



FISCAL YEAR 2018

Proposed Budget Presentation: April 5, 2017

Fiscal Year 2018 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. Racial Equity

5. Budget Schedule



Budget Overview



Budget Overview

Summary

- Total revenue of all funds: **\$32,505,962**
- Total General Fund revenues: **\$24,989,500**
- Total expenditures of all funds: **\$40,461,381**
- Total General Fund expenditures: **\$32,842,185**

- Real property tax rate proposed to decrease from **\$0.5675** to **\$0.56** per **\$100**
- Each cent of the tax rate = **\$224,629** in expected revenue



Budget Overview

Summary

- Unassigned General Fund fund balance: **\$3,118,469**
- **\$3 million** is minimum needed to meet normal fluctuations of revenues and expenditures
- Most significant budget change is increase in debt
 - Planning to borrow **\$7 million** for Library and related construction
 - Planning to borrow **\$2 million** for grant match for street projects
 - Debt service increases to over **\$900,000** per year for next 3 years from **\$360,000** in FY17



Budget Overview

Economic Context

1. Assessable base (value of property for purpose of taxation) is increasing in Takoma Park at a moderate rate
2. Net assessable base increased only 6%
3. Income tax revenue has also been slowly increasing
4. Great concern about future year revenue given proposed changes in federal employment and contracting; Montgomery County depends more heavily on income tax than property tax so may need to cut spending and could affect City of Takoma Park
5. Economic development activity is increasing in area; still need economic push for New Hampshire Avenue
6. 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



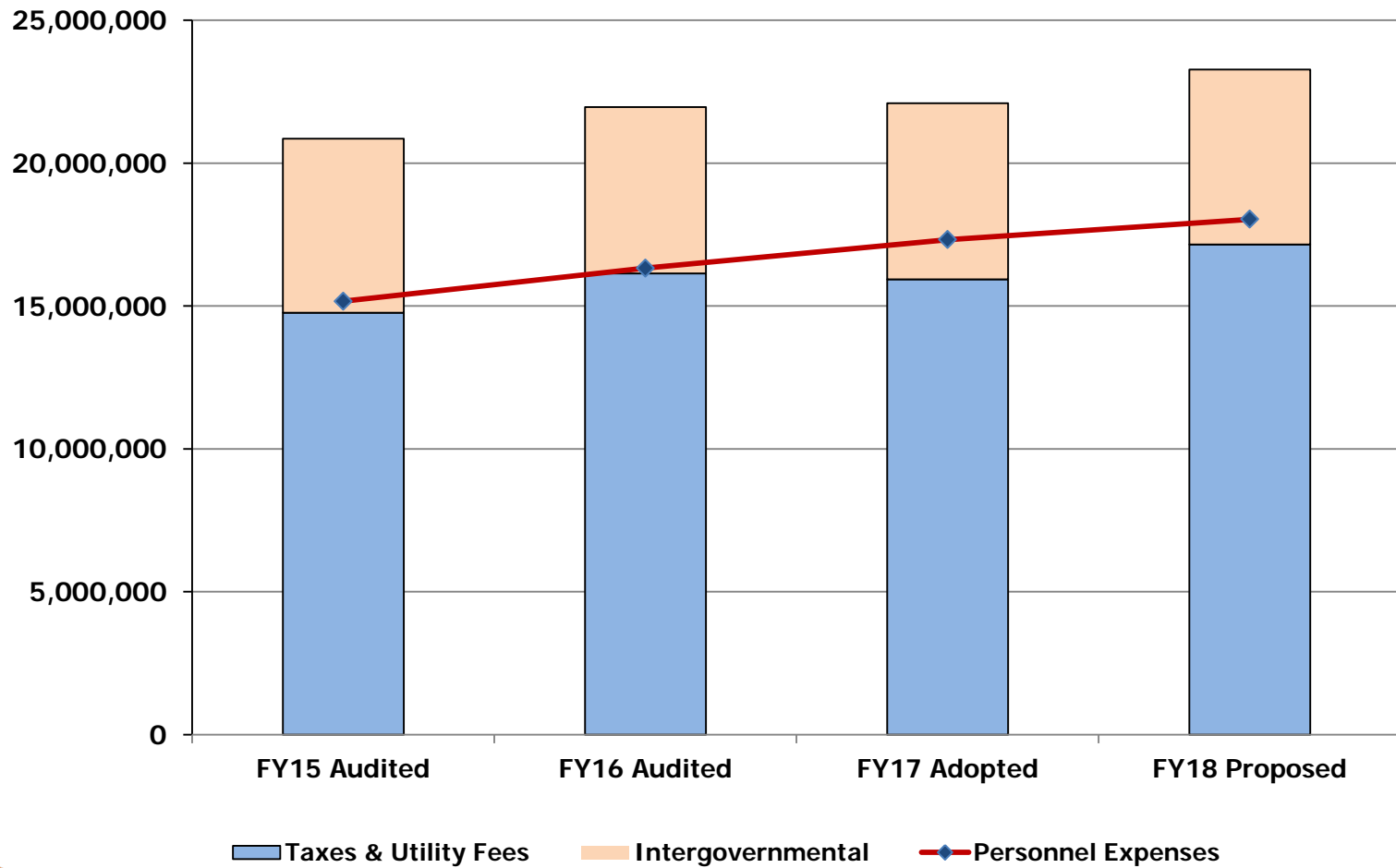
Budget Overview

Budget Trends

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



Select Revenues and Expenditures



Budget Overview

Budget Trends

- **General Fund**
 - Small increases in operating costs
 - Borrowing and debt payments
- **Stormwater Management Fund**
 - Fund balance and proposed fee increase
- **Special Revenue Funds**
- **Speed Camera Fund**



Budget Trends

General Fund Revenues

- Property Tax – revenue has increased about 3.8% to 4.5% per year over the past couple of years; Council sets rate
- Intergovernmental Revenue – has remained fairly flat, with some uncertainty; includes tax duplication, HUR, State police aid, cable operating revenue
- Income Tax – 17% of amount paid by residents to County; varies more than other tax revenue; last few years has hovered around \$3 million (adjusted), but estimating \$3.4 million for FY18
- These comprise 90% of the City's General Fund revenues:
 - Real Property Tax – 50%
 - Intergovernmental – 26%
 - Income Tax – 14%



Budget Trends

General Fund Expenditures

- **Personnel Costs**
 - Done with phased-in salary increases
 - Workers Compensation costs more manageable
- **Costs of Supplies and Services**
 - Little change
- **Capital Costs**
 - Standard infrastructure expenditures for roads and sidewalks; will begin working on sidewalk improvements along State Highways
 - Equipment Replacement Reserve
 - Facility Maintenance Reserve
 - Housing Reserve
 - Stormwater Fund and fee
 - Special large projects



Budget Trends

Personnel Costs

- **Salary Increases Return to Standard Rate**
 - Last three years included phased-in salary increases to reach market rate level
 - In union negotiations now; increases should be in normal range for region for next three years
- **Workers Compensation**
 - The experience modification rate will drop from 1.61 to 1.27. The 34 point drop is the positive result of the City closing some of the long standing claims and having fewer serious injuries over the course of the past several years; actual cost may stay the same
- **Number of Employees**
 - The Full Time Equivalent (FTE) count increases by .3, reflecting a net increase in part time hours, including crossing guard hours and building cleaning schedules



Budget Trends

Supplies and Services

- **Little change in costs between FY17 and FY18 (about .5%)**
 - Increase of \$35,053 to FY17 amount of \$6,343,385
 - Overall operating costs (including personnel) increase only about 2.3%
- **Staff continues to look to find savings, focusing on Council Priorities and best practices**



Budget Trends

Capital Costs

- **Infrastructure Street and Sidewalk Expenditures**

- New sidewalks (\$500,000), plus sidewalk on Lincoln Ave (funded by Safe Routes to Schools) and work on Flower Ave Green Street and Ethan Allen Gateway
- ADA sidewalk work: \$300,000 for sidewalks along City streets and \$200,000 for sidewalks along State Highways
- Street repaving (\$300,000) plus work on Flower Ave Green Street and Ethan Allen Gateway
- Neighborhood commercial center improvements (\$150,000), public art (\$35,000), Junction traffic study (\$75,000), street light upgrade not part of LED retrofit (\$20,000)

- **Equipment Replacement Reserve**

- \$800,000 contribution
- Police vehicles, backhoe, fuel dispensing equip, leaf vacuums



Budget Trends

Capital Costs

- **Facilities Maintenance Reserve**
 - \$300,000 contribution
- **Housing Reserve**
 - \$300,000 contribution
- **Bond Reserve**
 - \$3,500,000 set aside for future payments on construction projects from the \$9 million in bonding planned
- **Stormwater Fund and fee**
 - Need to raise base fee from \$55 to \$92
 - Survey of impervious surface planned
- **Special Large Projects**
 - Ethan Allen, Flower Avenue, Library Renovation/Expansion



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 (each \$1 of fee generates \$7,600)
- Fund sometimes increased by grant funds
- Expenditures have been running higher than revenues
- By end of FY17, only **\$72,205** projected to remain in the Stormwater Management Fund
- For FY18, need to raise fee to **\$92** to cover annual costs



Budget Trends

Stormwater Fund

- **New permit requirements and impact on annual cost**
 - Annual water quality testing of outfalls (new \$15,000)
 - Video inspection and system cleaning (increased cost of \$20,000)
 - Additional capital projects (increased cost of \$110,000)
 - System maintenance and enhancements (increased cost of \$15,000)
- **Projects in FY18 include Devonshire at Glaizewood, Grant and Holly, Tulip Avenue Phase II, Takoma Branch stream restoration**
- **Other expenditures needed**
 - New evaluation of impervious area of properties (\$30,000 one time cost)
 - Purchase of truck scale (\$10,000 one time cost)



Budget Trends

Special Revenue Funds

- Routinely pursuing grant funds for major projects
- Some grants require General Fund matches
- Flower Avenue Green Street - \$3,024,370
- Ethan Allen Gateway - \$1,321,500
- Other
 - Community Legacy: MHP Trail - \$50,000
 - Safe Routes to School: Programming and Lincoln Ave - \$644,492
 - Sligo Mill Overlook Park - \$125,000
 - TKPK 5K - \$40,000
 - CDBG: EduCare food dist (\$3,850); Village of TP recreation assistance to persons with developmental disabilities (\$5,300)
 - MEA Smart Energy Communities grant - \$43,924
 - Cable Equipment Grants - \$214,500



Budget Trends

Speed Camera Fund

- Revenues have stabilized at about **\$1.3 million**
- Fund pays for two police officers and a Photo Enforcement Analyst at approximate cost of **\$430,000**
- In past, excess revenue was spent on sidewalk improvements and police equipment; for FY18 will be for police office facility improvements (**\$50,000**) and police radios and mobile computers (**\$39,900**)
- Vendor payment process changing due to change in State law



Capital Budget

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



Capital Budget

Projects / Purchases

- Ethan Allen Gateway Streetscape Project will be going out to bid in early FY18
- Flower Avenue Green Street Project should be going out to bid in FY18
- Library Renovation/Expansion will be going to bid in FY18
- Police/Atrium Renovation in design stage in FY18
- Major purchases are on regular schedule through the Equipment Replacement Reserve



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 FY18, **\$1 million** needed for the City's contribution to the Ethan Allen Project – part of Transportation Bond
- In FY18, **\$709,000** will be needed for the Flower Avenue Green Street Project; in FY19 will need **\$520,000** - part of Transportation Bond
- **\$2 million** Transportation bond with 15 year term to pay City's match for the two major street projects
- **\$7 million** Library Bond with a 30 year term to pay for the Library and related Community Center space project



Capital Budget

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



Operating Budget

- Overview and highlights
- 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 165.15 to 165.45 due to adjustments in hours for part-time staff



Operating Budget

Community Grants / Partnerships

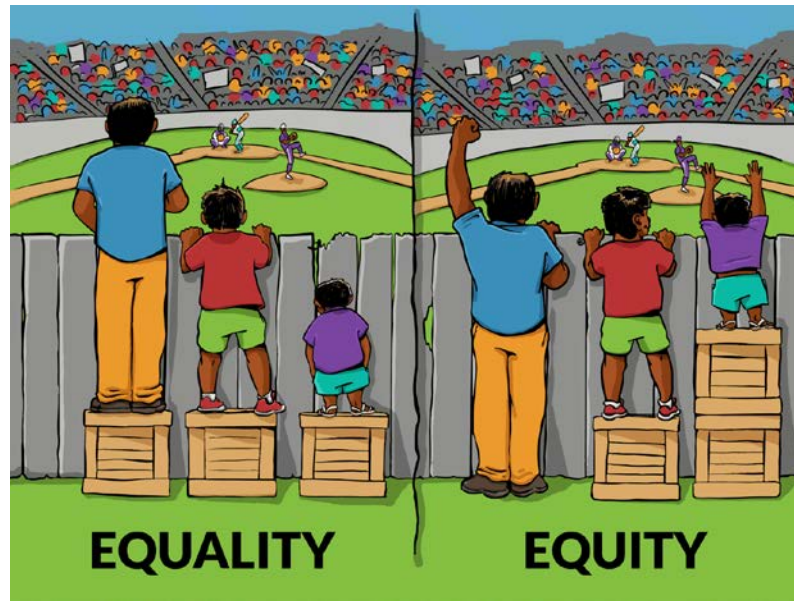
- The FY18 Proposed Budget includes funds for Community Grants and some organizations that receive funds on a recurring basis
- \$125,000 for the Community Grant program
- \$17,500 for the Independence Day Committee
- \$20,000 for the Folk Festival
- \$35,000 for the Old Takoma Business Association
- \$35,000 for the Takoma-Langley Crossroads Development Authority
- \$9,150 for Community Development Block Grant funded programming (EduCare, Village of Takoma Park)
- \$5,000 for Montgomery College scholarships (in \$25,000 amount in Legislative budget)



Council Priorities

- **Items included in this budget**
 - A Livable Community for All
 - Fiscally Sustainable Government
 - Environmentally Sustainable Community
 - Engaged, Responsive, Service-oriented Government
 - Advance Economic Development Efforts

- **Racial Equity**



Council Priorities

Included in Budget

- **A Livable Community for All**
 - Proceeding with plans to renovate and expand the Library
 - Completion of Sligo Mill Overlook Park
 - Contribution of \$300,000 to Housing Reserve
 - Property tax assistance for lower income homeowners
 - \$100,000 for contracting with community partners
 - Ethan Allen Gateway and Flower Avenue Green Street projects
 - Major community events and arts programming



Council Priorities

Included in Budget

- **Fiscally Sustainable Government**

- Review of financial policies to maintain highest level of fiscal responsibility and to align, where possible, investment that advances community values
- Little change in real property tax rate and preservation of reserves to protect City from possible future decline in revenues
- 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**
 - Raise base Stormwater Management Fee from \$55 to \$92 to accomplish large work program and help protect the Chesapeake Bay
 - Continued education and incentive programs for Green Home Certification competition and Sustainable Energy Action Plan
 - Continued efforts towards increasing the tree canopy
- **Engaged, Responsive, Service-oriented Government**
 - Community Survey to help gather information to improve and target programs, services and communication methods; work towards improved police/community relations and provide base information for the Council's Racial Equity efforts
- **Advance Economic Development Efforts**
 - Begin to implementing economic development strategic plan
 - New temporary position to assist with economic development efforts



Council Priorities

Racial Equity

- **Renovation/expansion of Takoma Park Library**
 - Increased space for books, study and programs for Ward 4 residents (85.1% people of color), recent immigrants, young adults and others
- **New Outreach Division of Recreation**
 - Focus services on young people (particularly people of color)
- **Flower Avenue Green Street**
 - Improve aesthetics, pedestrian safety, stormwater quality, lighting and transportation options for residents of Ward 5 (72.4% people of color) and others
- **Ethan Allen Gateway**
 - Improve aesthetics, pedestrian and bicycle safety, stormwater quality and transportation options for residents of Ward 6 (81.5% people of color) and others



Council Priorities

Racial Equity

- **Funds in Legislative Budget**
 - \$5,000 for Montgomery College scholarships – may be more likely to help young people of color
 - Remaining \$20,000 could be identified to assist in feasibility study of an aquatics center (which would help young people of color in learning to swim), and/or to fund workshops or special surveys to assist in better targeting services towards advancing racial equity



Council Priorities

Tax Rate

- **Tax Rate**

- Proposed rate for FY18 is \$0.56 per \$100 valuation, down slightly from the \$0.5675 of FY17
- Constant Yield rate is \$0.5358 per \$100 valuation
- Each cent equals about \$224,000



Budget Schedule

- Wednesday, April 5 – City Manager's Presentation
- Thursday, April 6 – Budget Open House, 7-9 pm, Azalea Rm
- **Wednesday, April 12 – Public Hearing**
- Monday, April 17 – Budget Work Session on Capital Budget
- Monday, April 24 – Budget Work Session on Programs Advancing Council Priorities
- **Wednesday, April 26 – Public Hearing** on Constant Yield Tax Rate and on Proposed Budget
- Monday, May 1 – Budget Work Session on Departmental and Non-Departmental Budgets; Budget Reconciliation
- Wednesday, May 3 – Final Budget Reconciliation
- Wednesday, May 10 – First Reading of Budget Ordinances
- Wednesday, May 17 – Second Reading of Budget Ordinances



Fiscal Year 2018 Proposed Budget Presentation

QUESTIONS?

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