,300	81,800,300
Contractual Services	9,651,361	10,447,700	12,028,000
Supplies & Other	3,143,027	4,117,400	4,874,300
Capital Outlay	912,928	885,550	2,663,100
Debt Service	7,992,235	8,198,000	8,561,000
Community Grants	328,117	428,750	417,500
Contributions to OPEB	1,406,277	1,633,000	1,657,100
Self Insurance	2,649,900	4,000,000	3,800,000
Inter-fund Transfers	6,839,282	6,577,450	5,245,100
Contingencies & Other	332,684	1,169,250	1,245,000
Total	101,442,632	110,896,400	122,291,400



# FY2026 Proposed Expenditures by Type as a % of Total General Fund

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# FY2026 Expenditure Projections

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## ► The Good News

- 4.5% overall growth in General Fund - budget to budget
- Revenue growth and tightening of expenditures is allowing new initiatives in departmental budgets
- The class and compensation study is reflected in the budget

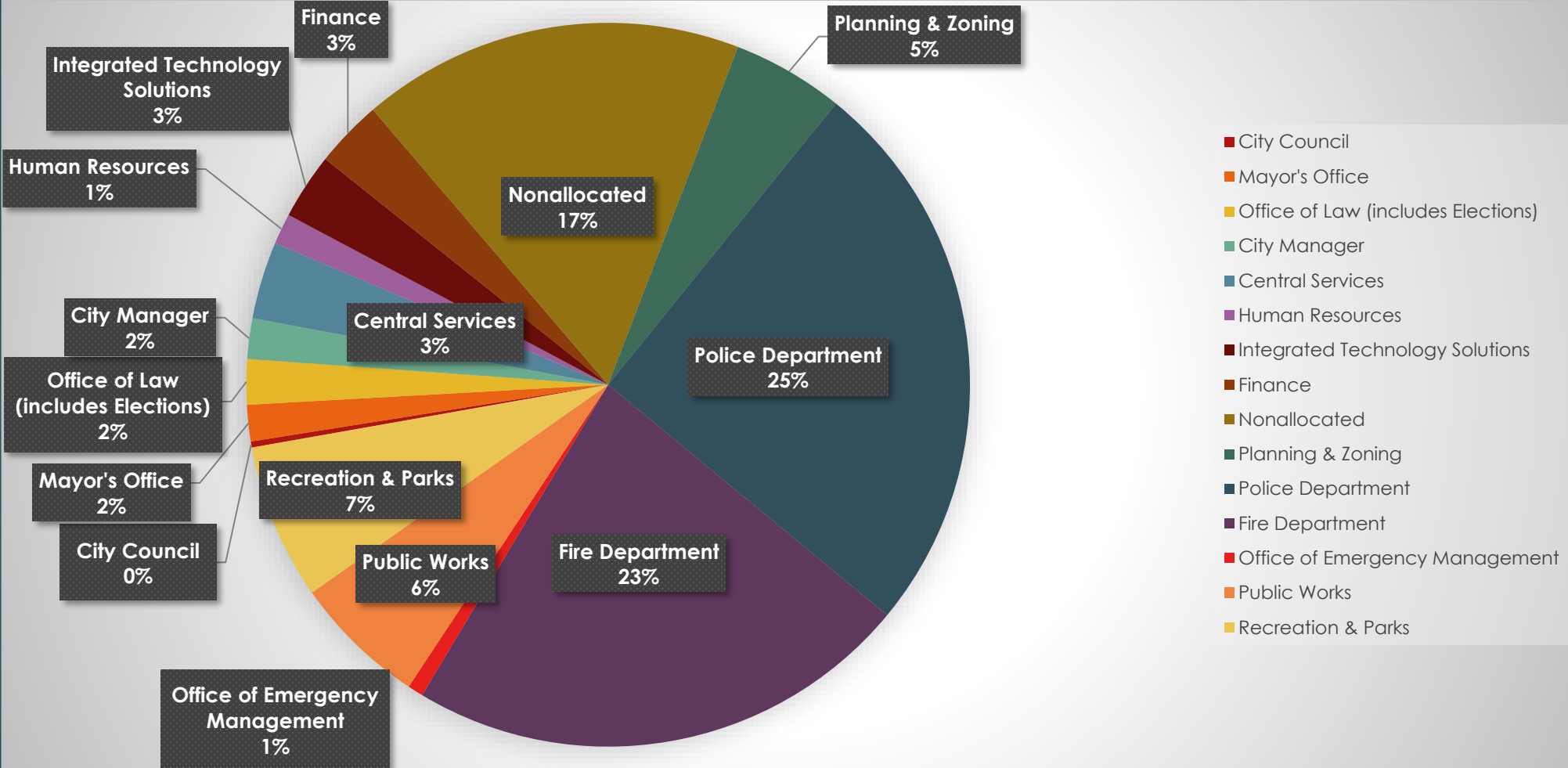
## ► Challenges

- Inflation and competition for job candidates is causing regular vacancies and challenges department bandwidth
- Steady inflation puts pressure on non-personnel expenses
- Health care premiums have increased by 9%



# FY2026 Proposed Expenditures as a % of Total General Fund

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# Council Priorities provided for

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- ▶ Sidewalk Maintenance

- ▶ Annual funding of \$600k for sidewalk repairs included in the FY26 capital book
- ▶ Increase in contractual services in DPW

- ▶ Support for Council

- ▶ Includes funding for a second Council Associate

- ▶ Economic Development

- ▶ Includes funding for AAEDC contribution for Co-star and City Data Widgets, memberships, marketing materials, and a CRM platform/database
- ▶ Includes funding for Downtown Annapolis Partnership, Annapolis Arts District, and flowers downtown
- ▶ Includes funding for DAP holiday decorations and fireworks
- ▶ Includes funding for Annapolis 250





# Council Priorities (continued)

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## ▶ Pedestrian Infrastructure

- ▶ Pedestrian Activated Crosswalk on Bembe Road at Baywoods
- ▶ Pedestrian Activated Crosswalk Signals on Cedar Park Road
- ▶ Traffic Safety Improvements
- ▶ Traffic Signal or Circle and Safety Improvements on Hilltop Lane
- ▶ West East Express Bikeway
- ▶ College Creek Connector Trail
- ▶ Connecting Communities
- ▶ Hilltop Lane Hiker/Biker Connection



# Council Priorities (continued)

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## ▶ Support for Vulnerable Citizens

- ▶ Stanton Center improvements and increased programming
- ▶ In-house youth football program
- ▶ OCS Van stocked with supplies
- ▶ Special events through Rec and Parks including funding for teens and seniors
- ▶ Therapeutic recreation program
- ▶ Warming and Cooling Centers
- ▶ Food Fridays
- ▶ Citywide public water access through Northwest Street Park and College Creek
- ▶ Annapolis Walk Park Improvements
- ▶ Griscom, Collison and Weems Whelan Ballfields
- ▶ Affordable Housing Trust fund budget for FY2026 is \$1.2M
- ▶ CDBG budget for FY2026 is \$267k
- ▶ Opioid Restitution fund budget for FY2026 is \$154k
- ▶ Partnership with AACo for Strengthening families and the Mental Health Agency
- ▶ Emergency temporary housing funds



# Positions added in FY2026

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## General Fund

- ▶ OOL- Council Associate
- ▶ P&Z – Property Maintenance Inspector, Senior Planner- Zoning, Administrative Assistant
- ▶ Finance- Payroll
- ▶ OIT- Network Engineer, Cybersecurity Specialist, ITS Specialist
- ▶ R&P- conversion of a crew leader to a Park Foreman

## Enterprise & Internal Service Funds

- ▶ Fleet- Fleet Analyst
- ▶ Sewer-Public Works Maintenance Worker and Utility Mechanic
- ▶ Water-Public Works Maintenance Worker and Utility Mechanic
- ▶ Transportation-conversion of 2 part-time positions into a full time Supervisor



# Police Department

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Provided for in FY2026:

- ▶ Clothing and equipment stock replenishment
- ▶ Funding for respiratory screening.
- ▶ Less lethal supplies and equipment.
- ▶ Unmanned aircraft systems.
- ▶ Replacement equipment.
- ▶ Contractual UAS Program Manager.
- ▶ VAV controls upgrade and an emergency generator.
- ▶ Converts Special Events Coordinator, a Camera Monitor, a Community Outreach Coordinator, Body-worn Camera Supervisor, External Project Facilitator, and I.T. Project Manager to civil service.



# Fire Department

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Provided for in FY2026

- ▶ Includes funding to purchase safety equipment and replace obsolete equipment.
- ▶ Includes funding for boiler replacements at Taylor Ave and Forest Drive





# Office of Emergency Management

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Provided for in FY2026

- ▶ Alert Annapolis
- ▶ The citywide preparedness exercise
- ▶ Additional cell phone for a Planner



# Non-personnel Enhancements FY2026

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- ▶ Mayor's Office- Boards and Commissions training
- ▶ P&Z- Digitizing records, critical inspections and emergency storm response, and additional contractual services for Mechanical Inspector, Film Festival
- ▶ City Manager- Federal Lobbyist, Leaf Blower Voucher program, Annapolis 250
- ▶ Central Services- Funding to advance capital projects
- ▶ OIT- ADA compliance remediation and training, strategic plan funding
- ▶ DPW- update traffic signs for reflectivity, large brine tank and spreaders, additional contractual services funds, and funding to replace 2 vehicles in the Water Fund
- ▶ R&P -Ballocity equipment and upgrades, youth football program, special events, special projects for teens and seniors, increases funding for training and education, rents and leases for Latchkey, provides additional funding for camps and classes, and includes funding needed for the E-sports arena/gym
- ▶ Harbormaster- provides funding for another vehicle



# Internal Service Funds

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- ▶ Self Insurance Fund - \$3.9M. A decrease from FY25. This is based on an Actuarial analysis
- ▶ Health Insurance Fund - \$14M. Includes a 9% costs increase for both the City and Employees
- ▶ Fleet Replacement Fund - \$1.3M. The City is exploring a capital lease for replacement purchases
- ▶ Fleet Operations Fund - \$2.9M



# Pension Costs for FY2025 to FY2026

## ► Police and Fire Actuarial Study

- Contribution of 34.82% of salaries in FY2025
- Contribution decrease to 31.33% of salaries in FY2026

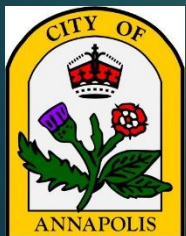
## ► State Pension

- Contribution of 11.97% of salaries in FY2025
- Contribution increase to 13.28% of salaries in FY2026



# Parking Fund Activity FY2021- FY2026

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We are using Parking Fund balance to balance the Fund in FY2026.



# Transportation Fund Impacts

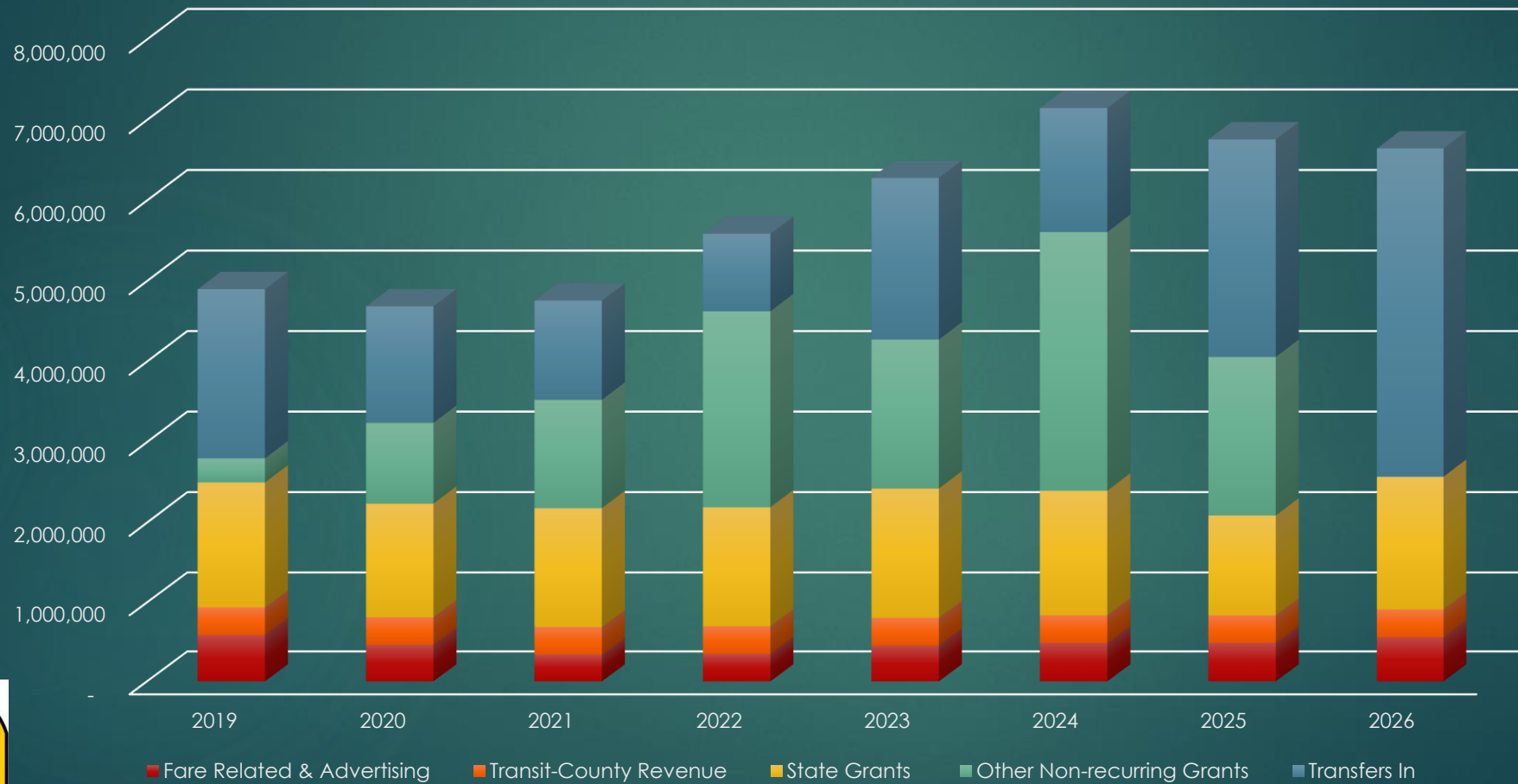
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- ▶ FY2025 - City will supplement with ARPA of \$1.96M.
- ▶ FY2025 - Parking to send \$2.6M to Transportation.
- ▶ FY2026 – No ARPA funds remaining
- ▶ FY2026- A \$4M transfer from the Parking Fund balances the budget for the Fund.
- ▶ Facing a Structural Deficit as all federal supplements will be depleted and State funding has remained flat for years, while costs continue to increase.



# Transportation Revenues 2019-2026

25



# DPW Enterprise Fees

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- ▶ Sewer Rates – Increase by 4.75% - \$6.27 to \$6.57
- ▶ Water Rates – Increase by 4.75% - \$4.55 to \$4.77
- ▶ Watershed Restoration – Increase by 15% - \$30.83 to \$35.45
- ▶ Solid Waste Rate increasing 10% - \$98.03 to \$107.84
- ▶ Residential quarterly bill for 10,000 gallons of use increases from \$279.47 to \$301.05, or 7%

A presentation by Stantec will further explain how these amounts were derived



# Improvements to Capital Projects Reporting 27

- ▶ NEW! [Online capital budget book with interactive map](#)
- ▶ Operational Impacts for capital projects
- ▶ Lead Department/Supporting Department
- ▶ Grants (Approved)/Grants (Pending)



# Takeaways for FY2026 and Future

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- ▶ City has remained financially stable throughout last seven years. Financial policies and careful budgeting efforts have resulted in strong fund balance reserves.
  - ▶ Significant amount of grant funds awarded / sought for projects
    - ▶ City needs to seek ways to bolster Transportation revenue.
      - ▶ FY2026 is year 2 of 3 in the assessment cycle
        - ▶ Diversification of General Fund revenue





# Budget Timeline

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- ▶ April 21, 2025-May 9, 2025: Finance Committee budget hearings and deliberations
- ▶ **May 9, 2025: Due date for budget amendment ideas and recommendations from City Council members to the Finance Department. Budget changes and amendments will not be accepted after this date.**
- ▶ May 12, 2025: Finance Committee budget report due
- ▶ May 22, 2025: City Council Work Session to discuss the submitted budget amendments
- ▶ June 2, 2025: Full day (starting at 10:00 AM) Special City Council Meeting for budget discussion and deliberations
- ▶ June 9, 2025: Regular City Council meeting – Approval of Budget for Fiscal Year 2026



The Budget Team would like to dedicate this presentation to former Finance Director Jodee Dickinson



Thank you Jodee for your unwavering belief in us and for sharing your invaluable wisdom throughout the years. You will be missed!

# Closing Remarks by the City Manager

