

**FISCAL YEAR 2016**

Proposed Budget

April 6, 2015

# Presentation

**Suzanne Ludlow**  
City Manager



# FY 2016 Budget Overview

- Very tight budget
- Two cent tax rate increase – from 57 to 59 cents per \$100
- Continued high service levels
- Phased-in salary increases
- Enhanced sustainability initiatives
  
- Positions the City for the future
  - Economic development
  - Investment in facilities
  - Investment in infrastructure

# The Numbers

Fund	Revenues	% Change From FY15	Expenditures	% Change From FY15
General Fund	\$22,366,179	3.7	\$24,600,220	3.1
Stormwater Mgmt	\$588,750	-0.4	\$684,750	-4.7
Special Revenue	\$2,805,300	1.8	\$2,424,089	36.4
Speed Camera	\$1,801,200	-0.6	\$1,906,930	39.3
<b>TOTAL</b>	<b>\$27,561,429</b>	<b>4.6</b>	<b>\$29,615,989</b>	<b>6.8</b>

General Fund Unreserved Fund Balance at end of FY16: \$3,051,712

# Guiding Principles

- **Economic Development**
- **Environmental Sustainability**
- **Quality of Life**
- **Fiscal Prudence**

# Guiding Principles

## Economic Development

- **Specialized legal counsel**
- **Management position (partly to facilitate new economic development activities)**
- **Takoma Junction**
- **Ethan Allen / New Hampshire Ave improvements**
- **Boundary survey, phase 1**

# Guiding Principles

## Environmental Sustainability

- **Reduction of energy use (also helps with Georgetown University Energy Prize)**
- **Making food waste collection a standard part of solid waste collection (adds one FTE)**
- **Stormwater infrastructure projects (helps Anacostia Watershed and Chesapeake Bay)**

# Guiding Principles

## Quality of Life

- **Dog park**
- **Detailed design to renovate and modestly expand the library**
- **Street and sidewalk improvements**
- **ADA improvements**
- **Cultural, recreational and educational programming (including youth training)**

# Guiding Principles

## Fiscal Prudence

- **Ongoing expenses to be paid with ongoing revenue**
- **Investment in staff**
- **Investment in infrastructure and facilities over the long term**
- **Conservative financial practices**

# Budget Background

*or*

**How do we get to a proposed budget?**

# Budget Process

- **Council Strategic Plan Retreat**
- **Council Budget Retreat**
- **Department Roundtables**
- **Identification of new requirements, opportunities or approaches**
- **Staff meetings**
- **Individual meetings with Councilmembers**

# Budget Process

- **Analysis of projected revenues**
- **Entry of personnel costs**
- **Entry of costs of goods and services**
- **Cost of special projects and initiatives**
- **Review of Equipment Replacement Reserve and Facility Maintenance Reserve**
- **Identification of fund-specific activities**

# Budget Process

- **\$500,000 for street repair**
- **\$500,000 for new sidewalks**
- **\$500,000 for ADA-related improvements**
- **Review of five-year capital budget**

## Then...

- **Refine numbers as needed**
- **Make decisions based on goals and needs**

# This Year's Budget

## General Fund Revenue Analysis

- **Real property tax – 51%**
- **Income tax – 12%**
- **Intergovernmental payments – 26%**

# This Year's Budget

## General Fund Revenue Analysis

**In reverse order...**

- **Intergovernmental payments – no change in FY16**
- **Income tax – some growth, expecting about \$425,000 more than in FY15, but timing of information makes it very hard to predict**

# This Year's Budget

## General Fund Revenue Analysis

### Real property tax

- **“Constant Yield” information sent by State around Valentine’s Day each year gives estimate of net assessable base for the coming fiscal year**
- **This year, net assessable base declined slightly – will cost half-cent tax rate increase just to equal the property tax revenue from FY15**

# This Year's Budget

## Real Property Tax Assessments

- **Done every three years, a third of the properties in the state each year**
- **All of Takoma Park is in one assessment zone**
- **Last Takoma Park assessment done in 2013 for FY14, FY15 and FY16**
- **Low property values in 2013 affect current revenue**

# This Year's Budget

## Real Property Tax Assessments

**What is likely to happen in next assessment cycle covering FY17, FY18 and FY19?**

- **Property values rebounding and increasing**
- **February 2015 median home price in DC area highest level since 2007**
- **In zip code 20912, 2013 median sales price was \$447,040; in 2014, was \$494,500**

# This Year's Budget

## Real Property Tax Assessments

- **Property assessments are affected by home improvements**
- **10% cap each year on property tax increases for owner-occupied single-family homes; commercial property and new homeowners not capped**
- **First year of cycle usually has higher number of persons receiving tax credits as well as more with the 10% cap**

# This Year's Budget

## Compensation / Classification Study

- **Only small wage increases since 2010**
- **Some positions changed over time and some market wages changed more than others**
- **Takoma Park wages are compared with wages in Annapolis, Bowie, College Park, Gaithersburg, Greenbelt, Hyattsville, Laurel and Rockville**
- **Showed that 15 employees were being paid much too low and all were being paid somewhat too low**

# This Year's Budget

## Compensation / Classification Study

- **Three year plan to bring salaries up to market costs about \$2 million**
- **Committed to attracting and retaining excellent employees with fair salaries and benefits**
- **Ongoing expenses should be paid with ongoing funds, such as tax revenue**
- **Two cent property tax increase needed for this; there was little change in other departmental expenses**

# This Year's Budget

## To Balance the General Fund...

**...had to look at Capital Outlay**

- **Ethan Allen project requires \$1.2 million in City matching funds for \$1.24 million in grant funds**
- **Split Ethan Allen project over two fiscal years**
- **Devoted \$100,000 of \$500,000 for street work for the Ethan Allen project**

# This Year's Budget

## To Balance the General Fund...

- **Devoted \$200,000 of \$500,000 for sidewalk work for Ethan Allen project**
- **Devoted \$200,000 of \$500,000 for ADA improvements to Library design**
- **Used Speed Camera Fund for the remaining \$300,000 in new sidewalks and \$300,000 in ADA sidewalk retrofits**

# This Year's Budget

## Investment in Infrastructure

- **Major street / right-of-way improvements**
  - **Ethan Allen at New Hampshire**
  - **Flower Avenue Green Street**
- **Regular sidewalk and street improvements**
- **Stormwater infrastructure improvements**

# This Year's Budget

## Investment in Infrastructure

- **Park improvements**
  - **Dog park (no expansion planned at this time)**
  - **Colby Ave playground (if not completed in FY15)**
  - **Sligo Mill Overlook Park**
- **\$800,000 contribution to the Equipment Replacement Reserve**
- **Facility Maintenance Reserve available for some use; no contribution in FY16**

# This Year's Budget

## Investment in Infrastructure

**Major Building Improvements over many years...**

**FY16**

- **Library Renovation / Expansion design and engineering for middle cost option**
- **Police Level / Atrium Floor concept design**

# This Year's Budget

## Investment in Infrastructure

**Major Building Improvements over many years...**

**FY17**

- **Library construction**
- **Police Level / Atrium Floor design and engineering**

# This Year's Budget

## Investment in Infrastructure

**Major Building Improvements over many years...**

**FY18**

- **Heffner building design**
- **Police Level / Atrium Floor construction**

# This Year's Budget

## Investment in Infrastructure

**Major Building Improvements over many years...**

**FY19**

- **Heffner construction**
- **Public Works Phase 2 design**

**FY20**

- **Public Works Phase 2 construction**

# This Year's Budget

## Investment in Infrastructure

**Major Building Improvements over many years...**

**Bonding available for major construction projects; can look to grants and Speed Camera Funds for police space improvements**

# Proposed Tax Rate

## Two Cent Tax Increase

- **First tax rate increase since 2002, but usually an annual increase in the assessable base**
- **Two cent increase will generate \$388,764, but only adds \$324,448 due to decline in assessable base**
- **Two cents means an additional \$60/year for \$300,000 property; \$100/year for \$500,000 property**
- **Not expecting a County property tax increase**

# Budget Options

## May Offer Some Flexibility

- **Can review capital projects at half-year mark**
  - **Are all projects still on track for FY16?**
  - **Have there been any savings?**
- **May receive additional grants or may receive more funds from County regarding tax duplication and cable franchise agreements**
- **Approach to advancing economic development initiatives may not require additional FTE**

# FY16 Budget

## Timeline

**Thurs., April 9 – Budget Work Session**

**Mon., April 13 – Budget **Public Hearing****

**Wed., April 15 – Budget Work Session**

**Thurs., April 23 – Budget Work Session**

**Mon., April 27 – Budget **Public Hearing**  
and Budget Reconciliation**

# FY16 Budget

## Timeline

**Mon., May 11 – First Reading of Budget Ordinances**

**Mon., May 18 – Second Reading of Budget Ordinances**

**Public Comment is welcome throughout the budget process, at Budget Public Hearings, and at adoption of the budget ordinances.**