

## The State of The City March 9, 2009

The City of Annapolis is on solid financial footing. Our AA+ Bond Rating, low debt burden ratio averaging .9 of debt to assessed valuation, and a fair amount of liquidity averaging 26% of the general fund during the term of this administration are clear indications of the strength of the City's financial base.

This Administration has been financially prudent, while at the same time moving forward to meet the public needs of a new century.

To quote a financial consultant reviewing City operations, "from a financial perspective, the City of Annapolis is an incredibly stable environment with the ability to make needed investments. The 2010 fiscal operating budget is \$500,000 less than the 2009 operating budget. The proposed operating budget is \$81,044,030.

The proposed tax rate tracks the constant yield rate at 53 cents per one hundred dollars of assessed value.

While the City is not faced with the same degree of financial upheavals as government jurisdictions around us and in other states, the City is not without challenges. The City's pension funds, both the Police and Fire Pension Fund and the one maintained by the State for all other employees have suffered significant losses in valuations. In the future, this could mean that both the city and employees would need to contribute more in order to keep the pension system fully funded.

Still we are in a significantly better position than a majority of other government pension plans. In the private market investments that individuals have depended on are shattered. Consumer spending is down. Businesses, large and small are struggling to meet their obligations.

Though the City does not receive any sales tax revenue, other City income as grants, are affected by down-turns in revenues. This budget therefore attempts to avoid actions that would add to economic decline and provide public service with cost and energy efficiencies.

The budget also recommends changes consistent with new 21<sup>st</sup>

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century demands. Jobs and cash flow are the lifeblood of our economy. I have, and will continue to make the employee workforce my priority, ensuring Annapolitans will have jobs!

With very little in the way of enhancements, this budget requires departments to continue the same quality service with less. With a thrust of improved technology and more efficiency, and aggressive grant funding, this goal can be met.

### **Support For Businesses**

An international plumbers union - The United Association of Journeymen and Apprentices moved its national headquarters to Annapolis, bringing 300 new jobs and generating additional income for the City. Despite the down-turn in the economy and the closing of some doors for business, the City has issued 96 Occupancy and Use permits for business in this fiscal year.

The Department of Economic Affairs has worked hard to strengthen our economic base, and the recent Union move is proof of their efforts. This year the City was awarded a Main Street program and an Art and Entertainment District by the state. The Annapolis Downtown Partnership is underway. An initial 12-thousand dollar state grant for facade improvements has already generated more than \$200,000 in private investments on commercial buildings.

A task force reviewing the economic impact of the arts will report this spring offering critical information for planning in the Arts and Entertainment district.

Much of the economic vitality of Annapolis is based on a visitor population. Tourism, among the top 3 industries internationally, is a very competitive industry. This City welcomes millions of visitors a year. Combined with resident spending Annapolis sends \$65,683,000 in sales tax to the state coffers. For a city of less than 1% of the states population this amount represents 2% of the sales tax collected state wide.

It is in the States interest as well as those in business to continue to attract visitors to the Capital City.

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Because of the potential dollars that will be available for businesses through marketing this visitor population, I have brought together business leaders and downtown merchants and Council members to discuss with my staff, concerns as well as public relations actions to reinforce the economic vitality of Annapolis. It is critical that we act on the positive National media exposure we have already received this fiscal year. Annapolis has been identified as a special place to visit by:

- The National Geographic who selected the City for its sailing,
- Forbes for its beauty, and
- American Style for its art.

While standing at the top of Main Street, few can argue with the American Planning Association award for Main Street as a ‘great street.’

- Unique archeology discoveries on Fleet and Cornhill Streets have been broadcast internationally through the New York Times and Archeology magazines.
- Identifying the city as the Sailing Capital of America helped to secure the Sailing Hall of Fame, a future premier visitor attraction.
- And Benny, the Fire departments hazardous chemical trained top-of-the-class #1 award winning dog, achieved some fame for the City too.

These awards provide a strong marketing base for the business community.

Living History Together continues to be a strong impetus for visitors who just like to wander downtown, walking in the footsteps of George Washington in today’s National Historic Landmark and Capital City. The City staff is working actively with staff in our nation’s capital to promote transportation to Annapolis with hopes of capturing some of the 20,000,000 visitors to DC.

Public and private partnerships brought mayors and visitors from

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Sister Cities in Ireland, England, Nova Scotia and China. The State Department brought many more delegations from foreign countries to explore local government at work under-scoring the importance of international connections to the City. This summer young students from Sister City Rochefort, France, where Lafayette's ship that sailed to America to join our revolution, is being built, will visit Annapolis to sail on the Chesapeake Bay.

### **Public Information: Essential To City Vitality**

Understanding the value of public information and its value to marketing the City, through the dedicated public access fund the City has expanded its COA-TV programming with Comcast and Verizon this year. Hotels in Annapolis will soon be linked to the City's television station, promoting downtown Annapolis as part of a major marketing campaign. Our TV station, along with our website, is undergoing a community friendly re-design to be unveiled this spring. Video streaming of events, emphasizing a new approach to community out-reach has been added to the Annapolis.gov website. Annapolis.gov also won a 6<sup>th</sup> place award for design this year.

The City Magazine provides critical information on the work of the city. It has proved to be a valuable marketing tool for people exploring the City for business opportunities. It is popular with visitors. Distributed to each resident it enables citizens to be an advocate for the place they call home.

This budget continues funding for the community outreach and marketing tools that under-pin our non-manufacturing economy. Each of us, elected leader, business owner and resident has a stake in maintaining our visitor attraction and economic vitality. Each of us can be an Ambassador for the City. An attitude that emphasizes the good things that happen is the strongest sales tool.

### **Annapolis Youth- Our Future**

Young people are our future. The Office of Youth and Community Action launched a scholarship program called Rock-

for-Youth. The program invites all city residents to contribute to build a million dollar fund to help send Annapolis High School graduates who otherwise would not have the opportunity to go to college. Five students have been selected and will begin studies at the Anne Arundel Community College this fall.

Over the last 6 months the office has provided training to at risk youth through the Sherwin Williams home maintenance program and a wooden window repair program. A \$100,000 grant on lead paint removal offers a training program to certify workers in the process. Working with our federal partners requests for funds for skill building in green technology, particularly for certified energy auditors is underway.

A base of skilled energy auditors is crucial to the work of Annapolis EZ, the innovative public-private partnership loan program to help residents transform homes and business buildings into energy efficiency. This program while privately funded (and used as a model by Congressman Chris Van Hollen for a federal funding program) joins other City loan initiatives as the Sprinkler fund and the historic district building façade program.

### **Volunteers – An Exceptional City Asset**

The commitment of people to make a difference in the world they live in locally keeps Annapolis strong. Like the United Way, the City has created a variety of volunteer choices for pocket-book contributions. If education is an interest Rock for Youth may be your choice. If reduction of emissions and carbon off-sets is your interest, than DNEPS program, similar to terrapass will help the City meet its carbon reduction goals by 25% over 2006 levels by 2012 may be your choice. If celebrating our Nations Birthday on July 4 is an interest than contribution to that fund with Recreation and Parks may be your choice. Greenscape, the cities landscaping and Earth Day program, also accepts contributions

In addition to opportunities for gifting, citizens are involved in contributing time and skills to a variety of boards and commissions. Following the Lets Talk Conversations which

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engaged 900 citizens, 32 residents volunteered for the Citizens Advisory Commission that has recommended the comprehensive plan that will guide the city's land use for the next 10 years. This year over 250 people volunteered for, and serve on, City boards as the Historic Preservation Commission, Art in Public Places Commission, Planning Commission, Board of Appeals, Maritime Advisory Board, Liquor Board, Port Wardens Commission, Environmental Commission, Conservancy Board, Recreation and Parks Advisory Board, Blue Ribbon Task Force on Revenue, Task Force on Arts and Humanities, Downtown Partnership Board, Arts and Entertainment Board, West Street Vision Team, Economic Development Strategy Team, Parking Advisory Board, Bicycle Task Force, Compensation Commission, Safe Street Commission, Rock for Youth Board, Lincoln Walk Committee and more, illustrating the open and participatory nature of government in Annapolis. Another 1000 people and midshipmen volunteer time with Greenscape and creek clean-up and restoration efforts. The City leaders need to be mindful and protective of the processes of openness in government that nurtures willingness of citizens to contribute time and money to keep their city and quality of life strong.

### **Annapolis, The Emerald City- All Things Green**

Annapolis has always been ahead of other jurisdictions on environmental initiatives. The City was twenty-nine years ahead on tree canopy protection. It is a leader in urban localities in the State with a 42% tree canopy. The City's agreement with DNR to reach a 50% goal means planting 1000 trees a year, a goal we continue to meet.

For more than 30 years we have led the way in urban open space with 19 street-end parks and 200 acres preserved through our public land trust. Our laws on the environment are the strongest in the state embodying best management practices and are used by other agencies as examples of what local government can do to make a difference.

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The city's new sustainable community action plan challenges us in new ways to make a difference. Looking to reduce our carbon foot print the administration is moving on efforts to convert our bus fleet to natural gas.( a cost reduction) Meetings are being held with the staff of T-Boone Pickens for grant support for this conversion. Meetings are underway on partnership with the state for use of its underutilized CNG station.

Legislation introduced tonight will launch a Clean-Air Auto Program. I am also asking for a committee to explore the feasibility of a carbon tax with dividends (a revenue enhancement) for the city of Annapolis. When all is said and done under the current green band wagon Annapolis, the state capital, should be dubbed the emerald city of Maryland, because Annapolis IS "Green."

### **Another City Environmental First - Leading By Example**

This year Annapolis became the first municipality to complete an urban watershed action plan. Programs identified that are 'shovel ready' are being pursued with our congressional leadership and the states economic recovery program. Included are two innovative programs on nitrogen reduction in our creeks and storm drain retrofits. If these studies prove positive we will be able to save thousands of dollars in the future for cleaning up our waterways and meeting goals soon to be imposed by the EPA.

A goal to reduce the city's impervious surfaces from 42% to 26% is recommended. Leading by example the city introduced Rain Gardens in the dock area with its reconstruction of the deteriorating bulkheads. Rain gardens at the stadium site and surface change on several acres of land also reduced our impervious surfaces but we have much more to do and this is reflected in the budget.

In March, Back Creek Nature Park opens to provide an 11 acre National Model Environmental Education Center. Street-end parks are being converted to meet new environmental standards for capturing and filtering rainwater.

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And finally through the tireless and sometimes frustrating efforts of the City's leadership in Recreation and Parks, a new recreation center is underway. The budget reflects an anticipated new income for a "Pay to Play", when the facility opens this autumn. It too is state of the art with green roofs, capture of rainwater for use on athletic fields, rain gardens and pervious surface parking lots. An RFQ is underway for proposals for the use of the recreation center on St. Mary's street, built as a USO Center in the 1940s, that should bring additional revenue to the city.

### **Keeping Up With Capital Improvements**

Short term gains at the expense of long term gains left this city facing infrastructure stress in 2001 with Council approved capital programs stalled for 15 years. This administration has been aggressive in completing the approved CIP Program. West street improvements, bringing more than \$219,000,000 in new assessments has breathed new life into the city's economic vitality fostering business friendly programs like First Sundays.

The long over-due bricking of streets and sidewalks, has added to the warm and historical feel of our Capital District. It also fosters the impression that we care about ourselves. Major roadways along Forest Drive in Parole and on Edgewood Road improved neighborhood stability and pedestrian safety. Long awaited undergrounding of utilities is underway in the historic district. New updated office space has been created serving city staff and the public we serve.

New times demand new improvements. Our Historic City Hall needs major mending. Energy demands and innovations require new vision. Space needs to meet public demand for service is not yet resolved. New capital programs reflect recognition of needs to reduce the carbon footprint, harness energy in new ways, reduce impervious surface, acquire space to complete the City's community outreach efforts, advances in transportation and transit, restore the 80 year old water plant and upgrade outer West Street improvements anticipated as an outcome of the volunteer citizen

committee. Downtown revitalization recommended for Clay and Washington Street and Compromise Street as proposed by the Office of Planning and Zoning is also included as new programs for the future.

### **The Past Is Prologue.**

Walking down memory lane for a moment, Police Chief Joe Johnson came into the City to rescue a department torn by personnel conflicts and low morale. Morale improved however by 2001 newly trained officers were leaving the city for territories with better pay. Eleven officers were leaving for every 3 hired. Stopping that hemorrhage was a top priority. Today APD is at the tops in the state for pay and benefits. The lowest crime rates since 1990 have occurred during the last seven years.

This year under Chief Michael Pristoop the crime rate may be the lowest yet as we wage a new war on the use of illegal drugs and guns. The addition of 2 drug trained dogs, recommended by a volunteer public safety team has benefited this effort.

The Annapolis model of a Safe Street Initiative involving coordination with state agencies has proved successful and is likely to be replicated in another local government. A new \$562,000 grant for a 911 center has been received. With our Emergency Operations Program the City is a partner on a federally funded radio communications system that covers five counties and Baltimore City.

### **Grant Funding - Essential To City Public Service**

The City is aggressively pursuing Federal, State and private grant funds. Approximately 20 programs have been filed with the state for economic recovery dollars on 'shovel ready' programs addressing the priorities identified by congress. This year 25 staff members were trained through a program at the Anne Arundel Community College in grant writing.

Since the property tax only covers 54% of the City budget aggressive pursuit of other revenues is essential to providing

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quality public service. Over the last decade income from intergovernmental sources has increased by 94.9% from \$7,000,000 to \$14,000,000. Other grant sources have increased by 364.8% from \$1,036,900 to \$4,819,760. Miscellaneous revenues have increased from \$186,000 to \$1,965,000.

This year we will begin to see the first new income from insurance agencies on medical emergencies. An anticipated annexation on West Street will push up our assessable base to provide additional revenue next year. With very little in the way of enhancements, this budget requires departments to continue the same quality service with less. With a thrust of improved technology and more efficiency, this goal can be met.

We have also worked to reduce costs. Moving to a “self-funding” model for health benefits from a “fully insured” model has provided an annual 10% cost saving. Self insuring for Workers’ Compensation has produced an annual savings of more than \$650,000 since 2003. Other department savings from consortium purchases of fuel and electricity equate to more than \$100,000 annually.

Sustainable efforts through DNEP has also reduced costs. The “TRAK IT” software increased efficiency and reduced time in the permitting process and the IVR- Interactive Voice Response allows contractors to call for permit status 24-7, making it more contractor friendly. Purchasing smart cars and scooters when feasible in our vehicle replacement fund continues to provide cost savings.

### **New Challenges - New Changes.**

Transportation and transit related issues, technology, the environment and the economy dominate 21<sup>st</sup> Century issues. To meet these challenges I am recommending the following initiatives.

#### **In transportation and transit:**

1. The transportation planner in Planning and Zoning has been moved to the Department of Transportation to better deal with issues related to moving people from Parole Centers,

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Washington, DC and Baltimore.

2. A new emphasis has been placed on issues related to alternative transportation, bicycle initiatives and parking enforcement. A staff person will create the positive energy needed to promote and implement these programs citywide.
3. Parking enforcement staff will be moved from the Police Department to the Transportation Department.
4. A license scanner will be purchased to enhance parking enforcement..
5. The Washington, D.C. and BWI transportation routes will be bid in the private market. The City has worked cooperatively with Dillon's bus service to continue the 921 service. This will be renamed the Capital to Capital line, expanded to the week-end and marketed in D.C. and Baltimore to draw visitors in those cities to Annapolis consistent with our tourism strategy. Service to BWI and New Carrollton opens up opportunities for people to travel to any place on the globe and reduces dependence on auto and parking capacity. Grant money is being pursued for residents who commute to Annapolis, DC and BWI for work.
6. After reviewing the success of City Dock 'Pay and Display' parking, the city will shift to a pay and display program in the City Dock, Main Street, Prince George and other residential streets. This is anticipated to enhance revenue for parking by 10%.
7. The Knighton garage, which loses money, will serve as a garage model for pay and display. Savings secured will outfit the garage for hybrid vehicles to re-charge.
8. The free City shuttle passes Knighton garage 90 times a day. A marketing plan for this best kept secret is being developed.
9. A dedicated funding source from assets of the pay and display off-street parking areas to enhance frequency and extended hours for the transit system.
10. Bus maintenance will be out-sourced.(an expected cost saving)

**11.** City ordinances will be revised to reflect these changes.

**In technology the following changes are proposed:**

The IT Department serves a community outreach function which through the external web site is under-going improvements to meet new demands for public services. The IT department began primarily as a support service to City agencies moving into the computer age. Today however the infrastructure is out dated. The email system is not integrated into the system platform. No overall plan to update the existing infrastructure, replace legacy systems or increase automation exists. The department is understaffed.

Consultants reviewing MIT operations recommend in the long term that MIT become a separate department with a Chief Information Officer reporting directly to the Mayor. More advance systems are needed to meet automation, efficiency and disaster recovery.

Outsourcing of infrastructure could provide lower costs at a higher level of service. Leasing city fiber optic space should be explored as a new revenue stream. These changes are necessary and expensive and will have to be the focus of another administration.

However, to jumpstart these changes I am requesting money for support to develop a strategic plan that documents business requirements citywide and map needed functionality to support citizen services and regular operations. This effort would be the foundation for selection of new systems in line with advanced technological tools in today's world to be considered in 2010.

To keep staff up to date on the use of technology money for training staff in each department is recommended in the Human Resources budget to improve user access to information and reports necessary for data via the web. Redesigning the annual performance employee review process is also needed.

The last issue in need of remedy is the Market House. While our lawyers prepare for a June 9 trial date, the Market House sits vacant through the abuse and misuse of the privately contracted managers retained by the City, in good faith, to provide an

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important service to those who visit this city and to those who live and work here.

By failing to meet its obligations outlined in the lease over an extended period of time, Market House Ventures LLC has defaulted on its lease. We have formally notified Market House Ventures that they are in default of their lease for both failure to pay rent AND for failure to make meaningful and good faith efforts to fill the empty stalls in the Market House.

Additionally, I have directed our lawyers to aggressively explore whether the City should exercise eminent domain and condemn the Market House lease and quickly return the Market House to City control. I expect to have their conclusion and any recommendations no later than our regular April meeting.

One of our greatest challenges this City faces comes at a high cost, but has no dollar amount attached to it. Our ability to be civil with one another and interact without accusing or pointing fingers is a challenge I have tried to address since my first year as mayor. The “Let’s Talk Annapolis” forums and luncheons, the Civility Panel and discussions, were all part of an attempt to open a dialog and make the city better through the ideas of its own residents.

During this election year, we need to keep discussions open with a civil approach to problem solving involving city officials, the public and the media.

As a courtesy to the next Mayor and Council, here is a little fact that has been lost through the years, but once ruled the harsh tongues in the New Colony of Maryland.

A law against spreading false news and information was proposed by Proprietor Lord Baltimore. The law declared: “Spreading false news to make discord is punishable by common law, with fines and imprisonment.”

An attempt to create a civil environment has been the focus of leaders dating back to Lord Baltimore. In 1651, commenting on rumor and intentional false statements in a letter, he stated, “... A government divided in itself brings confusion and much misery upon all the people under it, within the creators of such

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division, the fomenters of discord must justly expect sad calamities from the same if they do not in time see and rectify the same, for the public peace and welfare of the people under the government,”...

The focus of Lord Baltimore’s comments of law, were part of the New Colony’s formation and success. The spread of intentional falsehoods could not be tolerated. These same principals are used today regarding slander and libel. 358 years later.... the fight for civility continues!

This budget recommends some bold new steps for change, suggests potential revenue enhancements and cost savings, addresses the challenges ahead of us and maintains public service demands at the constant yield tax rate that citizens deserve.

In closing, this budget speaks to the Republicans and the Democrats, the business leaders, civic leaders and faith-based leaders. This budget takes into account the great expectations of a great City and responsibly maintains a balanced budget for the next Mayor and Council to work with.

This is my last State of the City Address. As I leave you with this budget to work with, I also leave you with this thought. I ran as Mayor 7 years ago, hoping to leave this City better then I found it. I believe I have accomplished that, and I hope this budget represents some of my efforts.