



Takoma Park City Council Meeting – May 11, 2022 Agenda Items 2, 3, 4

Voting Session

First Reading Ordinances Adopting the Fiscal Year 2023 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, 2022. In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager prepared a proposed Fiscal Year 2023 budget for consideration by the City Council. On April 6, 2022, the City Manager provided the City Council and the public with an overview of the recommended budget for Fiscal Year 2023. Public hearings were held on April 13 and April 27, 2022.

The proposed budget for Fiscal Year 2023 accounts for the City's financial activities in five major funds or fiscal entities. They are the General Fund, the Stormwater Management Fund, the Special Revenue Funds, the Speed Camera Fund and the newly created American Rescue Plan Act (ARPA) 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 2, 2022.

The total expenditures for the proposed budget are \$48,694,194, while total revenues are \$40,877,270.

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

- 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 & 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 2022 rate of 53.97 cents. The rate is above the Constant Yield Tax Rate of 51.95 cents as calculated by the Maryland Department of Assessments and Taxation. The adopted tax rate is higher than the Constant Yield Tax Rate by 2.02 cents and represents an increase in real property tax revenue of \$539,424. The adopted tax rate for FY 2023 will result in an increase in property tax revenues in the amount of \$508,545 over the adopted FY 2022 amount, an increase of 3.65 percent.

The amount of expected FY 2023 real property tax revenue is \$14,425,815. This amount is the same as the amount that would be generated by multiplying the assessable base of \$2,672,932,216 by the tax rate.

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

- A reduction of 3 cents in the proposed real property tax rate of 56.97, taking the rate to 53.97 cents (per \$100 of assessed value)
- An increase of General Fund revenue for an additional transfer from the Tree Fund
- Decreases in General Funds for the Police K-9 Unit allowance and supplies
- A decrease of General Funds for the Neighborhood Commercial Center Improvements Project (funded by ARPA)
- A decrease of General Funds for the Public Space Management Project (funded by ARPA)
- A decrease of General Funds for the Street Rehabilitation Project (funded by ARPA)
- A decrease of General Funds for the Financial Forecast Consultant
- A decrease of General Funds for the Sidewalks Project (funded by Speed Camera)
- An increase of General Funds for the MHP Hillwood Manor Grant Project (funded by ARPA)
- An increase of General Funds for Legal Services

Differences in revenue and expenditure amounts from those discussed during the Council's May 2 reconciliation are due to small adjustments to the Contingency account and other funds calculated from certain totals.

Attached are the three budget ordinances for consideration at First Reading. Second Reading will be held on May 18, 2022.

The budget ordinances are:

- Ordinance Adopting the FY 2023 Tax Rates
- Ordinance Adopting the FY 2023 Stormwater Management Budget
- Ordinance Adopting the FY 2023 Budget

Council Priority

The proposed budget will advance all six of the City Council's 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 & 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 funding for stormwater system improvements, energy efficiency grants, and funds for library renovation to LEED standards.

Fiscal Considerations

Combined revenues for all funds for Fiscal Year 2023 are projected to be \$40,877,270.

- General Fund revenues total \$27,056,238.
- Stormwater Management Fund revenues total \$761,375.
- Special Revenue Fund revenues total \$2,387,145.
- Speed Camera Fund revenues total \$1,940,650.
- ARPA Fund revenues total \$8,731,862

The budget provides for total expenditures (all funds) of \$48,694,194.

- General Fund expenditures total \$34,104,647.
- Stormwater Management Fund expenditures total \$734,226.
- Special Revenue Fund expenditures total \$4,971,178.
- Speed Camera Fund expenditures total \$1,795,522.
- ARPA Fund expenditures total \$7,088,621.

The contribution to the Equipment Replacement Reserve will be \$600,000, the contribution to the Housing Reserve will be \$100,000 and the contribution to the Building Maintenance Reserve will be \$128,000. Fund balance (all funds) will decrease by \$7,816,924. The total Capital Improvement Program (CIP) budget is \$12,265,450.

Racial Equity Considerations

Some adopted expenditures, particularly the projects covered by the federal funding of American Rescue Plan Act (ARPA) funds, help address racial equity in Takoma Park. The residents and business owners most impacted by the pandemic are disproportionately people of color, and the City's ARPA spending plan will provide many different forms of assistance to promote residents' recovery from the pandemic. As one example, the City will implement a direct cash assistance program for low-income families in FY 2023. As another example, 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 2020 Census) and other residents.

Attachments and Links

- Ordinance Adopting the FY 2023 Tax Rates
- Ordinance Adopting the FY 2023 Stormwater Management Budget
- Ordinance Adopting the FY 2023 Budget
- Attachments, including lists of changes from the proposed budget and the resulting modified fund summaries
- The FY 2023 Proposed Budget is posted on the City's Website at:
<https://takomaparkmd.gov/government/finance/budgets-and-financial-documents/>.

Introduced by:

First Reading:

Second Reading:

**CITY OF TAKOMA PARK, MARYLAND
ORDINANCE NO. 2022-XX**

**AN ORDINANCE ESTABLISHING THE TAX RATES FOR FISCAL YEAR 2023, BEGINNING
JULY 1, 2022 AND ENDING JUNE 30, 2023**

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 2023 will exceed the constant yield tax rate of \$0.5195; and

WHEREAS, public budget hearings were held on April 13, 2022 and April 27, 2022.

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, 2022 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, 2022.

Adopted this ____ day of May, 2022, by roll-call vote as follows:

AYES:

NAYS:

ABSTAIN:

ABSENT:

Introduced by:

First Reading:
Second Reading:

**CITY OF TAKOMA PARK, MARYLAND
ORDINANCE NO. 2022-XX**

**AN ORDINANCE APPROVING AND ADOPTING THE STORMWATER MANAGEMENT
BUDGET FOR FISCAL YEAR 2023, BEGINNING JULY 1, 2022
AND ENDING JUNE 30, 2023**

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.

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

SECTION 1. For Fiscal Year 2023, a Stormwater Management fee shall be imposed on real property based on the revised the fee structure established in Fiscal Year 2022. All properties will be billed using the same fee structure. The fee has a base rate of \$25 per 500 square feet of impervious surface, calculated to be an amount sufficient to fund the Stormwater Management expenditures established by this Ordinance.

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; and
- 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, 2022 and ending June 30, 2023. Said budget

provides for an appropriation in the amount of \$734,226 for stormwater management activities.

SECTION 4. 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 5. Should any section of this Ordinance be determined to be invalid, such invalidity shall not affect any other sections.

SECTION 6. This Ordinance shall be effective July 1, 2022.

Adopted by roll-call vote this ____ day of May, 2022 as follows:

AYES:

NAYS:

ABSENT:

ABSTAIN:

Introduced by:

First Reading:

Second Reading:

**CITY OF TAKOMA PARK, MARYLAND
ORDINANCE NO. 2022-XX**

**AN ORDINANCE APPROVING AND ADOPTING THE BUDGET FOR FISCAL YEAR 2023,
BEGINNING JULY 1, 2022 AND ENDING JUNE 30, 2023**

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 2023 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 13, 2022; 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 27, 2022; and

WHEREAS, in July 2021, the City received the first tranche of federal American Rescue Plan Act (ARPA) funding in the amount of \$8,731,862.26 through the State of Maryland, and the City will receive the second tranche of \$8,731,862.26 in (ARPA) funding from the State of Maryland in mid-July 2022; and

WHEREAS, the five-year ARPA spending plan in the amount of \$17.5 million was adopted by the City Council in January 2022. The top priority of the ARPA spending plan was to allow the City to respond to the impacts of the pandemic and provide for the well-being of its residents, businesses and staff, and the City Council worked very closely with the City Manager to determine the best uses of ARPA funds following the guidelines created by the U.S. Department of the Treasury; and

WHEREAS, after considering the recommended annual budget submitted by the City Manager on April 6th 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 2023; and

WHEREAS, the Council and City Manager will work closely throughout the coming year to monitor revenues and expenditures to ensure the short and long-term fiscal health of the City and the appropriate use of the ARPA funds; 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 totaling \$27 million, which would be equivalent to \$4.6 million; and

WHEREAS, in the FY 2023 budget, the General Fund unassigned reserve is projected to be \$2.8 million; however, that level is determined to be acceptable due to the inclusion in the budget of restricted and other reserves totaling \$6.6 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.

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, 2022 and ending June 30, 2023.

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

Fund	Fiscal Year 2023 Appropriation
General Fund	\$ 34,104,647
Special Revenue Fund	4,971,178
Speed Camera Fund	1,795,522
ARPA Fund	7,088,621
GRAND TOTAL	\$ 47,959,968

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

Fund	Fiscal Year 2023 Appropriation
General Fund	\$7,048,409
Special Revenue Fund	\$2,584,033

SECTION 4. In accordance with Section 803 of the Charter of the City of Takoma Park, a general contingency account in the amount of \$135,281 has been included in the Non-Departmental budget unit of the General Fund.

SECTION 5. A five-year Capital Improvement Program for Fiscal Year 2023 through Fiscal Year 2027 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 \$128,000 from the General Fund unreserved fund balance to the Facility Maintenance Reserve.

SECTION 8. The City Council hereby authorizes the transfer of \$100,000 from the General Fund unreserved fund balance to the Housing Reserve.

SECTION 9. 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 2023 by Ordinance No. 2022-__.

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

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, 2022.

Adopted this ____ day of May, 2022 by roll-call vote as follows:

AYES:

NAYS:

ABSTAIN:

ABSENT: