



Takoma Park City Council Meeting – May 20, 2020 Agenda Items 1, 2, 3

Voting Session

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

Recommended Council Action

Approve the budget ordinances at Second Reading. First Reading was held on May 13.

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 (as amended at first reading)
- Ordinance Adopting the FY 2021 Budget (as amended at first reading)
- 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/>.

Introduced by: Councilmember Seamens

First Reading: May 13, 2020

Second Reading:

**CITY OF TAKOMA PARK, MARYLAND
ORDINANCE NO. 2020-9**

**AN ORDINANCE ESTABLISHING THE TAX RATES FOR FISCAL YEAR 2021,
BEGINNING JULY 1, 2020 AND ENDING JUNE 30, 2021**

WHEREAS, in accordance with Section 6-303 of the Tax Property Article of the Annotated Code of Maryland, the City Council is charged with the establishment of a municipal corporation tax rate on or before the first day of July of each year; and

WHEREAS, a public hearing must be held prior to the establishment of said tax rate if the rate will exceed the constant yield tax rate as calculated by the Maryland Department of Assessments and Taxation; and

WHEREAS, the proposed tax rate for Fiscal Year 2021 will exceed the constant yield tax rate of \$0.5291; and

WHEREAS, public budget hearings were held on April 15, 2020 and April 29, 2020.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND:

SECTION 1. Section 7.16.020 of Chapter 7.16, "Real and Personal Property", of the City of Takoma Park Code is amended to read as follows:

"Section 7.16.020. Annual tax levy on real and personal property.

Effective July 1, 2020 all real and personal property which is subject to taxation by the City shall be subject to a tax on the assessed value of such real and personal property as such value is determined by the State Department of Assessments and Taxation, at the rate of:

Real Property	
Apartments	\$0.5397 per \$100 of assessed valuation
Commercial	\$0.5397 per \$100 of assessed valuation
Residential	\$0.5397 per \$100 of assessed valuation
Vacant	\$0.5397 per \$100 of assessed valuation
Personal Property	\$1.55 per \$100 of assessed valuation
Railroad and Public Utilities	\$1.57 per \$100 of assessed valuation"

SECTION 2. This Ordinance shall be effective July 1, 2020.

Adopted this ____ day of May, 2020, by roll-call vote as follows:

AYES:

NAYS:

ABSTAIN:

ABSENT:

Introduced by: Councilmember Seamens

First Reading: May 13, 2020

Second Reading:

**CITY OF TAKOMA PARK, MARYLAND
ORDINANCE NO. 2020-10**

**AN ORDINANCE APPROVING AND ADOPTING THE STORMWATER
MANAGEMENT BUDGET FOR FISCAL YEAR 2021, BEGINNING JULY 1, 2020
AND ENDING JUNE 30, 2021**

WHEREAS, Section 1101 of the Charter of the City of Takoma Park designates the City Council as the Stormwater Management Board for Takoma Park with all of the powers associated therewith; and

WHEREAS, Section 21-625 of the Local Government Article of the Annotated Code of Maryland authorizes the adoption of a stormwater management utility fee system or user charges for stormwater management programs by the City; and

WHEREAS, Section 1106 of the Charter of the City of Takoma Park empowers the Stormwater Management Board to charge and to collect stormwater utility fees and user charges to pay for stormwater management activities in the City; and

WHEREAS, the Stormwater Management Board desires to maintain a Stormwater Management Fund for the collection and payment of revenues and expenditures as it deems necessary to provide for the construction, maintenance, operations, and repair of the stormwater management system in the City; and

WHEREAS, the Stormwater Management Board is adopting a revised equivalent residential unit of 2116 square feet, from 1228 square feet, based on the impervious area review study conducted by Black & Veatch in 2018; and

WHEREAS, staff will bring to the Stormwater Management Board recommendations for extending the fee structure to reflect per square feet impervious area for single family homeowners rather than a flat fee for possible adoption for FY 2022.

NOW, THEREFORE, BE IT ORDAINED BY THE STORMWATER MANAGEMENT BOARD OF THE CITY OF TAKOMA PARK, MARYLAND:

SECTION 1. For Fiscal Year 2021, a Stormwater Management fee shall be imposed on real property in the City in an amount sufficient to fund the Stormwater Management expenditures established by this Ordinance. The base rate for the Stormwater Management fee shall be \$92.00, with an Equivalent Residential Unit of 2,116 square feet of impervious surface.

SECTION 2. A Stormwater Management Fund shall be maintained into which shall be deposited:

- a) All the receipts and revenues from user charges and utility fees imposed by the City to pay for stormwater management
- b) All charges, fees, fees-in-lieu, grants, and other contributions received from any person or governmental entity in connection with stormwater management activities or programs.

SECTION 3. The budget adopted hereto and by reference made a part hereof is hereby adopted for the fiscal year beginning July 1, 2020 and ending June 30, 2021. Said budget provides for an appropriation in the amount of \$713,696 for stormwater management activities.

SECTION 4. Use of Stormwater Management Ffund balance amount of \$115,386 authorized to supplement other revenues and financing sources.

SECTION 5. Stormwater management projects that are declared to be of an emergency nature as defined by the City Council in accordance with the Charter of the City of Takoma Park may be funded through the Emergency Reserve or other monies as designated by the City Council.

SECTION 6. Should any section of this Ordinance be determined to be invalid, such invalidity shall not affect any other sections.

SECTION 7. This Ordinance shall be effective July 1, 2020.

Adopted by roll-call vote this ____ day of May, 2020 as follows:

AYES:

NAYS:

ABSENT:

ABSTAIN:

Introduced by: Councilmember Kostiuk

First Reading: May 13, 2020

Second Reading:

**CITY OF TAKOMA PARK, MARYLAND
ORDINANCE NO. 2020-11**

**AN ORDINANCE APPROVING AND ADOPTING THE BUDGET FOR FISCAL YEAR
2021, BEGINNING JULY 1, 2020 AND ENDING JUNE 30, 2021**

WHEREAS, in accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager submitted a recommended budget for Fiscal Year 2021 to the City Council for its review and consideration; and

WHEREAS, the Charter of the City of Takoma Park requires the conduct of at least one public hearing prior to adoption of the budget; and

WHEREAS, the City Council held said hearing and received public comment on the City Manager's recommended budget on April 15, 2020; and

WHEREAS, in the interest of obtaining additional public comment following its deliberations on the City Manager's recommended budget, the City Council held a second public hearing on April 29, 2020; and

WHEREAS, the City Manager's recommended budget was largely prepared before the COVID-19 pandemic led to the Maryland Governor's Emergency Declaration on March 12, 2020; and

WHEREAS, the City and all levels of government are facing unprecedented challenges; significant changes were required to adapt the recommended budget to reflect changes in City services due to the pandemic and the changed and uncertain economic conditions; and

WHEREAS, after considering the recommended budget submitted by the City Manager and the comments made at the aforementioned public hearings, the City Council has determined its priorities relative to the delivery of municipal services for Fiscal Year 2021; and

WHEREAS, given the unprecedented budgeting challenges being faced due to the pandemic, the Council and City Manager will need to work closely throughout the coming year to monitor revenues and expenditures to ensure the short and long-term fiscal health of the City; and

WHEREAS, the City government is the first line of defense for those most impacted and vulnerable during this crisis; and

WHEREAS, a top priority for the City Council is to have a budget that allows the City to respond to the unknowns ahead and to provide for the wellbeing of its residents,

businesses and staff; and for this reason, the City Council established a COVID-19 Fund of \$440,000 with broad flexibility to provide assistance as needed; and

WHEREAS, a hold has been put on certain expenditures for at least the first quarter of the fiscal year that can be reevaluated during the course of the year; and

WHEREAS, it is the policy of the City Council to set the level of the General Fund Unassigned Fund reserve at 17% of the General Fund revenue, which would be equivalent to \$4.4 million; and

WHEREAS, in the FY 2021 budget, the General Fund unassigned reserve is projected to be \$3.1 million; however, that level is determined to be acceptable due to the inclusion in the budget of restricted and other reserves totaling \$8.7 million; and

WHEREAS, the City Council maintains its commitment to a General Fund Unassigned Fund Balance of 17% of the General Fund revenue. As identified in Resolution 2018-24, the Council recognizes that this may require a “phase-in” period to help mitigate impacts on the local property tax rate and/or City programs and initiatives; and

WHEREAS, the Council will continue to work toward reaching a level of 17% in future budgets, with a goal of doing so within a three-year period from the point at which the balance falls below the minimum, but understanding that the impacts of the pandemic may mean this phase-in period may take a longer period of time; and

WHEREAS, the City Council is committed to ensuring budget information and formats which are easily understandable for FY22.-

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND:

SECTION 1. The budget adopted hereto and by reference made a part hereof is hereby adopted for the year commencing on July 1, 2020 and ending June 30, 2021.

SECTION 2. The following amounts are hereby appropriated by fund:

Fund	Fiscal Year 2021 Appropriation
General Fund	\$ 31,256,716
Special Revenue Fund	1,460,246
Speed Camera Fund	815,328
GRAND TOTAL	\$ 33,532,290

SECTION 3. Use of the following fund balance amount is hereby authorized to supplement other fund revenues and financing sources:

Fund	Fiscal Year 2021 Appropriation
General Fund	\$5,262,511

SECTION 4. In accordance with Section 803 of the Charter of the City of Takoma Park, a general contingency account in the amount of \$129,971 has been included in the Non-Departmental budget unit of the General Fund.

SECTION 5. A five-year Capital Improvement Program for Fiscal Year 2021 through Fiscal Year 2025 has been developed as part of the budget and is attached hereto and incorporated herein by reference.

SECTION 6. The City Council hereby authorizes the transfer of \$600,000 from the General Fund unreserved fund balance to the Equipment Replacement Reserve.

SECTION 7. The City Council hereby authorizes the transfer of \$10,000 from the General Fund unreserved fund balance to the Housing Reserve.

SECTION 8. It is hereby acknowledged that the City Council, in its capacity as the Stormwater Management Board, approved a Stormwater Management Fund budget for Fiscal Year 2021 by Ordinance No. 2020-XX.

SECTION 9. A series of personnel and project expenditures are placed on a hold list, with funds that could be spent on these items included in the Unassigned Reserve Fund. Items on the hold list may be considered by Council after the First Quarter of Fiscal Year 2021. The items include: filling of certain vacant positions (\$320,000), ADA sidewalks (\$500,000), road maintenance (\$450,000), and tree canopy plan (\$30,000) for a total \$1.3 million that can be marshaled to address needs associated with Covid-19.

SECTION 10. City Council will, at a minimum quarterly throughout the fiscal year, review budget, revenues, expenditures and economic projections.

SECTION 11. Should any section of this Ordinance be determined to be invalid, such invalidity shall not affect any other sections.

SECTION 12. This Ordinance shall be effective July 1, 2020.

Adopted this ____ day of May, 2020 by roll-call vote as follows:

AYES:

NAYS:

ABSTAIN:

ABSENT: