



Takoma Park City Council Meeting – April 15, 2020

Agenda Item 1

Public Hearing

Public Hearing on the City Manager's Proposed Fiscal Year 2021 Budget

Recommended Council Action

Receive testimony from members of the public

Context with Key Issues

The City's new fiscal year will begin July 1, 2020. In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager has prepared a proposed budget for consideration by the City Council.

The proposed budget for Fiscal Year 2021 accounts for the City's financial activities in four major funds or fiscal entities. They are the General Fund, the Stormwater Management Fund, the Special Revenue Funds, and the Speed Camera Fund.

In addition to tonight's public hearing on the proposed budget, there will be a second public hearing on the budget on Wednesday, April 29 at 7:30 pm, along with a public hearing on the Constant Yield Tax Rate.

The First Reading of the Budget Ordinances is scheduled for Wednesday, May 13. The Second (final) Reading of the Budget Ordinances is scheduled for Wednesday, May 20.

Council Priority

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

Environmental Considerations

The proposed budget recommends substantial continued investment in improving the environment, including, but not limited to stormwater system improvements, general sustainability efforts, continued efforts towards increasing tree canopy, and continued work on library renovations to meet the highest green standards possible. These efforts will help Takoma Park become more resilient to the longer, more intense storms and other aspects of climate change. Community engagement and other preparation work on the Climate Emergency Response Framework is planned.

Fiscal Considerations

Total revenues (all funds) of \$30,264,740. Total expenditures (all funds) of \$36,432,396. Total General Fund revenues of \$26,974,294. Total General Fund expenditures of \$33,440,607. Real property tax rate increases from \$0.5397 to \$0.555 per \$100 of assessed valuation.

Consideration of the budget will be in light of the immediate financial needs of the Covid-19 pandemic, pandemic recovery and subsequent operations of the City in an uncertain economy.

Racial Equity Considerations

This budget includes funds to address racial equity through implementation of the housing and economic development strategic plan to expand access to affordable housing, assistance to small businesses, community grants and partnerships, and continued racial equity training. These efforts are particularly needed given the impacts of the Covid-19 pandemic.

The Police Department is successfully implementing community policing with its budget, allowing it to build a closer partnership between officers and residents of color in Takoma Park. Construction of the Library will provide services not easily obtained elsewhere for immigrants, young adults, seniors and children, a majority of whom are people of color.

Continuing programs for young people in the Recreation Department, Police Department, and Library are geared towards assisting residents of color. Some of the sustainability programs of the Public Works Department are geared towards assisting residents with lower incomes with energy efficiency improvements.

Attachments and Links

- Budget Transmittal Letter
- [FY21 Proposed Budget](#)



City of Takoma Park

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April 3, 2020

Honorable City Councilmembers and Residents,

With this letter, I submit for your review and consideration the Recommended Budget for the City of Takoma Park for Fiscal Year 2021 (FY21), which begins on July 1, 2020. The City's annual budget determines the manner in which services are delivered to the community and demonstrates how resources are planned to be used to achieve the priorities of the City Council. Consideration and adoption of the budget is one of the most important actions that the City Council takes each year.

As I present this FY21 Proposed Budget for the City of Takoma Park, the world is in the midst of the Covid-19 pandemic. This is a time of high anxiety about both health and financial matters and those concerns affect us all.

The Proposed Budget has been reviewed in light of the health emergency and resulting possible economic impacts. While adjustments will occur as information is learned about the expected duration of the pandemic and the level of Federal, State and County assistance, the overall budget presented here maintains essential services and provides flexibility for the City as the economic picture clears.

It should be noted that there are some items in the Proposed Budget that are likely to be removed or changed because much of the budget was prepared before the Health Emergency was declared. For example, some items are related to events, conferences or programs that are unlikely to occur.

Finance Director Susan Cheung and I have been carefully considering the City's financial strengths, areas of risk, and options to consider for the coming fiscal year and beyond. This information will be discussed in detail as we go through the budget consideration process with the City Council.

Because of years of careful financial stewardship, planning and the sources of City revenues, the City of Takoma Park is on solid financial footing right now. Revenues are likely to remain thin but stable for the next year or more. Significant impacts of a recession

from the pandemic will not immediately affect the bottom line of the City of Takoma Park because of the type and timing of the revenues the City receives.

Budgeting during an emergency requires an assessment of immediate need and impact, projection of needs for the recovery period after the emergency and a continued eye on maintaining long term fiscal health.

Council Priorities

The Council's Priorities, adopted in March 2019 and reaffirmed earlier this year, are:

- 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

Over the past year, the collaborative efforts of the City Council and City staff have made remarkable steps in advancing these goals. The adoption of the Housing and Economic Development Strategic Plan, the Climate Emergency Response Framework Resolution, and ongoing race equity training have put in place policies, implementation steps and skills that allow the City of Takoma Park to much better address the challenges of the coming years and the high expectations residents have of their government.

Already, the actions taken through the Housing and Economic Development Strategic Plan have allowed for funds and initiatives that have helped residents and businesses as the pandemic hit. Previously, these measures began to address the negative impacts of Purple Line construction on Takoma-Langley businesses. As the pandemic comes to an end, the skills and provisions that are in place will help Takoma Park in the recovery.

Climate change is affecting Takoma Park in many ways, including increased flooding from longer storms and widespread infestations and deaths of trees. This budget continues the public works staffing and programs to address storms, stormwater and tree protection. Raising the floor of the Takoma Park Library as part of the Library renovation project will keep the Library above the flood plain and protect this beloved institution and the services it provides to immigrants, seniors, young adults and children.

Planning work will continue to guide improvements to public spaces to emphasize bikeways, sidewalks and improved bus stops, and will provide guidelines for new development to meet high environmental sustainability standards. New development is essential to bring the long term economic stability the City needs, while providing new housing, jobs and services.

The City's Sustainability and Planning staff have been very successful at obtaining grant funding for projects that truly improve the livability of Takoma Park and advance the goals of the Council.

This budget includes a contribution of \$110,000 to the Housing Reserve Fund and continued funding of the City's Emergency Assistance Program, Homeowner Property Tax Credit Supplement and other support funds to help our residents. The services being provided by the Housing and Community Development Department help keep residents in their homes and apartments in a safe, comfortable and affordable manner and encourage the provision of new affordable and market rate housing to meet our community's housing needs.

One way to keep housing affordable is to ensure Takoma Park's residents have employment and business ownership opportunities and support. The successful programs and partnerships that began this year in our Economic Development division will continue. The efforts are critical right now during the pandemic, and will continue to be critical through the recovery period. These efforts range from traditional one-on-one support to the use of innovative technology. The services being provided to residents and businesses in Takoma Park on a very small budget are remarkable.

Staffing

Little overall change is proposed in staffing in this FY21 Budget. One new full-time employee is proposed to be added in our Information Technology division, increasing our small IT staff from three to four. We rely on technology for all of our activities and some, such as Police communications services and our City's financial systems, are critical for government operations. Governments have become targets for ransomware and other attacks and we need sufficient staff to protect our systems and facilitate other City services. This new position is essential.

The budget shows some additional increases in part-time staffing hours, including staffing for before school care at the Takoma Park Recreation Center at the strong request of Ward 6 residents. Staffing for all activities that involve gatherings of people will be affected by the duration of the pandemic and may be adjusted during the City Council's consideration of the budget.

Revenue

The revenue sources for the General Fund are primarily property tax, interjurisdictional revenues and income tax. These three categories comprise 92% of General Fund revenues. Fortunately for the City of Takoma Park, there is generally a lag before these revenue sources are impacted by a recession.

Property taxes, which include real property, personal property and railroad and utility taxes, comprise 53.7% of General Fund revenues. Interjurisdictional revenues comprise 25.2% and include tax duplication payments from Montgomery County, Police Aid and Highway User Revenue from the State, and Cable Franchise Fee and Operating funds. Income tax revenue makes up 13.3%. A fourth category, Charges for Services, comprises 7.8% of the General Fund revenues.

It should be noted that, of the Charges for Services, \$640,000 is from Recreation programs (2.4% of General Fund revenues). Recreation program funding is being hit immediately due to the pandemic, but it is unclear how much of the expected FY21 revenue will be impacted. Hiring of part-time staff for summer and fall programs is being delayed for the time being.

Proposed Property Tax Rate

The City's current real property tax rate is 53.97 cents per \$100 assessed valuation for taxing purposes. I am proposing to raise the rate to 55.5 cents per \$100 assessed valuation. This tax rate allows for changes the City Council may wish to make in services and to have flexibility as new information on impacts of the pandemic is received.

The City remains affected by the questionable 2019 State property assessment. That triennial assessment showed almost no increase in citywide property value over the previous assessment and maintained that a third of the City's properties had lost value, contrary to area home sales data. We know some residents did see an increase in their assessment, but on average, there was almost no increase citywide. At the same time, the cost of providing basic services, such as trash and recycling collections, repairing roads, maintaining parks and other services, did increase.

With State property assessments not keeping up with normal operating costs, the property tax rate needs to be raised to have funds to continue the same level of City services and to continue to provide assistance to lower-income residents.

One way to see this is to determine what the tax rate would be if an independent index showing the rate of inflation in market wages and employer-paid benefits is applied to the amount of property tax revenue expected to be received by the City this fiscal year. The Constant Yield Tax Rate, which is the tax rate that would generate the same amount of property tax revenue expected to be received through June 2020, is 52.91 cents. If that rate is increased by the Employment Cost Index for State and Local Government Employees (ECI), which is 2.9% this year, the tax rate would be 54.44 cents. The ECI is published by the Bureau of Labor Statistics and shows the compensation cost for state and local government workers, including health care benefits.

Again, the proposed real property tax rate is 55.5 cents to address the costs for City services and provide flexibility as we learn more information about the economic impacts of the pandemic and the likely costs of recovery efforts.

Capital Projects and Purchases

As we prepared the Proposed FY21 Budget, we evaluated which capital projects and purchases could be postponed and which are important to work on in the coming year. Work on the Atrium Fill-in/Police Department Renovation and a number of sidewalk projects were pushed into FY22. Road maintenance and repaving is not deferred, however, and is funded at the \$500,000 level because repairing roads when the work is needed saves a great deal of money in the long run.

The most important capital project to continue to pursue is the renovation of the City's Library. Continuing the design work for the renovated Library is in the economic interest of the City. The funds allocated for the Library design and construction cannot easily be used for any other project nor will cutting the funds or delaying the project save taxpayer money. The Library building is in extremely poor condition and does not meet ADA standards. As mentioned earlier, it is also in a flood plain. We need to get the design finished so that we may be able to take advantage of the reduced construction costs that so often come in a recession. The Council will receive detailed information about Library cost components at regular points so that they may determine if adjustments to the design may be needed to save money.

Whether it is roadways or buildings, preservation of a City's infrastructure and facilities is a key responsibility of a municipal government and reduces fiscal risk. During the last recession, the City of Takoma Park continued to do road maintenance and building projects even as it made significant cuts in other areas. These actions kept the City of Takoma Park in good stead for the long run. Even now, the City's roads are in better shape than those of unincorporated Montgomery County because of the work we did. Montgomery County's delays of work on its infrastructure during the last recession have required much more costly work in subsequent years and they have not yet caught up.

A Fiscally Sustainable Government

A key Council goal is a Fiscally Sustainable Government. At this time of uncertainty, I wish to reassure the residents of Takoma Park that I am committed to fiscal sustainability. This Proposed Budget takes the steps needed to remain in solid fiscal health and gives the flexibility to take steps that may be needed during and after the Covid-19 pandemic to address the current situation and position our City and its residents well in the long term.

A Wonderful, Professional City Staff

These are challenging times. I am fortunate to have remarkably skilled professional and front line staff working with me on behalf of the City of Takoma Park. Our police officers and public works staff are out in public every day to provide essential services during this

pandemic. Staff are working from their homes taking calls from residents, preparing grant proposals, and finding ways to put people back to work and keep businesses afloat.

Some of these staff put together a full Proposed Budget document while transitioning to telework and doing their other work assignments during a pandemic. I cannot fully express how thankful I am to my staff for the work they did to keep the budget schedule on track. Donna Wright, our Communications Specialist, worked tirelessly to get out pandemic-related communications while also helping to oversee the production of this document.

I am particularly fortunate to have Susan Cheung as my Finance Director. Her work has led to repeated honors by the Government Finance Officers Association for the City's Comprehensive Annual Financial Report and Budget documents. Although she is staying six feet away from me, I am pleased to have her by my side.

The Budget Consideration Process

The City Council will now begin consideration of this Proposed FY21 Budget. This will be the first time that budget presentations, work sessions, public hearings and reconciliation work will be done virtually. Thank you to the staff of the offices of the City Clerk, Information Technology and City TV who have found ways to make the hearing and meeting processes work smoothly and for the public to participate effectively.

I am honored to work with a City Council that will be looking at this budget from a race equity standpoint. Despite the fiscal constraints, this Proposed Budget continues the programs and services that help renters, small business owners, immigrants, young people, and seniors. It is these services that make Takoma Park a Livable Community for All.

We will get past the pandemic, and we will begin taking the actions needed for the recovery. Through all of this, we will be acting to advance the long term economic health of the City of Takoma Park.

I look forward to working with you as you consider the Proposed FY21 Budget.

Sincerely,

Suzanne Ludlow

Suzanne Ludlow