

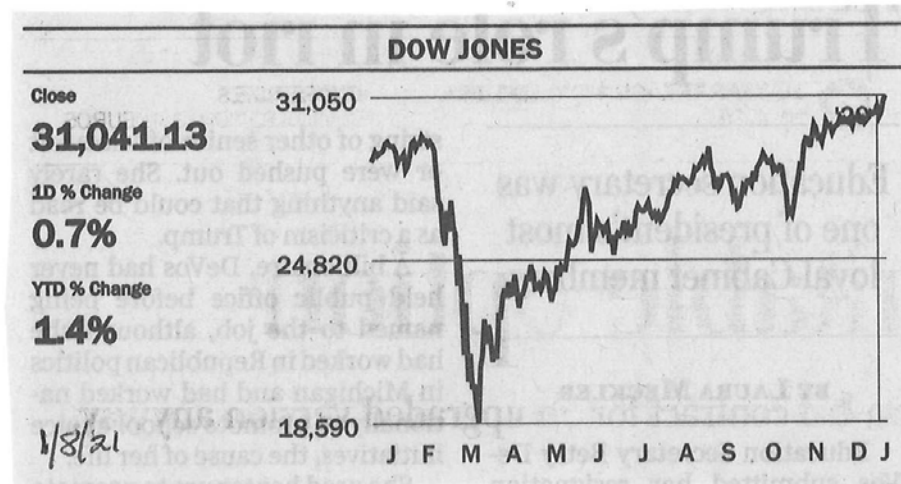
FY21 FINANCIAL REVIEW; HOLD LIST; PROPERTY TAX ASSISTANCE

City Council Work Session
January 13, 2021



FY21 Financial Overview

- Pandemic shutdown occurred in March 2020, just as FY21 budget was being prepared and negotiations with the City's two unions were underway.
- Stock market crashed in March 2020:



FY21 Financial Overview

- As Council considered the budget, \$634,000 was set aside for COVID-19 relief funds, of which \$578,500 is in the FY21 budget. In addition, \$1.3 million of the FY21 budgeted items were placed on a “hold” list. The funds could be used with Council approval, but full authorization was not provided until more economic and financial information was known.
- Financial information was reviewed by the Council in October, 2020 and is being reviewed again this month as part of the Council’s Priority Retreat and planning for the FY22 budget.
- Negotiations with the City’s two unions have been completed; one of the Collective Bargaining Agreements has been approved by Council and the other is before Council at this time.

FY21 Financial Overview – Hold List

- The “hold” list consisted of
 - \$320,000 in personnel expenditures
 - \$500,000 in ADA Sidewalk funds
 - \$450,000 in road resurfacing funds
 - \$30,000 for the Tree Canopy Implementation Plan
- Personnel items on the “hold” list included
 - City Clerk’s Record Specialist (1/2 year) - \$36,000
 - Crossing Guard and Substitute positions (1/2 year) - \$24,000
 - Vegetative Maintenance Supervisor (1/2 year) - \$60,000
 - Urban Forest Intern - \$8,000
 - Two Recreation Supervisors (1/2 year) - \$55,000
 - Housing and Community Development Director (1/2 year) - \$95,000 – REMOVED
 - Arts Intern (1/2 year) - \$9,500
 - Related costs - \$32,500

FY21 Financial Overview

- At the time the FY21 budget was being prepared, we assumed that the City would return to near normal operations by January 2021. It is now likely that near normal operations may begin in the fall of 2021; it is hoped that summer camps may take place.
- In October, the City Council took action to approve the Local 400 (Police) Collective Bargaining Agreement and institute a Retirement Incentive Program. In December, the Council agreed to take the HCD Director position off of the “hold” list.
- With wage savings from the wage agreements and savings from vacancies, the next Budget Amendment will reflect a **savings of \$550,000 in personnel costs** for FY21.

FY21 Financial Overview

- One unexpected budget hit to the City is the reduction in interest income from our various accounts. We have a **decrease in revenue of \$226,000** related to the interest rates; institutions were quick to lower the rate when the markets plummeted, but have not restored them with market gains.
- When we were preparing the City budget, we expected some FEMA reimbursements from some limited COVID-19 expenditures, but did not budget for **CARES revenue**. We are expecting a check from Montgomery County **of \$403,650**. We are continuing to get small reimbursements from FEMA.

FY21 Financial Overview - Unknowns

- As we look to prepare the FY22 budget, we will want to estimate possible impacts from the Hogan economic relief bill that has been proposed and possible Federal assistance to cities.
- In general, we welcome the elements of the Hogan proposal. We do not know the impact of waiving income taxes from unemployment benefits and other payments.
- In general, we do not expect major hits to the value of property in Takoma Park, nor to intergovernmental payments (County tax duplication, State Police Aid, Highway User Revenue, etc.).

FY21 Financial Overview

- In Maryland, municipalities receive 17% of the County income tax that is paid. Takoma Park does not have many very wealthy residents and most local income is not based on capital gains. For that reason, the amount of income tax Takoma Park receives is relatively modest. When income from wealthy households declines, it hurts Montgomery County more and the County can react by cutting other payments to municipalities.
- Property values in Takoma Park have remained stable and may have increased this past year. Residents who have jobs they can do from home or who have substantial retirement income have not had the financial hits that other residents have had during the pandemic.
- Those who work in service positions, gig work or own their own retail businesses have been particularly hard hit financially. In Takoma Park, they are more often renters. Those who own their own homes have benefited from foreclosure forbearance.

FY21 Financial Overview – Taxes

- For the past several years, there has been interest in providing more property tax credits or providing other assistance to homeowners on limited incomes.
- About 150 households receive tax credits from the City of Takoma Park in addition to those they receive from the State and County with the Homeowners Property Tax Credit and Renters Tax Credit.
- Montgomery County also has an Elderly/Veterans Tax Credit and a variety of single-purpose tax credits. The Elderly Tax Credit is for those who have owned their homes for 40 years or more.
- Most of the State and County credits only apply to properties worth less than a set value, which is rather low for Montgomery County and Takoma Park.
- Many credits are for households with limited incomes. The City has not had the staff to be able to manage an income evaluation process, so has preferred to piggyback onto other tax credit programs.
- In general, there has been interest in assisting people with limited incomes with property tax credits, but the mechanism to identify the people and the appropriate income levels and level of assistance has been difficult.

FY21 Financial Overview – Taxes

- During the pandemic, staff has worked with several property owners and looked to provide financial assistance. While Takoma Park property tax can be a burden, the Montgomery County property tax is twice the amount and generally there is concern with paying all of the property taxes, not just the Takoma Park tax.
- Just as when we are working with renters, the issues are larger than just the tax payment. There are concerns about health care, medicine, food, and other expenses. Many need handholding to get financial assistance or unemployment insurance to which they are entitled. There are issues of families with undocumented members, and there may be language or mental health challenges. Just filling out the paperwork online to get the existing tax credits can be a challenge.
- One area that the City will likely need to act is to provide aid to residents who will be receiving a higher stormwater bill than in past years. Information will be going out by mail and in the Newsletter about the proposal to go to a tiered stormwater fee system in the next year. Some homeowners will see their fee decrease, but many will see an increase. The fee is included on the property tax bill, although it is not a tax.

FY21 Financial Overview

Questions to consider

- Who does the Council wish to see receive property tax credits or deferrals?
- Does the Council wish to provide additional property tax credits or deferrals this coming year, or wait to see what steps are to be taken by the County, State and Federal governments?
- In considering developing ways to provide property tax assistance, is the Council willing to also budget for personnel or consulting services to evaluate and process applications?
- To what extent could we be successful in getting the County or State to adjust their programs to assist more homeowners in need?

FY21 Financial Overview - Summary

- Despite the difficulty of budgeting during lockdown, the FY21 City budget revenue estimates were largely accurate.
- City management has taken strong steps to save funds on personnel and activities in this pandemic-impacted fiscal year.
- City staff has done a remarkable job on obtaining COVID-19 activity reimbursements and grant funds.
- Staff continues to monitor financial trends and impacts.
- Recognize that the FY22 budget will need to be compared more to FY20 than FY21, as service positions and activities will be reactivated.