

FINAL

## FISCAL YEAR 2015 BUDGET MESSAGE

Mr. Chairman  
Members of the County Council  
Cabinet Members  
Elected Officials  
Honored Guests  
Fellow County Employees  
and all Citizens of Anne Arundel County

Good Morning!

First, I want to thank Chairman Grasso and all the members of the County Council. It's been sometimes interesting, occasionally frustrating but, overall, a pleasure to work with all of you over the last year.

We may not always agree but we are always committed to keeping the lines of communication open with the common goal of serving the citizens of our County.

With us today, there are also several new members of my administration. In every hire, I have looked for the best person for the job. Every person in my administration is committed to transparency, accountability and a fiscally conservative approach to managing taxpayer dollars. They all have choices about where they go to work every day and they have chosen to serve their community.

Also present today are employee representatives, school board members and elected officials. Our county is experiencing unprecedented collaboration – with the employee groups in dealing with complex and difficult issues, with the City of Annapolis to partner on joint initiatives to improve our quality of life and save taxpayer dollars (I had no idea when I took office that this would be the first time the city and county would collaborate – or even speak – in decades), with surrounding counties (we have already partnered with Howard County on transportation to improve service to our citizens and save hundreds of thousands of dollars) and, finally, with the school system for increased funding for school construction and to ensure our schools are a priority!

I'm pleased that Mamie Perkins, our Interim Superintendent of Schools is joining us today. Mamie has done an exceptional job over the last year and it has truly been a pleasure to work with her. My only regret is that she will not be joining us on a permanent basis.

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WOW! It is hard to believe it has been a year since I stood before you delivering my first budget address just a few short months in office. I told you then that the budget represented a new chapter and a fresh start for Anne Arundel County... committed to increasing efficiencies, fiscal responsibility and open, collaborative government. And this remains true today.

This budget message is full of good news! I am proud of how hard we have worked to improve our government during the past year and I want to share some of those accomplishments with you today.

Everything we have done has been in the spirit of more efficient, collaborative and transparent government. We took a hard look at how we do business and have identified ways to increase efficiencies and save taxpayer dollars.

When I took office our county was facing a challenging time financially. In the previous administration, we had just experienced four consecutive years of tax increases and two of the largest

property tax increases since the tax cap was implemented in 1994...and the largest tax increase since 1984. Reserve funds, the Retiree Healthcare Fund and the Contingency fund had all been raided to balance the budget. We were also facing a structural deficit due to the prior administration using one-time revenue to cover on-going debt – a practice that is not financially sustainable.

Before we go forward, let's review last year's budget...

It's been widely reported that last year's budget included an overall increase of \$72 million. Let's set the record straight. The actual increase in the operating revenue was \$38.7 million. This increase was largely due to an improved economy. The additional \$33.8 million was one time fund balance.

In fact, the total increase in the operating budget for FY14 of \$38.7 paid for things like increased Maintenance of Effort, shifting of teacher pension costs, public safety and employee pension costs.

The \$33.8 million of **one-time** money was used to restock the Rainy Day fund, OPEB and PAYGo (which supports the capital budget). This IS the most fiscally prudent way to use one-time funds, rather than to pay for ongoing debt.

In fact, in FY14, we continued to have a structural deficit but we were able to reduce it. In the coming year, FY15, the structural deficit has again been decreased and we are working to eliminate it altogether.

Despite these considerable challenges, I was able to turn the tide and cut the property tax increase by 2/3 in my first year in office.

We've come along way.

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I am happy to report today that this positive trend continues. My Fiscal Year 2015 budget proposal includes a property tax rate cut – the first property rate tax cut in five years!

And there's more good news...

Additionally, there will be NO increase in public water and wastewater bills!

While saving taxpayers money, we are stabilizing county government. This budget also fully funds our Rainy Day reserve fund for the first time in **seven years** and corrects long-neglected unfunded liabilities such as OPEB. This is all possible due to increased efficiency.

The Retiree Health Care Fund was an issue long-ignored by previous administrations, which led to a massive build-up of unfunded liability...an unfunded liability really means future deficit! No one was willing to tackle this sensitive and difficult issue – but I DID, along with the County Council! My administration worked hard to fix an unsustainable debt. Now, due to the passage of Bill 85-13, and in collaboration with each of you, the County is on a path to be able to meet required funding levels without bankrupting the County and passing it on to taxpayers.

The Fiscal Year 2015 operating budget totals \$1.3 billion and the capital budget totals \$244.2 million. After four years of property tax rate increases, we are reducing the tax rate without cutting essential services or depleting our savings. In fact, my budget proposal

- increases services through improved processes,
- invests in public safety and
- for the first time in three years provides funding to cover a four-shift schedule in the Fire Department, eliminating excessive overtime.

This budget is well-planned and supports my priorities to save money through improved efficiencies as we continue to strengthen and expand our delivery of services... by

- investing in technology enhancements
- equipping and training our workforce to do their jobs more effectively and efficiently
- and modernizing our infrastructure and
- growing our economy.

But we cannot do this alone....which is why I called on the citizens of our great county to get involved. Citizens should have a seat at the table in everything we do. And boy did they deliver with the Commission on Excellence.

### **Commission on Excellence**

Last year, I shared my early experiences of what I encountered when coming into office. Shocking was the word I most often used to describe what I saw first-hand every day.

We have spent the last year looking at how and why we do business the way we do... and the dated practices and processes in place that need to be updated. Updated with

- modern,
- sensible and
- new systems to move our County forward.

One of my first acts as County Executive was to establish the Commission on Excellence. Before I go into what they were tasked to do and what they accomplished, let me first recognize the 47 citizens (some of whom are here with us today) who made up the Commission on Excellence.

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They possess a variety of professional backgrounds, skills and expertise. I thank them for their tireless work and dedication to finding new ways of doing business with our government in order to make it easier, more productive and efficient.

I established the Commission in the spirit of open and transparent government. Their goal was to conduct a top-to-bottom review of how our government operates. Members of the Commission were provided with unprecedented, unfettered access to 19 county departments and their daily operations. After thorough interviews with their respective department assignments, the Commission identified a number of strengths, weaknesses and opportunities to improve efficiency across all areas of county government.

In fact, the Commission made over 200 recommendations and I'm pleased to share that we've already implemented over a dozen of their recommendations. They didn't do all that hard work just to have a report sit on the shelf... it is a working document used to inform our decisions every day.

While many of the recommendations were specific to individual departments, a number of common themes were reflected in their reports. The most notable were:

- technology,
- workforce and
- processes.

### **TECHNOLOGY**

I have been outspoken about the state of technology in our county.

Whether it is

- applying for a building permit,
- reserving a field for a youth sports league, or
- reporting a pothole in need of repair,

the Commission found that many of our current processes are paper-based and time-intensive. We need to provide residents a way to interact that is more efficient and responsive.

This past year we moved from the Groupwise email system to Google Mail, which allows us to better communicate with

- citizens,
- other jurisdictions
- and each other.

We also made technological enhancements to our public safety sector by upgrading their communications equipment and supplying them with iPads.

This budget proposal allocates \$1.2 million to continue planning for major objectives for information technology in Fiscal Year 2015 and beyond. We are working to implement a base of technology that will support enhancements to County processes, procedures and systems while also reducing the long-term cost of operations and capital requirements.

A major initiative that will begin this year is to look at integrating interagency systems to provide

- seamless information flow,
- reduce labor costs and
- increase efficiencies and public access to services.

In the next couple of years, the most notable of our effort will focus on our land use agencies:

- the Office of Planning and Zoning,
- the Department of Inspections and Permits
- and the Department of Public Works.

I don't have to tell you that investing in fully-functioning, useful technology can be very expensive and we are doing our best to balance the price of long-overdue upgrades by saving money in other areas. Therefore, these upgrades will be phased in over the next few years. The previous administration spent \$6.5 million on a new public safety system, which never worked. We are **planning**, to ensure success in project management and implementation.

As we continue to update technology throughout the county, citizens and employees will see improved response times in service delivery as well as resolutions to age-old broken systems and processes.

## **WORKFORCE**

When it came time for all the county departments to present their individual budget requests to my Administration I made it very clear to each of them: with the exceptions of public safety, there will be **NO NEW POSITIONS**.

Our county has cut 281 positions over the last few years, even as our population has grown by almost 6%. I wanted to ensure we became a more efficient organization rather than adding positions. I asked

every department to take a hard look at how they were doing business and to find innovative ways to improve their daily operations; including making it easier for employees to be more effective and efficient in their jobs at the highest level possible.

Our workforce is our greatest asset and we are fortunate to have a county that has so many dedicated and hard-working individuals delivering essential services to our citizens every day. I've had the opportunity to meet many of them myself – from snow plow operators to librarians – and I cannot say enough about how impressive so many of them are and how much they care about their community. We had lost the “service” in public service...but it's coming back!!

One of my biggest surprises, especially coming out of a recession, was how many long-time employees were nearing retirement. We face challenges in maintaining the skilled and knowledgeable workforce needed to provide the highest quality of services to our communities. Training was non-existent when I came into office.

I want us to work with our local resources - such as our award-winning Anne Arundel Community College - to develop training and certification programs specifically tailored for jobs serving the community. The Department of Inspections and Permits has already taken the Commission on Excellence's recommendation and is currently working with the college to develop a unique training program for their inspectors. I support substantive training and continuing education.

Therefore, I have allocated \$262,000 in order to reinstate the employee training and tuition reimbursement program. This is the first time in seven years that money has been allocated in support of this program. Our employees hear every day that our job is to serve the citizens of this county. We need to make sure they have the training necessary to do the job well.

If we fail to recognize, reinforce and reward hard work, we stand to lose a valuable resource. I will continue to challenge department heads to take a close look at their departments' business practices and restructure where necessary. But we also have a responsibility to provide employees the tools and training they need in order to deliver the highest quality of service to our citizens.

## **PROCESSES**

And finally the Commission made recommendations about our business processes in the county. Duplicate processes between departments can create unnecessary costs. In every area, we are evaluating more efficient, cost-effective measures. Currently, we are considering

- consolidating the operations at the county's maintenance garage,
- centralizing the management of office space and
- partnering with other jurisdictions when purchasing large equipment such as county vehicles and police and fire equipment that may offer opportunities to reduce costs.

But there are a few exceptions and, since I am absolutely committed to transparency, you need to know about them.

Did you know that we outsource prisoner transport? This was done by the former administration as a cost-cutting option. This is not an option! Last year, in the prior administration, a prisoner escaped while being transported from the jail to the courtroom by the private vendor. Some things cannot be outsourced or cut out of the budget. Nothing is more important than public safety and in my Administration; we will bring this back in-house.

Along those lines, in Anne Arundel County, we do not have central booking capability for our law enforcement agencies. In fact, we are the only large jurisdiction that does not have a central booking facility. It was one of the first observations of the new police chief, Kevin Davis.

In our county, when someone is arrested and going to the detention center, we handle booking through one of our 4 district police stations. This practice is inefficient and expensive. It takes police officers off of our streets for a significant amount of time in order to process a prisoner. Without a consistent, efficient approach to processing criminals, we face the possibility that one will be treated differently than another...and this is simply unacceptable. It opens us up to being challenged in a court case. Human error should not enter the discussion when we are talking about taking bad guys off the street.

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Mental health issues – a big issue for counties, states and the country. Mental health issues continue to increase as a serious concern in our society. We will spend over \$300,000 at the Detention Center specifically to deliver treatment and counseling to inmates suffering from mental health ailments. It is one approach to attempting to reduce the amount of repeat offenders incarcerated due to mental health issues.

This is just the start of my commitment to addressing mental health in our community.

There are some roles that are central to county government. In every area, my Administration will continue to become more efficient and improve our delivery of services through the implementation of well-planned processes that are practical and exercise good fiscal management, while balancing the need for public safety.

## **PUBLIC SAFETY**

We deliver essential services to our citizens every day but one of the most valuable services we provide is public safety. Our police department has been persistently understaffed and stretched to its limits for a number of years. Staffing shortages result in increased overtime expenditures.

I have been outspoken in my commitment to investing in police, fire and detention, and I have made it clear that adding more police officers over the next few years as well as replacing an aging fleet of vehicles and equipment are priorities. I have also advocated to forward-fund a new police academy.

This budget proposes the addition of 20 new police officers in FY15, which will support staffing 18 full-time officers county-wide and increase law enforcement presence at Arundel Mills by 2 officers.

We will also continue investing in our police fleet. I was surprised to find out that we order new cars without back-up cameras as a cost-cutting measure. It seemed fundamental to me that every police vehicle should have a back-up camera but I needed data.

I requested the information and found out that 1/3 of police-involved accidents are back-up related. The addition of back-up cameras will reduce the occurrence of related accidents saving

- time,
- resources and
- taxpayers' money.

I am committed to building a new police academy in the next few years. This budget dedicates \$708,000 to begin design work as we plan for a new police academy in the future. I have said many

times, and will continue to say, that if you don't think we need a new academy, please join me for a visit. There aren't sufficient words to describe the facility, so suffice it to say – if you can make it through that dump, then you've earned the job!

In Fiscal Year 2014, I allocated funds to begin the upgrade of the Fire Department's outdated radio communications system that is not capable of communicating with our neighboring jurisdictions such as Prince Georges County, Baltimore City, Baltimore County, BWI Airport or the State of Maryland. Our county has no cross-jurisdictional coordination capability!

In my proposed Fiscal Year 2015 budget, \$1 million is dedicated to the next phase of upgrades to increase interoperability with our surrounding state and local jurisdictions... and ensure that our Fire Department is P25 compliant, meaning it meets the FCC standard for Public Safety voice communications.

Anne Arundel County citizens deserve no less when it comes to public safety.

Our basic communications support for all first response agencies is outdated. There is also \$3.5 million included to modernize the radio system infrastructure used by our public safety sectors. Their current communications system will be at the end of its service life within the next two years.

While we're talking about the Fire Department, let me express my appreciation for Chief Cox and how hard he has worked to find a number of ways to directly cut costs while still realizing efficiencies throughout this past year. Chief Cox has worked for the Fire Department for 26 years – first as a volunteer and then as career...now that's a public servant.

I asked Chief Cox for a plan to reduce costs while still providing optimal service to the community. His list of cost-cutting improvements is too long to detail (seems he's been building his list of ways to save money and improve the department for the last 26 years) but includes the following:

- Changed Fire Academy Recruit Training procedures to allow recruits with firefighting experience to complete the process faster. This allows the Department to place **trained** recruits quickly - to fill staffing vacancies and reduce overtime costs.
- Cancelled the purchase of a ladder truck (85% of our fire calls are medical emergencies and we were sending a ladder truck out on every call) and instead purchased 6 ambulances that were desperately needed.
- Implemented a policy to have ambulances (in lieu of fire trucks) respond to emergency medical calls that might require additional personnel. This reduces unnecessary mileage, and wear and tear on these critical and costly apparatus. This was also a suggestion we heard from the community.
- Placed two Basic Life Support Ambulances in-service... by cross staffing the units with existing personnel from fire suppression units.
- Enhanced medical services staffing at the Herald Harbor and Galesville Fire Stations, which improved the ISO ratings for those two areas, saving our citizens money on homeowners insurance. We had communities where there were more people on a trash truck than a fire truck.

- Implemented a Rapid Dispatch Protocol that reduced 911 call processing times by 50%. Our protocol was recognized and emulated both locally and nationally.

These efforts are saving real dollars and improving the efficiency of our Fire Department!

### **Bond Ratings/Rainy Day Reserve Fund**

You will often hear me say that I manage the county's finances as if they were my own. I am fiscally conservative and careful with our county's finances. A healthy Rainy Day fund strengthens our credit-worthiness with bond-ratings agencies, saves money and improves efficiency. I am happy to report that this year the three major bond-ratings agencies gave Anne Arundel County high marks for our structurally sound financial management, our positioning for future growth, our ideal location, our strong workforce and above-average wealth.

We have been taken off "negative outlook" with all 3 agencies this past year because of our strong management and good financial policies that have guided our county toward maintaining fiscal stability.

The Retiree Health Care Fund was raided during the previous administrations, which led to massive growth in this unfunded liability. While previous administrations were unwilling to tackle this difficult issue, my administration took it on and made some hard decisions. Now the County is on a path to meet its required funding levels without bankrupting the county and without asking our taxpayers to foot the bill.

The ratings agencies have clearly noticed that we have

- lived within our means,
- we have made tough financial decisions and
- invested in good fiscal management,

which ultimately saves taxpayers' money. In Fiscal Year 2014 we dedicated \$20.3 million to the Rainy Day reserve fund, without raising taxes. This fund had been depleted in prior years as a result of budget deficits.

This budget proposes to dedicate another \$3.3 million to the Rainy Day reserve fund, bringing the balance to the maximum level permitted by the County Code - \$48 million. Keeping healthy savings accounts improves our credit, reduces financial risk and frankly, it is a good business practice.

While I am pleased with the progress we have made in the past two bond ratings reviews, my goal is for Anne Arundel to receive a Triple A rating from all three of the agencies which strengthens our financial stability even more.

### **EDUCATION**

We have a strong public school system with premier programs that are a model for the entire state. Anne Arundel County is proud to have 12 nationally recognized Blue Ribbon schools. This budget includes \$603 million for the public school system budget and adds \$7 million over last year's school budget. The total funding for the school system, with all funding sources is close to \$1 billion.

Last year, we allocated \$7,517 per student. Calvert and Queen Anne's counties, which are both wealthier counties than Anne Arundel, provide lower levels of funding than we do.

Over 51 percent of the Fiscal Year 2015 budget is devoted to the Board of Education.

I support pay raises for teachers across the board and this budget proposal includes a 3% increase for teachers over what was funded in Fiscal Year 2014.

We have a \$2 billion backlog of capital projects in the county, with over 65% as school projects. At our current rate, we will **never** recover the backlog. As a result, I have allocated \$150,000 in the budget and, in partnership with the school board, we will conduct a collaborative study that will look at best practices in school construction nation-wide. Currently, school construction is at \$400 per square foot.

We will work together to find ways to eliminate the backlog.

There has been much discussion about the need for more schools. I agree that we need a 13<sup>th</sup> high school....and I would like to see it in Crofton. As we consider construction on any school, we work closely with the IAC, a state agency, to ensure we qualify for the maximum state match. This leverages every taxpayer dollar.

Currently we do not qualify for any matching funds for a high school in Crofton. For the county to assume this entire liability would stress an already massive capital budget for school construction. We are working closely with the state as they evaluate the need to provide matching funding for the school. And we will continue to fight for a high school in Crofton.

I have also fought hard to ensure that the replacement of Severna Park High School remains funded... according to the Board of Education's schedule to be built in two years.

I personally met with the Treasurer, Nancy Kopp, and the Comptroller Peter Franchot. I invited him for a visit to see for himself the importance of providing funding this year so we can keep this project on track. I am committed to moving forward to replace Severna Park High School. We will break ground this year!

In addition, this budget continues funding for several Board of Education capital projects including:

Annapolis Elementary School

Crofton Elementary School

Mills-Parole Elementary School

Rolling Knolls Elementary School

Benfield Elementary School

West Annapolis Elementary School

Lothian Elementary School

Open space classroom enclosures and

All day kindergarten and pre-kindergarten additions

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An important part of the inter-connected team serving the citizens of Anne Arundel county is our county delegation. I would like to thank them for working to secure state funding and protect the interests and priorities of our county. During the 2014 legislative session, their hard work resulted in increased state assistance for the Board of Education, community college and the Health Department.

## **Closing**

In closing, I am proud to submit this Fiscal Year 2015 budget proposal.

It is a fiscally responsible budget that focuses on my priorities of

- saving money,
- investing in public safety,
- maximizing our reserve funds,
- ending structural debt,
- planning for our future,
- improving services and efficiencies throughout the County and
- provides a property tax rate cut!

This budget accomplishes all of these objectives with

- No new taxes;
- AND No new fees;

I am proud of the hard work over the last 14 months. Our county government is headed in the right direction and we are not going to stop!

I have enjoyed serving and meeting the fine citizens of our great county, listening to your concerns and ideas, and celebrating the pride we all share in making our county a leader in the state. You make Anne Arundel Proud!

Thank you for the opportunity to present my Fiscal Year 2015 budget proposal.