



# **City of Takoma Park Fiscal Health Update**

**Presented by:**

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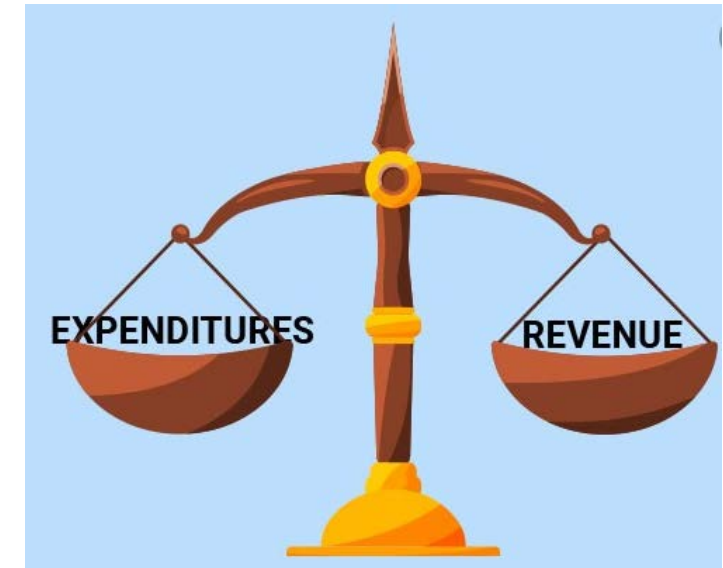
# Importance of Fiscal Health

- The City of Takoma Park has a history of solid financial management. For example, the City has maintained a stable reserve balance and bond payments are submitted timely.
- There are many other cities who cannot say the same. Cities that did not address factors causing structural deficits over time ended up depleting their Rainy Day reserves.
- In Takoma Park, we will continue to maintain sufficient Rainy Day reserves, control expenditures to incremental increases over time, identify new revenue sources, and other fiscal health practices, to make sure we remain in good fiscal health.



# 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**



# Overview of the City's Fund Structure

The City's budget consists of four primary funds. The General Fund can be used for discretionary spending, while the other three are restricted for limited purposes. A fifth fund was created in FY22 for ARPA funds.

**1. General Fund**

**2. Special Revenue Fund**

**3. Speed Camera Fund**

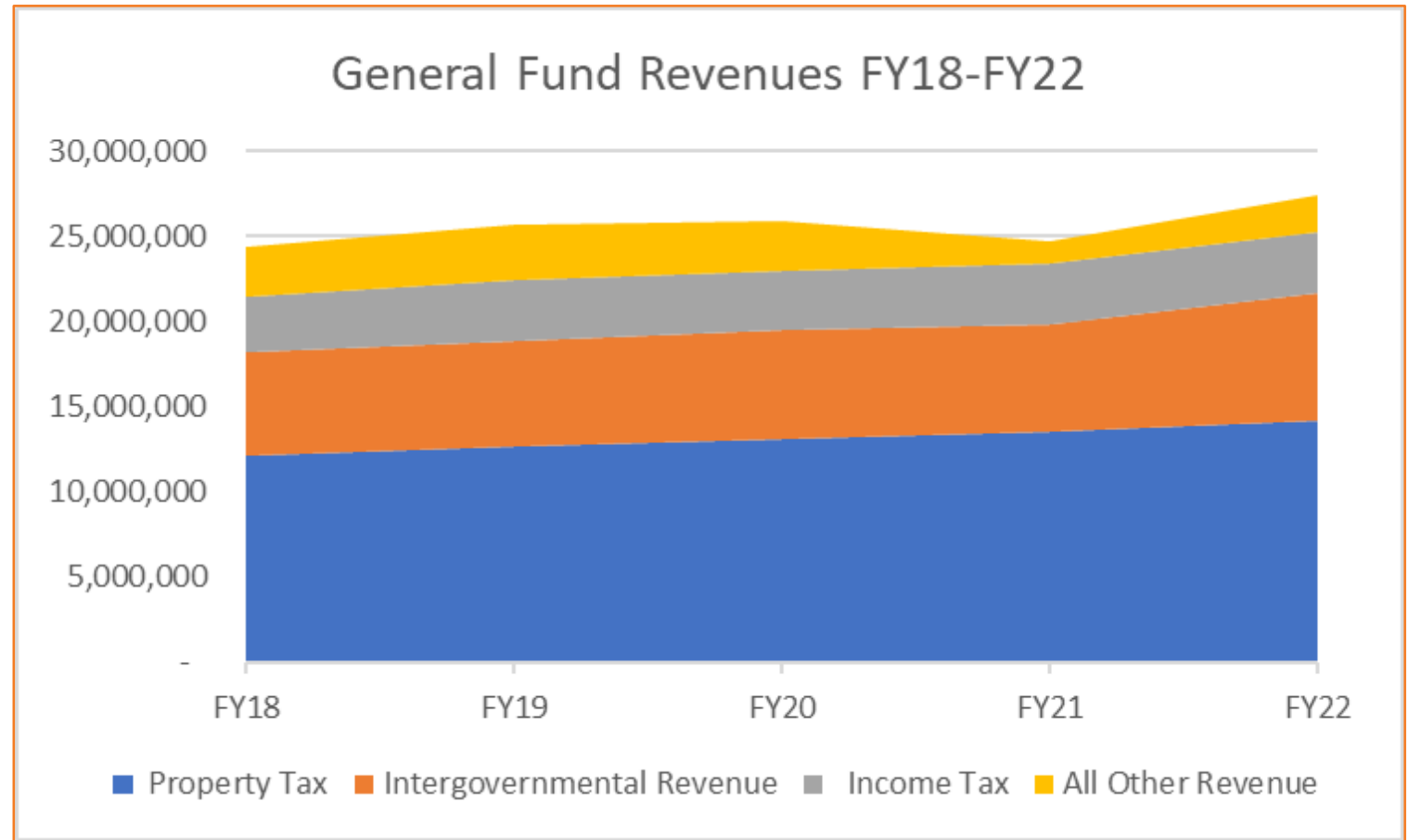
**4. Stormwater Fund**

**\*New\* 5. ARPA Fund**



# General Fund Outlook: Revenues

- The General Fund represents 76% of City revenues.
- 95% of General Fund revenues come from three main sources.



# General Fund Outlook: Expenditures

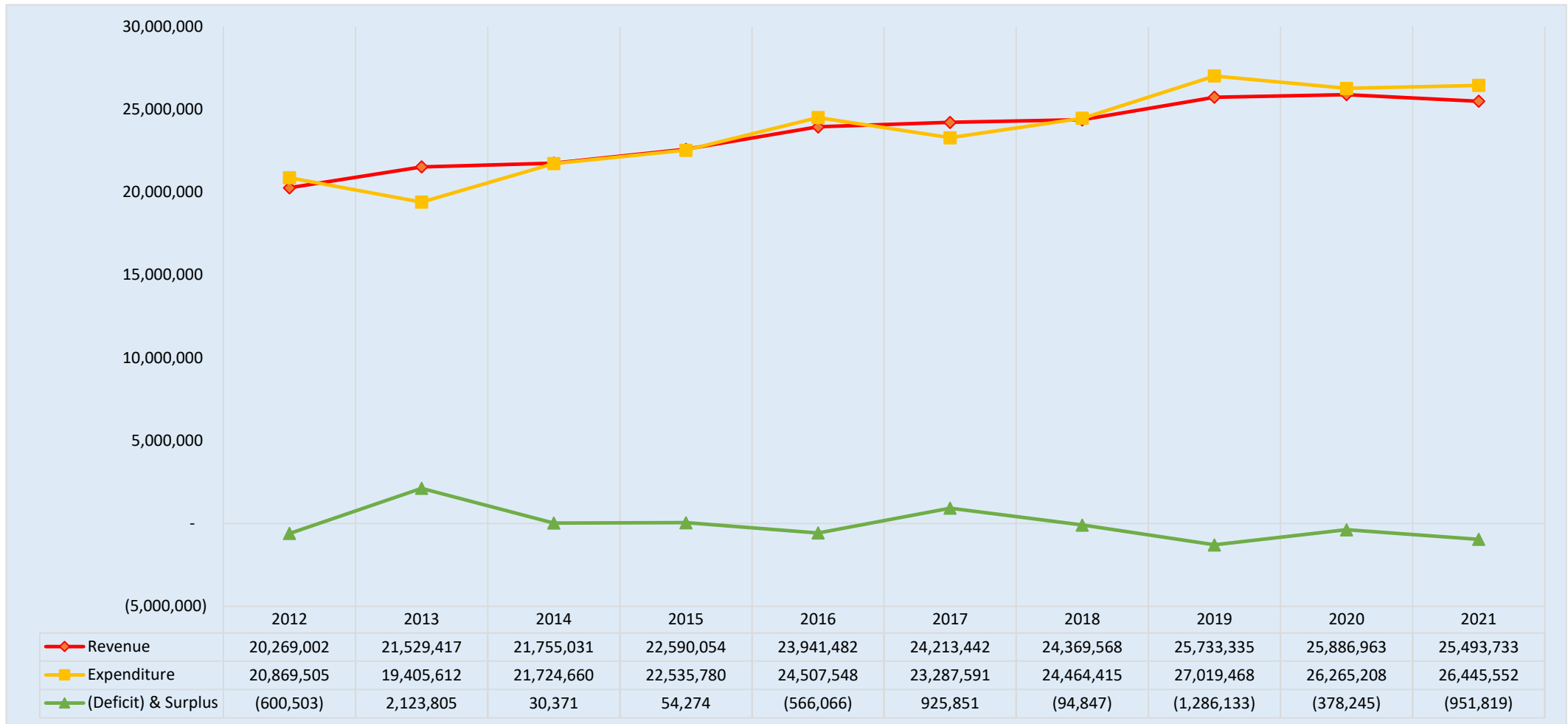
	2018	2019	2020	2021
	Audited	Audited	Audited	Audited
<b>Total Revenues</b>	24,369,568	25,733,335	25,886,963	25,493,733
<b>Total Expenditures</b>	24,464,415	27,019,468	26,265,208	26,445,552
<b>Deficit</b>	(94,847)	(1,286,133)	(378,245)	(951,819)
<b>Infra-Structure Bond Reserve</b>	8,968,565	7,776,707	7,425,719	6,535,194
<b>Unassigned Reserve</b>	7,165,390	6,934,380	6,304,957	7,109,661



# General Fund Outlook: Expenditures, cont.



# General Fund Outlook: Long-term Trends



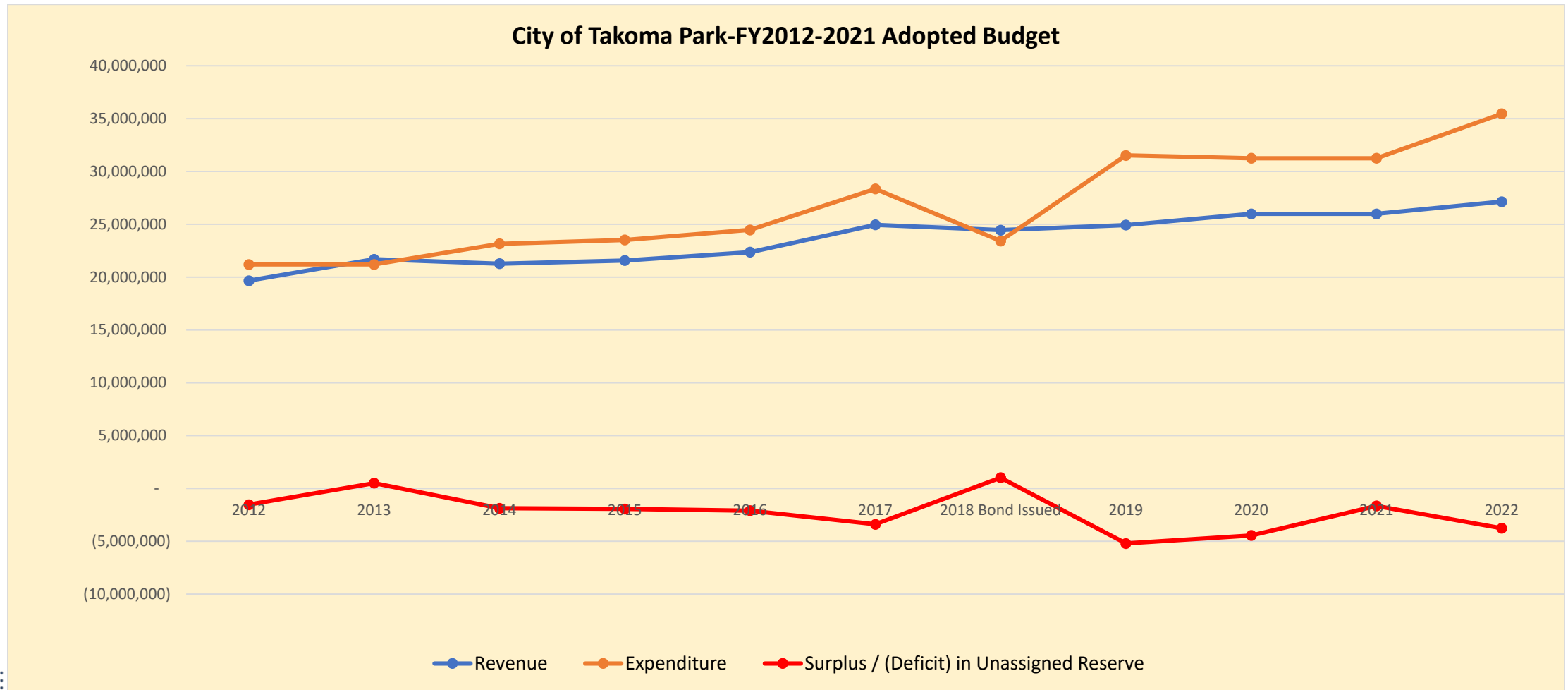


# General Fund Outlook: Reserve Levels

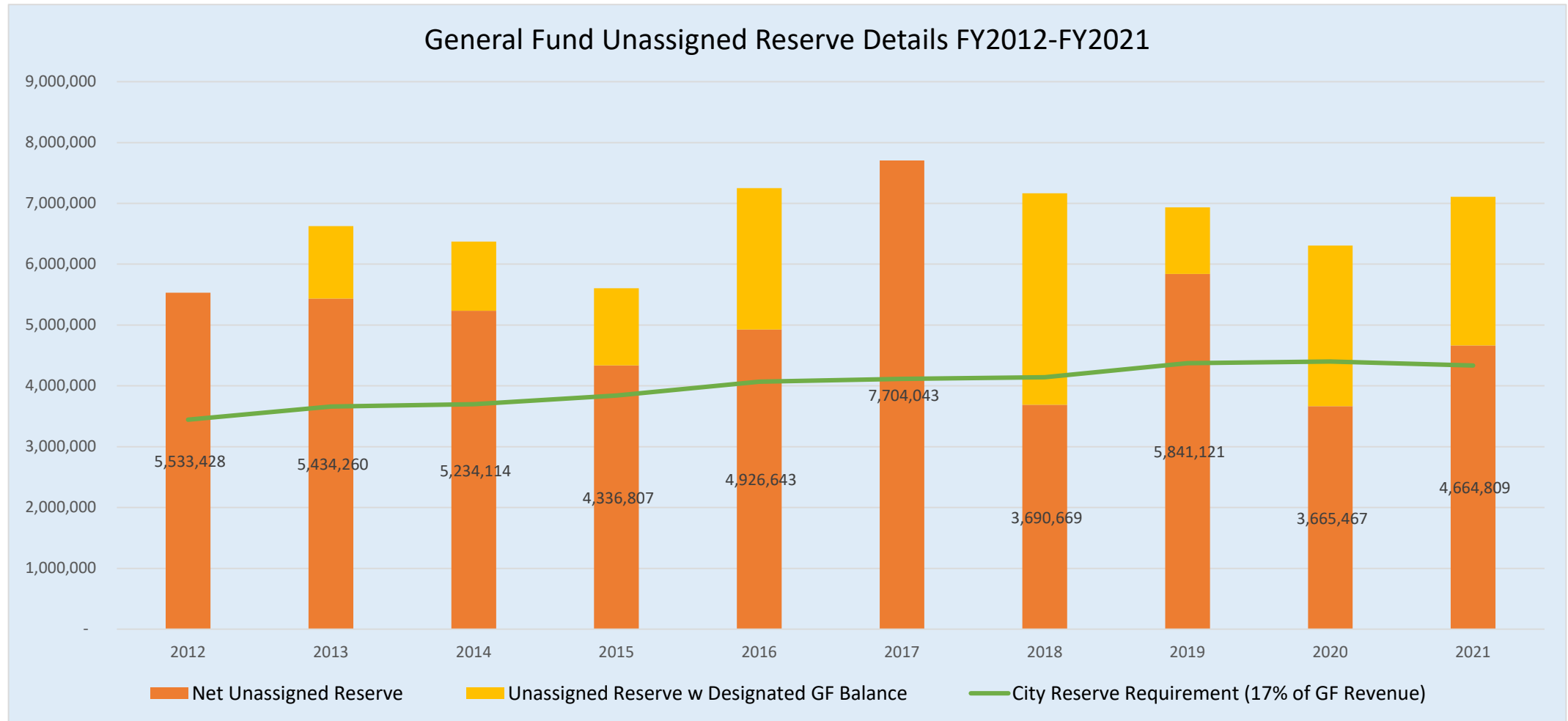
- GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund for GAAP and budgetary purposes.
- GFOA recommends, at a minimum, that governments regardless of size maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.
- For Takoma Park, that is about \$4.3 million (\$2.15M per month). Over the years, we have found that ~\$3M is needed to meet the City's normal fluctuations of revenues and expenditures.
- In FY18, the Takoma Park City Council established a reserve policy of maintaining the Unassigned Reserve at a level no less than 17% of the total General Fund revenue.



# General Fund Outlook: Reserve Levels Cont.



# Planning for Long Term Fiscal Health



# Planning for Long-term Fiscal Health (Cont.)

- 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, spend less
  - B. Increase tax rates
  - C. Identify new sources of ongoing revenue (e.g. economic development)

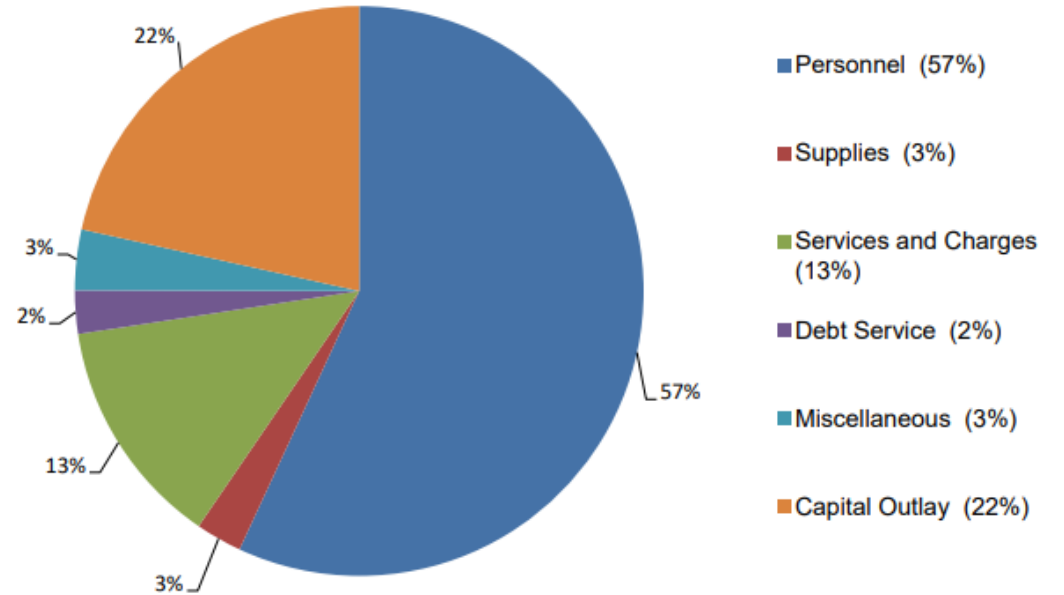


# Balancing the Budget

## A. Make cuts to General Fund spending

Personnel costs make up 65-80% of the City's total expenditure (57% in FY22).

The next largest expenditure area in the General Fund is capital improvement projects (22% in FY22).



TOTAL	35,401,249
Personnel (57%)	20,149,774
Supplies (3%)	931,028
Services and Charges (13%)	4,614,519
Debt Service (2%)	871,460
Miscellaneous (3%)	1,215,463
Capital Outlay (22%)	7,619,005



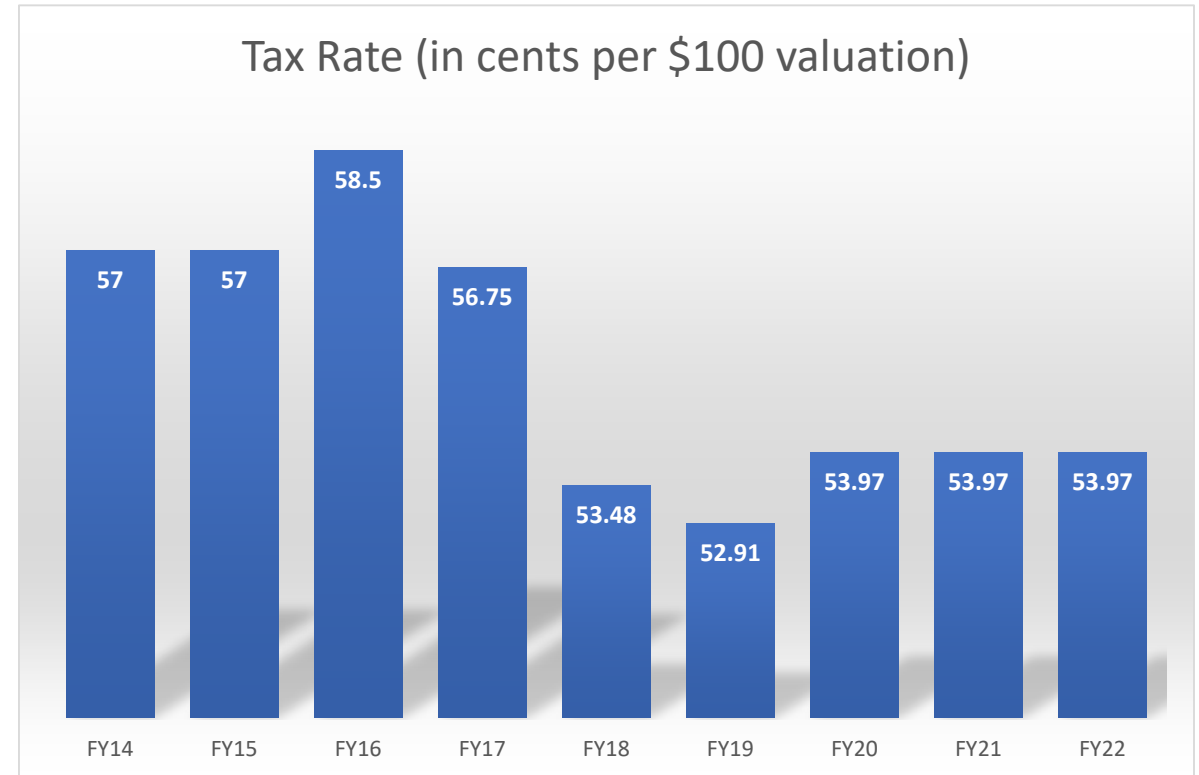
# Balancing the Budget (cont.)

## B. Increase tax rates

The City's property tax rate has decreased over time.

## C. Identify new sources of ongoing revenue

e.g. encourage new businesses to open



# Questions?

