



•
•
•
•
•

FY 2022 Proposed Operating Budget July 1, 2021 - June 30, 2022

Presented by:

City Manager Suzanne Ludlow

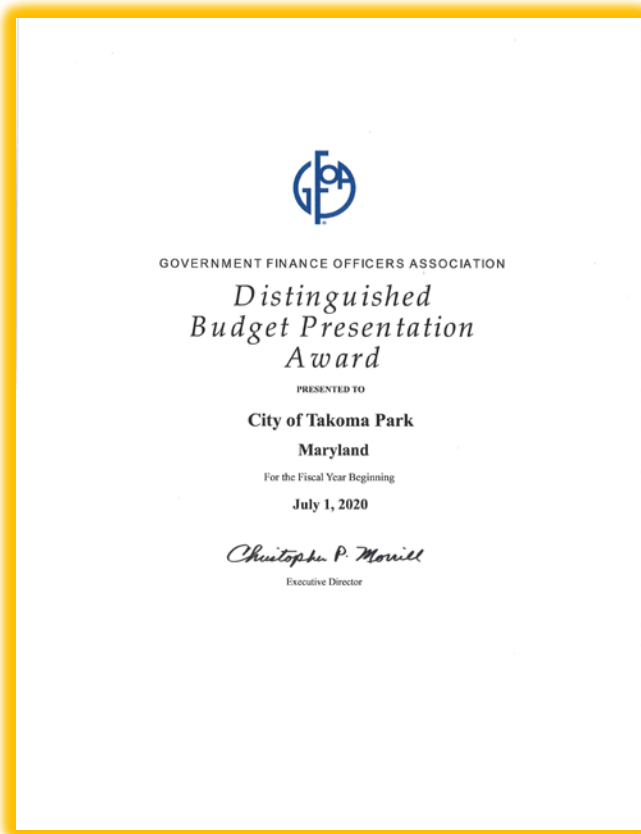
April 26, 2021

Big Picture



- The proposed FY22 Budget is a “maintenance of effort” budget, with no major new initiatives or services
- A small tax rate increase to 55 cents per \$100 assessed value (from \$0.5397) will allow some ability to help advance City goals not otherwise included in the Budget, as established in the City Council’s Priorities
- Federal American Rescue Plan Act (ARPA) funds are being used to replenish some lost revenue, but most decisions about how the funds can be used will need to wait for guidance from the U.S. Treasury Department

Recognition Award



The City of Takoma Park was presented with its third **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 third year the City has submitted its budget document for consideration. I am thrilled with the great work of Finance Director Susan Cheung, Budget and Accounting Manager Ron Kawaley, Deputy City Manager Jessica Clarke and Communications Specialist Donna Wright, particularly during the COVID-19 pandemic.

Congratulations to the team for a job well done!



Presentation of Proposed Budget

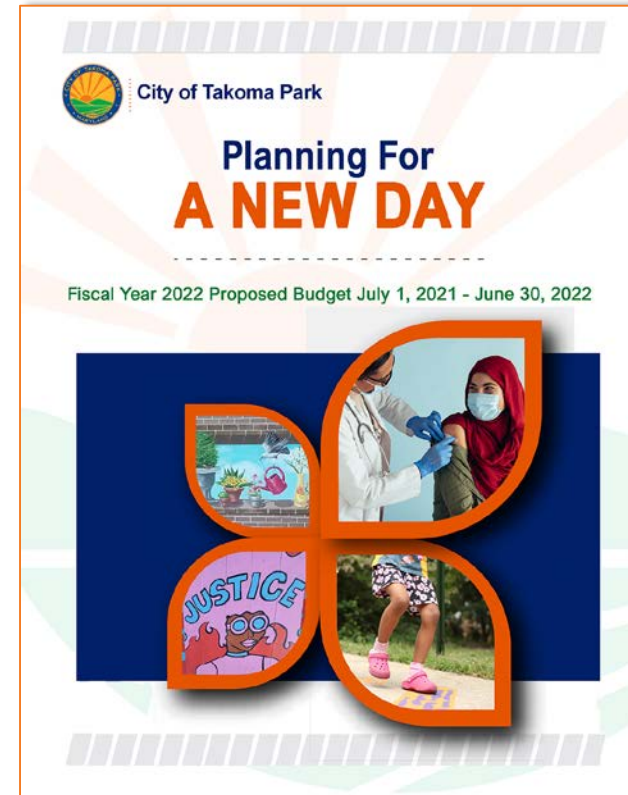
1 Budget Schedule

2 Operating Budget Overview

- Key Points
- Departmental Review

3 Council Priorities

4 Thank you!



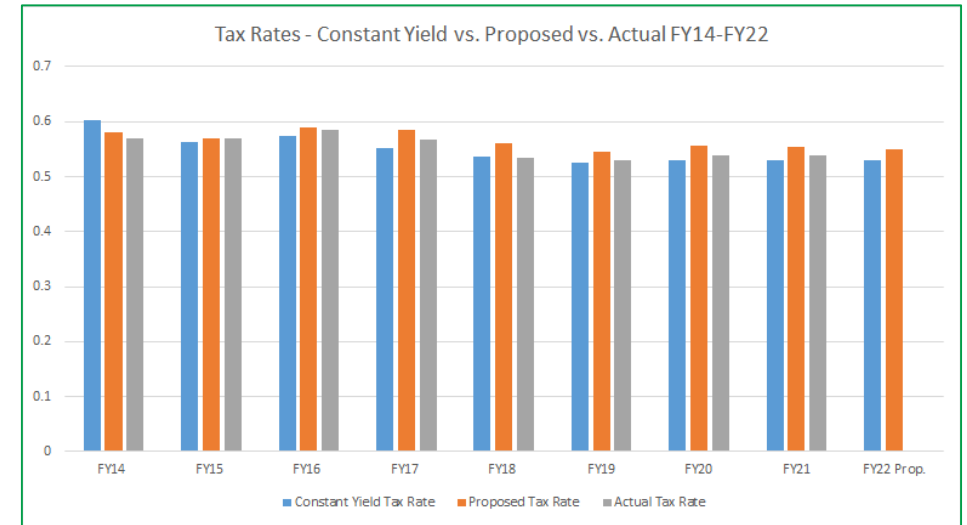
Budget Schedule

- April 07: **Presentation of Proposed FY 22 Budget**
- April 14: **Public Hearing on the Budget**
- April 19: **Budget Work Session - Capital**
- April 26: **Budget Work Session - Operating**
- April 28: **Public Hearing**
 - FY22 Tax Rate (Constant Yield Tax Rate)
 - FY22 Budget
- May 03: **Budget Work Session - Reconciliation**
- May 12: **First Reading Ordinances**
- May 19: **Second Reading Ordinances**



Budget Overview

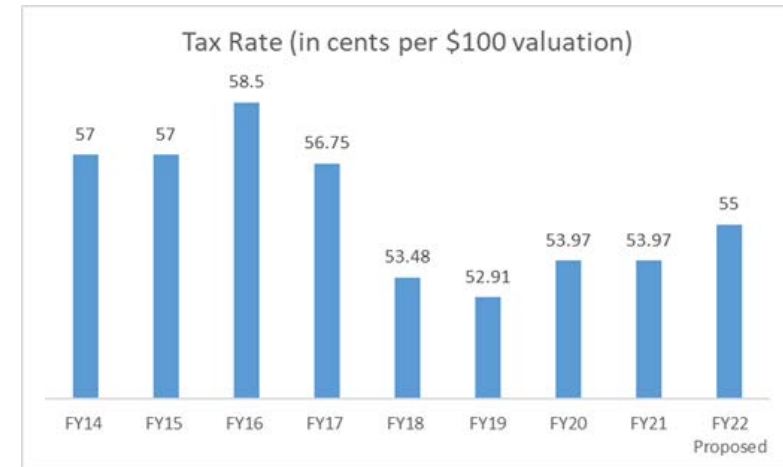
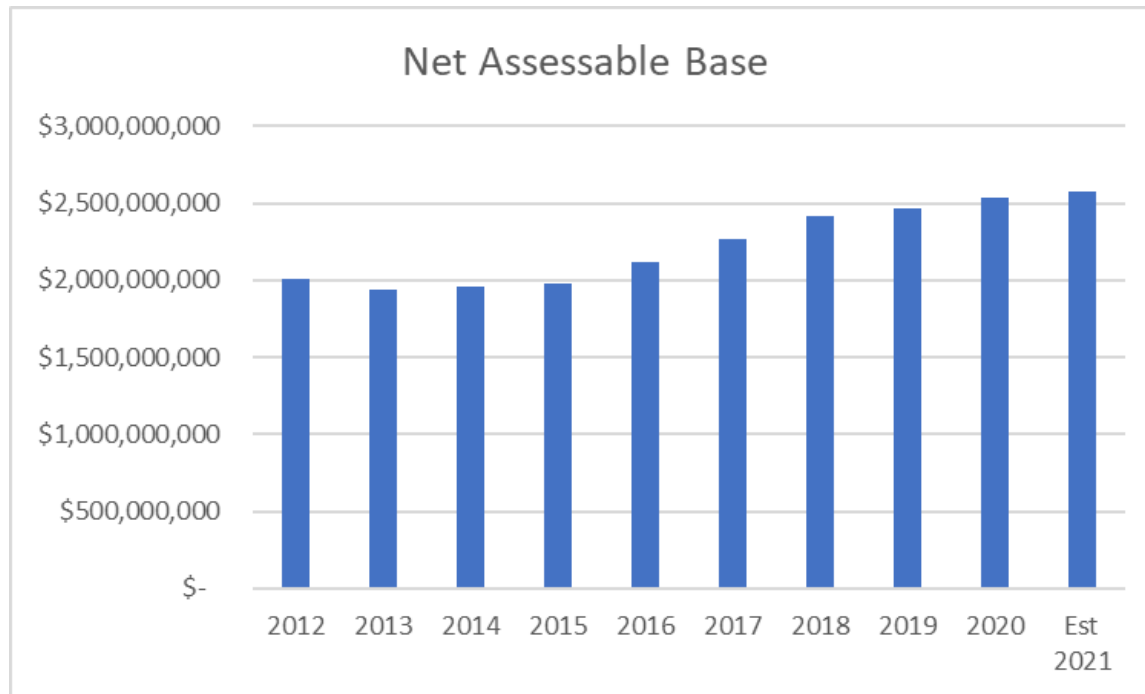
- Total Revenue of All Funds \$36,213,136
- Total General Fund Revenue \$27,404,881
- Total Real Property Tax Revenue \$14,182,877
- Total Expenditures of All Funds \$38,696,320
- Total General Fund Expenditures \$35,667,922



- Proposed Tax Rate Increase From \$0.5397 to \$0.55 per \$100 assessed valuation
- Each cent of the real property tax equals approximately \$257,870
- The Constant Yield Tax Rate is \$0.5295
- The Constant Yield Tax Rate plus the 2.3% ECI is \$0.5417



Budget Overview



Example:

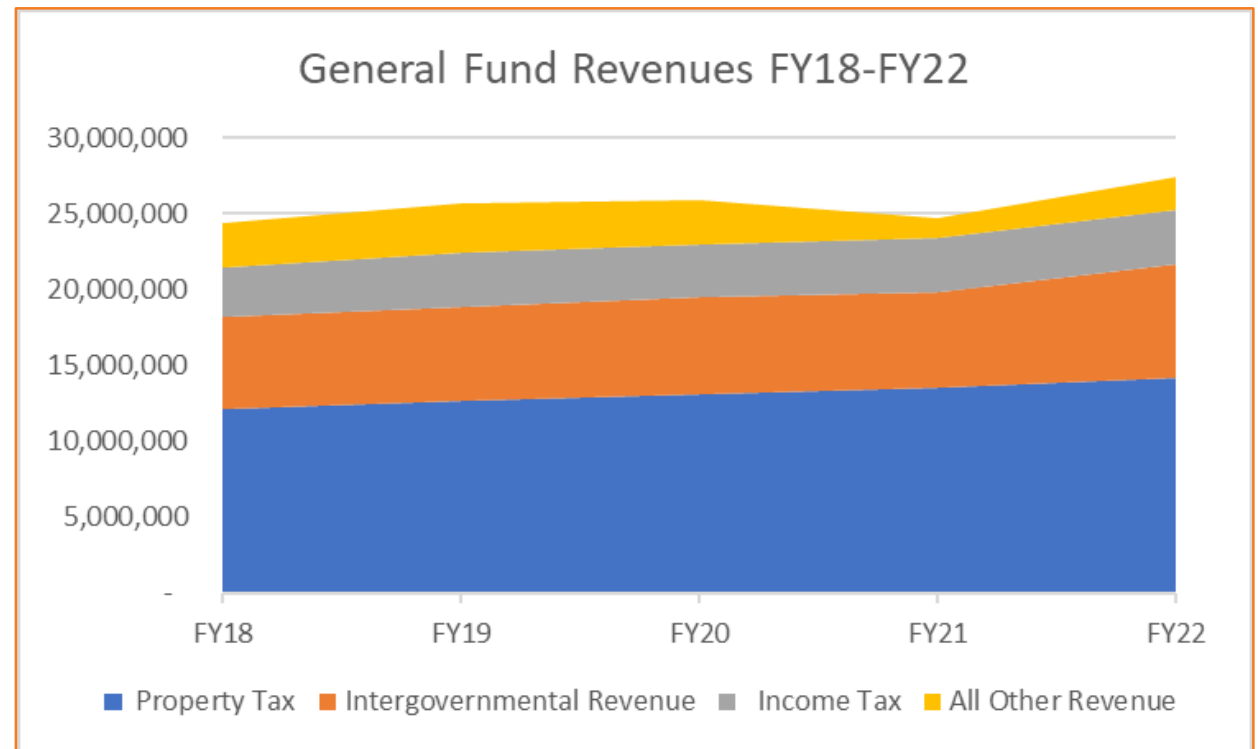
Increase in Assessed Value		
	<u>2021</u>	<u>2022</u>
Assessed Value	\$500,000	\$540,000
Tax Rate	0.5397	0.5500
Tax Owed	\$2,698.50	\$2,970.00
Increase in Tax Payment		\$271.50



Budget Overview

Four Budget Fund Categories and Their Revenue Sources

- **General Fund**
 - Property Taxes
 - Income Tax
 - Intergovernmental Revenue
 - Charges for Services
- **Stormwater Fund**
 - Fees from Property Owners
- **Special Revenue Fund**
 - Grants
- **Speed Camera Fund**
 - Fines



Budget Overview – Key Points

- **General Fund Revenue is \$27,404,881**

- **95% comes from three sources**

- ✓ Property taxes (real, personal, and railroad and utility) 53.0%

- Third year of triennial assessment (reassessment in December 2021 with results in February 2022)
- Residential assessments not likely to be affected by the pandemic; in fact, values increasing
- Refunding of personal property tax affects total since State forgot to stop assessing inventory tax and reimbursements were delayed

- ✓ Interjurisdictional (tax duplication, Highway User, other State payments) 29.0%

- Includes \$1.2 million in federal ARPA funds to offset lost revenue, primarily Recreation Department program revenue
- This category usually represents about 25% of General Fund revenues; difference is amount of ARPA funds

- ✓ Income tax 13.3%

- Based on 2020 income; by State law it is 17% of income tax that would otherwise go to Montgomery County
- Amount has been increasing, but stays about same percentage of total General Fund revenue



Budget Overview – Key Points

- **General Fund Revenue is \$27,404,881**

- **5% Charges for Services**

- ✓ Little revenue from Recreation Department programs in FY21 and FY22 due to pandemic restrictions and need to provide free or low-cost services to Takoma Park families
- ✓ This category usually makes up about 8% of the revenues; ARPA funds in the Interjurisdictional category are making up much of the difference

- **Unassigned General Fund Balance: \$2,792,736**

- ✓ Council policy is to require this amount to be at least 17% of the General Fund operating revenue; that amount would be about \$4.66 million
- ✓ The City continues to move forward on the Library project using the restricted Bond Reserve
- ✓ The City is expecting to receive \$14.8 million in two tranches pursuant to the American Rescue Plan Act (ARPA); the bulk of the first \$7.4 million is in a Special Revenue Fund pending guidance on allowable use from the U.S. Treasury Department



Budget Overview – Key Points

▪ Personnel Costs and FTEs

○ Personnel Costs Cannot be Easily Compared to FY21 Due to Unfilled Positions During Pandemic

- ✓ The FY21 Budget removed personnel funds for part time staff that were not used during the pandemic and vacant positions that were kept unfilled for most or all of the fiscal year; funds for projected raises were also reduced, with only a small 1.5% increase for staff provided
- ✓ The FY22 Budget anticipates filling part time and full time staff positions and providing a modest wage increase, pending the outcome of contract reopeners for wages for the City's two unions
- ✓ FY22 personnel costs for those departments that were largely fully staffed may be compared to FY21, but other departments, most notably the Recreation Department, would need to be compared to FY20 for a more accurate understanding of staffing and costs

○ Change in Full Time Equivalents: -0.24

- ✓ A new full-time Communications position is being created to help with the massive workload currently carried by our one Communications Specialist; there will likely be additional limited term Communications staff needed to implement the ARPA-funded programs, but at least two full-time staff members are needed in this division on a permanent basis
- ✓ There is a reduction in part-time staff hours that offsets this new position, leading to a reduction in Full Time Equivalents by 0.24



Budget Overview – Key Points

- Full Time Equivalent (FTEs)

Staffing Summary by Department or Fund	Actual FY18	Actual FY19	Actual FY20	Adjusted FY21	Proposed FY22	Change FY21 - FY22
General Government	16.75	17.75	17.75	18.25	18.25	-
Police	62.95	63.95	64.45	64.67	64.68	0.01
Public Works	36.1	36.1	36.1	36.5	36.5	-
Recreation	19.34	20.53	20.53	20.96	19.98	(0.98)
Housing and Community Development	8.38	9.5	10.13	10.63	10.63	-
Communications	5.75	5.75	5.5	5.83	6.44	0.61
Library	11.13	11.13	11.13	11.13	11.25	0.12
Stormwater Management	1.15	1.15	1.15	0.75	0.75	-
Special Revenue	-	-	-	-	-	-
Speed Camera	3	3	3	3	3	-
Total Full-Time Equivalents	164.55	168.86	169.74	171.72	171.48	(0.24)



Budget Overview – Key Points

- **Departmental and Non-departmental Budgets are Largely Maintenance of Effort Budgets**
 - **Approach Assumes Phase in To Full In-Person Service by January 2022**
 - ✓ As pandemic restrictions ease, child care services resume in spring 2021, City facilities are likely to open for basic services by September, in-person conferences and events expected to return to pre-pandemic levels by January 2022
 - ✓ Due to the very limited revenues available, no significant changes are proposed in the base budget
 - **Funds for Assistance to Residents and Small Businesses Hurt by the Pandemic Will Come from the ARPA Special Revenue Fund**
 - ✓ Goal is to continue programs begun under the City's COVID-19 Fund, and also expand efforts related to workforce development and business assistance
 - ✓ If guidance from the U.S. Treasury Department permits, investment in commercial area improvements – as well as bike, transit and sidewalk connections that support commercial areas – could substantially advance City's goals for economic and environmental sustainability



Budget Overview – Key Points

- **Departmental and Non-Departmental Budgets are Largely Maintenance of Effort Budgets**

- **One Area of Flexibility to Meet City Goals - \$300,000**

- ✓ Several initiatives that have been proposed to help meet Council Priorities have not been included in this base budget, but the budget does include a set aside of \$300,000 to allow some funding flexibility; some thoughts for these funds include a Residents Survey (\$80,000), funds for engineering work related to flooding across private properties (\$150,000 - \$200,000), equity officer (\$60,000 for shared position), tree canopy pilot program (\$36,000), climate change resilience actions not otherwise addressed by Montgomery County and the City's sustainability programs, and technology improvements that may not be able to be funded from the ARPA funds
- ✓ \$300,000 represents 1.16 cents of the proposed 55 cent per \$100 tax rate

- **Guidance on Allowable Use of ARPA Funds Will Trigger Budget Amendments**

- ✓ Contracts, grants, hiring of limited-term staff, and purchases of technology will be needed to appropriately use and monitor the federal American Rescue Plan Act funds; once guidance is received, budget amendments will be required to specify the use and amount of these actions



Budget Overview – Key Points

▪ Planning for Long-Term Financial Stability

○ Need to Keep Ongoing Revenue Consistent with Ongoing Expenditures

- ✓ Property tax revenue has not increased at a sufficient rate to keep up with modest increased costs of operations and the costs of new services added in recent years to meet Council Priorities
- ✓ Between 2011 and 2020, assessed property value increased by 31% in Takoma Park while real property tax revenue increased 21%; this reflects the lowering of property tax rates over time (from \$0.58 per \$100 to \$0.5397 during that period) and recognizes the concern the Council has for residents with limited incomes
- ✓ On a per person basis, personnel costs increase each year to keep up with area labor market wages and to cover increases in health insurance; personnel costs can only be reduced by cutting services or by adopting technology or other processes that reduce staffing needs

○ Lack of Formula-Based Municipal Tax Duplication Payments is a Serious Problem

- ✓ Tax duplication payments must be pursuant to formulas for the services the County receives money for but only the City provides; adherence to a formula will allow for payments to raise with the increasing cost of services and personnel; **amounts have been largely frozen for ten years!** FY22 fix could mean \$468,000 if County Council fully funds request by municipalities

○ Economic Development and Investment Needs to Be Encouraged

- ✓ Currently, most of the real property tax revenue received by the City comes from single-family residential property owners; increasing the proportion of revenue coming from commercial property would be beneficial to the entire community



General Government

- **Includes the Following Divisions: Legislative, General Management, Finance, Legal Services, Information Systems, Human Resources, City Clerk**
- **Proposed FTE Change: 0**
- **Projected Budgetary Change FY21 to FY22: \$74,613; 2.08%**
- **Budget Highlights**
 - **Preparing for New City Manager**
 - **Will be heavily involved in management of ARPA Funds**



Police Department

- **Includes the Following Divisions: Office of the Chief, Communications, Operations, Criminal Investigations, Administrative Services, Neighborhood Services**
- **Proposed FTE Change: 0**
- **Projected Budgetary Change FY21 to FY22: \$622,421; 7.01%**
- **Budget Highlights**
 - **Maintenance of effort budget**
 - **Increase due to increased personnel costs, primarily fringe benefits, compared to FY21; some decreased overtime and other amounts had been expected in FY21**
 - **Non-personnel expenditures decrease by 5.5%**



Speed Camera

- **Proposed FTE Change: 0 (3.0 FTEs)**
- **Projected Budgetary Change (Expenditures) FY21 to FY22: \$60,434; 7.42%**
- **Budget Highlights**
 - **Maintenance of effort budget**
 - **Increase in contract service costs for maintenance of the speed cameras and for ticket processing**



Public Works Department

- **Includes the Following Divisions: Administration, Building Maintenance, Equipment Maintenance, Right-of-Way Maintenance, Solid Waste Management, Sustainability, Vegetation Management, Urban Forest, City Engineer**
- **Proposed FTE Change: 0**
- **Projected Budgetary Change FY21 to FY22: \$198,613; 3.66%**
- **Budget Highlights**
 - **Maintenance of effort budget**
 - **Increase due to increased personnel costs**
 - ✓ Full year for Deputy Public Works Director and Vegetation Maintenance Supervisor
 - **Non-personnel expenditures decrease by 3.31%**
 - **Many Sustainability efforts envisioned**
 - ✓ Public outreach and implementation of Climate Action Initiatives
 - ✓ Coordinate with County Office of Energy & Sustainability
 - ✓ Develop implementation plans for the priority strategies in 2020 Climate Emergency Response Resolution
 - ✓ Develop programs to assist low income residents, businesses and multi-family properties with energy efficiency improvements



Stormwater Management

- **Proposed FTE Change: 0 (.75 FTE)**
- **Projected Budgetary Change (Expenditures) FY21 to FY22: (\$22,570); (2.43%)**
- **Budget Highlights**
 - **Maintenance of effort budget**
 - **Decrease due to slight decrease in capital expenditures**
 - **Work involved in transferring to new tiered fee system, setting up related processes**



Recreation Department

- **Includes the Following Divisions: Administration, Youth Outreach, Takoma Park Recreation Center, Community Programs, Athletic Fields & Facilities, Camps, Before & After School Programs, Takoma Park Community Center**
- **Proposed FTE Change: (0.98)**
- **Projected Budgetary Change FY21 to FY22: \$190,484; 10.95%**
- **Budget Highlights**
 - **Department will work to move safely back to full-service operations as pandemic restrictions ease**
 - **Scholarship funds for families negatively affected financially from the pandemic to come from ARPA (replacement of lost revenue)**



Housing and Community Development

- **Includes the Following Divisions: Administration, Economic Development, Arts and Humanities, Planning and Development Services, Housing and Community Services**
- **Proposed FTE Change: 0**
- **Projected Budgetary Change FY21 to FY22: \$154,933; 8.14%**
 - **Personnel costs increase by 21.47%, while operational costs decrease by 11.37%**
 - **Full year of Housing and Community Development Director expected**
 - **Upgrades to several positions**
- **Budget Highlights**
 - **Workplan for department continues to be heavy, in both quantity and import of work**
 - **Much implementation of ARPA-related activities (formerly COVID-19 Fund activities) will be through this department, so contracts and limited-term positions may be added through Council action at a later time**



Communications

- Includes the Following Components: Communications, CityTV, Newsletter
- Proposed FTE Change: .61 (one new full-time Media Specialist, fewer part-time FTE hours)
- Projected Budgetary Change FY21 to FY22: \$113,078; 18.39%
 - Personnel costs increase due to replacement of two part-time interns to full-time employee with benefits; additional communications position critically needed
 - Expenses increase by \$34,000 due to costs related to website upgrade and re-design
- Budget Highlights
 - Website upgrade and re-design
 - Heavy communications work will be needed on Citywide efforts of community engagement and information sharing that will be needed for ARPA-funded activities



Library

- Includes the Following Divisions: Library, Computer Learning Center
- Proposed FTE Change: 0.12%
- Projected Budgetary Change FY21 to FY22: (\$91,870); (6.41%)
 - Personnel costs decrease by 3.08%, operational costs decrease by 28.9%
 - Due to building closure and preparation for construction, book and periodical purchases have been reduced
- Budget Highlights
 - FY22 will be a year of construction and provision of Library services in multiple ways in multiple locations
 - Priorities will be on access to internet, computers and printers
 - Programming will continue virtually and in various physical locations
 - Books to go and book delivery will continue; other access to books depends on space availability



Non-Departmental

- Includes charges not directly tied to departments or individuals
- Includes funds for various types of insurance
 - **Workers Compensation - \$500,000**
 - **Other insurance - \$191,100**
- Includes funds for special programs
 - **Supplement to State Homeowner's Property Tax Credit - \$200,000**
- Includes funds for grants and partnerships
 - **Grants program - \$200,000**
 - **Community Partnership Program - \$195,000**
 - **Housing Fund expenditures - \$210,000 (likely small expenditures, such as Home Stretch)**



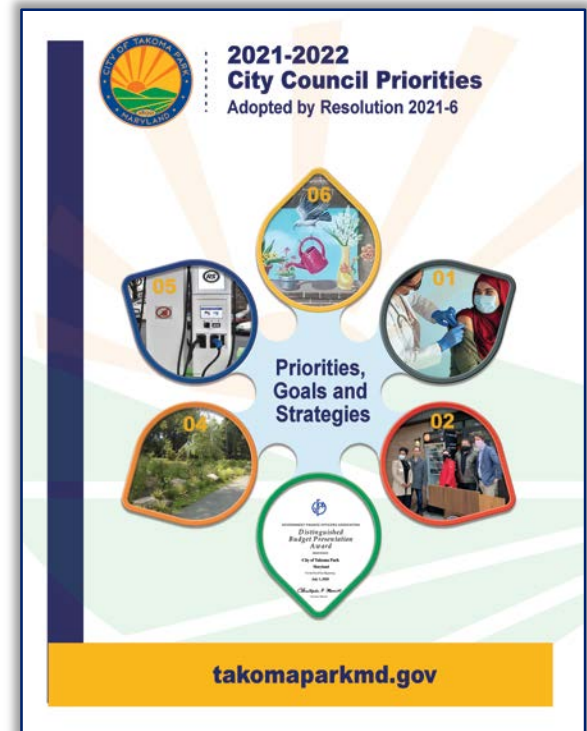
Non-Departmental

- **Includes \$300,000 for advancing Council Priorities; could include:**
 - **Funds for engineering work related to flooding across private properties (\$150,000 - \$200,000)**
 - **Residents Survey (\$80,000)**
 - **Race Equity Officer (\$60,000 for shared services with another municipality possible)**
 - **Environmental programs for climate change resilience, improvement of tree canopy, etc.**
 - **Technology improvements not able to be funded through ARPA**



Implementing Council Priorities

- **Thank You For Clear Council Direction on Priorities to Guide Budget Proposals**
 - **The Council established six Priorities at its retreat in January; staff based its Budget recommendations on these Priorities:**
 - ✓ Mitigate the Impact of COVID-19 on the Community and City Operations
 - ✓ 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



Implementing Council Priorities

- **Priorities are Essential When Funds Are Tight, When in an Emergency, and When Choices are Difficult**
 - In Takoma Park, funds are always tight
 - This past year has included the COVID-19 pandemic as the nation is also facing critical social issues, gun violence and climate change-related storms
 - Takoma Park always wants to do it all and be cutting-edge; how do we make the most progress?



Implementing Council Priorities – Mitigate the Impact of COVID-19 on the Community and City Operations

- **Recognize the emotional, health and financial impacts of the pandemic on residents and employees in all actions undertaken by the City**
- **Use Federal Funds to Address Needs of Residents, Small Businesses**
 - **The American Rescue Plan Act (ARPA) provides funds to assist residents, businesses, and local governments regarding financial and health impacts of the COVID-19 pandemic; City expects to receive \$7.4 million for FY22 and a similar amount for FY23**
 - ✓ Continue grants and emergency assistance provided under COVID-19 Fund in FY20 and FY21
 - ✓ Allow for free or low cost before/after school care and summer camps for families financially hurt by the pandemic
 - ✓ Focus on long term assistance, including workforce development, marketing and business operation consulting services
 - ✓ If permitted, undertake capital improvements to help commercial areas thrive into the future, including safe pedestrian, bike and transit access, façade improvements, tree and landscape improvements, energy improvements
 - ✓ If permitted, undertake stormwater improvements that help the community
- **Use Federal Funds to Help City Operations Affected by the Pandemic**
 - **Use ARPA funds to restore lost City revenue**
 - **To the extent possible, use ARPA funds to purchase technology and fund establishment of processes that will help City operations manage ARPA grant funds and will help the City in the future**



Implementing Council Priorities – A Livable Community for All

- Construct the **new Library!**
- Continue focus on **racial equity throughout City** operations and actions
- Continue **implementation of the Housing and Economic Development Strategic Plan**
- Work with Montgomery County Planning Department on **Minor Master Plan for hospital/university property** and **Maple Avenue area to Community Center**
- Consider and **move forward on recommendations of Reimagining Public Safety Task Force**
- Pursue street, sidewalk, bus stop, bikeway and public area **improvements for sustainability and Vision Zero goals**
- **Advance Takoma Park Recreation Center** project
- Continue **funding of community grants and partnerships**
- **Support the arts**, including in conjunction with City infrastructure improvements
- **Support community events** while continuing to follow safety protocols



Implementing Council Priorities – Fiscally Sustainable Government

- Careful **monitoring of financial situation** during and after pandemic
- Careful **oversight** of use of **federal ARPA funds**
- The proposed budget includes an **unassigned general fund balance of \$2.8 million**, when it **should be \$4.66 million**; but existence of **ARPA funds provides a cushion** if there is a revenue shortfall
- Strong **need to get a structural change in tax duplication rebate payments** from Montgomery County
- Must **focus** on having **sufficient ongoing revenue to meet ongoing expenditures** now and in the future



Implementing Council Priorities – Environmentally Sustainable Community

- Continued **community engagement** and **actions** regarding the **Climate Emergency Response Framework**
- **Continued work on stormwater improvements**, including purchase of all-electric street sweeper
- **Continued provision of rebates and grants** for clean and efficient energy use
- **Option to use some of \$300,000 in unallocated funds** in the Proposed Budget for environmental work, tree canopy pilot project, or work to address flooding across multiple private properties
- **Investigation of use of ARPA funds for stormwater infrastructure work, and commercial space and area improvements that could advance environmental goals**



Implementing Council Priorities – Engaged, Responsive, and Service-Oriented Government

- Continued work to **serve community impacted by the pandemic**, but now **at a greatly increased level using ARPA funds**; will require contracting and hiring of limited term staff to accomplish the great deal of work envisioned and allowed for through the use of these funds
- **Community engagement actions and technology** will be a **large part of the FY22** work plan, including website update, and outreach to residents and businesses
- **Addition of a new permanent full-time staff** person to assist the Communications Specialist is needed



Implementing Council Priorities – Community Development for an Improved & Equitable Quality of Life

- **Increasing and supporting commercial development** and the **health of our small businesses** will add many benefits for Takoma Park: it spreads out property taxes, reducing the amount paid by single-family home owners; provides goods and services close to home which limits travel and fossil fuel use; provides local jobs and training opportunities; and provides opportunities to make energy efficiency and ADA accessibility improvements to our buildings.
- Economic development initiatives will focus heavily on those activities that can be **funded by ARPA funds** in FY22
- Work on the **Recreation Center Project** will continue, with a goal of getting ready to issue a Request for Proposals later in the year
- Implementation of the **Housing and Economic Development Strategic Plan** will continue
- Work with the Montgomery County Planning Department on the **Minor Master Plan** should be looked at with this Priority in mind
- Continued **monitoring of Purple Line work** and impacts will also help advance this Priority



Budget Reconciliation Items

- **\$58,000 double-counted in Capital Budget regarding commercial façade program (Staff requested item)**
- **\$250,000 for Housing Project in Capital Budget could be deleted or added to Housing Reserve**



Next Steps

- April 7: Presentation of Proposed FY 22 Budget
- April 14: Public Hearing on the Budget
- April 19: Budget Work Session - Capital
- April 26: Budget Work Session - Operating
- April 28: Public Hearing
 - FY22 Tax Rate (Constant Yield Tax Rate)
 - FY22 Budget
- May 3: Budget Work Session - Reconciliation
- May 12 : First Reading Ordinances
- May 19: Second Reading Ordinances

