



Takoma Park City Council Meeting – May 13, 2020 Agenda Items 1, 2, 3

Voting Session

First Reading Ordinances Adopting the Fiscal Year 2021 Tax Rates and Budget

Recommended Council Action

Approve the budget ordinances at First Reading

Context with Key Issues

The City's new fiscal year begins July 1, 2020. In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager prepared a proposed budget for consideration by the City Council. On April 6, 2020, the City Manager provided the City Council and the public with an overview of the recommended budget for Fiscal Year 2021. Public hearings were held on April 15 and April 29, 2020.

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. The City Council held a series of budget work sessions to consider the various budget elements and to identify desired modifications. Decisions on the Council's reconciliation list items were made on May 4, 2020.

The total expenditures for the proposed budget are \$34,245,986, while total revenues are \$29,173,651.

The budget advances the following established priorities of the City Council:

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

With adoption of this budget, the City's real property tax rate will be set at 53.97 cents (per \$100 of assessed value), which is the same as the Fiscal Year 2020 rate of 53.97 cents. The rate is above the Constant Yield Tax Rate of 52.91 cents as calculated by the Maryland Department of Assessments and Taxation. The adopted tax rate is higher than the Constant Yield Tax Rate by 1.06 cents and represents additional revenue of \$266,101. The adopted tax rate for FY 2021 will result in an increase in property tax revenues in the amount of \$420,054 over the adopted FY 2020 amount, an increase of 3.2 percent.

The tax rate of 53.97 cents per \$100 of assessed value is less than the Constant Yield Tax Rate increased by the ECI rate of 2.9% by 0.47 cents, or \$117,988. The ECI is the Bureau of Labor Statistics State and Local Government Employment Cost Index for wages and benefits as of December 2019.

The amount of expected FY 2021 real property tax revenue is \$13,548,565. This amount is the same as the amount that would be generated by multiplying the assessable base of \$2,510,388,105 by the tax rate.

Changes made to the City Manager's proposed budget by the Council are:

- A reduction of 1.53 cents in the proposed real property tax rate of 55.50, taking the rate to 53.97 cents (per \$100 of assessed value)
- Decreases in personnel expenditures
- Decreases in Council compensation and benefits
- Decreases in overtime and conference and training expenditures
- A hold in certain personnel expenditures; \$320,000 in funds placed in the Unassigned Reserve
- Elimination in the amount of additional contribution to the Police Pension Fund
- Elimination of the Residents Survey
- Elimination of funds for Independence Day and Folk Festival support
- Elimination of funds for the Play Day partnership
- Elimination of funds for Commemorative Signs
- Elimination of funds for Performance Software
- Elimination of General Fund funds to phase in stormwater fees; the Stormwater Fund will supplement expenditures
- A hold on the Tree Canopy implementation plan; with \$30,000 placed in the Unassigned Reserve
- Reduction in Sustainability outreach/event funding
- A reduction of Public Art funding
- A reduction in street maintenance funding of \$50,000, with \$450,000 on hold with the funds placed in the Unassigned Reserve
- \$500,000 in funds for the ADA Sidewalk work on hold and placed in the Unassigned Reserve
- A reduction in funds for Public Land Management implementation
- A reduction to Neighborhood Commercial District Improvement funding
- A reduction of \$100,000 in the amount to contribute to the Housing Reserve
- The creation of a COVID-19 Fund in the amount of \$440,000
- A reduction of funds for General Contingency due to decreased revenue

There will be no change to the Stormwater Management Fee of \$92 for single-family residential properties for FY 2021. However, the Equivalent Residential Unit will represent 2,116 square feet rather than 1,228 square feet. The change means that commercial, institutional and multifamily properties will pay less and funds from the Stormwater Fund will need to be used to make up the balance for FY 2021. The work program for the next fiscal year includes consideration of the proposal to revise the rate system to a fee per 500 square feet system that would be more equitable

for all property owners and would provide an ongoing benefit to those properties that have less impervious area.

Attached are the three budget ordinances for consideration at First Reading. Second Reading will be held on May 20, 2020.

Differences in revenue and expenditure amounts from those discussed during the Council's May 4 reconciliation are due to separation of the net FY21 revenue loss from COVID-19 impacts into the applicable revenue and expenditure accounts, removal of the additional funds for the Police Retirement system from the personnel in the Speed Camera Fund, and small adjustments to the Contingency account and other funds calculated from certain totals.

The budget ordinances are:

- Ordinance Adopting the FY 2021 Tax Rates
- Ordinance Adopting the FY 2021 Stormwater Management Budget
- Ordinance Adopting the FY 2021 Budget

Council Priority

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

Environmental Considerations

The proposed budget includes substantial continued investment in improving the environment, including but not limited to: \$713,696 for stormwater system improvements and funds for library renovation and expansion meeting green building standards.

Fiscal Considerations

Combined revenues for all funds for Fiscal Year 2020 are projected to be \$29,173,651.

- General Fund revenues total \$25,994,205.
- Stormwater Management Fund revenues total \$598,300.
- Special Revenue Fund revenues total \$1,541,146.
- Speed Camera Fund revenues total \$1,040,000.

The budget provides for total expenditures (all funds) of \$34,245,986.

- General Fund expenditures total \$31,256,716.
- Stormwater Management Fund expenditures total \$713,696.
- Special Revenue Fund expenditures total \$1,460,246.
- Speed Camera Fund expenditures total \$815,328.

The contribution to the Equipment Replacement Reserve will be \$600,000, and the contribution to the Housing Reserve will be \$10,000. Fund balance (all funds) will decrease by \$5,072,335. The total Capital Improvement Program (CIP) budget is \$6,281,331.

The commitment of \$440,000 in COVID-19 funds, combined with the significant reduction in personnel and other operating funds, is to address the need of residents and small businesses being impacted by the pandemic. By addressing these needs, the City of Takoma Park may reduce the future negative economic impacts on the City and the community.

The Unassigned Fund Balance as of June 30, 2021 is projected to be \$3,151,860 which is less than the \$4.4 million that would represent 17% of the General Fund revenue. A review of past Comprehensive Annual Financial Reports (CAFRs) shows that the final Unassigned Fund Balance is consistently larger than the amount it is projected to be at the beginning of the year and exceeds the 17% threshold. (For example, for FY17, it was projected to be \$3,000,787 and was \$7,704,043; for FY18 it was projected to be \$3,061,667 and was \$7,165,390; for FY19 it was projected to be \$3,092,721 and was \$6,934,380.)

Similarly, there is usually an appropriation in Takoma Park budget ordinances to account for an excess of projected expenditures over revenues. This appropriated amount is often affected by construction projects. In the FY21 budget ordinance, this appropriated amount is \$5,262,511. If the revenue and expenditure estimates in the budget occurred exactly as budgeted through the course of the fiscal year, this amount would need to be contributed from the reserves (comprising approximately \$11 million) on June 30, 2021. In FY21, \$3.6 million of this amount is for Library construction, the funds for which are in the Bond Reserve. The actual General Fund difference is approximately \$1.6 million. This amount is well within the expected amount of the Unassigned Fund Balance.

Racial Equity Considerations

Major proposed expenditures, particularly those from the COVID-19 funds, help address racial equity in Takoma Park. The residents and business owners most impacted by the pandemic are disproportionately people of color. Renovation and expansion of the Library will allow for increased access to books, resources and programming for residents of Ward 4 (85.1% people of color, per the 2010 Census) and other residents. Continued community engagement work related to potential improvements to the Takoma Park Recreation Center will largely benefit Ward 6 residents (81.5% people of color), where the Recreation Center is located.

Attachments and Links

- Ordinance Adopting the FY 2021 Tax Rates
- Ordinance Adopting the FY 2021 Stormwater Management Budget
- Ordinance Adopting the FY 2021 Budget
- Attachments, including lists of changes from the proposed budget and the resulting modified fund summaries
- The FY 2021 Proposed Budget is posted on the City's Website at:
<https://takomaparkmd.gov/government/finance/budgets-and-financial-documents/>.