

State of the City Address

Mayor Joshua J. Cohen
Annapolis City Council Chambers
March 8, 2010

Tonight, it is my responsibility and privilege under law to present the State of the City Address and to present the 2011 fiscal budget to the City Council. ...

Three months ago today was our first full day in office, Dec. 8, 2009. During my swearing-in speech, I pledged to make Annapolis the best-run city in Maryland, with three watchwords: to be effective, efficient and transparent in how we do things and in what we do.

Since the swearing-in only three months ago, we have had a historic snowstorm, I hope a once-in-a-lifetime snowstorm, and I want to thank our Public Works employees and our Rec and Parks employees who worked diligent under very difficult conditions who worked day-in, day-in and day-in to get the storm under control. Thank you.

I also want to thank our police officers and firefighters. ... Not a single call for service went unanswered despite the historic snowstorm. ... I especially want to thank our first responders, police and fire.

Since this administration and council took office, not only did we experience a historic snowstorm, but unfortunately, we are still feeling the effects of the historic recession that we are in. A number of businesses just in the past three months have closed up, and that is the biggest test, not just of this administration, but of this city, to see how we can rebound and turn our economy turn around in the coming year. And in addition to the historic snowstorm and the continuing effects of this recession, three days ago, March 5th, was one of the most difficult days for the City of Annapolis family, when for the first time I believe in our city government's history, we had to layoff employees through no fault of their own but simply because we were running out of funds and lacked the funds to continue paying employees through the end of this [fiscal] year. So these are very difficult times, but we will get through this. We are all in this together. We will all get through this together. And at the heart of every crisis lies an opportunity to become better, and that is what I will be talking about to you during the rest of the address.

But before I get to the [fiscal year] 2011 proposed budget, I want to spend some more time talking about the layoffs. And the layoffs and my proposed budget can only be understood in the context of what has happened before. And some of you that have attended the some budget forums this week may have heard some of this, but I want to emphasize how we got here.

When I took office three months ago, and I'm going to speak bluntly, I inherited a financial train wreck in the form of an immediate \$6.3 million structural deficit on the very first day I took office. Immediately after taking office, my administration worked in

a variety of ways to bring down expenses and reduce the size of the deficit, not just the structural deficit moving forward, but more importantly our deficit within this fiscal year.

I stopped expenses for various programs such as the Sister City program, the City of Annapolis magazine. We held all contracts, even the ones that had already been approved and made sure there was a very high standard before department heads went forward with contracts so that we could avoid spending unless we had to. We held off on other previously approved expenses, such as supplies and equipment. Within a couple weeks after taking office, my administration implemented a hiring freeze. That hiring freeze has saved the city \$600,000 just in three months alone. In addition to that, we have worked aggressively, as many of you know, to do a better job of managing overtime. Working with our department heads and our employees and the result of that are: We are saving approximately \$100,000 per month simply by doing a better job of managing overtime.

So we have done a tremendous amount [of work] in just three short months to try to rein in expenses. But despite our efforts to control spending, the lack of funds left me with no other choice than to lay off employees; and the City of Annapolis, by law, is required to have a balanced budget, and unfortunately as the CEO of the city, it's my responsibility to make sure we get there, even if it means laying off members of our family.

The reason why we had to take this severe course correction was because there were not enough course corrections earlier, last year and the year before. And if this city had followed some of the leads of some of our colleagues, such as Anne Arundel County, and had gone back to the bargaining table, last year or the year before to put in place more moderate course corrections, this train would not be barreling down the tracks into a huge budget deficit the day I took office.

By comparison, Anne Arundel County last year went back to the bargaining table voluntarily with six of its unions and those unions gave back, either 3, 4 or 5 percent of merit increases and COLA raises previously agreed upon, and those voluntary "give-backs" saved Anne Arundel County \$2.9 million in this current fiscal year, which also carries over into a \$2.9 million of savings for FY 2011.

My intention is not to revisit the past in a negative way, but it is important to understand the context of how we got to the point where I had to make a very severe course correction in order to fulfill my obligation under law to have a balanced budget by June 30th.

In identifying positions for layoffs and in identifying positions that I am proposing to be eliminated from the 2011 budget, my administration took an equitable and balanced approach. We looked all across city government. I'm proposing to the council to eliminate at least one position in every department, except in the Office of Law, which is a very small department and has only six employees. So, with that exception, from the Mayor's Office down, I am proposing to eliminate positions.

The employees that were laid off, outside council reviewed for disparate impact; there was no racial disparate impact in the employees that were laid off. I'm proposing to eliminate white-collar and blue-collar positions, management and entry-level positions, including consolidating three departments and eliminating three department head positions that will realize significant savings for taxpayers.

So in a nutshell, that is the broad-brush picture of why layoffs were necessary. If there was another way, I wish there was. I deeply regret having to lay off employees, some of whom I just met 15-20 minutes ago, but that is situation we found ourselves in.

I want to speak now about the FY2011 proposed budget and cover some highlights of both the operating and capital budget. And I want to emphasize three main points. There are a number of proposed changes in the budgets, but I want to emphasize three main points.

The first one is that my proposed budget does not increase the property tax rate. As I committed to last year during the campaign if it was at all possible, I would avoid asking taxpayers to pay more through an increased property tax rate, and part of it is, I do not want this city's first budget when we encounter financial difficulty to be solved by going to the taxpayers to ask them to pay more. We need to do what we can in-house to control costs because everybody in this city is experiencing the effects of this recession, whether they are residents or business persons.

As a result, this proposed budget reduces spending for the first time, going back at least 20 years, probably more. I'm proposing to reduce spending by 7.5 percent, from \$86.5 million in fiscal year '10 down to \$80 million in fiscal year '11.

The second point is that this budget protects public safety. While I'm proposing to eliminate positions in almost every department, my proposed budget does not eliminate one single sworn police officer or firefighter currently working today.

And the third point is that my proposed budget provides some restructuring of departments in order to improve the services that we provide, particularly with economic development. ...

As I said earlier, economic development is my top priority. It's the city's top priority. And in putting together the budget, I followed, in large part, the lead of the economic development committee on the Idea Team transition team. We need a new vision for economic development. ... We need to be much more aggressive at not only recruiting new businesses but at retaining businesses that we have, providing jobs, doing a better job at marketing and partnering with the Chamber of Commerce and the Conference and Visitors Bureau and other business associations.

So we need a new approach to economic development. Consistent with the Idea Team's recommendation, my proposed budget maintains the MBE, the Minority Business Enterprise coordinator position, but it eliminates several other positions in the department, including the Director of Economic Affairs. In the place of those positions, I am proposing that the council fund a very robust amount of \$400,000 for economic development, which is less than the overall total in fiscal year 2010, but it reflects the importance of this effort and the need to do more in economic development. And my hope is that we can leverage some private dollars and do more public-private partnerships to maximize our impact.

The Idea Team has recommended the City of Annapolis privatize our economic development function, or form a public-private partnership. As the council knows, two weeks from today, we are taking a fact-finding mission to Alexandria, Va., to meet with their senior staff, because they just went through the same transition a few years ago. That may work for Annapolis; it may not. But we are not wasting any time to take the steps we need to do to improve economic development. And also along the lines of economic development, even though this will benefit residents as well, my budget proposes a streamlining of the permitting and inspection process by creating a one-stop shop on the third floor of [145] Gorman Street.

My budget includes a small amount of funds to move the Office of Law, the City Clerk and the Human Resources Department over to the second floor of City Hall and move the Department of Neighborhoods and Environmental Programs over to the third floor of Gorman Street, so that when a citizen takes the elevator to the third floor, there will be counter literally right in the lobby connecting to both DNEP and Planning and Zoning where citizens, residents and business persons and contractors will have a one-stop shop to follow their permit through the process.

The second department I am proposing be restructured is the Department of Central Services. I am proposing to eliminate the director's position, again a move that will yield substantial savings to taxpayers. And I am proposing that we re-assign the three core functions of facilities management, purchasing and the capital improvement program into other existing departments.

And the third [office] I am proposing to eliminate is the Office of Emergency Management. Again with this one, I am proposing to eliminate the director's position, but hold on to the other staff and put it under the umbrella of the Fire Department, again suggested by the Idea Team. And that way we can take an existing position that is already budgeted, which is the deputy chief for administration and technical services, designate that deputy chief as the director of emergency management, so that way we can still fulfill our emergency management obligations but within the context of an existing department.

Those are the three main departments I'm proposing to restructure. Hand in hand with this budget document, I'm going to be asking the council to work with my administration on some code changes that will reflect the corresponding changes in code for the

departments. This will be a very participatory process over the next couple of months, and I look forward to working with each of the alderman and alderwomen on that.

Looking at other parts of the budget, and I'm not going to identify every specific change, but I want to talk about a few of the functions we provide, because in the time of economic crisis, some people advocate: Let's hold on to just the core functions and basically do away with other "nonessential functions." My budget takes a different approach where we certainly continue to maintain our commitment to provide so-called core functions, like public safety and public works, but we do not just cut back on other functions.

With community services, while some have advocated that the City let go of the Stanton Community Center and privatize it, my proposed budget does not do that. In fact, my proposed budget maintains every position and service currently funded in the Stanton Center, and I look forward to working with the community and the council so we can find ways to better serve the public through that facility.

Annapolis is a very historical town, and we've done a pretty good job of preserving our colonial history and our maritime history, but we have not done as good of a job as we needed to tell the story of our rich African-American history. I'm very excited that my proposed budget for the first time ever includes a new line item to support operational expenses at the Wyle H. Bates Legacy Center, and I ask that the council to support that.

One of our partners in the City of Annapolis is the Housing Authority of the City of Annapolis. I think it is fair to say that the relationships ebbed and flowed between the two agencies, but I want to thank the chairman of the boards and commissioners, Carl Snowden, and the executive director, Eric Brown, because together we are proposing a new position that will serve as a liaison with the resident advisory board, not just to the housing authority administration but to the City of Annapolis government and City Council. It will be a HACA employee, but I have offered to Mr. Snowden and Mr. Brown matching dollars, one for one, to fund 50 percent of that position in a new partnership.

Unfortunately, the budget deficit requires that I cut back some of the nonprofit grant funding. Nonprofit grants are currently funded at \$410,000 in the current fiscal year. I am proposed to fund that amount at 50 percent, or \$205,000.

This will no doubt be a hardship for some nonprofits that rely on city funding, but I am committed, my grants coordinator, Lyn Collins, is committed. And I know that the Finance Committee and the City Council are committed to working with our nonprofit partners to help them weather storm as well.

In terms of the environment, the environment is often one of those services that people say cannot exist in difficult times. I disagree strongly. Many of you know the environment is near and dear to my heart. Although my budget proposes to cut a storm water engineer position, all the other positions on our environmental team remain untouched.

The environment and sustainability in particular I view as a core function, because as the way the entire City government does business needs to be more sustainable in the future, and I ask the City Council's support for that.

My proposed budget scales trash pickup back to once a week, instead of twice a week. This will not yield any savings to users, because I am proposing to take the nominal savings the City will release and use that to avoid more layoffs by funding street sanitation workers downtown, and consistent with the City Council's action last year, when the council voted to start a commercial recycling program, this budget reflects the implementation of commercial recycling, starting with downtown first. We hope to expand that as we work out the kinks. This is a no no-extra-cost service, but it is a real value-added service to our businesses.

The last department I was to speak about is transportation. Many of you know that last week, I announced a partnership with the Community Transportation Association of America, a national leader in working with local governments to reform and improve their transportation systems. They will be providing 12 months of technical assistance to us free of charge. They will be reviewing all of our routes and helping us do a better job of serving our constituents.

My budget proposes to eliminate funding for parking enforcement officers as of July 1. Our Finance Department has looked extensively at that function and believes the city can realize significant savings by outsourcing that function. If that happens, and that is a policy decision by City Council, all current PEO [parking enforcement officer] employees will be giving right of first refusal to continue working in that capacity, and I also want to work with our union leadership to allow the union itself to come back to the City with a proposal to continue that service in a more cost-effective way while remaining as city employees.

There are other changes in the operating budget that I am proposing, but I want to shift now to our capital program.

This year's proposed capital program reflects a significant shift from prior years. I commend the previous administration for getting a lot of long stalled projects off the dime and built. The focus of my capital program this year is not so much to create new facilities but to better maintain the existing assets and resources that we have. The City of Annapolis has a huge challenge just to maintain our aging infrastructure. The proposed capital improvement program is much smaller. The FY '10 CIP [capital improvement program] was \$89.1 million; I am proposing an FY2011 CIP is \$25.7 million, which is a 71 percent decrease.

Overall, our five-year capital improvement program, I'm proposing to reduce from \$230 million down to \$185 million, which represents a 25 percent decrease. One of the very

few enhancements I'm proposing in the CIP is a project for City Dock, which is still pretty nebulous. But when you look at the key assets on City Dock, the Market House, the Fawcett's boat building, which is vacant, the old rec center, which is vacant, the fact that the Board of Education is going to be doing a significant revitalization of Annapolis Elementary School slated for 2013 -- all these stars are aligning right now for the city to have a once-in-a-lifetime opportunity to look at City Dock as a whole and reclaim it as a viable space and not just for tourists but for our citizens. So, I have a new project in the budget for that, and I would ask the City Council not just support for the funding, but for your participation, because that is very much a proposal in the making.

My proposed CIP includes a new project for the Annapolis Renewable Energy Park. It contains \$500,000 in funding. If this council and the administration decide to go forward with the project, it will be big dollars required and legal consulting and feasibility analysis and environmental impact studies. The entire \$500,000 I'm proposing is contingent upon developer financing. So I am not proposing any city dollars to pay for that project.

And finally, a relatively small project I'm proposing is GPS software for our snowplows. So the next time we get a once-in-a-lifetime storm, next year perhaps, we can do a better job of tracking the street we have plowed, and the software available not only tracks the geographical location the snowplows have been, it tracks whether the blade is down or up, it tracks whether the salt spreader is on or off. So it is not a not a full-proof system, but it will go a long way in helping us improve our performance. And if that works well in future years, I will be asking the council to approve GPS software for our buses as well, so we can do a much better job at providing real-time intelligent transportation for people who are waiting for the buses. So that is the proposed operating budget and the capital projects improvement program in a nutshell.

Before I close, I want to spend some time talking about the assumptions in this budget, because this budget is based on a whole host of both revenue and expense assumptions, and the big one is that this budget assumes \$2.4 million of union concessions from our four unions, which would not only be union employees but all civil service and contractual employees even though there are only four bargaining units.

\$2.4 million is a lot of money, but in the City of Annapolis' experience, it is unheard of, it is totally 180 degrees of what our unions are used to discussing at the bargaining table. But I believe this amount of concessions, even though it is substantive, it is reasonable and realistic given the unprecedented budget crisis that we face. And again with the union concessions that this budget assumes, these concessions can only be understood properly in context of the past years.

Over the past eight years, the City has provided the ASFME unions with 32 percent overall increase non-compounded over the past eight years, and I want to take a few minutes to read year by year the agreements that the City and the ASFME agreed to ...

In FY 2003, the City approved a 2 percent COLA [cost-of-living adjustment] and established retiring medical benefits with the City paying 80 percent of the premium for the retiree and spouse. In FY '05, the City of Annapolis approved a 3 percent COLA and a one-time bonus of \$450 and a provision to buy back three days of annual leave. In FY'06, the City approved a 3 percent COLA and a one-time bonus of \$1,000 for employees with more than 25 years of service. In FY '07, the City negotiated a four-year contract, which included a 6 percent [increase] for each year with a 3 percent increase in July and a 3 percent increase in January. The final 3 percent that would have taken place this January is temporarily suspended pending the outcome of negotiations. But the City has an historical commitment to our employees and deservedly so because I remember when I was first elected in November of 2001 with Alderwoman Hoyle, the City was woefully uncompetitive with almost all of our employees, so these increases were deserved. But the difference between now and then is that we could afford it then, we can't afford it now.

I also want to talk about police. Over the past eight years, the city as agreed to 36 percent combined increase, again non-compounded, with our police union. In FY '03, the City approved a 2 percent COLA and an 11.1 percent market adjustment. The city decreased the pension contribution from 6.5 percent, which it had been, down to 3.5 percent, resulting in an overall increase in pay of 16.5 percent.

We established retiree medical [benefits], again with the city paying 80 percent of the premium for retirees and spouse. In FY '04, the City changed from a 25-year retirement to a 20-year retirement, again a much-needed action because the City of Annapolis was terribly non-competitive with surrounding jurisdictions. In FY '05, the City approved a 3 percent COLA. In FY '06, the City approved a 3 percent COLA and a 2 percent merit [increase]. In FY '07, the City approved a 3 percent COLA and a 1.5 percent market adjustment. In FY '08, the City approved a 3 percent COLA. In FY '09, the City increased in starting pay at \$43,000 as well as a 5.4 percent increase in pay. In FY '10, the City approved a 2 percent COLA.

So in my view, and I was on City Council for the first five years, these increases were justified, but again the difference between now and then is that the city could afford these increases then and we can't afford it now.

My administration is calling on all four unions to meet the City with similar concessions. The exact terms are different from union to union, but I'm asking all employee unions to offer similar concessions. That means, at this time I am not offering any special treatment for our public safety employees in terms of concessions, but I am offering special treatment for our public safety unions in terms of eliminated positions because, as I said earlier, this proposed budget is able to do for public safety what it has not done for any of our other unions, which is to avoid eliminating a single sworn police officer position or firefighter position. When you look at our overall City budget, there are 121 sworn police officers today that my proposed budget maintains. There are 133 sworn firefighters today that my proposed budget maintains.

Police and fire make up a tremendous amount of our city personnel and understandably so, but in order to avoid eliminating sworn police and fire positions, that meant that my proposed budget had to cut more deeply and painfully in other departments. Negotiations with all four unions are still ongoing. It remains to be seen what any of the four unions will end up agreeing to as well as what the City will end up conceding to. But the question will be if the public safety unions do not want to agree to the similar concessions as the other unions, there will be two ways to fund that special treatment: 1) is by increasing the tax rate or 2) is by identifying more cuts elsewhere in the budget. In my opinion, this is not the time to ask taxpayers to pay more when everybody is hurting, particularly so that public safety employees, as important as they, will not have to give back the same concessions we are asking for all other employees. And if the council agrees with me that this is not the right time to ask for a tax rate increase, then that leaves cuts.

Now I have done my part in putting this budget together to exempt police and fire from cuts, but if this council has to go back and find cuts elsewhere to exempt police and fire from making the same concessions as other unions, that may result in laying off or eliminating more police and fire positions. Now, do I think that will happen? No, because our public safety unions exists to support public safety officers, and for them to take a position that could compromise public safety by requiring the elimination of police or fire, that does not make sense. But I say that very clearly because I want this council to understand the assumptions this budget is based on.

So we are all facing a very difficult budget climate, and when you think back to the eight years of enhancements that I read for our police and ASFME unions, there is no question that this city has a tremendous historic and unprecedented commitment to our public employees. Today, as we face an historic and unprecedented budget crisis, I'm calling on all employees to help this city weather this storm, to batten down the hatches, to bolt the door, to close the shutters for a year or two until the storm clouds break. And when the storm clouds do break and the sun starts to shine again, I will be the first to reaffirm and renew this city's commitment to our public employees.

On that note, I want to thank our exempt department heads who are not subject to union negotiations for voluntarily agreeing to give back whatever percentage of pay that our unions agree to, whether its reverse COLAs, wage concessions, furlough day or whatever it is. If it ends up being the union employees agree to give back a portion of their pay, I want to thank the department heads for doing the same.

I would like to particularly thank the exempt department heads who earn more than \$100,000 a year for voluntarily agreeing to give back double that amount, and even though my salary at \$88,000 is not \$100,000 a year, I will be doing the same and giving back double whatever amount of concessions our employee unions may end up agreeing to.

Because we are all in this together, we are all part of this one Annapolis, an expression we've heard over this past year, and we will get through this together, but it will require

shared sacrifice by all of us, as all of us know too well. At the heart of every crisis lies an opportunity to do things better, and we will.

Thank you.