

City of Annapolis
Boards and Commissions
Financial Advisory Commission (FAC)
Meeting Minutes
Tuesday, May 14, 2020

The “virtual” videoconference meeting of the Financial Advisory Commission was called to order over Google Meet at 8:00 a.m.

Members Present: Chair Frederick C. Sussman, Vice Chair Bob Burdon, James A. 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, D. Michael Lyles, City Attorney, Constituent Services Officer & Ombudsman Hilary Raftovich, Senior Accountant Katie Connolly, and Accountant Kim Ellen Maronski

Member Absent: Frank Brown

Greetings

Ms. Raftovich provided Google Meet videoconference guidance.

Chair Sussman welcomed the attendees.

Advance Handouts

- CRC Grading Schedule
- Fiscal Year 2021 Budget Report of The Finance Committee of The Annapolis City Council – May 11, 2020

Agenda

The meeting agenda for May 14, 2020 was modified to include a brief report from Alderman Arnett on the Finance Committee budget discussions, decisions, and recommendations to date. The modified agenda was approved by majority following the motion by Vice Chair Burdon.

Minutes

Mr. Burdon motioned for approval of the minutes from the following previous FAC meetings:

- November 14, 2019;
- December 12, 2019;
- February 13, 2020; and
- May 5, 2020

Ms. Currie seconded the motion. The minutes were approved unanimously.

Finance Department Report

Ms. Jodee Dickinson, City Finance Director, indicated that she is participating with the City Council at scheduled budget work session(s). She is looking at current revenues and seeking updated information from the State of Maryland. Senior Accountant Katie Connelly is reviewing expenditure projections.

City management is contemplating taking a step by step approach if revenues are reduced because of the pandemic. City spending may have to be delayed on non-personal services that are nice-to-have vs. must-have.

The Finance Department is very busy as usual because of the upcoming June 30, 2020 fiscal year end activities.

Mr. David Jarrell, City Manager, announced that the City has been awarded \$4 million in transit grants because of COVID-19. The amount is roughly split 50-50 between capital and operating purposes. Bus revenue is way down, he said.

The City Manager has sent a list of needs to Anne Arundel County asking for grant help with COVID-19 related costs (supplies, materials, small business assistance, feeding the hungry, etc.).

Mr. Jarrell stated that the Hillman Garage replacement selection process is moving forward with two teams. He anticipates selection will be made in June 2020, followed by contract negotiations.

Chair Sussman asked the City Manager to send the final version of Maryland resiliency legislation, which Governor Hogan allowed to go forward without his signature, to the FAC. Mr. Sussman asked when will the City and Anne Arundel County discuss resiliency. Mr. Jarrell replied not now, because of the pandemic.

Various questions were asked and answered about the transit grants. Ms. Dickinson responded that under the CARES Act there is a short timeframe, with guidance forthcoming. She is hopeful that expenses can be submitted for reimbursement that will span both FY 2020 and FY 2021.

Finance Committee

Chair Sussman invited Alderman Arnett to speak briefly about the Finance Committee FY 2021 budget discussions.

Mr. Arnett invited the FAC to listen in to the Finance Committee's next work session at 3 p.m. on May 21, 2020. He thanked City Manager Jarrell and Finance Director Dickinson for their help.

Alderman Arnett emphasized some of his and the Finance Committee's concerns and deliberations:

- Heavy reliance on grant funding;
- Timing of cost of living adjustments (COLA); and
- Unknown impact of COVID-19.

Mr. Arnett said there are presently two City firefighters with the virus.

He referred the FAC to the GOOD NEWS AND BAD NEWS FOR FY 21 BUDGET from City Manager Presentation which is now a part of the Fiscal Year 2021 Budget Report of The Finance Committee of The Annapolis City Council – May 11, 2020:

- Property tax revenues are stable;
- General fund balance situation is positive; and
- Employee health care costs are not increasing.

The City Manager is expected to keep the Finance Committee and the City Council updated.

Alderman Arnett told the FAC that the Finance Committee could not reach agreement to approve appropriations.

Chair Sussman thanked Mr. Arnett for the very significant contribution of the Finance Committee. Mr. Sussman also thanked Ms. Dickinson, her staff, and the rest of the Finance team. In concert with Alderman Arnett, they praised the budget process for FY 2021 saying it has been the best in years because of:

- Line item budget detail;
- Full-time equivalent (FTE) counts;
- Inclusion of pay scales; and
- Perspectives on growth in employee compensation.

Vice Chair Burdon raised the issue of percentage of salaries and benefits expenses when compared to corresponding revenues, contrasting the general fund vs. enterprise funds. Mr. Burdon thought the City should strive to get its ratios down to what they were two to three years ago. His view was that tracking such trends are important because if the City lets the ratios get out of control, there has to be some way to get them back down by cutting expenses or increasing revenues (e.g., taxes). So this is an area that needs close attention, he said.

Chair Sussman thanked Vice Chair Burdon for his ideas.

Alderman Arnett stated that the main reason wages are going up is competition with Anne Arundel County for public safety talent.

The Finance Director stated that many City employees paid through special purpose funds are lower paid. Pension costs are increasing rapidly. For example, police and fire pension expenses, which were 22%, are now over 28% and going to 32%.

Ms. Dickinson added that enterprise funds have higher financing costs. Salaries and benefits, compared to market, are not as high as surrounding jurisdictions.

In response to several questions by Mr. Cardillo, the City Manager replied that pension costs are not controllable. Ms. Dickinson replied that the City has not recently switched actuaries. The firm that worked on annual calculations was engaged to perform a more in depth study and that took some time, she said.

Alderman Arnett replied that with the City having general fund balances above requirements, there is cushion for a bad year. However, grants have artificially allowed the City to live beyond its means. In which case, it is a precarious situation, he told the FAC.

Ms. Dickinson replied that fund balances are being used for the purposes for which they are intended.

Audit Committee (AC)

Report deferred.

Budget Discussion (FY 2021 – continued)

Chair Sussman asked the FAC continue its discussion (if any) in reverse order (than what appeared on today's agenda):

- Fines;
- Fees;
- Capital budget; and
- Operating budget.

Fines - Following the motion by Mr. Burdon, which was seconded by Mr. Cardillo, the FAC unanimously agreed to concur with the recommendations of the Finance Committee.

Fees - Following the motion by Mr. Burdon, which was seconded by Mr. Cardillo, the FAC unanimously agreed to concur with the recommendations of the Finance Committee.

Capital Budget - Following the motion by Mr. Burdon, which was seconded by Mr. Cardillo, the FAC unanimously agreed to concur with the recommendations of the Finance Committee.

Ms. Currie asked what the industry standard is for allocating COLA among municipalities the size of Annapolis. Vice Chair Burdon replied that that may be a topic the FAC could take up in the future. The City Manager indicated that the City has been committed to three percent per year under a four year agreement and that for many years previously, no COLAs were given.

Chair Sussman asked what is the specific plan if revenues do not materialize. Vice Chair Burdon asked what would be the City administration and City Council response and trigger points to activate a Plan B or Plan C under the COVID-19 situation. Alderman Arnett answered that the Finance Committee could not come to agreement on actions to take, except for closely monitoring the situation. One possible immediate response, if needed, could be furloughs. Mr. Jarrell reiterated that the City's assumptions are that July, August, and September will have revenue shortfalls, but they return to normal. They are watching Federal developments closely.

Operating Budget – Following the motion by Mr. Burdon, which was seconded by Mr. Cardillo, the FAC unanimously agreed to concur with the recommendations of the Finance Committee.

Chair Sussman addressed City Attorney Lyles, asking about how the FAC moves forward. The FAC intends to prepare a short report taking positions, with commissioners responding directly to the Chair with comments on the draft(s). Mr. Lyles stated that is fine.

Thereupon, Vice Chair Burdon motioned for the FAC to prepare a draft report endorsing the positions of the Finance Committee subject to trends on salaries and benefits expenditures and vigorous monitoring of revenue shortfall. Mr. Cardillo seconded the motion, which was unanimously approved.

Chair Sussman advised the FAC members to individually work directly and exclusively with him to promptly compile a final report to be submitted to the City Council.

Concluding Remarks & Adjournment

Atty. Sussman thanked everyone for their participation and attendance, noting the good solid budget preparation and presentation. He added that it was helpful to review in advance.

The next regular meeting of the Financial Advisory Commission will be held via Google Meet videoconference on Thursday, June 11, 2020 at 8 a.m.

There being no further business, the “virtual” May 14, 2020 videoconference meeting of the FAC adjourned at 9:46 a.m. following the motion by Mr. Burdon, which was seconded by Mr. Cardillo.

Respectfully Submitted,

Kim Ellen Maronski,
Finance Department