

SPECIAL MEETING  
May 29, 2012

The Special Meeting of the Annapolis City Council was held on May 29, 2012 in the Council Chamber. Mayor Cohen called the meeting to order at 5:40 p.m.

Present on Roll Call: Mayor Cohen, Alderwomen Hoyle, Finlayson, Aldermen Israel, Paone, Kirby, Arnett

Absent on Roll Call: Alderman Pfeiffer arrived at 6:07 p.m. and Aldermen Silverman arrived at 6:14 p.m.

Staff Present: City Attorney Hardwick, Finance Director Miller, Chief Historic Preservation Craig, Harbormaster Walters, Development and Special Events Coordinator LeFurge

*Closed Session*

*Statement: Pursuant to the requirement of Maryland Annotated Code, State Government Article Section § 10-508 (a) (7): this statement is included in these minutes:*

*A closed session of the City Council was held at 1:41 p.m., Thursday, May 17, 2012 in the City Council Chamber.*

*Present: Mayor Cohen, Alderwoman Finlayson, Aldermen Kirby, Pfeiffer, Arnett*

*Staff Present: City Attorney Hardwick, Assistant City Attorney Elson, City Manager Mallinoff, Boards and Commission Coordinator Raftovich*

*On a roll call vote by the majority of the members present the session was closed.*

*The authority under which the session was closed was Maryland Annotated Code, State Government Article, Section § 10-508 (a) (7):*

*The purpose of the meeting was to consult with counsel to obtain legal advice on a legal matter.*

*The session topic was:*

*Status of Current Litigation*

*Upon motion duly made, seconded and adopted, the closed session was adjourned at 2:47 p.m.*

PETITIONS, REPORTS AND COMMUNICATIONS

National Preservation Month Proclamation

Mayor Cohen invited Chief of Historic Preservation Craig to present the proclamation in recognition of National Preservation Month to the following individuals:

Joe Rubino, USNA  
Carol Benson, Four Rivers Heritage Area  
Linnell Bowen, Maryland Hall  
Sharon Kennedy, HPC  
John Guild, Historic Annapolis  
Maggie Melson, St. Johns  
Eileen Leahy, Charles Carroll House  
Carter Lively, Hammond Harwood House

Finance Committee Report on the Mayor's Proposed FY 2013 Budget



**FY 2013 Budget Report of  
The Finance Committee  
of the Annapolis City Council  
May 29, 2012**

**Finance Committee Members**

**Alderman Ross Arnett III, Ward 8, Chairman**

**Alderman Sheila Finlayson, Ward 4**

**Alderman Richard E. Israel, Ward 1**



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## **Executive Summary**

The Finance Committee has reviewed the Mayor's Proposed Budget and, with extensive and invaluable help from the Finance Director, his staff, the City Manager, the Director of Human Resources, all of the Department Heads, Virginia Burke, and especially Hilary Raftovich; we make the following summary recommendations to our colleagues on the City Council.

Our primary recommendations are as follows:

- No increase in property tax revenues over the fiscal year 2012 level
- Only parking revenues and transit revenues (to include grants) will be used to support Department of Transportation expenses. No subsidies of transit operations from the General Fund (\$861,438).
- Contract out solid waste collection and redeploy or otherwise compensate affected staff
- A City contribution to the Police and Fire Pension of 8.5% of salaries (\$1,575,000)
- An appropriation of \$875,000 to the OPEB Fund
- An appropriation of \$600,000 to the Sidewalk Improvement Fund from bond funds and \$218,000 from the General Fund.
- Elimination of furlough days (pending agreement to contract by police)
- Approve one new hire and the expansion of an existing part time position, of the twelve new positions proposed by the Mayor. (reducing proposed new spending by \$664,770.00)
- An enhancement of \$412,040.61 to the Fleet Replacement Fund (\$323,931 less than in the Mayor's proposed budget).
- 21 Contract Employee conversions to begin on January 1, 2013 (\$142,623) (delaying these proposed conversions by six months will save \$132,377)
- An increase of funding for AEDC of \$15,000 (\$75,000.00 less than proposed)
- Allow excess revenue from speed cameras to fall to General Fund balance including the support of Pension Funds.
- Operating enhancements to departmental budgets as recommended in the table in Section One of this Report (\$637,352.00 versus the \$851,076 proposed in the Mayor's budget yielding \$213,715.00 in reduced spending)
- The committee recommends some changes in the organizational chart to better facilitate city business under the guidance of the City Manager.

The Committee supports the Fee Schedule as proposed in R-7-12. We support the administration's ongoing efforts to make the fees commensurate to the expenses in the enterprise funds as required by Code. As this Committee is recommending the contracting out of solid waste services, the fees should be amended to reflect the new lower costs. These cost savings will increase over time and thus the fees should decrease with them.

Finally, there is some question about the priority of the projects in the Capital Improvement Program (CIP). With the new emphasis on City Dock Revitalization, the committee believes more immediate action should be taken with the replacement of the Hillman Garage and control of the monthly flooding on Compromise and Dock Streets.

### **Finance Committee Budget Statement**

Budgets are by their nature a balancing act between competing objectives. Budgeters must satisfy the need to keep taxes and fees low, while maintaining service levels acceptable to constituents. In addition, prudence dictates that a surplus of revenues over spending be achieved. For the fiscal year 2013 Budget the surplus must be big enough to both provide a hedge against unforeseen expenses and to continue to restore the general fund reserve. In addition, for fiscal year 2013 the budget must begin to address, in a serious way, several long-term liabilities that have been left unattended for too long and which threaten in a very real way the financial viability of the City finances.

In his State of the City address the Mayor noted three fiscal priorities: a structurally balanced budget; restored fund balance[s]; and fully funded long-term liabilities. He noted that in fiscal 2011 and 2012 there was a balanced approach, using spending cuts and revenue increases. In his view, both types of actions "were necessary to stop deficit spending, and restore structural balance to the budget." For fiscal year 2013 the Mayor proposes to maintain a balanced budget, continue to restore fund balances, and increase funding for long-term liabilities; all while still providing value and quality service for constituents.

The Finance Committee concurs with the Mayor's budget objectives, but proposes a somewhat different approach. We recommend holding property tax revenues to the fiscal 2012 level, a modest increase in some fees, and some reductions in current operating costs to enable a significant increase in monies devoted to the reduction of long term liabilities such as pension, retiree health, and infrastructure (including sidewalk repair) all of which have been underfunded for many years. All of these recommendations are consistent with the Mayor's Budget, but with a different emphasis.

The City Council Finance Committee has met 22 times since the introduction of the Mayor's Budget on March 12, 2012. We have met with all of the City Departments, some more than once, and have been provided with a large volume of information by the Finance and Human Resources Departments.

In terms of recommendations, the Finance Committee has decided to start with Budget Ordinance O-8-12, as introduced by the Mayor that calls for a tax rate of fifty-six cents (\$.56) on each one hundred dollars (\$100.00) of assessable property in the City of Annapolis as of the end of June 30, 2013. The Mayor's Budget calls for a property tax increase of approximately \$.10 on each one hundred dollars. This includes \$.07 to bring tax revenue to level due to decreased property tax assessments and an additional property tax increase of \$.0283 to cover proposed increases in spending over fiscal 2012 levels.

***The Committee offers the following amendment:***

***O-8-12, Operating Budget***

*Page 2, Line 7 and Line 7: strike "fifty-six (\$0.56)" and insert "sixty-three (\$0.63)" or 64 depending on how Finance wants to round - constant yield was listed at 0.6377.*

The Committee is concerned about increasing the tax rate up to levy, and does not recommend the additional \$.0283 of additional tax increase, but the Committee does favor several spending increases in the Mayor's budget, as will follow.

In general the Committee finds favor with any spending that addresses restoring fund balances, reducing debt, and funding liabilities. The Mayor proposes new spending for fleet replacement, creating a revolving fund for such replacement rather than borrowing to purchase new vehicles. Sidewalk repair is a long standing liability for the City and a public safety issue for residents, business and visitors (we need to begin the process of bringing our sidewalks up to code). The City has been negligent in its obligation to the Police and Fire Pension Plan. The pension is underfunded by over \$21+ million and we must restart payments into the pension fund. Even more egregious is our unfunded liability for retiree health benefits (OPEB), now estimated by our actuaries as a deficit of \$46+ million and growing steadily. Finally, the Committee supports the Administration's plans to address the huge unfunded liability for City infrastructure such as water, sewer pipe and storm drain systems, buildings and roads -- a liability estimated to be \$120 million.

Further, the Administration proposes to raise several fees this year, to introduce a new parking ticket system [automated license plate recognition], and new speeding cameras in school zones that will issue automatic fines. The Committee has mixed opinions on the cost benefit of these new fees and fines.

### **Report Structure**

This report contains the Finance Committee's proposed changes to the Mayor's budget. The changes in expenses and revenues are contained in the attached proforma (equaling a balanced budget as required by law). Proposed changes to the text of the Budget Ordinance, CIP Ordinance or Fee Resolution are stated as "proposed amendments" throughout the document.

The proforma as submitted has been reviewed and approved by the Finance Department and the proposed legislative amendments reviewed by the Office of Law.

With the exception of recommendations noted in the following report, the Committee accepts the Mayor's Budget as presented in O-8-12 and the Proforma Budget Analysis as of March 12, 2012.

### **New Spending**

The Finance Committee reviewed the Mayor's proposed \$5,160,943.55 of new spending. The Committee supported \$3,361,868.09 of that spending including the restoration of furlough days (as outlined in the pending union contracts), funding for sidewalks, fleet replacement, and some fire department upgrades that have been long deferred. The committee believes that the Mayor did not allocate enough new spending to OPEB (Other Post Employment Benefits, or retiree medical coverage) and Police and Fire pension. These are long term issues that need to be dealt with for the sake of our employees as well as the City's long term financial health. The Committee recommends \$834,000.00 in additional new spending towards the pension and \$675,000.00 in additional new spending towards OPEB. This brings the recommended new spending of the committee to almost level with the Mayors suggestions but prioritizes programs that will contribute to the financial health of the City and in the long term will save the city money. The new spending recommendations of the Mayor and the Committee are detailed below:

Item	Mayor's Budget	Committee Recommends	Difference
<b>General Fund</b>			
<b>New Hires (12)</b>			\$0.00
Finance (2)	\$182,250.00	\$91,125.00	(\$91,125.00)
Deputy prop maint	\$57,880.00	\$0.00	(\$57,880.00)
Stormwater Eng.	\$86,820.00	\$0.00	(\$86,820.00)
Police*	\$0.00	\$0.00	\$0.00
Harbormaster	\$76,685.00	\$0.00	(\$76,685.00)
ADOT Deputy	\$138,690.00	\$0.00	(\$138,690.00)
Law (2)	\$152,820.00	\$0.00	(\$152,820.00)
City Manager Asst.*	\$0.00	\$0.00	\$0.00
REC acct clerk	\$60,750.00	\$0.00	(\$60,750.00)
Camera Operator	\$16,200.00	\$16,200.00	\$0.00
<b>Total New Staff</b>	<b>\$772,095.00</b>	<b>\$107,325.00</b>	<b>(\$664,770.00)</b>
<b>Fleet Replacement</b>			
General Fund	\$593,350.61	\$493,350.61	(\$100,000.00)
Water Fund	\$93,425.09	\$93,425.00	(\$0.09)
Sewer Fund	\$77,360.25	\$77,360.00	(\$0.25)
Transportation Fund	\$182,180.90	\$36,000.00	(\$146,180.90)
Dock Fund	\$11,905.37	\$11,905.00	(\$0.37)
Refuse Fund	\$77,750.00	\$0.00	(\$77,750.00)
Stormwater Fund	\$0.00		\$0.00
<b>Total (less 300k level-funded)</b>	<b>\$735,972.22</b>	<b>\$412,040.61</b>	<b>(\$323,931.61)</b>
<b>Furlough by Fund</b>			
General Fund Employees	\$662,773.67	\$662,773.67	\$0.00
Enter. Fund Employees	\$103,035.66	\$105,753.81	\$2,718.15
<b>Total by Fund</b>	<b>\$765,809.33</b>	<b>\$768,527.48</b>	<b>\$2,718.15</b>
Conversions	\$275,000.00	\$142,623.00	(\$132,377.00)
Pension	\$741,000.00	\$1,575,000.00	\$834,000.00
OPEB	\$200,000.00	\$875,000.00	\$675,000.00
AEDC	\$90,000.00	\$15,000.00	(\$75,000.00)
MBE			
Main St. & Arts Dist.	\$25,000.00	\$25,000.00	\$0.00
Community Grants	\$45,000.00	\$45,000.00	\$0.00
Sidewalks	\$600,000.00	\$218,000.00	(\$382,000.00)
Whitmore Park	\$10,000.00	\$0.00	(\$10,000.00)
Maryland Hall	\$25,000.00	\$25,000.00	\$0.00
Sailing Hall of Fame	\$25,000.00	\$25,000.00	\$0.00
<b>Mayor's Office</b>			\$0.00
Boards & Comm.	\$1,000.00	\$1,000.00	\$0.00
Legal Ads	\$2,000.00	\$2,000.00	\$0.00
Law training	\$8,500.00	\$0.00	(\$8,500.00)
<b>Finance</b>			
(Services)	\$50,000.00	\$50,000.00	\$0.00

MIT (MUNIS)	\$56,630.00	\$56,630.00	\$0.00
<b>HR</b>			
exams & Services	\$40,500.00	\$40,500.00	\$0.00
<b>P&amp;Z</b>			\$0.00
Pro. Cert	\$2,060.00	\$2,060.00	\$0.00
CDBG Legal	\$1,000.00	\$1,000.00	\$0.00
Hist. Markers	\$5,000.00	\$0.00	(\$5,000.00)
HPA Inventory	\$1,000.00	\$0.00	(\$1,000.00)
<b>Police</b>			\$0.00
Maint. & Supply	\$35,000.00	\$0.00	(\$35,000.00)
R&M	\$10,500.00	\$0.00	(\$10,500.00)
<b>Fire</b>			\$0.00
EMS supplies	\$71,500.00	\$71,500.00	\$0.00
cell phones/wireless	\$4,000.00	\$4,000.00	\$0.00
Air cards/laptops	\$1,200.00	\$1,200.00	\$0.00
fleet maintenance	\$45,000.00	\$45,000.00	\$0.00
Vehicle Repeater	\$53,000.00	\$53,000.00	\$0.00
Tiburon	\$43,500.00	\$43,500.00	\$0.00
<b>Public Works</b>			\$0.00
radios	\$5,986.00	\$5,986.00	\$0.00
roadways PT emp.	\$102,515.00	\$0.00	(\$102,515.00)
flags/curb paint	\$12,500.00	\$0.00	(\$12,500.00)
water dist. OT	\$25,376.00	\$25,376.00	\$0.00
wastewater OT	\$3,700.00	\$3,700.00	\$0.00
Water Plant Maint.	\$200,000.00	\$200,000.00	\$0.00
<b>Recs &amp; Parks</b>			\$0.00
radios	\$3,900.00	\$3,900.00	\$0.00
<b>Transportation</b>			\$0.00
training (req)	\$12,700.00	\$2,000.00	(\$10,700.00)
passenger survey	\$20,000.00	\$0.00	(\$20,000.00)
marketing	\$25,000.00	\$25,000.00	\$0.00
ALPR	\$8,000.00	\$0.00	(\$8,000.00)
<b>total of proposed new spending</b>	<b>\$5,160,943.55</b>	<b>\$4,870,868.09</b>	<b>(\$290,075.46)</b>

\* new positions that are approved but require no new funding

**New Spending detail: Grants and other Not-for-Profit Donations**

The Committee supports the recommendations of the advisory committee on allocations of the Community Grant funds with the adjustments outlined in the following chart.

		<b>FY 2013 Funds Requested</b>	<b>Committees Suggested Allocations</b>	<b>Finance Committee Suggested Allocations</b>
<i>Shaded Grants Are Required Matching Funds</i>				
Four Rivers Heritage Area	<b>91</b>	\$25,000	\$25,000	\$25,000
Annap. Youth Services Bureau	<b>84</b>	\$50,000	\$50,000	\$50,000
St. Philips Family Life Center	<b>96.6</b>	\$10,000	\$6,800	\$5,000
Heritage Baptist Church	<b>94.3</b>	\$5,000	\$3,400	\$2,500
Art Walk	<b>94</b>	\$9,000	\$6,120	\$5,000
Anne Arundel County Volunteer Center	<b>93.3</b>	\$5,000	\$3,400	\$2,500
Box of Rain	<b>93</b>	\$5,000	\$3,400	\$2,500
Creating Communities	<b>91.6</b>	\$2,500	\$1,700	\$1,500
Paint Annapolis 2013/ Plein Air	<b>91.3</b>	\$2,700	\$1,835	\$1,500
The Arc	<b>91</b>	\$5,000	\$3,400	\$2,500
Seeds 4 Success	<b>90.3</b>	\$16,000	\$10,880	\$9,000
Maritime Museum	<b>90.3</b>	\$30,000	\$20,400	\$15,000
Gems & Jewels	<b>88.3</b>	\$20,000	\$13,600	\$10,000
Boys & Girls Club	<b>87.6</b>	\$5,962	\$4,185	\$4,500
Bay Theater Company	<b>85.6</b>	\$3,500	\$2,380	\$2,000
Light House	<b>85.3</b>	\$10,000	\$6,800	\$8,000
Arts Council	<b>80</b>	\$30,000	\$20,400	\$15,000
Historic Annapolis Foundation	<b>77.6</b>	\$10,000	\$6,800	\$5,000
We Care and Friends	<b>75.6</b>	\$40,000	\$27,200	\$30,500
Chesapeake Children's Museum	<b>74.6</b>	\$10,000	\$6,800	\$5,000
Center of Help	<b>73</b>	\$15,000	\$10,200	\$5,000
Kunte Kinte-Alex Haley Foundation	<b>68.3</b>	\$7,500	\$5,100	\$7,000
OIC Job Readiness	<b>68</b>	\$15,000	\$10,200	\$11,000
Archeology in Annapolis	<b>66.6</b>	\$35,000	\$0	\$16,000
Mt. Olive Community Dev. Corp	<b>46.6</b>	\$12,000	\$0	\$9,000
<b>Total Dollars Awarded</b>		<b>\$379,162</b>	<b>\$250,000</b>	<b>\$250,000</b>

### **New Spending Detail: Conversions**

The Committee concurs with the findings of the 2010 Contract Employment Commission. We believe that contract positions should be reviewed and if deemed to be critical long term positions be converted to either Civil Service or Exempt positions. There is a cost to these conversions and in these challenging times we recommend converting 21 employees (of 71 candidates) half way through this fiscal year. The selections were made both on the basis of longevity and of critical nature of the work function. The Committee also recommends that the list will be reviewed annually by the Finance Committee for additional candidates for conversion over the next 2 fiscal years.

The Civil Service conversions have been reviewed and accepted by the Civil Service Board as well. The Civil Service positions we recommend for conversion in FY 2013 are:

4429 MIT Specialist  
4541 GIS Coordinator  
4610 MIT Administrative Support Analyst  
4650 GIS Technician  
4782 Parking Meter Collection  
5008 Mobility and Parking Specialist  
5063 Front Desk Supervisor  
5064 Facility Supervisor  
5065 Marketing/Membership Coordinator  
5083 Council Associate  
4971 Facilities Maintenance Engineer II  
2685 Dance and Fitness Coordinator  
4887 Administrative Office Associate  
4895 Office Associate III  
5198 Facilities Maintenance Supervisor  
0000 Deputy Director of Emergency Preparedness and Risk Management  
4925 Hispanic Liaison  
0000 Risk Analyst

The recommended conversions to the Exempt Service are as follows:

3177 Community Relations Specialist  
3856 PIO and Quartermaster  
4921 Assistant City Attorney

### **Proposed Offsets**

The Finance Committee discussed a variety of ways to offset the proposed spending and lighten the burden on the tax payer. There was discussion of the privatization of various city functions. This committee is recommending the privatization of refuse collection. This recommendation is contingent on finding new positions for all the employees that would be displaced, either with by filling jobs with the City or through employment with the refuse contractor. This recommendation will result in significant annual savings in the refuse fees paid by residents amounting to almost \$1.8 million in each year of the 7 year contract. There will likely be some offsetting new spending in the general fund and slightly smaller savings in the refuse fee in FY2013 budget as there will be expenses associated with the transition. The Committee thanks the Human Resources Director, the City Manager, the Director of Public Works, and AFSCME for their work to make this a successful outcome for both the City workers and the fee paying residents.

We are recommending that the city review other operational efficiencies as appropriate but the Committee is not recommending any other functions for privatization this fiscal year.

This Committee is recommending a surplus of revenues over expenditures in the General Fund of \$4,882,053, slightly larger than that in the Mayor's budget. This surplus is need to continue to restore the General Fund reserve balance and reduce the city's dependence on short-term borrowing to maintain cashflow for day to day operations. We also recommend the Enterprise Fund surplus of just over \$1,013,747 in the Mayor's budget. That surplus will be used largely to finalize the restoration of reserve balances for these Funds.

The committee is recommending the cutting of the \$861,437.77 proposed subsidy to the transportation department from the general fund. The Transportation Department is confident that it can function solely on transit and parking receipts and revenues and grant funding.

### **Fee Schedule**

The Committee supports the administration's ongoing efforts to make the fee charges to users commensurate to the expenses in the enterprise funds.

As this Committee is recommending the contracting out of solid waste services the fees should be amended to reflect the new lower costs. These savings will increase after the first transition year and thus the fees should decrease with them.

The committee offers the following amendment to the Fee Resolution:

#### ***R-7-12, Fee Schedule***

*Page 1, Line 16, after fees, insert: "as modified by the amendments of the City Council."  
I have the section at the ready if they are changing the fee for trash collection.*

The Committee requests that staff review the current Package Goods Liquor License fees to see if there can be a graduated fee based on the percentage of the store dedicated to alcohol sales. The committee requests a fiscal impact be assessed for this proposed change.

The Committee also requests a review of the "overnight" charges and times for Knighton and Park Place garage and the consideration of changing the start time from 8:00 pm to 4:00 pm either for all users or only for hospitality industry employees.

These two fee changes will be revisited and voted on by the Committee in October.

### **Capital Improvement Program**

With regard to the Capital Improvement Program (CIP), the Committee has the following overarching recommendations. At the beginning of the process the City Council should be consulted on the projects to be included in the CIP before the Capital Working Committee and Capital Programming Committee meet to evaluate and score the project priorities. Also, though dramatic improvements have been made in the CIP project rating system, it still needs more improvement, especially so that scoring is financially meaningful. The Committee also found that the evaluation and design costs as budgeted in the CIP seem excessively high, and these cost estimates should be reevaluated with an eye towards reduction.

In terms of this year's proposed CIP the Committee recommends three changes. First the committee recommends reconsideration of the timing for the Hillman Garage replacement. The committee recommends that the assessment should begin as soon as possible to assist with City Dock Revitalization planning. We are recommending moving the study and design phases in to the FY2013 and FY2014 budgets to enable construction to begin in FY2015

The committee recommends funding \$600,000 in sidewalk repairs in FY2013 from bond funds and adding \$218,000 in funding from the general fund to cover the costs of staff moved from the Refuse fund.

Finally, the committee recommends that project 728, Flood Control Infrastructure be placed on the schedule but not funded in the FY2013 Budget to allow staff time to complete internal evaluations before committing new funding amounts. This project should also be considered in cooperation with the City Dock Revitalization planning.

The amended CIP pages are attached and will be submitted as amendments to R-9-12 FY2013 CIP.

Capital Improvement Program – Proposed

Project Detail

FY13 – FY18

<b>Project Title</b> General Sidewalks	<b>Project Number</b> TBD	<b>Initiating Department</b> Public Works		
<b>Asset Category</b> Roadways/Sidewalks	<b>Asset Number</b> Numerous asset numbers are assigned to sidewalks	<b>Priority Score</b> Project not scored to date		
<b>Project Description</b> Project is designed as an ongoing infrastructure repair program for the sidewalks in Annapolis. In the summer of 2009, DPW conducted a comprehensive city-wide sidewalk condition assessment. Sidewalks were inspected for cracking, faulting and scaling. Based upon this first inspection, a list of priorities for repair and reconstruction was developed taking into account not only sidewalk condition, but location of sidewalk in terms of its importance to citywide pedestrian traffic. In 2004, a three-tier sidewalk hierarchy was developed with resident and business participation. This hierarchy and the condition rating of individual sidewalk segments will determine the sequence of specific replacement projects.				
Funding for this project is contingent on the identification of a funding source for sidewalk repairs.				
<b>Regulatory or Legal Mandates</b>		<b>Operational Necessity</b> Allows continued safe use of the existing sidewalk network.		
<b>Prior Funding</b> None		<b>Non-City sources of funding</b>		
<b>FY13 Budget commitment allows project stage:</b> Construction		<b>Project Years</b> Recurring <table border="1" style="float: right; margin-top: 5px;"> <tr> <td><b>Total Project Budget</b></td> <td>\$600,000 annually</td> </tr> </table>	<b>Total Project Budget</b>	\$600,000 annually
<b>Total Project Budget</b>	\$600,000 annually			

Appropriation Schedule	Budget	5-Year Capital Plan					FY13 - FY18 Total
	Proposed FY13	Proposed FY14	Proposed FY15	Proposed FY16	Proposed FY17	Proposed FY18	
Land Acquisition							
Design Costs	10,000	10,000	10,000	10,000	10,000	10,000	60,000
Construction Costs	584,000	584,000	584,000	584,000	584,000	584,000	3,504,000
Construction Project Mgmt	6,000	6,000	6,000	6,000	6,000	6,000	36,000
IT Costs							
Furniture/Fixtures/Equipm							
Legal Fees							
Salaries: Supplement	218,770						218,770
<b>Total</b>	<b>818,770</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>3,818,770</b>

Funding Schedule							
	Proposed FY13	Proposed FY14	Proposed FY15	Proposed FY16	Proposed FY17	Proposed FY18	FY13 - FY18 Total
Bond funds	600,000						600,000
Operating funds	218,770	600,000	600,000	600,000	600,000	600,000	3,600,000-3,218,770
Other							
<b>Total</b>	<b>818,770</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>3,818,770</b>

Debt analysis: no debt to be incurred for this project.

Capital Improvement Program – Proposed

Project Detail

FY13-FY18

<b>Project Title</b> Hillman Garage	<b>Project Number:</b> T4/MUNIS 732 / TBD	<b>Initiating Department</b> Central Services/Mayor's Office/Transportation
<b>Asset Category</b> Off Street Parking Facility	<b>Asset Number</b> 50026	<b>Priority Score</b> Project not scored to date
<b>Project Description</b>  Replacement of the deteriorating 435-space garage with a new facility, with state of the art controls, ADA compliant pedestrian access, elevators, and appearance more compatible with the surrounding community. Structural repairs completed in 2010 extended the life of this facility. <u>The facility is operated and maintained by the City Transportation Department. Project planning &amp; design is recommended to begin in 2015. First year project planning would determine the project scope and could include a conditions assessment, geo-technical explorations, and a parking study. (Budget estimates prepared by per Department of Central Services in 2009)</u>		
<b>Regulatory or Legal Mandates</b>	<b>Operational Necessity</b>	
<b>Prior Funding</b> Approximately \$700,000 spent in 2009 and 2010 on structural repairs.	<b>Non-City sources of funding</b>	
<b>FY13 Budget commitment allows project stage:</b> <u>No funds requested in FY13 Planning</u>	<b>Project Years</b> <del>FY15-FY17</del> anticipated FY13-FY15	<b>Total Project Budget</b>

Appropriation Schedule	Budget	5-Year Capital Plan					FY13 - FY18 Total
	Proposed FY13	Proposed FY14	Proposed FY15	Proposed FY16	Proposed FY17	Proposed FY18	
Land Acquisition							
Design Costs	300,000	765,190	<del>300,000</del> 1,530,360	765,190	1,530,360		2,595,550
Construction Costs			16,723,150		46,733,450		16,723,150
Construction Project Mgmt							0
IT Costs							
Furniture/Fixtures/Equipment							
Legal Fees			334,480		334,480		334,480
Contingencies			2,200,000		2,200,000		2,200,000
<b>Total</b>	<b>300,000</b>	<b>765,190</b>	<b>20,787,970</b>	<b>765,190</b>	<b>20,787,970</b>	<b>0</b>	<b>21,853,160</b>

Funding Schedule	Proposed FY13	Proposed FY14	Proposed FY15	Proposed FY16	Proposed FY17	Proposed FY18	FY13 - FY18 Total
Bond funds	300,000	765,190	20,787,970	765,190	20,787,970		21,853,160
Operating funds - O.S. Parking							
Other							
<b>Total</b>	<b>300,000</b>	<b>765,190</b>	<b>20,787,970</b>	<b>765,190</b>	<b>20,787,970</b>	<b>0</b>	<b>21,853,160</b>

Debt Analysis	Borrowing Term (Years)	Average Annual Debt Service	Average Tax Rate Impact
FY13-FY18 Total	30	1,283,873	0*

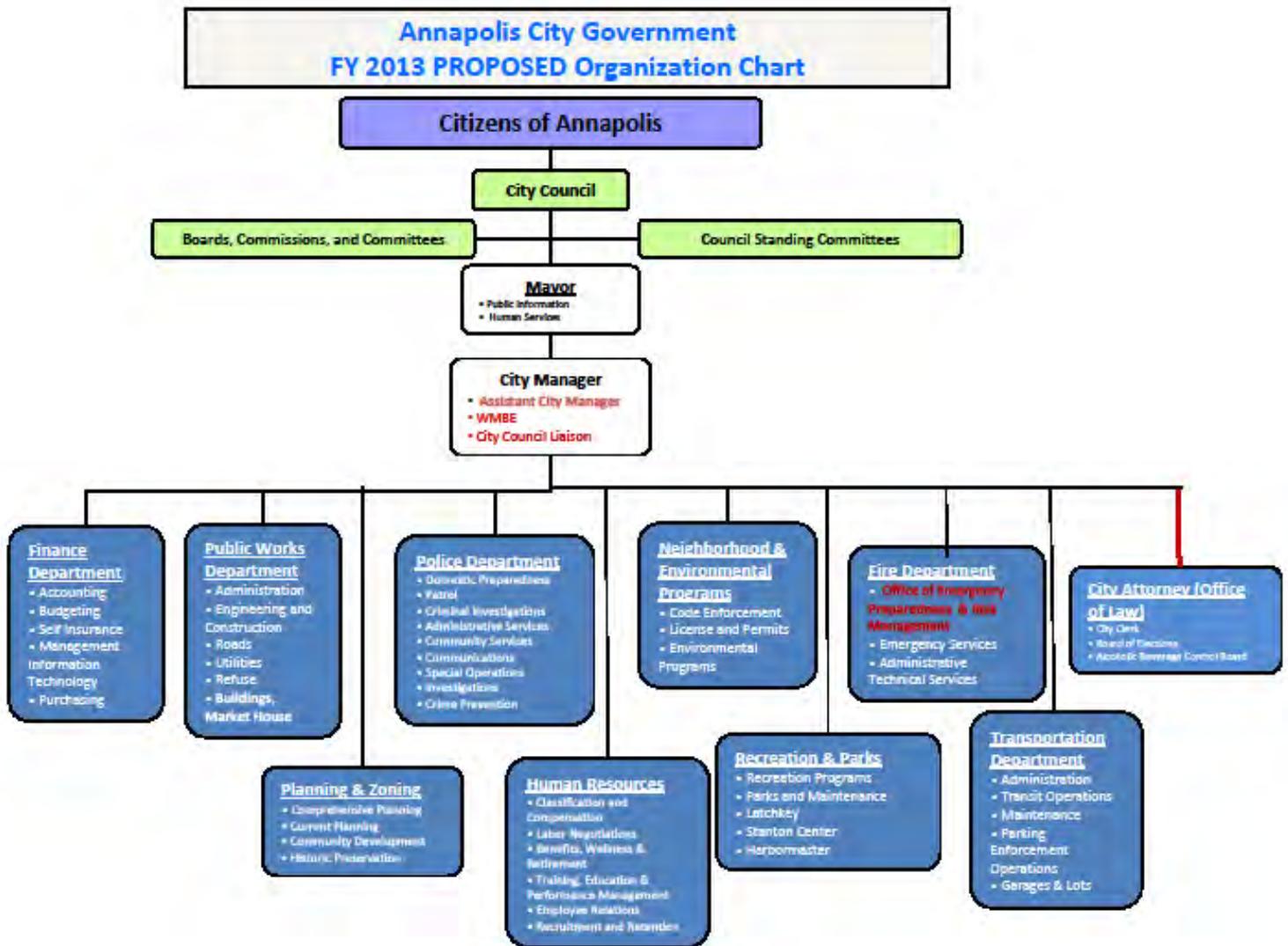
\*No tax rate impact: project is funded from Off Street Parking Fund. If expressed as a tax rate impact, debt service equates to 1.95.

**Organizational Chart**

The committee proposes the following changes in the Organizational chart.

We recommend moving the MBE function from the Mayors Office to the City Manager’s office. We recommend adding the Assistant City Manager and City Council Liaison to the City Manager’s office. Finally we recommend moving the Office of law from supervision of the Mayor to the Supervision of the City Manager to make it consistent with all the other city departments and to enable the City Manager to better direct interdepartmental work.

The amended chart is as follows:



## **Long Term Solutions and Other Report Issues**

Financial Accounting: While the *proforma* certainly contains all of the detail needed to evaluate the budget, it lacks ease of understanding. Many important policy decisions are implied by the numbers rather than being made explicit. An example is the so called “Constant Levy” policy that can only be detected by noting that the property tax revenue for FY 12 and 13 are the same amount in each year. This is a huge policy change left to be inferred. While the committee commends the Finance Director and staff on their diligence and commitment to fiscal responsibility, we believe that additional information is needed to aid in making policy decisions. For example, the Committee and other members of the City council find a need for some summary level data and charts that precede the great level of budget detail in the *Proforma*. Also need for the future is a summary of policy decisions that are implicit in the budget detail.

For this year’s budget, the Committee believes that the estimates for Automatic License Plate Recognition System and Speed Camera fines for the first year can be raised, based on the experience of other governmental entities in Maryland. Also, the practice of excluding grant money from the *proforma* is probably good accounting practice, but it hurts the ability to make policy evaluations of each Departments full revenue amounts and how well that covers their expenditures. Perhaps a second set of more aggregate accounts could be developed that shows by department, revenues and expenses including expected or traditional grants and other external sources of revenue. Finally, to set a context for the current year budget amounts, the Committee would like to see 2 or 3 year out projections of expected budget revenues and expenses by department.

Reserves Funds: The Committee would like to see an explicit accounting for all of the reserve funds, including fund balance history and projections. Also needed is a statement on the current condition and projected status of each reserve fund. As an example, the Water Fund still owes money to the General Fund. When will that debt be paid off? For the future, what amount of reserve, and hence impact on fees, will be needed once work begins on the new water purification plant begins?

Contingency Reserve: The Committee would like to have quantified the amount of money set aside for the Contingency Reserve and know the rules governing the amount going into and expenditures from that reserve.

Self Insurance: The city has been self-insured for several years for many liabilities, including health benefits. The Committee would like to see data and information of what liabilities are self-insured, including the amounts set aside for the liabilities, amounts paid out for losses, and any reinsurance coverage with the premiums paid and losses covered. We also recommended looking at cost and benefits of purchased insurance to see if we are really saving by being self-funded.

Other Long-term Issues: Some of the proposals put forward by members of the Committee that are not being recommended for this year’s budget, but deserve further review by the Administration for next year’s budget exercise.

- Further evaluate employee health benefits for both active and retired employees
- Endorse the formation of the Task Force on Police and Fire Pension Fund and OPEB
- Evaluate the benefits and cost savings of moving immediately to the use of SUVs or other light vehicles for carrying extra fire staff to EMS calls
- Examine and report on operational efficiencies throughout the city organization
- Complete all evaluations recommended in the Fiscal 2012 Report from the Finance Committee.

- Conduct an evaluation of all possible training and technologies available but not employed by the City that would enhance employee productivity and job satisfaction
- Initiate a comprehensive transportation evaluation to determine the extent to which transportation should be provided outside the City boundaries
- Review the idea of establishing a sidewalk enterprise fund
- Examine state code related to penalties for exceeding appropriated budget allocations for an operating component (department or office level)
- Evaluate the impact of demolishing and rebuilding the Hillman garage. The Committee recognizes that this project will cause several effects.
  1. The resulting parking shortage will have a major impact on downtown business and a decrease in parking revenue while also incurring new debt service for the City
  2. The Department of Transportation must prepare for the effects on their budget and operations
- A proper funding source should be determined for the City's parking availability signage. Expenditures for the program will be matched to revenue generation, most probably benefiting the Parking Fund.
- The City should enact formal impasse protocol for union contract negotiations.
- It is recognized that a significant number of Police Department civilian employee salaries are solely grant-funded. The department's General Fund personnel expenditures should be amended/reduced to accurately reflect only those salary/benefits which are funded by the General Fund. Accordingly, when grants are approved by the Finance Committee and City Council, the grant-funded positions will be charged to the appropriate grant accounts.
- The Police Department's general fund personnel expenditures will allow for the attrition of one Record Specialist position.
- The City Council should review the continuance of the Community Grant Program before the next funding cycle begins
- The Committee recommends moving Four Rivers, Annapolis Youth Services Bureau and The Kunta Kinte Foundation to line item funding in the next budget cycle

#### Appendix 1: letters from Financial Advisory Commission

- Alderman Arnett Chair of the Finance Committee presented the Finance Committee Recommendations to the Mayor and City Council. Alderwoman Finlayson and Alderman Israel were also present to answer questions from Council.

#### Comments by the General Public

No one from the general public spoke.

- Mayor Cohen declared the petitions, reports and communications closed.

#### PUBLIC HEARING

#### **O-19-12 Assistance for Aldermen and Alderwomen – For the purpose of establishing the civil service position of City Council Associate reporting to the City Manager.**

No one from the general public spoke in favor of or in opposition to the ordinance.

- Mayor Cohen declared the public hearing closed.

**O-20-12 Issuance of Bonds – For the purpose of authorizing and empowering the City of Annapolis (the “City”) to issue and sell, upon its full faith and credit, general obligation bonds in the aggregate principal amount not to exceed Seven Million Six Hundred Ninety Thousand Dollars (\$7,690,000), pursuant to Sections 31 through 39, inclusive, of Article 23A of the Annotated Code of Maryland (2011 Replacement Volume), as amended, and Article VII, Section 11 of the Charter of the City of Annapolis, as amended, to be designated as “Public Improvements Bonds, 2012 Series” and said bonds to be issued and sold for the public purpose of financing and refinancing certain capital projects of the City as provided in this Ordinance; prescribing the form and tenor of said bonds; determining the method of sale of said bonds and other matters relating to the issuance and sale thereof; providing for the disbursement of the proceeds of said bonds; covenanting to levy and collect all taxes necessary to provide for the payment of the principal of and interest on said bonds; and generally providing for and determining various matters relating to the issuance, sale and delivery of all said bonds.**

Finance Director Miller gave a brief presentation on the ordinance.

Joseph D. Mason, First Vice President, Davenport & Company LLC, One James Center, Suite 1100, 901 East Cary Street Richmond, Virginia 23219 was present and answered questions from Council.

William Taylor, Partner, McKennon Shelton & Henn, LLP, 401 E. Pratt Street, Suite 2315, Baltimore, Maryland 21202 was also present and answered questions from Council.

No one from the general public spoke in favor of or in opposition to the ordinance.

- Mayor Cohen declared the public hearing closed.

LEGISLATIVE ACTIONS  
ORDINANCE – 2<sup>ND</sup> READING

**O-5-12 Re-Instituting a City Council Vote at the First Reader Introduction of Legislation – For the purpose of re-instituting a City Council vote at the first reader introduction of legislation.**

- Alderman Arnett moved to adopt O-5-12 on second reading. Seconded.

The Rules and City Government Committee reported favorably on O-5-12.

The main motion DEFEATED on voice vote. *A ROLL CALL vote was taken:*

*YEAS: Aldermen Pfeiffer, Arnett, Alderwomen Hoyle, Finlayson, Aldermen Kirby*

*NAYS: Mayor Cohen, Aldermen Israel, Paone*

*ABSTAIN: Alderman Silverman*

*CARRIED: 5/3/1*

- Alderman Arnett moved to adopt O-5-11 on third reading. Seconded.

*A ROLL CALL vote was taken:*

*YEAS: Aldermen Pfeiffer, Arnett, Alderwomen Hoyle, Finlayson, Aldermen Kirby*

*NAYS: Mayor Cohen, Aldermen Israel, Paone*

*ABSTAIN: Alderman Silverman*

*CARRIED: 5/3/1*

ORDINANCES and RESOLUTIONS – 1<sup>st</sup> READING

**O-17-12 Central Services – For the purpose of amending the City Code to conform to the City organization chart adopted as part of the FY 2012 operating budget in regards to the Central Services functions.**

- Alderman Arnett moved to adopt O-17-12 on first reading. Seconded. CARRIED on voice vote.

Referred to the Public Safety, Rules and City Government and the Transportation Committees.

**O-22-12 Multi-Family Dwellings in the BR Zoning District – For the purpose of permitting multi-family dwellings in the BR zoning district.**

- Alderman Arnett moved to adopt O-22-12 on first reading. Seconded. CARRIED on voice vote.

Referred to the Rules and City Government Committee and the Planning Commission

**R-25-12 Commemorating the War of 1812 – For the purpose of commemorating the War of 1812 by supporting the docking of the HMS Bounty; and waiving docking fees associated with the HMS Bounty docking in the City of Annapolis on June 14-18, 2012.**

Harbormaster Walters gave a brief presentation on the resolution and answerer questions from Council.

Development and Special Events Coordinator LeFurge was present and answered questions from Council.

- Alderman Paone moved to adopt R-25-12 on first reading. Seconded. CARRIED on voice vote.

There being no voiced objection, the rules were suspended to allow passage of the resolution at the meeting of its introduction.

- Aldermen Israel moved to adopt R-25-12 on second reading. Seconded.
- Alderwoman Hoyle moved to amend R-25-12 as follows:

Amendment #1

Page 1, Line 23, add:

WHEREAS, Section 7.40.090 of the City Code allows the City Council to designate certain days when peddlers, hawkers and itinerant merchants may sell in the Historic District or a nonresidential area; and

Amendment #2

Page 1, Line 30, add:

AND, BE IT FURTHER RESOLVED BY THE ANNAPOLIS CITY COUNCIL that sales of merchandise may be sold in conjunction with the HMS Bounty docking in the City of Annapolis from June 14<sup>th</sup> to June 18<sup>th</sup>. Seconded. CARRIED on voice vote.

The main motion as amended CARRIED on voice vote.

*A ROLL CALL vote was taken:*

*YEAS: Mayor Cohen, Aldermen Pfeiffer, Arnett, Israel, Paone, Alderwomen  
Hoyle, Finlayson, Aldermen Silverman, Kirby*

*NAYS:*

*CARRIED: 9/0*

**BUSINESS and MISCELLANEOUS**

1. Appointments

The Economic Matter Committee reported favorable on the appointments.

- Alderman Paone moved to approve the Mayor's (re)appointments of the following individuals:

05/29/12.....Jay Ronald Kabriel

05/29/12.....Rockford E. Toews

Seconded. CARRIED on voice vote.

Upon motion duly made, seconded and adopted, the meeting was adjourned at 6:50 p.m.

Regina C. Watkins-Eldridge, MMC  
City Clerk