



Photo by Maurice Belanger

FISCAL YEAR 2017

Proposed Budget Presentation • April 6, 2016

Fiscal Year 2017 Proposed Budget Presentation

Agenda

1. Budget Overview

- a. Summary
- b. Economic Context
- c. Budget Principles
- d. Budget Trends

2. Capital Budget

3. Operating Budget

4. Council Priorities

- a. Items Included in the Budget
- b. Other Opportunities

5. Budget Schedule



Budget Overview



Photos: Grant Avenue Bioretention features



Budget Overview

Summary

- Total revenue of all funds: **\$29,787,761**
- Total General Fund revenues: **\$24,518,701**
- Total expenditures of all funds: **\$32,600,185**
- Total General Fund expenditures: **\$27,564,793**

- Tax rate proposed to remain at **\$0.585 per \$100**



Budget Overview

Summary

- **Unassigned General Fund fund balance: \$3,303,108**
 - \$3 million is minimum needed to meet normal fluctuations of revenues and expenditures
 - General Fund money for Ethan Allen Street Project (\$1,000,000) skews this calculation somewhat, as money is not needed until later in the fiscal year.



Budget Overview

Economic Context

- 1. Assessable base (value of property for purpose of taxation) is increasing in Takoma Park**
- 2. Net assessable base increased only 8%, but will probably increase more in future years**
- 3. Income tax revenue has been increasing steadily**
- 4. Purple Line construction and Takoma Junction development are both moving forward; economic development is increasing outside of the City's borders; still need economic push for New Hampshire Avenue**
- 5. Concern about housing prices and maintaining housing affordability for residents across the economic spectrum**



Budget Overview

Budget Principles

- **Pay ongoing costs with ongoing funds**
- **Maintain infrastructure, even when budget is tight**
- **Follow laws and best practices**
- **Others:**
 - Predictability is good
 - Minimize large variations (applies to General Fund expenditures, tax rates, personnel, etc.)
 - Determine appropriate entity to pay for or provide services – doesn't always need to be taxpayer dollars or a City-provided service



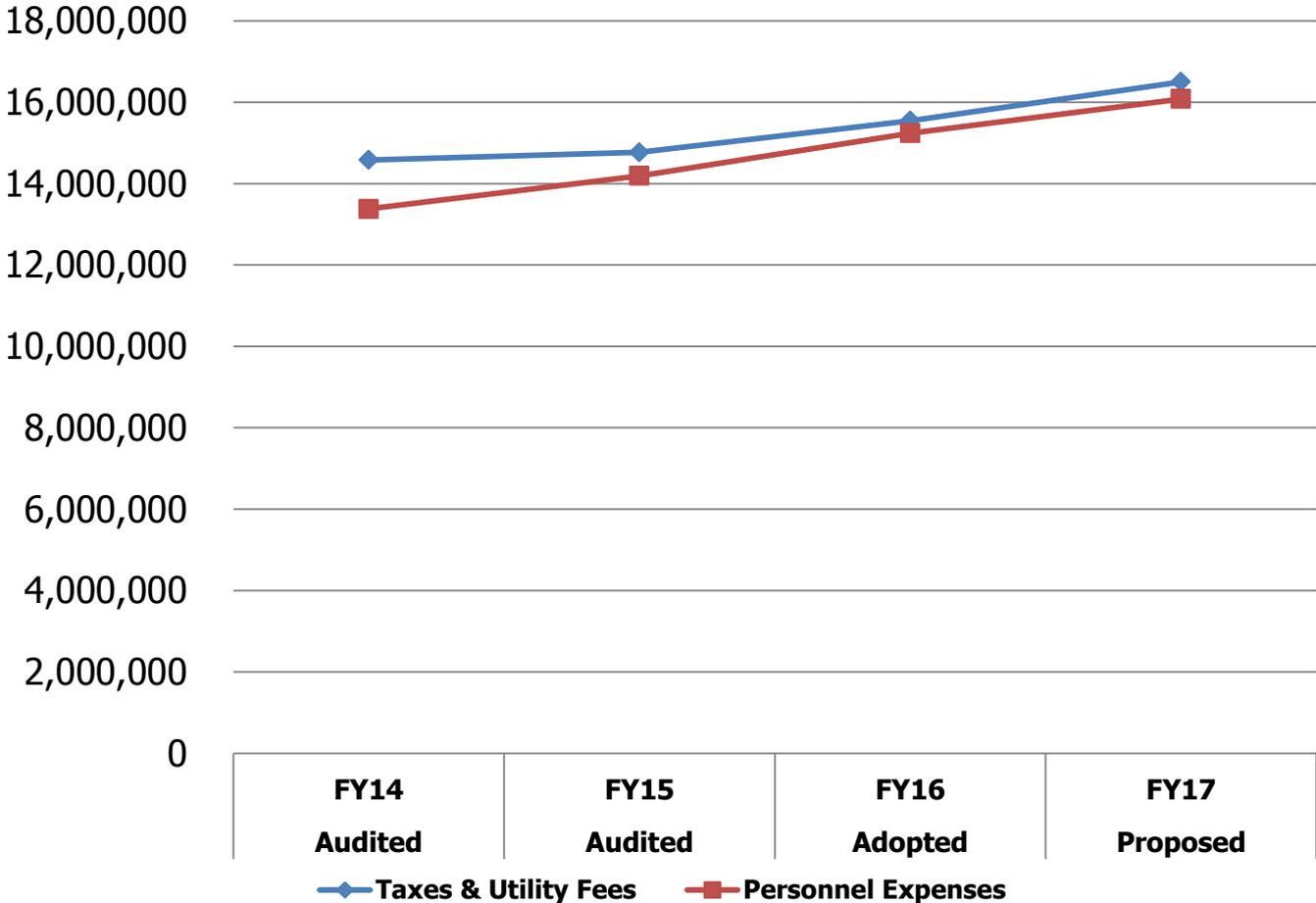
Budget Overview

Budget Trends

- **General Fund Revenues**
 - Property Tax
 - Income Tax
 - Intergovernmental
 - Parking
 - Recreation Programs
- **General Fund Expenditures**
 - Personnel Costs
 - Costs of Supplies and Services
 - Capital Costs



General Fund Expenditures



Budget Overview

Budget Trends

- **Stormwater Management Fund**
 - Fund balance and future fee amount
- **General Fund Expenditures**
 - Grant funds for special projects
 - Capital cable grant
- **Speed Camera Fund**



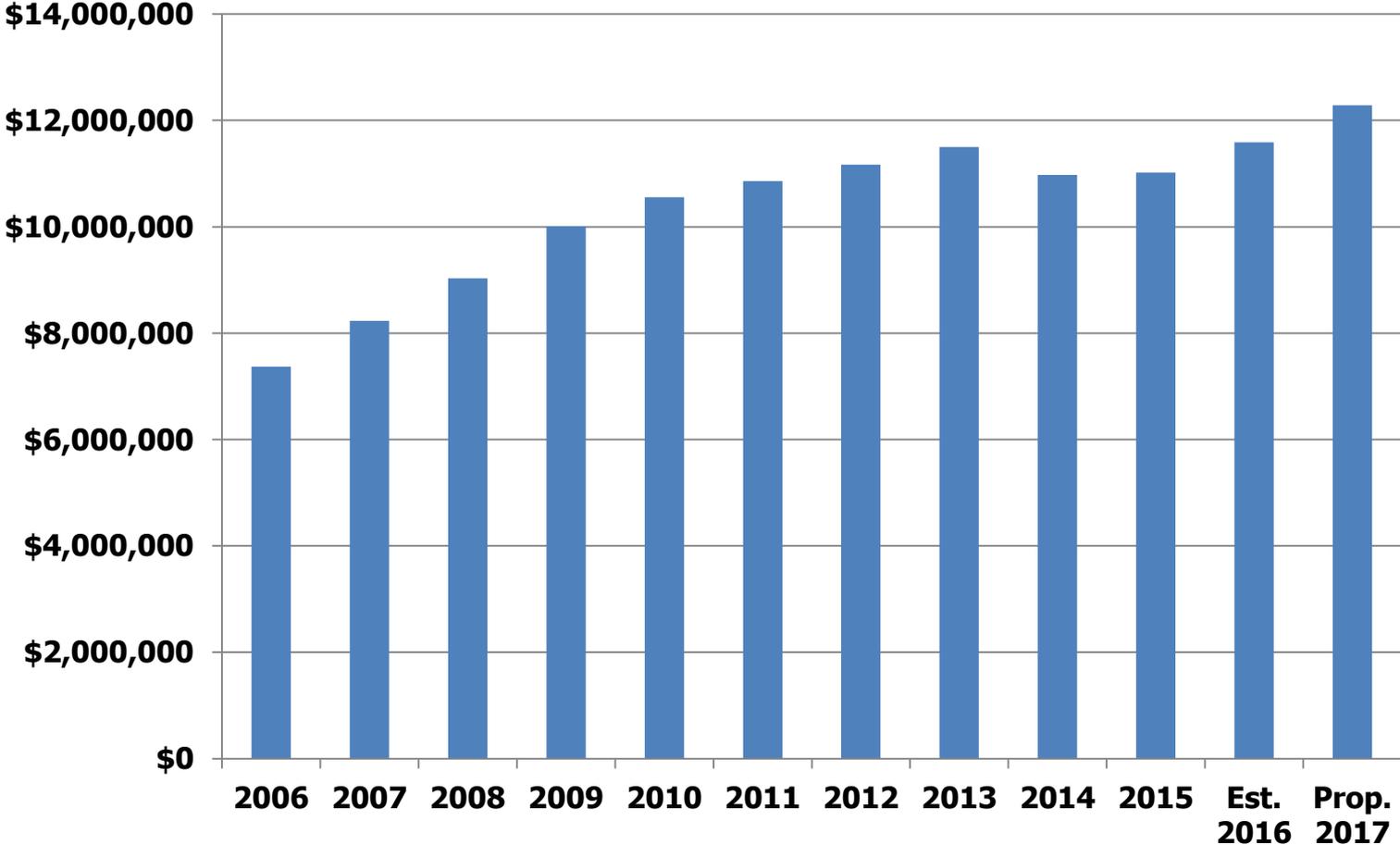
Budget Trends

General Fund Revenues

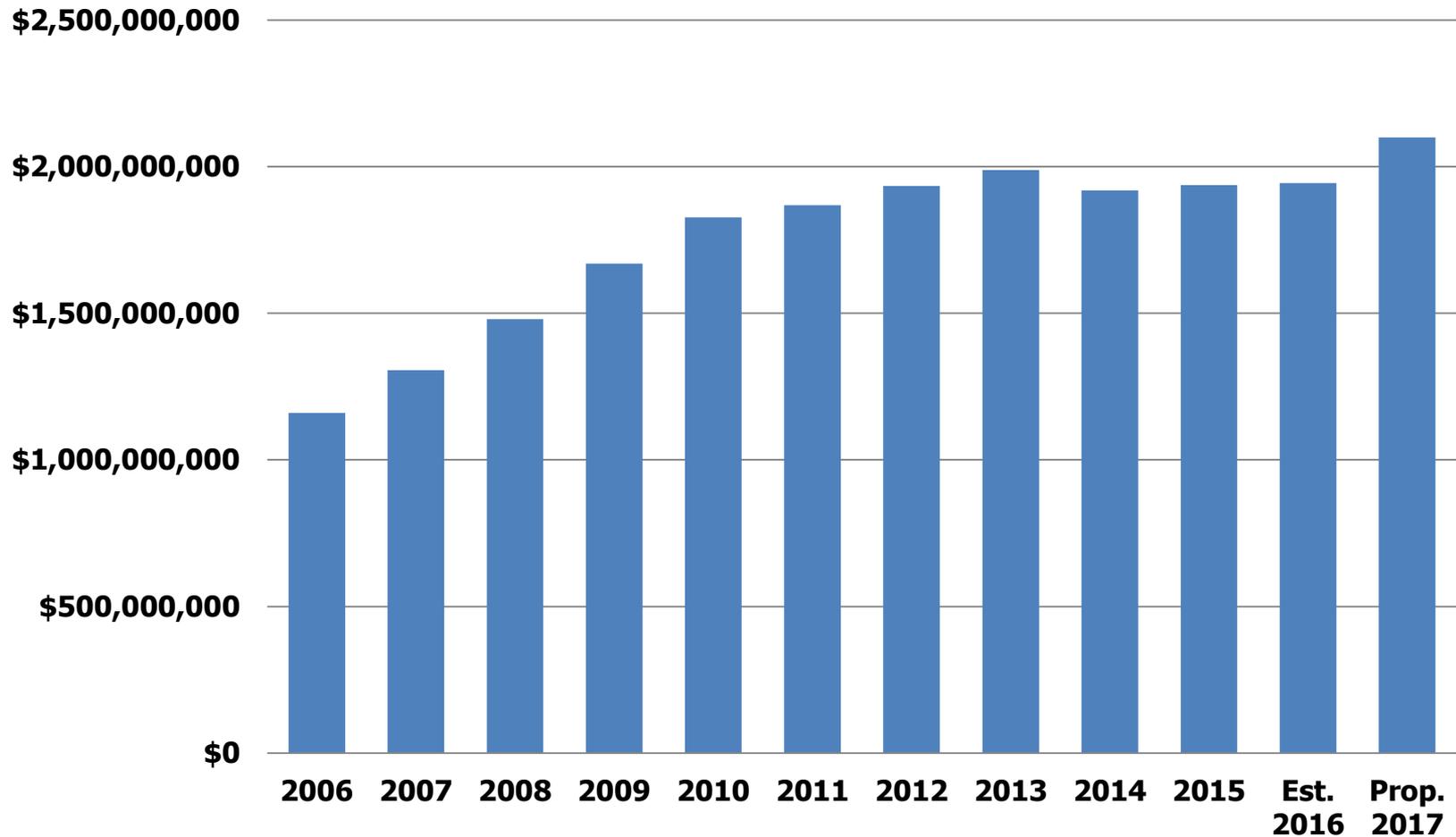
- **Property Tax – rate and revenue have remained fairly flat since 2010; rate ranged from \$0.57 to \$0.585 and revenue ranged from \$10 M to \$11.5 M; Council sets rate**
- **Income Tax – 17% of amount paid to County; has risen slowly since 2010, more steeply last year and this year**
- **Intergovernmental Revenue – has remained fairly flat, with some uncertainty; includes tax duplication, HUR, State police aid, cable operating revenue (almost all variation was due to cable operating funds)**
- **These three components comprise 90% of the City's General Fund revenues**



Property Tax Revenue



Net Assessable Base



Budget Trends

General Fund Revenues

- **Parking revenue has increased sharply, doubled since FY14**
- **Recreation program revenue staying strong**
- **Together these revenues total approximately \$1 million, but have expenditures associated with them to pay contractors, and for parking ticket and registration processing**



Budget Trends

General Fund Expenditures

- **Personnel Costs**
 - Third Year of phased-in increases
 - Workers Compensation
 - Collective bargaining this year
- **Costs of Supplies and Services**
 - Little change, though increase in parking ticket processing
 - Savings in electricity
 - Moved waste disposal from “Miscellaneous” category
- **Capital Costs**
 - Standard infrastructure expenditures for roads and sidewalks
 - Equipment Replacement Reserve
 - Facility Maintenance Reserve
 - Stormwater Fund and fee
 - Special large projects



Budget Trends

Personnel Costs

- **Third Year of Phased-in Increases**
 - FY16 to FY17 increase of 5.5%; next year closer to 2.3% increase
- **Workers Compensation**
 - Increasing sharply from \$550,000 in FY 16 to \$720,000 in FY17
 - Will be reviewing policies, increasing attention to safety
- **Collective Bargaining**
 - Collective Bargaining Agreements for both unions open this year; negotiation to set terms for FY18-FY20



Budget Trends

Supplies and Services

- **Little change in costs between FY16 and FY17 (1.9%)**
 - Parking ticket processing saw major increase
 - Solid waste disposal fees moved from Miscellaneous to Services and Charges within this larger category
- **Savings in electricity due to energy improvements, often paid for by grant funds**

	FY 14	FY 15	FY 16
Electricity use (KWH)	588,924	505,562	500,000
Cost (\$)	75,000	64,363	63,676



Budget Trends

Capital Costs

- **Standard Infrastructure Expenditures**
 - Street repaving, new sidewalks, ADA sidewalk work (\$500K each)
- **Equipment Replacement Reserve**
 - Contributing \$800K for second year in row
 - Police vehicles, two dump trucks, other equipment
- **Facilities Maintenance Reserve**
 - No contribution this year, but will use some of the funds
- **Stormwater Fund and fee**
 - Expenditures again total more than revenue
 - Fee increase in FY18 will likely be needed
- **Special Large Projects – always vary**
 - Ethan Allen, Flower Avenue, Library, Police Dept on horizon



Budget Trends

Stormwater Fund

- Stormwater Management Fee is **\$55** per year for single-family residential properties and calculated on percentage of impermeable surface area for other uses
- Revenue is **\$414,000** annually from this fee
- Fund sometimes increased by grant funds
- Expenditures are running higher than revenues
- By end of FY17, only **\$87,000** projected to remain in the Stormwater Management Fund
- For FY18, looking to raise fee
- Also want to make other improvements to the program, including recalculation of impermeable surface area and credit program for rain gardens and similar installations



Budget Trends

Special Revenue Funds

- **Routinely pursuing grant funds for major projects**
- **Magnitude varies with types of projects**
- **Some grants require General Fund matches**
- **Capital Cable Grant funds are subject of upcoming Council action on Memorandum of Understanding with Montgomery County on distribution of funds from cable companies**
 - Had been receiving over \$900,000 per year for capital cable TV and fibernet use only; cannot spend that amount each year
 - Have \$3.3 million in reserve
 - New MOU would reduce annual capital amount to \$217,000 while providing more in operating revenue



Budget Trends

Speed Camera Fund

- Revenues have been declining from high of \$1.75 million in FY15 to expected \$1.3 million in FY17
- Fund pays for two police officers and a Photo Enforcement Analyst at approximate cost of \$400,000
- In past, excess revenue was spent on sidewalk improvements and police equipment; for FY17 will just be for police equipment
- Vendor payment process will change this year from per ticket process due to change in State law; will follow process used by Rockville and Gaithersburg
- Will go out for new vendor in a year



Capital Budget

- **Projects / Major Purchases**
- **Funding Sources**
- **Outlook for General Fund**
- **Possibility of Bonding**



Capital Budget

Projects / Purchases

- **Ethan Allen Gateway Streetscape Project should be under construction by end of fiscal year**
- **Flower Avenue Green Street Project should be nearing construction stage in early FY18**
- **Library Renovation/Expansion should be going to bid by end of FY17**
- **Police/Atrium Renovation should be in design stage through FY18**
- **Major purchases, such as dump trucks are on regular schedule through the Equipment Replacement Reserve**
- **One additional car to be purchased for new Environmental Code Enforcement position**



Capital Budget

Funding Sources

- **Use key to see which funds are to pay for which capital items in the CIP table in budget document**
- **General Fund: tax based funds not in other special funds or reserves; may include bond funds**
- **ERR – Equipment Replacement Reserve: tax based reserve funds to pay to replace large equipment and vehicles; funds are added based on the future cost and estimated life of items in the ERR list**
- **FMR – Facility Maintenance Reserve: tax based reserve funds for facility maintenance (not new construction) projects; policy needed to identify amount to contribute and how best to use**



Capital Budget



Capital Budget

Funding Sources

- **Special Revenue Funds:** grant funds for use on specific projects or purchases; funds are generally used within a year or two of receiving the revenue; cable capital funds represent most of the fund balance
- **Speed Camera Fund:** funds from speed camera fines that can only be used for public safety purposes (including sidewalk construction, police equipment, police or speed camera operations staff)
- **Stormwater Fund:** revenue from the Stormwater Management Fee that pays for projects and equipment (and staff) that repair or enhance stormwater infrastructure



Capital Budget

Outlook for General Fund

- **Special Projects can vary in cost a great deal**
- **Timing and bonding of projects can smooth impact on the General Fund and on taxpayers**
- **In FY17, one million dollars needed for the City's contribution to the Ethan Allen Project**
- **In early FY18, \$1.2 million will be needed for the Flower Avenue Green Street Project (some of this can come from sidewalk and stormwater funds)**
- **A decision to bond for the two street improvement projects, even over a five year time period, will allow greater flexibility of General Fund funds**
- **Bonding is expected for the Library and Police projects**



Capital Budget

Possibility of Bonding

- **Borrowing money to pay for an expensive project over an extended period of time is an essential budgeting tool**
- **Bonding also allows those who benefit from the facility or improvement to help pay the cost of it**
- **Article VIII, Section 823 of the City Charter identifies parameters on borrowing**
- **Takoma Park has borrowed from the Maryland Local Government Loan Program and from banks; banks often have less flexible terms**
- **Example of impact: if \$2 million were borrowed for street work, could be paid over 5 years at annual cost of \$415,000 or over 10 years at annual cost of \$220,000**



Operating Budget

- **Overview and highlights**
- **Organizational changes**
- **Proposed new position**
- **Community grants / partnerships**



Operating Budget

Overview and Highlights

- **Most of the Operating Budget is unremarkable**
- **Discretionary funds are targeted to initiatives to advance Council Priorities**
- **Full-Time Equivalents increase from 163.23 to 165.15, representing one new full-time position and adjustments in hours for part-time staff**
- **Cable operating revenue will increase from about \$125,000 per year to \$458,000 per year if Memorandum of Understanding with Montgomery County is approved. Combined with the cable franchise fee of \$242,000, the costs of 7 FTEs in Communications and IT will be covered**



Operating Budget

Organizational Changes

- **The Proposed Budget includes a new Neighborhood Services division in the Police Department, incorporating two Property Code Enforcement positions from Housing and Community Development and 1.5 Nuisance Control officers from the Police Department (primarily devoted to parking enforcement) and a new Environmental Code Enforcement position**
- **Housing and Community Development has gone from 6 divisions to 3: Administration, Planning and Development Services, and Housing and Community Services**



Operating Budget

Proposed New Position

- **One new permanent full-time position is proposed for FY17, an Environmental Code Enforcement Officer**
- **Primary role will be education about and enforcement of a number of City Codes**
 - Safe Grow
 - Polystyrene ban
 - Multifamily and business recycling
 - Invasive vegetation control
 - Possible plastic bag ban
- **In new Neighborhood Services division, cross training will allow staff to assist each other, cover during absences, and undertake complementary efforts to address neighborhood problems**



Operating Budget

Community Grants / Partnerships

- **The FY17 Proposed Budget includes funds for Community Grants and some organizations that receive funds on a recurring basis**
- **\$180,000 for the Community Grant program**
- **\$16,500 for the Independence Day Committee**
- **\$10,000 for the Folk Festival**
- **\$60,000 in Recreation budget for partner programs for youth**
- **\$35,000 for the Old Takoma Business Association**
- **\$30,000 for the Takoma-Langley Crossroads Development Authority**
- **\$13,680 for Community Development Block Grant funded programming (CHEER, EduCare, Village of Takoma Park)**



Council Priorities

- **Items included in this budget**
- **Other Opportunities**
 - Affordable Housing Revolving Fund
 - Partnership Program
 - Tax Rate Reduction or Increase



Council Priorities

Included in Budget

- **A Livable Community for All**
 - Affordable housing study
 - Assistance for lower income homeowners
 - Park improvements
 - Library renovation design
 - Sidewalk and road improvements
 - Major community events and arts programming
- **Fiscally Sustainable Government**
 - Lobbying and communication efforts on tax duplication
 - Contribution of \$100,000 in addition to actuarially recommended amount for Police Employees' Retirement Plan



Council Priorities

Included in Budget

- **Environmentally Sustainable Government**
 - New Environmental Code Enforcement position
 - Continued education and incentive programs for Georgetown Energy Prize and Sustainable Energy Action Plan
 - Low-impact stormwater management projects, including Flower Avenue Green Street project
- **Engaged, Responsive, Service-oriented Government**
 - Community Survey (to help make improvements and as a base for police/community relations and future strategic planning effort)
 - Graphic work to help communicate key issues
- **Advance Economic Development Efforts**
 - Economic development study/plan
 - Ethan Allen Gateway Project



Council Priorities

Other Opportunities

- **Affordable Housing Revolving Fund**
- **Partnership Program**
- **Tax Rate Reduction or Increase**



Council Priorities

Other Opportunities

- **Affordable Housing Revolving Fund**

- The establishment of an affordable housing fund could allow the City to help facilitate the creation or improvement of housing for persons with low to moderate incomes
- Revolving funds can be particularly useful
- Amounts above \$300,000 are needed to be effective
- It may be possible to get contributions to this fund from Montgomery County or other entities
- Some or all of the \$120,000 in funds for the Home Repair Program could be used



Council Priorities

Other Opportunities

- **Establishment of a Partnership Program**
 - Partnership program could be created to provide multi-year funding for organizations that provide services that help advance Council goals
 - Funds for these partnerships could be taken from the amount designated for Community Grants or allocated separately



Council Priorities

Other Opportunities

- **Tax Rate Decrease or Increase**
 - Proposed rate for FY17 is \$0.585 per \$100 valuation
 - Constant Yield rate is \$0.5518 per \$100 valuation
 - Each cent equals about \$210,000
 - A reduction by a cent would leave General Fund Unassigned Fund balance at \$3,093,108; could be larger if capital expenditure reduced by bonding or other action
 - Council could choose to raise the tax rate or designate an amount for a specific purpose (eg, a half cent for affordable housing purposes)



Budget Schedule

- **Wednesday, April 6 – City Manager’s Presentation**
- **Monday, April 11 – Budget Work Session on Capital Budget**
- **Wednesday, April 13 – Public Hearing**
- **Monday, April 18 – Budget Work Session on Programs Advancing Council Goals**
- **Monday, April 25 – Budget Work Session on Departmental and Non-Departmental Budgets; Budget Reconciliation Discussion**
- **Wednesday, April 27 – Public Hearing on Constant Yield Tax Rate and on Proposed Budget**
- **Wednesday, May 4 – Final Budget Reconciliation**
- **Wednesday, May 11 – First Reading of Budget Ordinances**
- **Wednesday, May 18 – Second Reading of Budget Ordinances**



Fiscal Year 2017 Proposed Budget Presentation

QUESTIONS?

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