

City of Annapolis
Boards and Commissions
Financial Advisory Commission (FAC) Minutes
Thursday, February 13, 2020

The regular meeting of the Financial Advisory Commission was called to order at 7:32 a.m. The meeting took place at 273 Hilltop Ln, Annapolis, Maryland 21401, in the Pip Moyer Recreation Center.

Members Present: Chair Frederick C. Sussman, Vice Chair Bob Burdon, James Cardillo, Faye Currie, and Edward Meehan

City Leadership/Staff Present: Ward Eight Alderman Ross H. Arnett III, City Manager David Jarrell, Finance Director Jodee Dickinson, Senior Accountant Katie Connolly

Absent: Frank Brown

Agenda

Vice Chair Burdon motioned for approval of the meeting agenda for February 13, 2020. Mr. Cardillo seconded the motion. The agenda was approved.

Minutes from January 13, 2020

Vice Chair Burdon motioned for approval of the minutes for January 13, 2020. Ms. Currie seconded the motion. The minutes were approved.

Audit Committee

Mr. Cardillo, who represents the FAC on the City's Audit Committee, mentioned that Alderwoman Tierney was approved to join the Audit Committee. He also mentioned that the Audit Committee voted to meet bi-monthly instead of every month.

Finance Department Report

Ms. Jodee Dickinson, City Finance Director, provided updates on the FY2021 budget process. City Manager David Jarrell mentioned that the City is bringing back former City Manager Teresa Sutherland on a contract basis to assist with the budget compilation.

Chair Sussman inquired about staffing within the Finance Department. Director Dickinson noted that the Department is fully staffed with the exception of one vacant payroll position and two full time individuals are currently out on long-term medical leave.

Director Dickinson presented the final 2019 CAFR to the Commission. She mentioned that overall the City of Annapolis had a good year. Unemployment in the City is lower than the State, County, and nation. Revenues are flat compared to the budget. Actual income tax revenue received was lower than anticipated. Director Dickinson provided a handout that graphically

shows the SIT trend from 2010 through 2022 (est.), a copy of which will be maintained as an exhibit to these minutes. Director Dickinson went on to explain that the graph shows a good year, bad year trend.

Director Dickinson directed the Commission to start with the MD&A section of the CAFR. She highlighted the fact that the City drew down substantial unspent bond proceeds in 2019 to pay for capital projects. The restricted cash decreased from \$21.7 million to \$9.1 million. The City did not issue any new bonds in fiscal year 2019 and paid approximately \$5 million of principal on governmental activities debt and \$3.1 million on business-type debt. This pay-down was offset by an equipment loan of \$5.5 million that the City is using to purchase vehicles for Police, Fire, and Public Works. Mr. Cardillo inquired about the equipment loan and if the City financed vehicles in the past. Director Dickinson responded that recent union negotiations resulted in take-home vehicles for Police. This requirement resulted in a need to purchase additional vehicles.

Director Dickinson mentioned that the City's triennial real property assessment took effect for fiscal year 2019. A 9% increase in assessed values is being phased in over fiscal years 2019, 2020, and 2021. This increase coupled with a Council approved tax rate increase was the primary reason for the \$7 million increase in property tax revenues. The City's portion of State income taxes declined by \$1.8 million due to one-time capital gains income received in fiscal year 2018.

Director Dickinson mentioned that the City used a lot of the Capital Reserve Fund in FY2019 to pay for capital projects. Vice Chair Burdon asked if the balance of the Capital Reserve Fund is still within the parameters as outlined in the Financial Policies. Director Dickinson responded affirmatively and provided a handout showing the calculations of the reserve, budget stabilization fund limit, and analysis of the assigned for one-time purposes for 2019. A copy of the handout will be maintained as an exhibit to these minutes. She concluded by mentioning \$4 million was added to the fund balance for 2019.

Financial Forecasting Practices Subcommittee

Vice Chair Burdon and Mr. Meehan created a report entitled "Adopting a Spending Affordability Function," A copy of which will be maintained as an exhibit to these minutes. Chair Sussman asked the Committee to read and digest the report provided by Vice Chair Burdon and Mr. Meehan and be prepared to discuss at the next meeting.

Vice Chair Burdon commented on the layout of the report. He also mentioned that if the Commission decides to move forward on a Spending Affordability Committee then the Finance Department needs to be involved. Mr. Meehan mentioned that the City should be on the same page as the County and State to which the Commission agreed.

Alderman Arnett asked if the City could engage with Sage Policy Group, Moody's, and RESI. Director Dickinson mentioned that the City would have to include those costs in the budget and the City could share data with the County. She mentioned that a lot of the work RESI does is pro-bono.

State Resiliency Authority Legislation

Chair Sussman noted that Senate Bill SB0457 and House Bill HB0539 are in the early stages of progression through the Maryland legislative process. These bills seek to authorize the creation Resilience Authorities by local law. Director Jarrell mentioned that both bills would be heard at public hearings next week.

Numerous Commission members took issue with the bill in its current state. Such issues raised were:

- Not enough separation from the local governing authority
- Potential off-balance sheet financing
- Debt affordability issues
- Risk to the local governing authority

Chair Sussman asked each Commission member to email their concerns individually to him and he would draft a letter to the Mayor and City Council.

Concluding Remarks & Adjournment

The next meeting of the FAC will be held on March 12, 2020 at 7:30 a.m. at the Pip Moyer Recreation Center.

Chair Sussman thanked everyone for their participation, attendance, and meaningful discussion. There being no further business, the February 13, 2020 meeting of the Financial Advisory Commission adjourned at 9:00 a.m. following the motion by Vice Chair Burdon, which was seconded by Mr. Cardillo.

Exhibits: Finance Director handout graphically depicting the SIT trend from 2010 through 2022 (est.)
 Finance Director handout showing calculations of reserve, budget stabilization fund limit and analysis
 Subcommittee Report entitled “Adopting a Spending Affordability Function”