



# FY 2012 Budget Concerns

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By

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# City's Financial Problems

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- We are still in trouble
- We need to cut spending now
- You need to speak up

# Actual Revenue & Expenditures

(Audit data from CAFRs)

<b>FY</b>	<u>Revenue</u> (\$millions)	<u>Expenditures</u> (\$millions)	Under (over)
2010	78.0	92.4	(\$ 14.9)
2009	84.0	89.0	(5.0)
2008	78.6	81.5	(2.9)
2007	68.6	70.3	(1.7)
2006	65.5	70.6	(5.1)
<b>Total</b>	<b>374.7</b>	<b>403.8</b>	<b>(29.1)</b>

# Actual vs. Budgeted Expenditures

(Audit data from CAFRs)

FY	<u>Actual</u> Expenditures	<u>Budget</u> Expenditures	Under (over)
2010	92.4	86.5	(\$ 5.9)
2009	89.0	81.6	(7.4)
2008	81.5	75.1	(6.4)
2007	70.3	69.4	(.9)
2006	70.6	62.2	(7.6)
Total	403.8	374.8	(28.2)



# City History of Overspending

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- City continuously overspent budget
  - \$28.2 million from 2006 to 2010
- City used up cash reserves and went deeper into debt – LOC's
- Debt increased 41% from 2009 to 2010
- Will this year be any different?



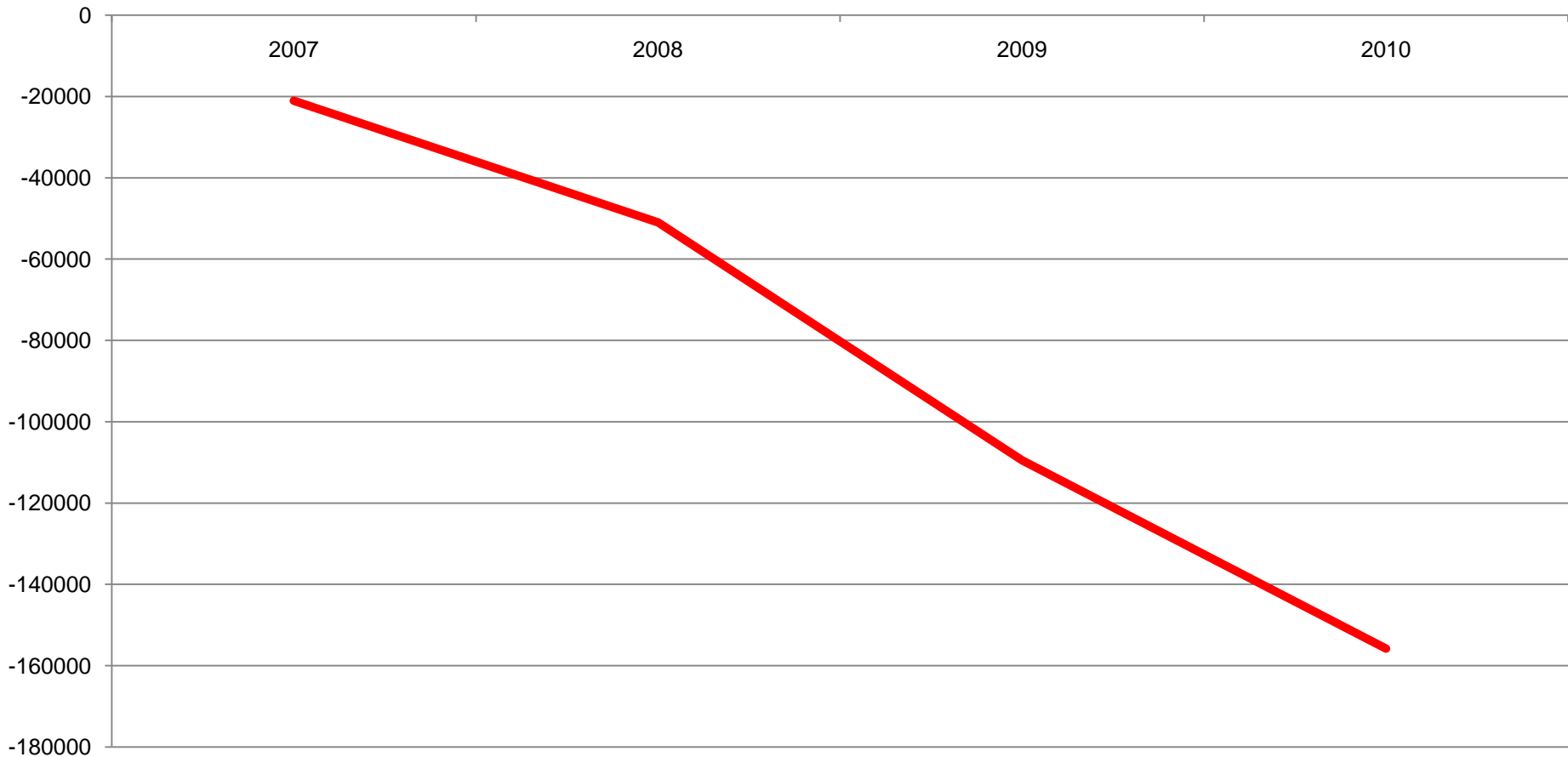
# City's Financial Problems Are Not Over

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- Cash will again run out – by July
- City is not living within its means
  - Planned 2011 surpluses have evaporated
- City has mortgaged our future
  - Refinanced \$36 million in bond debt with an additional cost of \$16 million
- City not addressing unfunded liabilities

# Debt & Unfunded Liabilities Exceed \$155 Million

Debt and Unfunded Liabilities





# Bond Rating Problems

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- Bond rating downgrade
  - *"...the downgrade reflects the city's rapid financial deterioration and weakened liquidity position..."*  
*Moody's*
- On credit watch with negative outlook
  - *"The negative outlook reflects Moody's view that the city will continue to face difficulties in the implementation of budget adjustments , including revenue enhancements..."* *Moody's*



# City Plans to Spend and Borrow Even More

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- Proposes a 15.6% budget increase
- Significant increase in fees coming to every household and business
- Proposes even more borrowing
  - The City's debt will increase from \$89 Million to more than **\$136 Million by 2017** – up 52%
  - In the next 5 years, the Mayor proposes we borrow more than in any previous administration
  - We will be paying for this for the next 30 years.



# The Financial Climate is Harsh

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- Property Tax revenues are going down
  - Joseph Glorioso, State Dept. of Assessments, projects a 10% reduction in assessments
  - A 10% decrease in assessments = 7.3% reduction in City revenue, or \$2.5 million
  - Assessments last for 3 years
- When bond interest rates go up debt service will become unaffordable



# What Actions to take?

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- Take corrective action now – The problem will be worse next year
- Use savings to rebuild reserves
- Address the cashflow problem
- Reduce total borrowing
  - Money spent on non-essential projects, while critical services such as water and sewer lines were ignored.
  - Actively explore joint county-city water plant project



# Reduce Spending by \$2.5 to \$5 million this year

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- Re-examine ways to reduce staffing
  - Impose hiring freeze; don't fund vacant positions
  - Consolidate departments
  - Pursue out-sourcing, e.g., Recreation Center, trash collection, etc.
- Explore using County services
- Reduce Take Home Cars using City gasoline



# Why We Must Take Action Now

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- Property Tax revenue will fall
- Some major expenses are out of our control (healthcare, fuel, emergency building repairs, water/sewer line breaks, etc.)
- Act now because:
  - We have flexibility now, problems worsen with delay
  - Others taking corrective action (e.g. AA County)
- Minimize need for more debt
  - We can't borrow our way out of debt



## In Summary

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- We are still in trouble and more is on the way
- We need to act now by cutting spending
- You need to help by making yourself heard



# Contact Mayor & City Council

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- Tell them what you think about:
  - The budget increases
  - Soaring City debt
- Attend May 23 Public Hearing and please speak up
- Request more information, e-mail to [AnnapolisBudget@gmail.com](mailto:AnnapolisBudget@gmail.com)



# Questions ?

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