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City of Takoma Park City Manager's FY2023 Recommended Budget

Presented by:

Jamal T. Fox, City Manager

April 6, 2022

Presentation Agenda

Fiscal Year 2023 Recommended Budget

- **City Manager's Vision**
- **Budgetary and Financial Goals**
- **Budget Overview**
 - Major Funds & Revenues
- **Operating Budget**
 - Staffing Changes
 - Service Delivery Enhancements
 - Community Investments
- **Capital Projects**
- **Fiscal Outlook & Tax Rates**
- **Budget Schedule**



Planning for a Strong and Resilient Future Investing in Our Community



City Manager's Vision for the FY23 Budget

Budget Priorities

- Commitment to City Council's goals and priorities while stabilizing the organization and strengthening our long-term financial sustainability
- Expand services to our most vulnerable and historically underserved populations
- Strengthen community partnerships that add value
- Equitable community engagement and outreach
- ***Budget Approach - Maintain a Balanced Budget***
 - Prioritize essential and core departmental functions
 - Seek revenue generation opportunities and increase revenue
 - Mitigate any unfunded mandates or potential liabilities
 - Reduce costs where there are alternative service providers
 - Minimize workforce reductions



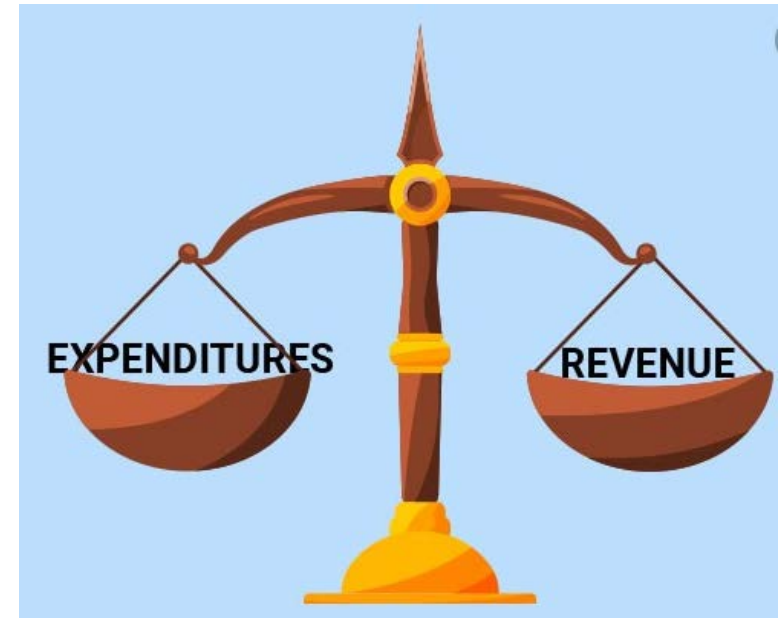
Advancing City Council Priorities

- **Mitigate the impact of COVID-19**
- **Create a livable community for all**
- **Maintain a fiscally sustainable government**
- **Achieve an environmentally sustainable community**
- **Ensure an engaged, responsive, and service-oriented government**
- **Promote community development for an improved and equitable quality of life**



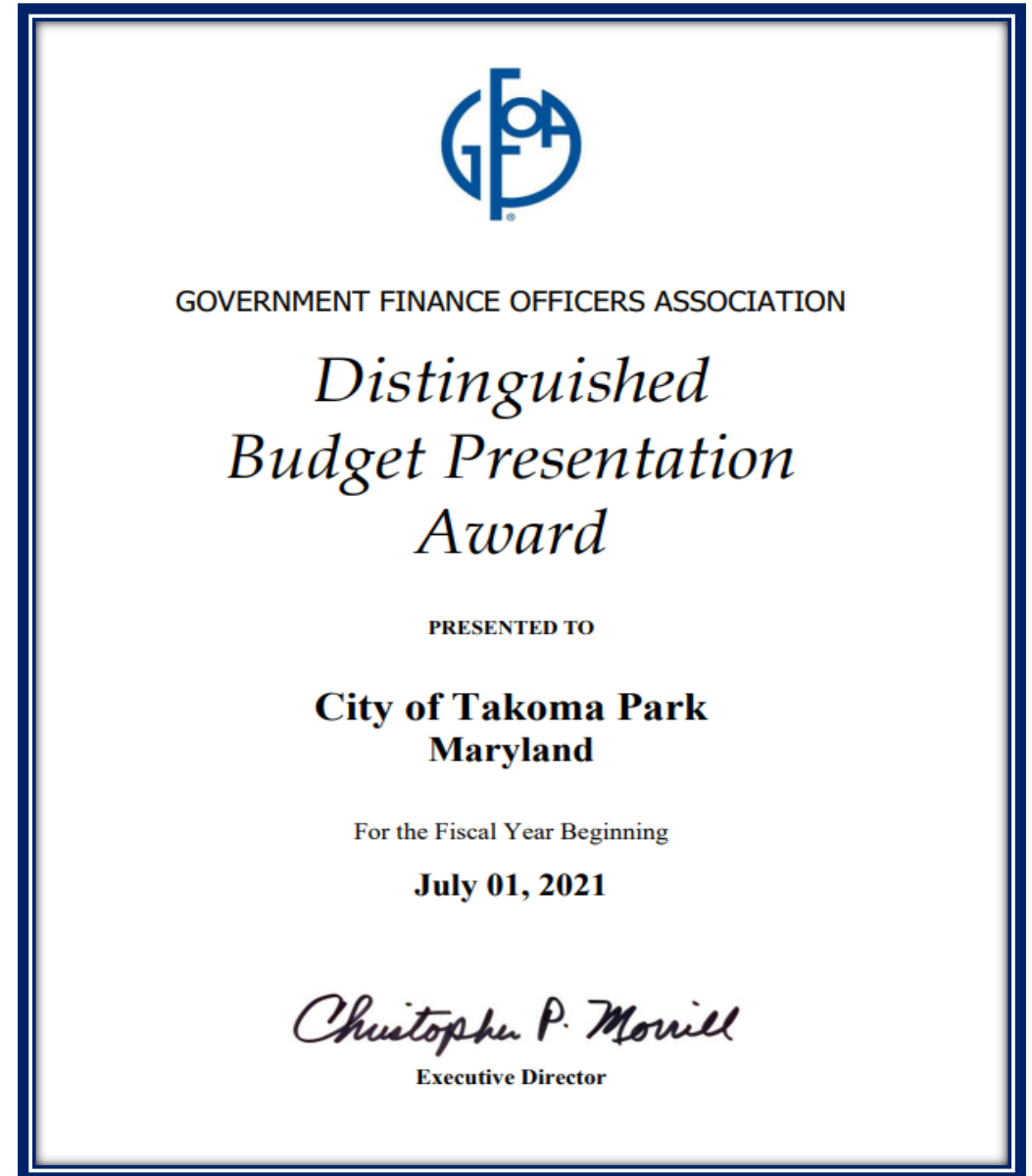
City of Takoma Park Budgetary & Financial Goals

- **Fund and sustain City services at levels that meet the needs of Takoma Park residents**
- **Provide the financial resources to accomplish City Council Priorities**
- **Ensure the fiscal sustainability of the City's finances into the future**



Budget Award

- The City of Takoma Park was presented with its fourth **Distinguished Budget Presentation Award for the Fiscal Year 2022 Budget**.
- 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.
- Congratulations to our Finance team! We hope to achieve the same in Fiscal Year 2023.



Budget Overview

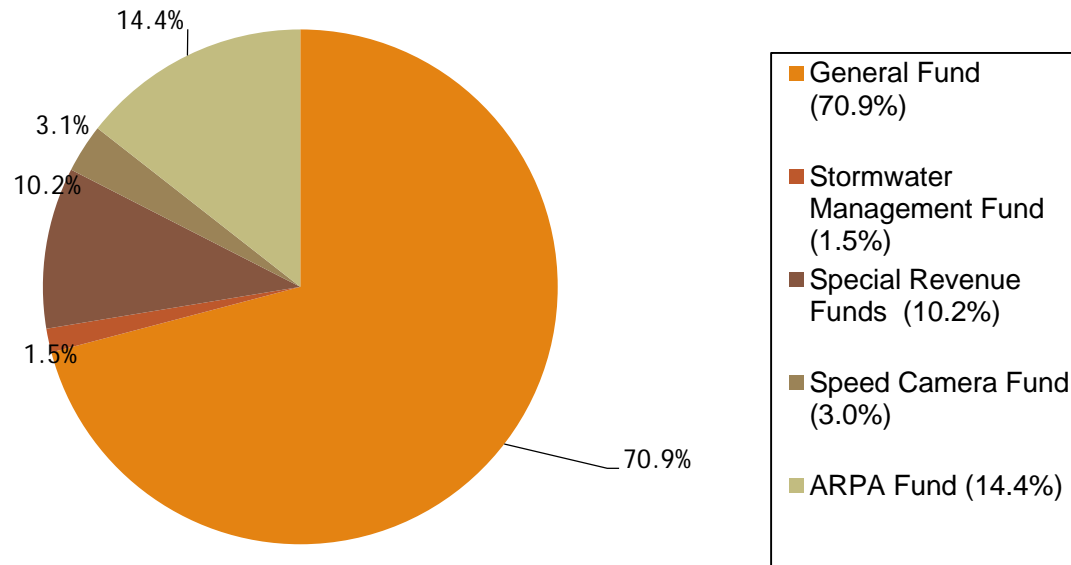


Budget Overview

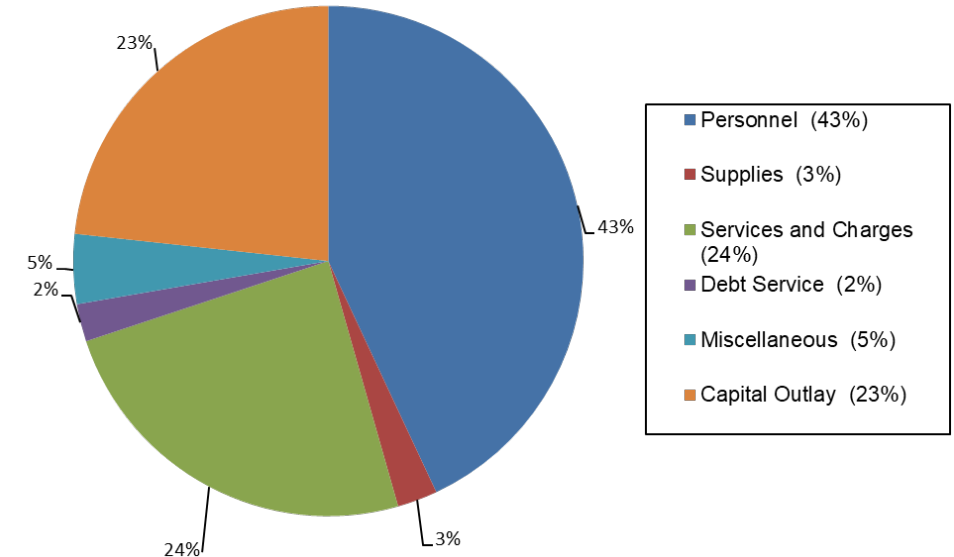
- Total Revenue, All Funds: \$41,659,150
- Total Expenditures of All Funds: \$49,109,299
- Total General Fund Revenues: \$27,838,118
- Total General Fund Expenditures: \$34,819,752
- Total General Fund deficit of \$6,981,634, with \$5 million covered by the library bond reserve for a total \$1,981,634 use of other restricted reserves and the General Fund unassigned fund balance.



Budget Overview: Major Funds



TOTAL EXPENDITURES BY FUND	\$49,109,299
General Fund (70.9%)	\$34,819,752
Stormwater Management Fund (1.5%)	\$734,226
Special Revenue Funds (10.2%)	\$4,971,178
Speed Camera Fund (3.0%)	\$1,495,522
ARPA Fund (14.4%)	\$7,088,621



TOTAL EXPENDITURES BY TYPE	49,109,299
Personnel (43%)	21,136,799
Supplies (3%)	1,248,896
Services and Charges (24%)	11,945,984
Debt Service (2%)	1,171,370
Miscellaneous (5%)	2,167,300
Capital Outlay (23%)	11,438,950



Budget Overview: Major Funds - Revenues

General Fund

Property Taxes, Income
Taxes, and Intergovernmental
Revenues
Charges for Services

Stormwater Fund

Fees from Property Owners

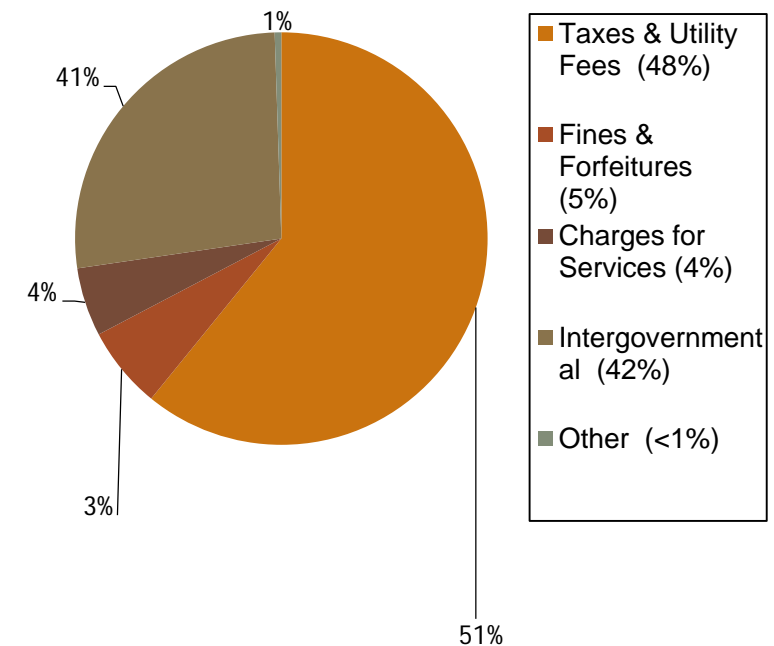
Special Revenue Fund

Grants

Speed Camera Fund

Fines

TOTAL	\$41,659,150
Taxes & Utility Fees (48%)	\$20,041,695
Fines & Forfeitures (5%)	\$2,121,000
Charges for Services (4%)	\$1,772,245
Intergovernmental (42%)	\$17,553,956
Other (<1%)	\$170,254



General Fund Revenues

95%
Property Taxes
Income Tax
Intergovernmental Revenue

5%
Charges for Services



Other Funds - Revenues

- **Speed Camera Fund** - Revenues were \$1,000,650 in FY22 and are projected to be \$1,940,650 due to the addition of red light cameras. This fund pays for three police officers and a Photo Enforcement Analyst. In FY23, eligible Police Department costs were moved from the General Fund to the Speed Camera Fund to reduce General Fund costs. Speed Camera fines can only be used for public safety related purposes.
- **Stormwater Fund** – Thanks to the implementation of the new fee structure and cost management year over year, this fund has moved from a projected deficit in FY22 to a projected \$27,149 surplus in FY23.
- **Special Revenue Fund** - Expenditures (\$4,971,178) exceed revenues (\$2,387,145) in this fund due to the use of \$2.5 million in cable grants reserves for the Library project.
- **ARPA Fund**: The City received the first tranche of ARPA in FY22 totaling \$8,731,862. The second tranche of an equal amount will be received in FY23, with projected expenditures totaling around \$7 million.



Operating Budget Highlights



Maintenance of Effort for All Departments

- Due to limited revenues, no significant changes are proposed in the baseline FY23 budget.
- Departmental and non-departmental budgets are largely maintenance of effort. Budget increases in the General Fund generally reflect a return to pre-pandemic levels of service, as opposed to an expansion of services or new programming.
- The ARPA Fund provides some expansion of services and new initiatives in Fiscal Year 2023.





City Services

YOUR DOLLARS AT WORK

If you live in Takoma Park and pay taxes, you have probably asked yourself, “what do my taxes pay for?” The City provides a vast array of services and programs that help make community a better and safer place for everyone.

Below is a list of just some of the key ways that we put **your tax dollars to work**

- **Full-service Police Department**, including crossing guards and neighborhood service/code enforcement (development and control of local environmental and sustainability laws which requires education and enforcement: Safe Grow, plastic bag ban, polystyrene ban, tree ordinance)
- **Rent stabilization and other affordable housing initiatives** such as a down payment assistance program
- **Tenant services and advocacy** (City contracts with County for code enforcement of multi-family buildings; City provides direct assistance to tenants to create Tenant Associations and work with tenants to address/resolve issues between tenants and landlords/management companies)
- **Parking management** and enforcement





City Services

YOUR DOLLARS AT WORK - CONTINUED

■ Public Works services, including:

- sidewalk repair and installation, road repair and resurfacing, traffic calming
- tree and canopy protection, tree maintenance
- trash collection, recycling, food waste collection, leaf collection/mulch, electronics recycling
- stormwater and erosion control
- right-of-way maintenance, landscaping/gardens
- maintenance of City facilities
- electronic recycling drop off
- civil engineering services
- construction project management
- snow removal

■ Sustainability/energy efficiency programs

■ Recreation programs and services, including sports leagues and summer camps; scholarships for low-income residents and seniors, funding free summer camps, and summer jobs program for teens





City Services

YOUR DOLLARS AT WORK – CONTINUED

- **Advancing** racial equity
- **Library** with extensive collections of print and digital resources for all ages, associated programs for children and adults (early literacy, reading readiness for ESL parents, book discussion groups, Spanish and French language programs, MOOC discussion groups, Caldecott Club, Comics Jam, regular visits from renowned authors and illustrators), and public access computers with dedicated staff
- **Childcare programs** (for before and after school)
- **Maintenance of City parks, pavilions, and athletic fields**
- **City festivals, parades, and events** (Celebrate Takoma, Monster Bash, Egg Hunt, Independence Day, etc.)
- **Community grants and partnership programs** provide funds for area service providers to address issues like food scarcity, youth success (summer lunch and learn program; mentorship), and recreation
- **Public Arts and Humanities programs**
- **Communications/City TV** – online and cable programs and broadcasting, City Newsletter, maintenance of website, social media





City Services

YOUR DOLLARS AT WORK – CONTINUED

- **Legislative advocacy** at county and state levels
- **Administering local elections** which have extended voting rights to 16 and 17-year-olds and non-citizens, inspiring policy changes in other cities
- **Support for resident boards and commissions**
- **Support for local business associations** to promote amenities in the City
- **Internal services:** Information Technology (which also supports outward-facing technology like computer labs), Human Resources, Finance, Legal, etc.
- **Emergency funds** to help residents who may need help one time to pay rent, buy food, etc.; also have a Tree Fund for assistance to help residents who need to remove a dangerous tree but cannot afford it (we also assist those who qualify to reduce their property taxes)
- **Meeting rooms and other public spaces**, including computer labs, media center, art room, dance room, senior room, teen lounge, and game room
- **Passport services**
- **Notary services**



Enhance Service Delivery – Personnel Changes

- **Wages:** Recommended wage increase of 5%. This includes a 2.7% cost of living adjustment and 2.3% margin for further wage adjustments, but no increases for performance. Union negotiations are ongoing.
 - Also included are longevity bonuses every five years of service from 15-35 years
- **Benefits:** Health benefit costs (health insurance, dental, and vision) remained flat. Workers' compensation costs increased by 34 percent.
- **New Personnel:** Full-time positions in the City increased by four, with 3 new administrative positions funded by ARPA to implement the ARPA spending plan, as well as the HR Coordinator funded by the General Fund and approved by Council in July 2021. The rest of the FTE increase reflects an increase in hours for seasonal and part-time positions in Public Works and Recreation, as well as Library supplemental assistance, as a result of the return to pre-pandemic programming levels.
- **Restructuring:** The Neighborhood Services Division in the Police Department is now split between two Departments. Parking enforcement remains with Police, while the Code Enforcement function has moved from Police to the Housing and Community Development Department.



Enhance Service Delivery – Operational

- Several key investments in Fiscal Year 2023 will improve staff's ability to deliver quality services to residents.
 - Financial forecasting and long-term financial planning
 - Migration to a new City website and constituent request system
 - Implementation and training for a comprehensive Human Resources Information System (HRIS) to eliminate two separate platforms
 - The next City Council election will take place on November 8, 2022 and the full costs of election administration are included in the City Clerk and Legislative Division budgets.
 - Replacement of City's phone system
 - The Legislative Division includes funding for a stipend program for Council-appointed boards and committees.



Operating Budget Highlights – Community Investments



City of Takoma Park

American Rescue Plan Act (ARPA)
Spending Plan

\$17.5 MILLION



Affordable
Housing

\$2.3
MILLION



Small Business
Recovery

\$808
THOUSAND



Social Services
Partnerships

\$3
MILLION



Family Resiliency
Programs

\$1.7
MILLION



City
Operations

\$4.4
MILLION



Community
Anchors

\$5.3
MILLION



Operating Budget Highlights – Community Investments cont.

- Non-ARPA funded Community Investments
 - **Community Partnerships**
 - \$103,500 - Economic Development Service Contracts
 - \$45,000 - Summer Enrichment Program (Lunch and Learn)
 - \$20,000 - Independence Day Committee
 - \$15,000 - Folk Festival
 - \$10,000 - Community Play
 - \$5,000 - Montgomery College scholarships
 - Several community investment programs typically funded out of the General Fund will be covered by the ARPA Fund; the budget book reflects those General Fund reductions concentrated in the Inter-Departmental section.



Operating Budget Highlights – Community Investments cont.

■ Special Revenues

- **\$200,000- Takoma Park Cooperative Nursery School Grant**
- **\$175,000 -Washington-McLaughlin School Grant**
- **\$273,000 - CDBG Neighborhood Improvements**
- **\$312,000 - New Hampshire Ave Bikeways**
- **\$120,000 - Safe Routes to School & TkPk Challenge**
- **\$145,000 - Recreation Center Redevelopment**
- **\$500,000 - Affordable Homeownership Grant**
- **\$500,000 - 6530 and 6600 New Hampshire Ave Revitalization**



Capital Budget Highlights



Capital Improvement Plan

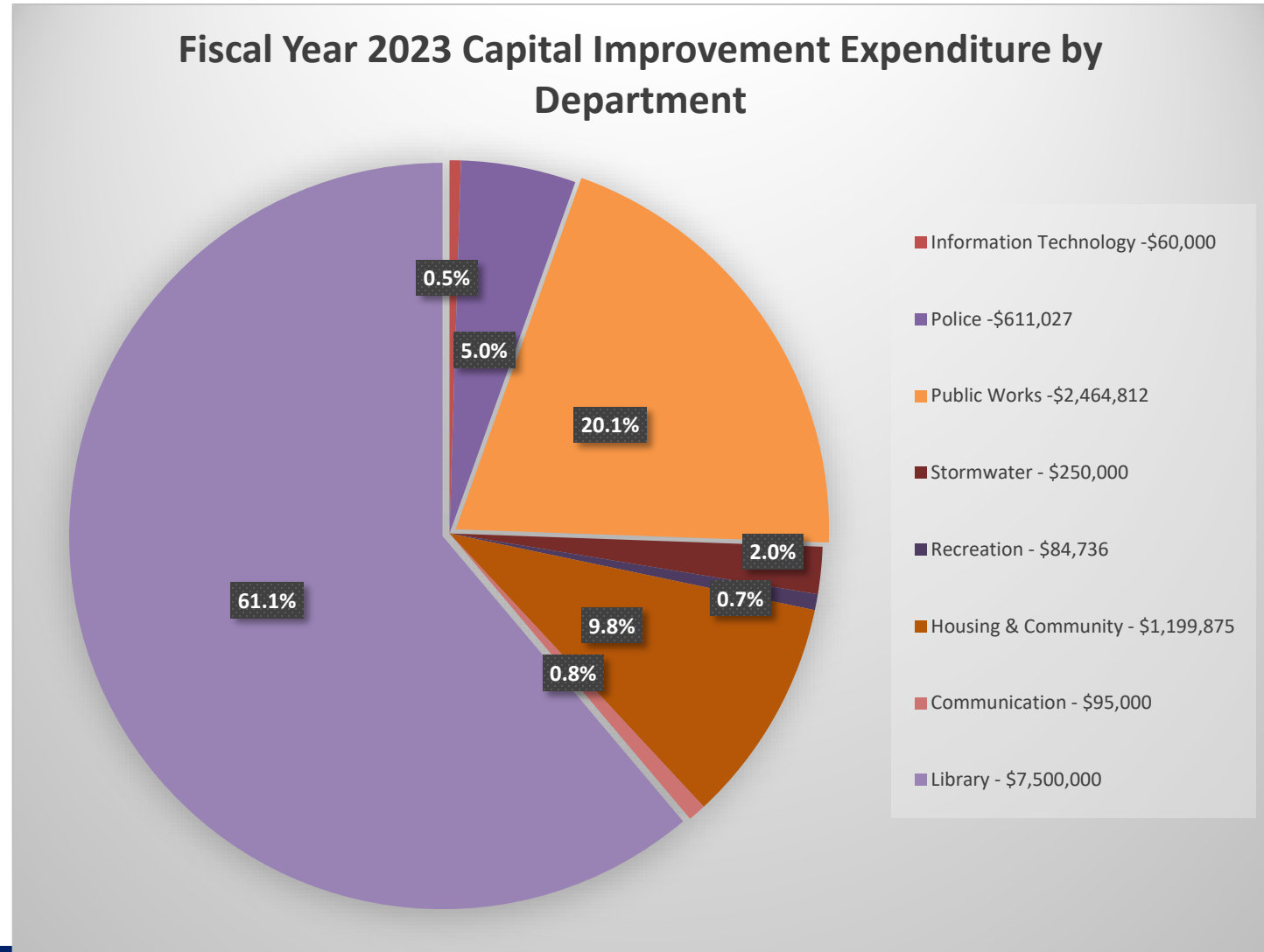
- The Capital Improvements Plan (CIP) covers a five-year period and is revised annually in light of new and changing conditions.
 - The five year period is Fiscal Years 2023-2027
- Capital assets
 - Have a life of five (5) years or greater
 - Cost \$5,000 or more
- The Capital Improvement Program includes
 - **Equipment Replacement**
 - **Information and Communication Technology Improvements**
 - **Park Development**
 - **Infrastructure Improvements**
 - **Facility Improvements, and**
 - **Stormwater Management.**



FY23 Capital Budget – Funding Sources

Fiscal Year 2023 Capital Improvement Expenditure by Department

Department	Amount
Information Technology	\$ 60,000
Police	\$ 611,027
Public Works	\$ 2,464,812
Stormwater	\$ 250,000
Recreation	\$ 84,736
Housing & Community	\$ 1,199,875
Communication	\$ 95,000
Library	\$ 7,500,000
Total Capital Budget	\$ 12,265,450

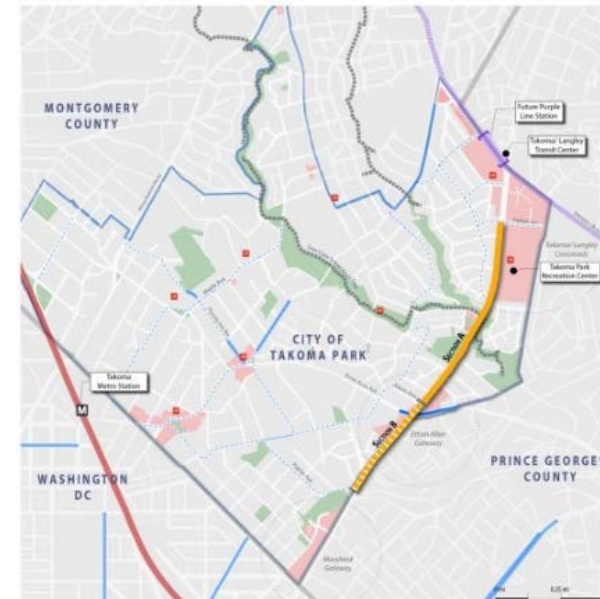


FY23 Capital Budget Highlights

■ Equipment Replacement

- **\$447,615 Seven (7) Police Vehicles**
✓ Keeping our community safe
- **\$6,000 E-Bike Maintenance**
✓ Enhancing our Police and resident interactions
- **\$83,373 Roll-off Trailer**
✓ Keeping our City clean and sustainable
- **\$48,439 Aerial Lift**
✓ Trimming trees and installing leaf boxes
- **\$78,136 Recreation Bus**
✓ Transporting our residents safely
- **\$30,000 Improved IT Server Security**
✓ Maintaining strong cybersecurity

NEW HAMPSHIRE AVENUE BIKEWAY - CITY OF TAKOMA PARK, MD
Status: Final (100%) Designs in Progress



FY23 Capital Budget Highlights

■ Infrastructure Improvements

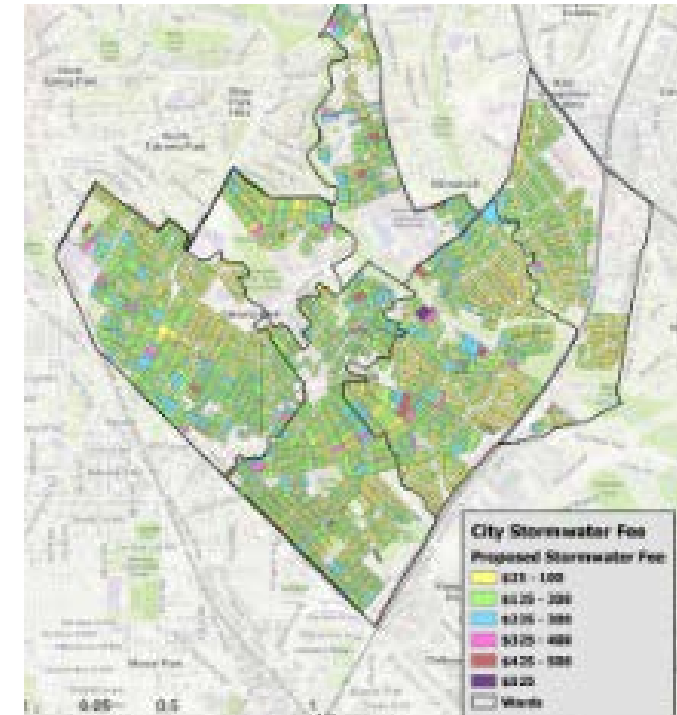
- **\$7,500,000 Library Renovation**
 - ✓ New state-of-the-art library for our residents
- **\$510,000 ADA Sidewalk Retrofit**
 - ✓ Improving quality of life for all residents
- **\$400,000 Street Rehabilitation**
 - ✓ Street repairs and pothole fixes
- **\$300,000 New Sidewalk Design and Traffic Calming**
 - ✓ Increasing the safety and walkability of our City
- **\$170,000 Public Space and Transportation**
 - ✓ Bike infrastructure, bus shelters, and public land improvements



FY23 Capital Budget Highlights

■ Facilities and Stormwater

- **\$1,000,000 Atrium Floor**
 - ✓ Completing the lower level of the Community Center
- **\$250,000 Takoma Branch Stream Restoration – Phase 2**
 - ✓ Restoring and improving the environment
- **\$40,000 HVAC Control System**
 - ✓ Improving the energy efficiency of the Community Center

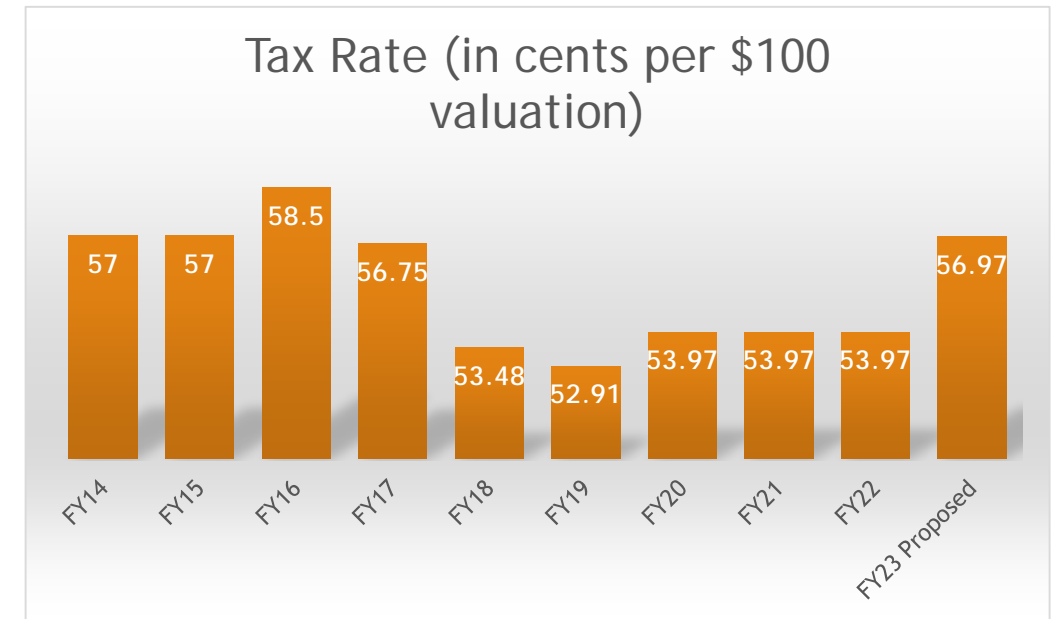


Fiscal Outlook & Tax Rate



Tax Rate Investment

- FY23 Budget proposes a real property tax investment of \$0.03 per \$100 of valuation
 - FY23 Proposed tax rate: \$0.5697 per \$100 of valuation
 - Current tax rate: \$0.5397 per \$100 of valuation
- Constant Yield is \$0.5195 per \$100 of valuation
- \$0.01 per \$100 of valuation = \$267,293 in expected revenue



Increase in Assessed Value		
	<u>2022</u>	<u>2023</u>
Assessed Value	\$600,000	\$623,400
Tax Rate	0.5397	0.5697
Tax Owed	\$3,238.20	\$3,551.51
Increase in Tax Payment		\$313.31

Increase in Assessed Value		
	<u>2022</u>	<u>2023</u>
Assessed Value	\$600,000	\$623,400
Tax Rate	0.5397	0.5397
Tax Owed	\$3,238.20	\$3,364.49
Increase in Tax Payment		\$126.29

Increase in Assessed Value		
	<u>2022</u>	<u>2023</u>
Assessed Value	\$600,000	\$623,400
Tax Rate	0.5397	0.5195
Tax Owed	\$3,238.20	\$3,238.56
Increase in Tax Payment		\$0.36



Why is a tax investment proposed?

- GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund for GAAP and budgetary purposes.
- GFOA recommends, at a minimum, that governments regardless of size maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.
- For Takoma Park in FY23, that is about \$4.7 million (\$2.3M per month).

- Current Unassigned Fund Balance Reserve
 - Current Unassigned Fund balance as proposed: **\$2,850,758**
 - **\$4.7 million** is the necessary amount required to meet:
 - GFOA best practices
 - City Council's policy of 17% of revenue as the unassigned fund balance reserve
 - General Fund Budget Deficit: **(\$1.981 million)**



Why is a tax investment proposed?

- When total revenues do not kept pace with expenditures, as has been the case over the past several fiscal years, the City must tap into the unassigned General Fund balance, otherwise known as our rainy day reserve.
- The City has consistently relied on the unassigned fund balance reserves to close the budget deficit, which makes it difficult to maintain a reserve level at or above 17 percent of the projected revenue.
- In order to balance the budget, and keep the City on a fiscally sustainable path long-term, ongoing City expenses must be supported by ongoing revenue (not one-time revenue sources).

Options for balancing the budget each year are:

- A. Make cuts to the budget; in other words, personnel and service reductions**
- B. Identify new sources of ongoing revenue (e.g. increase property values, grants)**
- C. Increase tax rates**



Tax Investment Recommendation

- **Staff Recommends Council set the tax rate at \$0.5697** (\$0.03 cent investment)
 - The recommended budget reflects the continuation of existing service delivery levels and programs, with the exception of ARPA-related projects.
 - The \$0.03 tax investment proposed still results in a **\$1,981,634 deficit** in the General Fund (excluding the \$5M in library bond reserves).

\$0.02 Tax Investment

Reserves: \$2.3 M

Days Coverage: 29 days

Add'l Reduction in FY23 Budget: \$534k

Unassigned Fund: No growth

\$0.01 Tax Investment

Reserves: \$2.0 M

Days Coverage: 25 days

Add'l Reduction in FY23 Budget: \$800k

Unassigned Fund: No growth

Constant Yield

Reserves: \$1.5 M

Days Coverage: 19 days

Add'l Reduction in FY23 Budget: \$1.3M

Unassigned Fund : No growth



Budget Schedule

- **Wednesday, April, 13th-FY23 Budget Public Hearing 1**
- **Monday, April 18th- City Council Budget Work Session 1**
- **Monday, April 25th- City Council Budget Work Session 2**
- **Wednesday, April 27th- FY23 Budget and Tax Rate Public Hearing 2**
- **Monday, May 2nd- City Council Budget Reconciliation Work Session 3**
- **Wednesday, May 11th- City Council First Reading Ordinance Adopting FY23 Budget and Tax Rate**
- **Wednesday, May 18th- City Council Second Reading Ordinance Adopting FY23 Budget and Tax Rate**
- **Thursday, May 19th- Tax Rate Submitted to the State and County**



Questions?



General Fund Balance Projection Detail

	As Of June 30, 2021	Additions	Deletions	As Of June 30, 2022	Additions	Deletions	As Of June 30, 2023
Emergency Reserve	541,646	-	-	541,646	-	-	541,646
Equipment Replacement Reserve	4,054,455	700,000	1,010,425	3,744,030	600,000	754,317	3,589,713
WSSC Contribution for Future Street Work	97,535	-	-	97,535	-	-	97,535
Facility Maintenance Reserve	427,604	-	200,000	227,604	200,000	55,000	372,604
Non-spendable-prepaid, Deposits, Inventory	242	9,374	5,000	4,616	10,000	11,000	3,616
Housing Reserve	645,857	229,000	185,000	689,857	100,000	-	789,857
Bond Reserve (Restricted)	6,535,194	-	300,000	6,235,194	-	5,000,000	1,235,194
Total Reserved/Non-spendable Fund Balance	12,302,533	938,374	1,700,425	11,540,482	910,000	5,820,317	6,630,165
Total Unassigned Fund Balance	7,109,661	-	2,187,586	4,922,075	-	2,071,317	2,850,758
Total Fund Balance	19,412,194	-	-	16,462,557	-	-	9,480,923

