

#TogetherTKPK



Recommended FY 2021 Budget

Budgeting in Uncertain Times

Presented by:
Suzanne Ludlow. City Manager
April 6, 2020



Big Picture

- The proposed FY21 Budget, which was mostly prepared before the Covid-19 emergency was declared, is a “maintenance of effort” budget, with no major new initiatives or services.
- When the pandemic hit Maryland, proposed budget numbers and projects were re-evaluated and some modifications made; other modifications will be identified during the budget consideration process.
- Because of years of careful fiscal stewardship, the City of Takoma Park is on solid financial ground right now and has the flexibility to consider options as more is learned about the impacts of the pandemic, now and through the coming year.



Proposed Budget Presentation

- Budget Schedule
- Budget Overview
- Council Priorities
- Next Steps



Budget Schedule

- April 6: Presentation of Recommended FY21 Budget
- April 13: Budget Work Session
- April 15: Public Hearing on the Budget
- April 20: Budget Work Session
- April 27: Budget Work Session
- April 29: Public Hearing
 - FY 2021 Tax Rate (Constant Yield Tax Rate)
 - FY 2021 Budget
- May 4: Budget Work Session – Reconciliation
- May 13: First Reading Ordinances Adopting the Budget and Tax Rates
- May 20: Second Reading Ordinances Adopting the Budget and Tax Rates

Recognition Award

The City was presented with its second **Distinguished Budget Presentation Award**. The award represents the highest form of recognition in governmental budgeting and represents a significant achievement for the organization. The award, given by the Government Finance Officers Association (GFOA), reflects the commitment of the governing body and staff to meet the highest principles of governmental budgeting and presentation of budget information.

This is the second year the City has submitted its budget document for consideration. I am thrilled with the great work of our Finance staff. Congratulations to Finance Director Susan Cheung and her team for a job well done!



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

**City of Takoma Park
Maryland**

For the Fiscal Year Beginning

July 1, 2019

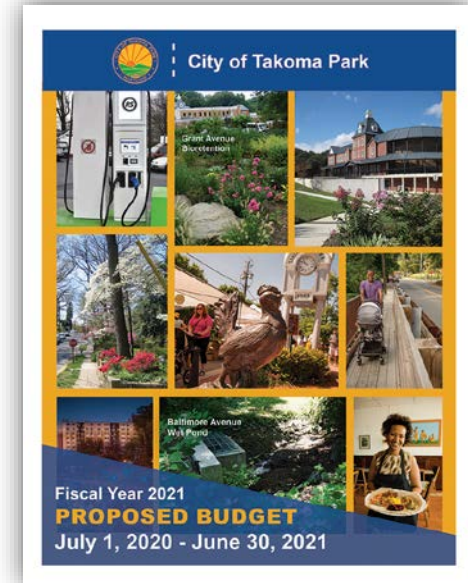
Christopher P. Morill

Executive Director



Budget Overview

- Total Revenue of All Funds: **\$30,264,740**
 - Total General Fund Revenue: **\$26,974,294**
 - Total Real Property Tax Revenue: **\$13,932,654**
 - Total Expenditures of All Funds: **\$36,432,396**
 - Total General Fund Expenditures: **\$33,440,607**
 - Proposed Tax Rate Increase: from **\$0.5397 to \$0.555**
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- Each cent of the real property tax equals approximately **\$251,000**.
 - Difference between **\$0.5397** and **\$0.555** is **\$384,000**.
 - The Constant Yield Tax Rate is **\$0.5291**.
 - Difference between **\$0.5291** and **\$0.5397** is **\$266,000**.
 - The Constant Yield Tax Rate plus the **2.9% ECI** is **\$0.5444**.
 - Difference between **\$0.5397** and **\$0.5444** is **\$118,000**.



Budget Overview

Budget Principles

- Pay ongoing costs with ongoing funds
- Maintain infrastructure as best we can, even when the budget is tight (otherwise, it costs much more down the road)
- Must follow legal mandates and strive to meet best practices



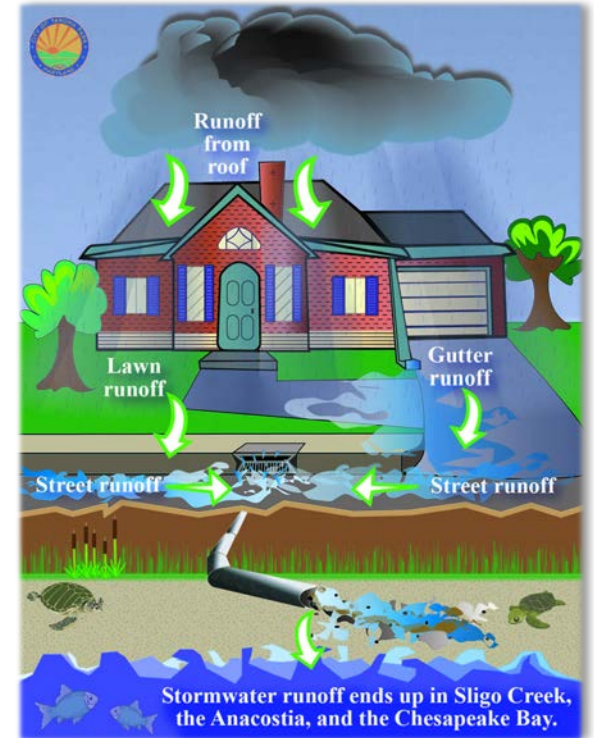
- **General Fund Revenues**

- Property Taxes
- Income Tax
- Intergovernmental Revenue
- Charges for Services

- **Stormwater Fund**

- **Special Revenue Funds**

- **Speed Camera Fund**



Overview Key Points

- **General Fund Revenue**

- **92% comes from three sources**

- **Property taxes (real, personal and RR and utility) 53.7%**

- Second year of triennial assessment
 - Not likely to be affected by pandemic in coming two years

- **Interjurisdictional (tax duplication, State payments) 25.2%**

- In last recession, took several years before County and State affected by reduced revenue; County and State then cut funds to Takoma Park

- **Income tax 13.3%**

- Based on 2019 income; by State law, is 17% of what would otherwise go to Montgomery County
 - Takoma Park's revenues not heavily impacted by changes in capital gains earnings

- **8% is Charges for Services**

- \$640,000 is revenue from Recreation Dept programs
 - Recreation and parking revenue is being impacted by pandemic currently; not sure extent of impact in FY21



Overview Key Points - continued

- **Unassigned General Fund Balance: \$1,848,058**
 - Council policy is to require this amount to be at least 17% of the General Fund operating revenues. That amount would be about \$4.6 million.
 - As in the past two years, there is money set aside to ensure the City has funds to pay for the projects for which it has taken out bonds, particularly the Library bond. As expenditures are made on the Library project, these reserve funds are freed to become part of the Unassigned Fund Balance. Those funds total \$3.6 million for FY21, which, if the Library project moves forward, would allow for an Unassigned Fund Balance of \$5.4 million.



Overview Key Points - continued

- **FTEs**

- The 1.98 increase in Full Time Equivalent is due to the proposal to add one new IT position and adjustments to other positions, primarily in part time hours. Some of these hours are to staff a before care program at the Takoma Park Recreation Center, one of the few new proposals in this budget. There may be reduced part-time hours due to the impact of the pandemic.

- **Personnel Costs**

- The City is in contract negotiations with its two unions that represent non-management employees (AFSCME and UFCW Local 400); due to the pandemic, wage negotiations are temporarily on hold, as are the normal July 1 pay increases for all City staff.
- There are some additional intern hours proposed that do not affect FTE numbers, but do count in the personnel cost totals.
- The cost of employee health insurance benefits were estimated before the pandemic hit, but our providers are now indicating that the costs may increase more than projected.
- Due to the pandemic, there may be some positions that will not be filled beginning July 1 and therefore there may be some personnel savings.



Overview Key Points - continued

- **Capital Projects and Purchases**

- There are few new capital projects or purchases in the FY21 Capital Improvement Program (CIP)
- It is important to look at source of funding when reviewing the CIP; General Fund projects are directly from taxpayer funds
- Several projects or work items are proposed to be delayed until FY22; these include the Atrium Fill-in/Police Dept work and a significant amount of sidewalk work; these projects could move up if funds were available, but a delay would not cause long-term harm
- IT security improvements, bus shelter site improvements and road maintenance are proposed for FY21; postponement of IT and projects would be a safety risk; a delay in road maintenance would cause much greater costs to the City in the future



Overview Key Points - continued

- **The Library Project is recommended to proceed. It is in the City's financial interest for design work to continue.**
 - Funds are available for the project and are not easily transferrable to any other project
 - The \$7 million Library Bond is primarily for the Library project. It could be used for other improvements to the Community Center provided they are of a similar size and lifespan. The Atrium Fill-in and full renovation of the Police Dept would not likely exceed \$3.3 million. The full renovation is not scheduled to occur until FY24 or later.
 - The \$300,000 in State grants are for the Library project only.
 - The \$2.5 million in capital Cable Grant funds are restricted to capital expenditures that facilitate City TV operations and programming, wiring infrastructure, and public safety communications technology. Because a good amount of the Library works with our technology systems and will have programming that is shown on City TV as well video production classes and functions, these funds will meet the legal use requirements. The Cable fund reserve totals about \$3.5 million, so sufficient funds remain for future City TV and infrastructure uses.



Overview Key Points - continued

- In a recession, construction costs often decline. Having the Library project design and construction documents completed will allow us to take advantage of possible lower construction pricing.
- If money is not spent on the Library, the restricted Bond Reserve will remain in place and those funds will not be able to be released to the Unassigned Fund Balance. Particularly given the economic uncertainty we have, it is better to have larger reserves available, if needed.
- **Departmental budgets represent few changes from the current year**
 - A new IT specialist position is proposed, increasing the staff from 3 employees and an intern to 4 employees
 - Given the heavy demands on the staff related to protecting the City from ransomware attacks and in safeguarding public safety and financial systems, the position is essential.
 - Many of our City activities are moving to technological solutions, which reduces the need for additional staff while providing better service to residents.



Overview Key Points - continued

- The Recreation Department proposed to begin to provide before-school care for students at the Takoma Park Recreation Center, based on strong interest by Ward 6 residents. Such service would result in a net gain in income for the City, but does require part-time FTE hours. These plans may be delayed as a result of the pandemic.
- Several departments that had intern positions cut as part of the FY20 budget proposed reinstating the positions; and departments looked to restore some of the professional development training and conferences that had been cut. Once again, these interns or training opportunities may be affected by the pandemic.
- Additional funds were put into the City Council budget for increased compensation for the next incoming Council and conference expenses were restored to the FY19 level. The City Council has not yet heard the presentation by the Council Compensation Committee, however, and the conferences may be affected by the pandemic.



Overview Key Points - continued

- **The Non-departmental budget also remains similar to FY20.**
 - Workers Compensation is projected to increase, but the actual costs will not be known before the budget is adopted.
 - Funds are allocated for festival support; again, the pandemic may affect events such as the Independence Day activities
- **Funds and programs continue to be included to help residents and businesses in Takoma Park; many programs are income qualified**
 - Rent Stabilization
 - Homeowner Property Tax Supplement
 - Emergency Assistance Fund
 - Grants to community organizations
 - Workforce services



Overview Key Points - continued

- Assistance to businesses and business associations, including operating contracts, façade program, mini-grant program
- Funds to help pay for tree removal
- Funds to help residents, and multi-family and commercial property owners make energy and other sustainability improvements
- Homestretch down-payment assistance



The proposed budget is crafted to advance Council's Priorities, which were adopted in March 2019

- A Livable Community for All
- Fiscally Sustainable Government
- Environmentally Sustainable Community
- Engaged, Responsive and Service-oriented Government
- Community Development for an Improved and Equitable Quality of Life



2020 - CITY COUNCIL PRIORITIES



1. A Livable Community For All

- Ensure we have a range of safe, quality, and stable housing options that are affordable for residents of varying incomes and all races and ethnicities.
- Identify programming needs in the community and develop approaches to meet those needs, emphasizing youth, families, seniors, and our more vulnerable residents, such as those with lower incomes, immigrants, and people with developmental disabilities.
- Defend status as a Sanctuary City and continue to be a welcoming and inclusive community for all residents.
- Improve transportation planning and outreach to create a safer and more racially equitable community for all residents, including pedestrians, bicyclists, and vehicle occupants.
- Further efforts related to racial equity.

2. Fiscally Sustainable Government

- Increase funding from County and State to address tax duplication and other City needs.
- Minimize adverse impacts of changes to the federal tax system.
- Adopt sustainable investment and banking policy and practices.

3. Environmentally Sustainable Community

- Prioritize actions, policies, innovations, and new opportunities that mitigate and adapt to the causes and effects of climate change.
- Protect, plan for, and improve Takoma Park's natural resources including urban forest health and water quality, and continue to be a leader in community sustainability programs and policies.

4. Engaged, Responsive, Service-oriented Government

- Improve policies and processes related to the tree ordinance; traffic calming; sidewalk requests; repair and maintenance; and residential commercial boundary conflicts.
- Improve and formalize systems for Council-appointed committees and external committees on which Council members serve (e.g. MWCOG).
- Identify policing priorities and explore options for enhanced police/community relations.
- Explore alternative approaches to enhance public engagement and two-way communication.

5. Community Development for an Improved & Equitable Quality of Life

- Plan and prepare for development in the City and region while maintaining the special character and diversity of Takoma Park.
- Redevelopment of Takoma Park Recreation Center.



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A Livable Community for All

- Responding to pandemic and planning for pandemic recovery
- Completing design for Library and moving to construction
- Continuing to implement the Housing and Economic Development Strategic Plan; another \$110,000 contribution to the Affordable Housing Fund
- Continuing to advocate for reuse of the Washington Adventist Hospital site to benefit the City and community
- Furthering community policing efforts
- Advancing racial equity work
- Street, sidewalk, bus stop and bikeway improvements for sustainability and Vision Zero goals
- Funds for community grants and partnerships
- Community events and arts programming

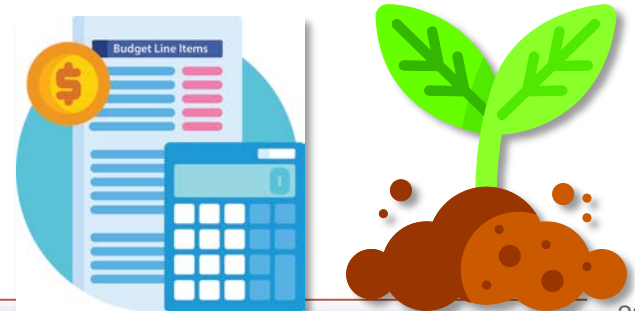


Fiscally Sustainable Government

- Careful monitoring of and planning for impacts from pandemic this year and in future years
- The proposed budget includes an unassigned general fund balance of \$1.85 million
 - Per best practices and adopted policy, this should be \$4.6 million
- Contribution of \$50,000 in addition to actuarially recommended amount for Police Employees' Retirement Plan

Environmentally Sustainable Community

- Community engagement re Climate Emergency Response Framework
- Flower Avenue Green Street project completion
- Stormwater improvements
- Rebates and grants for clean and efficient energy use



Engaged, Responsive, and Serviceoriented Government

- Increase in FTEs by 1.98 primarily due to addition of fulltime IT position
- Communications and services to residents and businesses re pandemic and pandemic recovery

Community Development for an Improved & Equitable Quality of Life

- Implementing Housing and Economic Development Strategic Plan
- Business assistance and workforce development throughout the City
- Capitalize on Opportunity Zone designation
- New Hampshire Avenue redevelopment
- Takoma Park Recreation Center- community engagement process beginning
- Takoma Junction development



Next Steps

- Budget Work Session on April 13: Assisting residents and businesses to create a Livable Community for All
- Budget Work Session on April 20: Capital Improvement Program
- Budget Work Session on April 27: Departmental and Non-departmental budgets
- Reconciliation
- Approval of Budget Ordinances