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# Fiscal Year 2024 Proposed Budget July 1, 2023 - June 30, 2024

Presented by:

**Acting Deputy City Manager**

**David Eubanks**

April 12, 2023

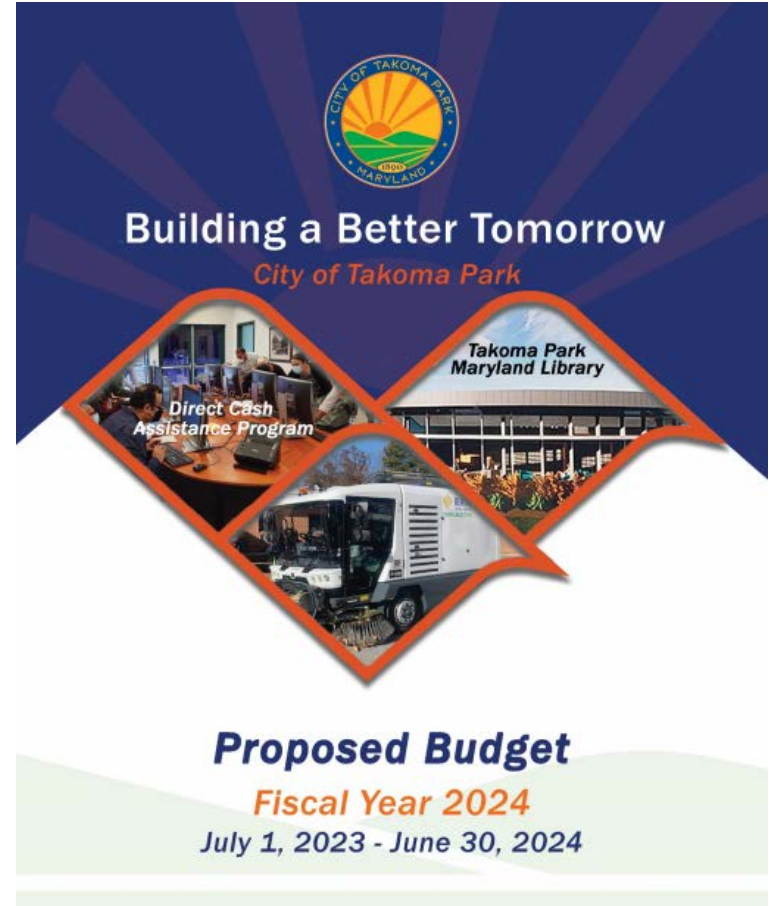
# Budget Schedule

- April 12: **Presentation of Proposed FY24 Budget**
- April 17: **Budget Work Session - Operations Budget**
- April 19: **1<sup>st</sup> Public Hearing, Operations (cont.) and CIP Budget**
- April 24: **ARPA Budget discussion**
- April 26: **Budget Work Session - Reconciliation**
- May 1: **Reconciliation Meeting and 2<sup>nd</sup> Public Hearing**
- May 10: **First Reading Ordinances**
- May 17: **Second Reading Ordinances**



# Presentation of Proposed Budget

- 1 Budget Schedule
- 2 Budget Overview
  - Budget Assumptions
  - Fund Summary
  - Reserve Summary
- 3 Budget Highlights
- 4 Q&A



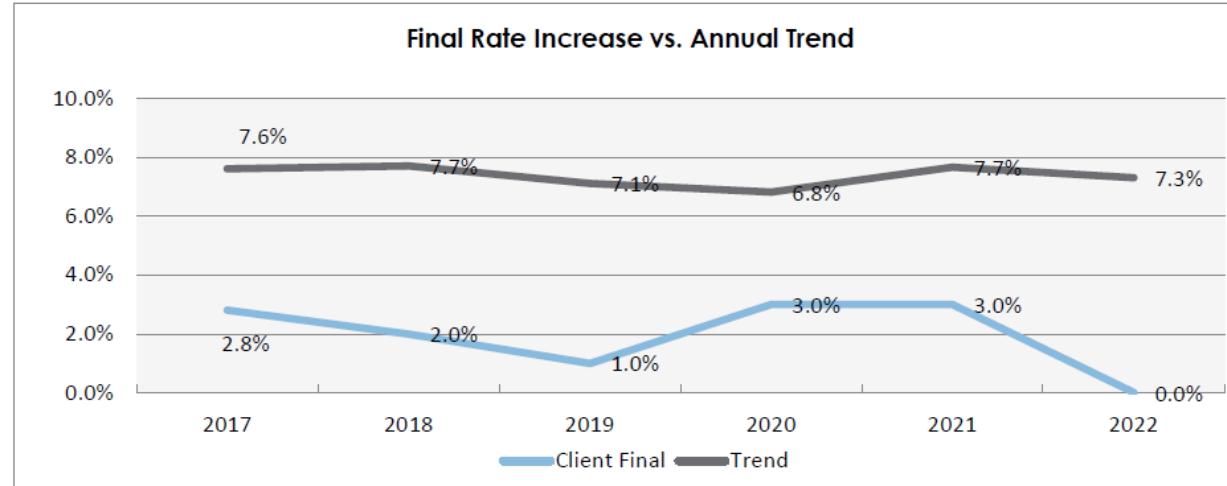
# Budget Assumptions

- **Maintenance of Effort: This budget seeks to preserve the existing expected level of service, including the expenses that allow for such service**



# Budget Assumptions

- Insurance Costs: Assumed insurance cost increase of 15% based on guidance by the City's insurance broker
- City Annual Rate of Change has been below market since 2017
- FY24 increase of 15% is a hedge against possible correction



# Budget Assumptions

- **Increase in Wages: Assumed 2% wage increase**

- 2% increase is approximately \$420,000
- An attempt to adjust wages in response to inflation
- When everything is considered City is assuming a 6.46% increase in employee costs
- Follows other recent wage increases- FY21 +1.5%, FY23 +3% plus +6.5% to better align salaries with the market. FY23 also provided a +10% adjustment for Police with the ranking of sergeant or higher.



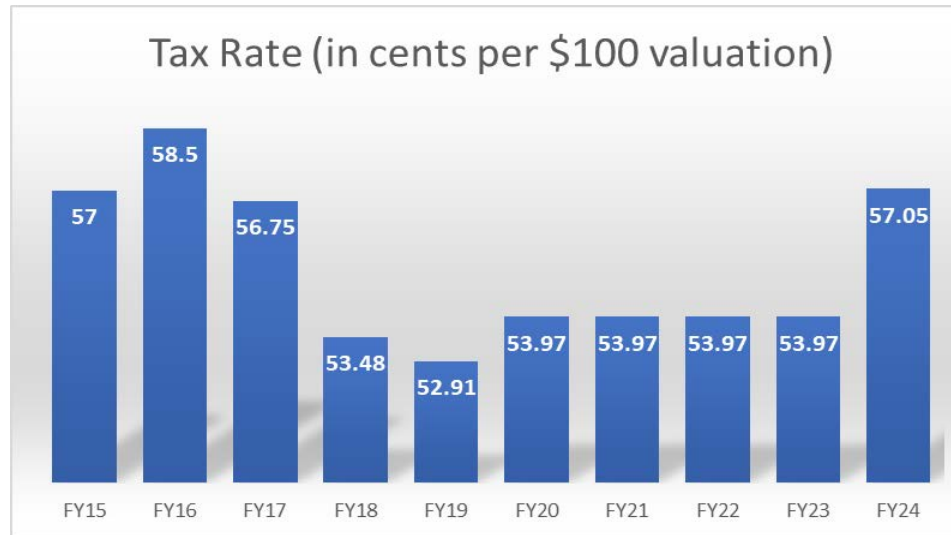
# Budget Assumptions

- **FTEs: effectively the same as FY23**
  - 179.76 verses 179.42
  - All but two intern positions are eliminated for FY24, providing a \$200,000 cost savings



# Budget Assumptions

- **Tax Increase: assumed three cent tax increase to 57.05 per \$100 assessed valuation this is up from 53.97 cents**
  - **Primary source of City revenue is from property tax**
  - **Flat tax rate is correlated with the decline in the City's financial position**



Fiscal Year	Market Value	Assessable Value	% Change	Tax Rate	Annual Tax Payment	Annual Tax Payment Change	Percentage Change
FY 2024	\$650,000	428,024.85	4.10%	0.5705	2,441.88	222.81	10.0%





# Budget Overview

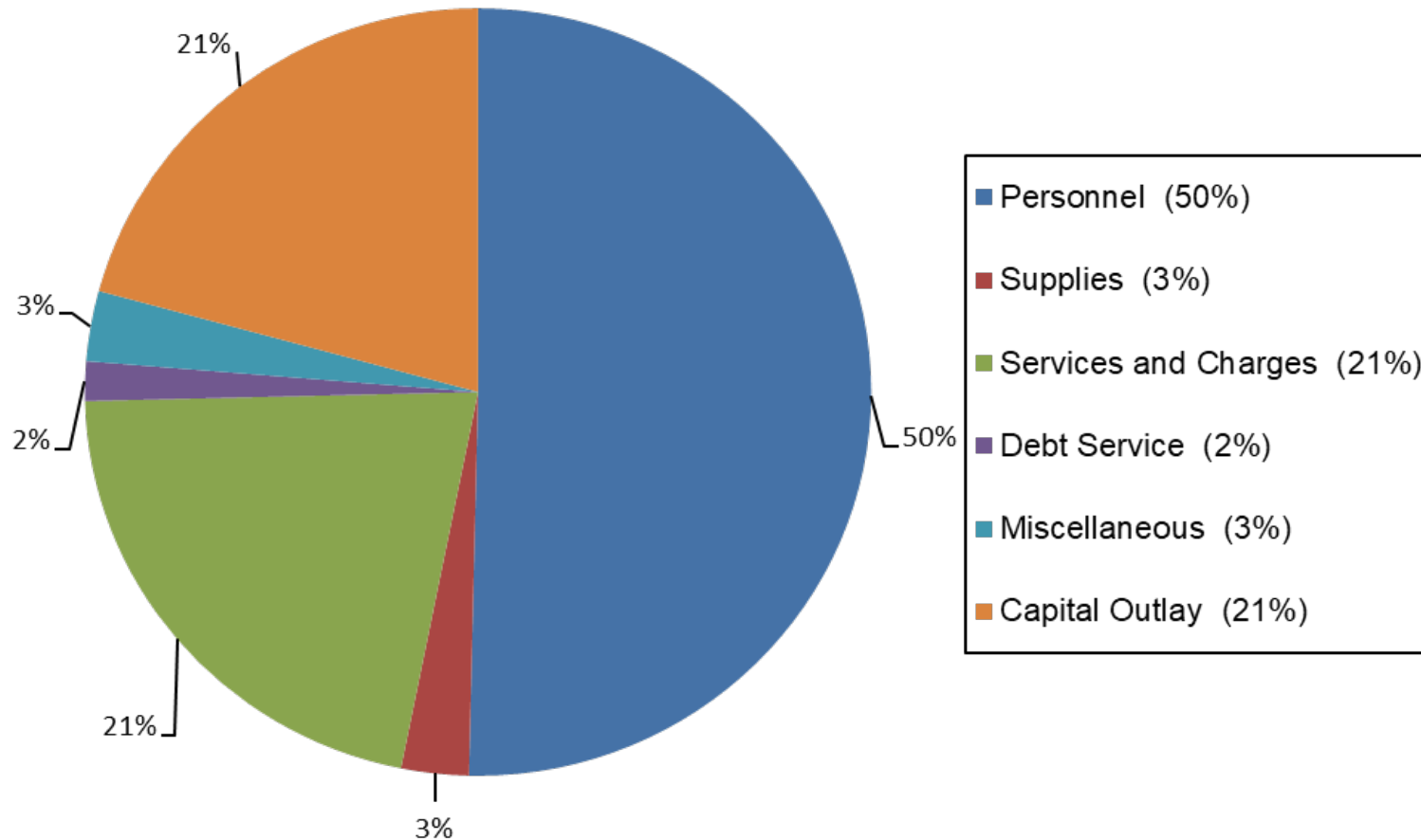
- The FY24 Budget accounts for the City's financial activities through five primary funds.

▪ Total Revenue of All Funds:	<b>\$34,179,182</b>
○ General Fund:	<b>\$29,334,849</b>
○ Stormwater Fund:	<b>\$778,000</b>
○ Speed Camera Fund:	<b>\$2,151,000</b>
○ Special Revenue Fund:	<b>\$1,914,233</b>
○ ARPA Fund:	<b>\$1,100</b>
▪ Total Expenditures of All Funds:	<b>\$44,636,970</b>
○ General Fund:	<b>\$32,170,747</b>
○ Stormwater Fund:	<b>\$781,781</b>
○ Speed Camera Fund:	<b>\$1,663,182</b>
○ Special Revenue:	<b>\$2,119,471</b>
○ ARPA Fund:	<b>\$7,901,789</b>

**Total Reserve Allocation: \$10.45M**



# All Funds – Combined Expenditure by Type

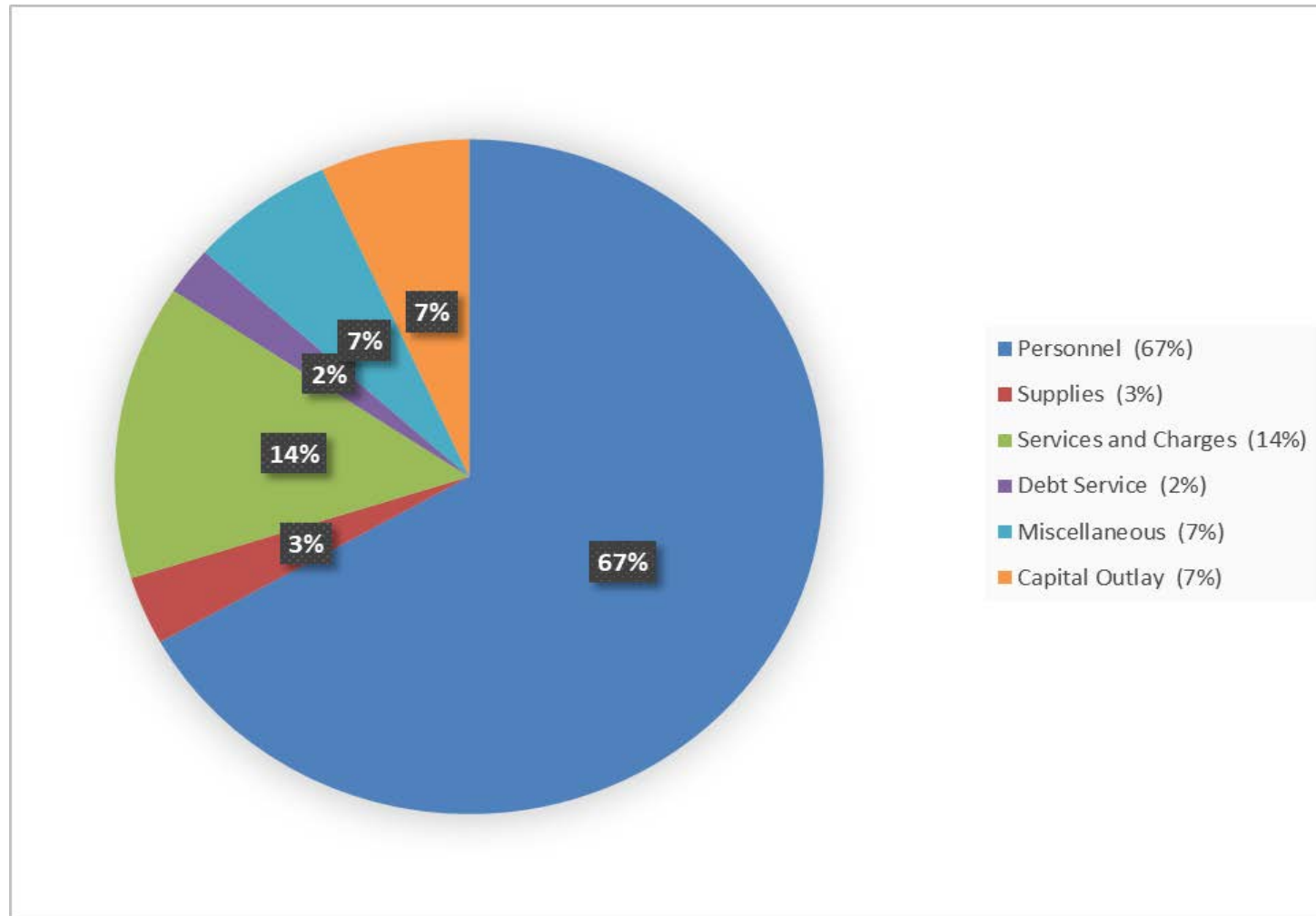


# Budget Overview – General Fund

- **The General Fund is the general operating fund of the City.**
- **Total Revenues: \$29.3M**
  - **Property Tax Revenue: \$15.96M**      **85% of All Fund Revenue**
  - **Intergovernmental: \$6.4M**      **54.5% of Total GF Budget**
  - **Income Tax: \$4.0M**      **21.8% of Total GF Budget**
  - **Charges for Services: \$1.02M**      **13% of Total GF Budget**
  - **3% of Total GF Budget**
- **Fund expenditures include basic City services**
- **Total Expenditure: \$32.17M**
- **Deficit: \$2.8M**



# General Fund Expenditure by Type

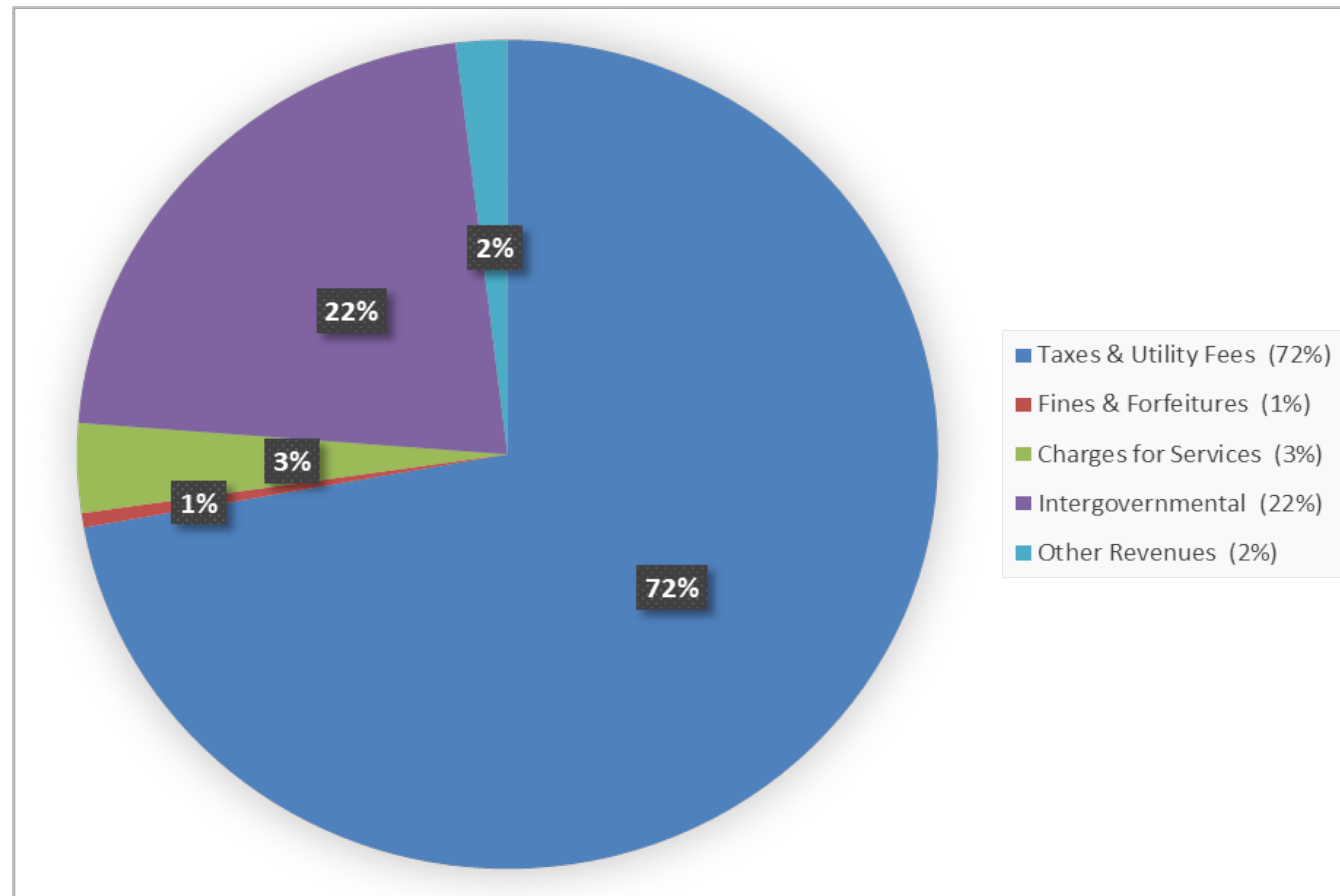


# General Fund Revenues

- General Fund revenues consist of taxes and utility fees, charges for services, licenses and permits, fines and forfeitures and interest from investments.
- The largest source of revenue is from property taxes. In FY24, assuming the three-cent property tax increase, property tax revenues are \$15.96M or 54% of all revenues.
- Income taxes make up another 14% of General Fund revenues.
- Together all taxes and utility fees make up 72% of the General Fund Revenue total sources.
- Intergovernmental revenues follow property taxes as the second highest General Fund revenue source at \$6.4M or 22% of the total General Fund revenue.



# General Fund Revenues by Type



# Budget Overview – Stormwater Fund

- **The City is responsible for providing stormwater management services**
- **These services which are directed by the Public Works Department include:**
  - **Maintenance and repair of storm drains, inlets, channels and ditches**
  - **Compliance with state and federal requirements for erosion and pollution control**
- **This fund is supported by the City's stormwater utility fee.**
- **The fee is assessed annually to property owners at a rate of \$25 per 500 square feet of impervious area.**
- **Revenue: \$778K**
- **Expenditure: \$781K**
- **Fund Balance Deduction: \$3,781**



# Budget Overview – Speed Camera Fund

- **The Speed Camera Fund was established in FY09 to account for financial transactions related to the City’s speed camera program.**
- **The goal of the program is to reduce speeding in an effort to prevent accidents and reduce injuries and fatalities.**
- **By State law, program revenues are restricted and may only be used for purposes that improve public safety.**
- **Revenues: \$2.2M**
  - **Fine and Forfeitures – Speed Camera: \$850,000**
  - **Fines and Forfeitures – Red Light: \$1.3M**
- **Expenditures: \$1.6M**
  - **Public Safety Operations: \$1.2M**
  - **Personnel: \$445,000**





# Budget Overview – Special Revenue Fund

- The City receives a variety of grants that provide funding for law enforcement, community revitalization, parks development and infrastructure improvements.
- The City utilizes the Special Revenue Fund to account for revenue and expenditure activity attributable to the specific projects funded by these grants.
- Some grants require a funding match. The funding match is also reflected in this fund.
- Intergovernmental Revenues: \$1.9M
  - This includes several federal, regional and county sources
- Expenditures: \$2.1M
  - Housing and Community Development: \$954,000
  - Capital Projects: 1.2M
- City Required Match: \$205,000



# Budget Overview – ARPA Fund

- **The American Rescue Plan Act Fund was established in 2022 to account for the City's \$17.5M ARPA allocation. A spending plan has since been approved by the City Council.**
- **The City has made impressive progress on many ARPA programs**
- **In FY24 some programs will be continued, new ones implemented, and others may be reimagedined by Council with assistance from staff**
- **ARPA funds are not a long term solution – deeper conversations needed to improve City's fiscal position**
- **No New Revenues**
- **Expenditures: \$7.9M**



# Budget Overview- Reserve Summery

- **The City Charter outlines the provision for reserve funds.**
  
- **The City's reserve funds include:**
  - **Emergency Reserve**
  - **Equipment Replacement Reserve (ERR)**
  - **Facilities Maintenance Reserve (FMR)**
  - **Housing Reserve**
  - **Restricted Bond Reserve**



# Emergency Reserves

- **Use: Exclusively for emergency expenditures necessary for health, safety or welfare of persons or actions necessary to perform essential government functions**
- **City Charter requires that the Emergency Reserve increase each year equal in percentage to the increase in CPI**
- **FY24 contribution is \$50,000**



# Equipment Replacement Reserves

- **Use: Replacement of major capital items when at the end of their useful lives**
  - **This includes items \$5,000 or more and need replacement cyclically**
- **Annual Capital Improvement Program typically includes a list of such items**
  - **This includes, but is not limited to: vehicles, equipment, and machinery**
- **FY24 contribution is \$550,000**
- **FY24 withdrawal is \$1.6M**



# Facilities Maintenance Reserve

- **Use: Special facility projects**
  - **This includes building rehabilitation, renovation, and improvements**
  
- **There is no FY24 contribution**
- **FY24 withdrawal is \$107,000**



# Housing Reserve

- **Use: Created in 2017 by the Council to set aside funds to meet housing affordability goals.**
- **FY24 contribution is \$200,000. It is the State's reimbursement of funds used in FY23**
- **No planned FY24 withdrawals**



# Restricted Bond Reserve

- **Use: Receive bond proceeds for bonded projects, ensuring that the money is available only for those projects**
  - **Example: the Library Redevelopment Project**
  - **Unspent bond proceeds are considered restricted**
  
- **FY24 bond allocation is \$1.05M**





# Unassigned Reserve

- **Use: City's Fund Balance Policy is to maintain unassigned fund balance at a minimum of two months of General Fund operating expenditures, as suggested by the Government Finance Officers Association standard**
- **Unassigned Reserve balance is the excess of assets minus liabilities- commonly referred to as the City's reserves**
- **May 2019, City Council passed an ordinance increasing the unassigned reserve balance goal to be 17% of the General Fund Revenue**
- **FY24, 17% would be about \$4.9M**
- **FY24 budget achieves an Unassigned Fund Balance of \$3.9M**



# Reserve Fund Balance

- Made up of the aggregate of the Reserve funds
  - Good measure of City’s financial health
  - Bond funds should be deducted from the balance when analyzing fiscal health, since they are borrowed dollars and restricted in their use
- FY23 projections indicate an additional decrease in the fund balance of \$1.8M
- FY24 proposed budget is intended to begin correcting the trajectory by increasing the fund balance with an estimated \$2.3M

	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual
Total Fund Balance	\$ 12,251,861	\$ 13,097,677	\$ 22,070,109	\$ 20,742,258	\$ 20,364,013
Total Bond Balance			\$ 8,968,565	\$ 7,776,707	\$ 7,425,719
Net Total	\$ 12,251,861	\$ 13,097,677	\$ 13,101,544	\$ 12,965,551	\$ 12,938,294
Change in Fund Balance	\$ 986,556	\$ 845,816	\$ 3,867	\$ (135,993)	\$ (27,257)

	2021 Actual	2022 Actual	2023 Adopted	2023 Projected
	\$ 19,412,194	\$ 20,324,069	\$ 9,414,148	\$ 13,484,078
	\$ 6,535,194	\$ 6,310,018	\$ 1,310,018	\$ 1,310,018
	\$ 12,877,000	\$ 14,014,051	\$ 8,104,130	\$ 12,174,060
	\$ (61,294)	\$ 1,137,051	\$ (5,909,921)	\$ (1,839,991)



# Budget Highlights

- **City staff has paid close attention to Council Priority discussions and have tried to address them even within this Maintenance of Effort budget. This budget reflects our understanding of the Council's FY24 priorities:**
  - **Advancing a Community of Belonging**
    - Examples: Direct Cash Assistance, Homeowner Property Tax Credit Program, Community Festivals, Implementation of the Mental Health Counselors Program
  - **Fiscally Sustainable Government**
    - Examples: Reclassification study, Document Management Platform
  - **Environmentally Sustainable Government**
    - Examples: Tree Takoma, Stormwater infrastructure, Electrification of vehicles
  - **Engaged, Responsive, Service-Oriented Government**
    - Examples: Hiring new City Manager, Filling Standing Vacancies, Atrium Infill Project
  - **Community Development for an Improved and Equitable Quality of Life**
    - Examples: Emergency Assistance Program, Transportation Investments, Grants for Affordable Housing Projects- Building Improvements



# Next Steps

- ~~April 12: Presentation of Proposed FY24 Budget~~
- April 17: Budget Work Session - Operating
- April 19: Capital Improvement Program Budget & 1<sup>st</sup> Public Hearing
- April 24: ARPA Budget discussion
- April 26: Budget Work Session - Reconciliation
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# Questions & Answers



# Appendix

# Capital Improvement

## Five Year Plan Fiscal Year 24 – Fiscal Year 28 by Department Use of Funds by Department and Fund

Department/Fund	FY 23 Proj	FY 24	FY 25	FY 26	FY 27	FY 28	Total
City Administration							
General Fund-Equipment Replacement	-	-	40,469	27,200	-	-	67,669
<b>Total City Administration</b>	-	-	40,469	27,200	-	-	67,669
Information Technology							
General Fund	20,000	25,000	-	-			45,000
General Fund-Equipment Replacement	20,000	3,200	116,000	92,607	272,427	-	504,234
<b>Total Information Technology</b>	40,000	28,200	116,000	92,607	272,427	-	549,234
Police							
General Fund	111,858	86,500	62,500	65,000	65,000	83,400	474,258
General Fund-Equipment Replacement	690,354	577,360	543,154	380,000	460,000	373,275	3,024,143
Special Revenue Fund	40,200	-	-	-	-	-	40,200
Speed Camera Fund	6,000	6,000	6,000	6,000	6,000	6,000	36,000
<b>Total Police</b>	848,412	669,860	611,654	451,000	531,000	462,675	3,574,601
Public Works							
General Fund	1,009,275	52,000	1,770,000	3,670,000	2,820,000	1,320,000	10,641,275
General Fund-Equipment Replacement	350,796	770,373	114,619	348,101	735,125	197,758	2,516,772
General Fund-Building Maintenance	240,800	107,000	-	18,000	-	-	365,800
ARPA Fund-Building Maintenance	1,433,825	1,100,000	-	-	-	-	2,533,825
Speed Camera Fund	320,000	-	-	-	-	-	320,000
Special Revenue Fund	-	125,000	-	-	-	-	125,000
Stormwater Management Fund	774,902	250,000	200,000	200,000	200,000	250,000	1,874,902
<b>Total Public Works</b>	4,129,598	2,404,373	2,084,619	4,236,101	3,755,125	1,767,758	18,377,574
Recreation							
General Fund-Equipment Replacement	6,600	267,338	-	67,000	-	-	340,938
<b>Total Recreation</b>	6,600	267,338	-	67,000	-	-	340,938
Housing & Community							
General Fund	177,800	298,657	409,000	268,000	200,000	100,000	1,453,457
ARPA Fund	190,000	160,000	-	-	-	-	350,000
Special Revenue Fund	421,000	810,500	564,000	256,000	-	-	2,051,500
<b>Total Housing &amp; Community</b>	788,800	1,269,157	973,000	524,000	200,000	100,000	3,854,957
Communications							
Special Revenue Fund	283,000	75,000	180,476	5,000	-	30,000	573,476
<b>Total Communications</b>	283,000	75,000	180,476	5,000	-	30,000	573,476
Library							
ARPA Fund	-	3,500,000	500,000	-	-	-	4,000,000
General Fund-2017 Series Bond	5,000,000	1,050,479	-	-	-	-	6,050,479
Special Revenue Fund	2,500,000	-	-	-	-	-	2,500,000
<b>Total Library</b>	7,500,000	4,550,479	500,000	-	-	-	12,550,479
<b>CIP Grand Total (\$)</b>	<b>13,596,410</b>	<b>9,264,407</b>	<b>4,506,218</b>	<b>5,402,908</b>	<b>4,758,552</b>	<b>2,360,433</b>	<b>39,888,928</b>

# ARPA

ARPA/SLFRF Funded Projects Spending Projections FY22-FY26	TOTAL ARPA FUNDS ALLOCATED	FY22	FY23	FY24	FY25	FY26	Projected Surplus/Overage
Administrative Salaries/Benefits	\$2,005,000	\$85,104	\$175,727	\$410,629	\$421,710	\$433,097	\$118,133
Facade Improvement Grant	\$8,000	\$0	\$8,000	\$0	\$0	\$0	\$0
Emergency Rental Assistance	\$750,000	\$286,599	\$213,401	\$250,000	\$0	\$0	\$0
Document Management Platform	\$100,000	\$8,160	\$0	\$230,000	\$0	\$0	(\$138,160)
Food Insecurity Program	\$250,000	\$0	\$90,000	\$90,000	\$70,000	\$0	\$0
Small Business Grants	\$300,000	\$149,400	\$0	\$38,000	\$0	\$0	\$0
Multi-Family Housing Rehabilitation Fund	\$1,000,000	\$0	\$500,000	\$500,000	\$0	\$0	\$0
Grants to Non-Profits (Social Services Partnerships)	\$350,000	\$0	\$130,000	\$110,000	\$0	\$0	\$110,000
Community Connectors (Social Services Partnerships)	\$350,000	\$0	\$0	\$0	\$0	\$0	\$350,000
Direct Cash Assistance (Social Services Partnerships)	\$2,300,000	\$0	\$1,310,000	\$120,000	\$0	\$0	\$870,000
Workforce Development	\$100,000	\$0	\$0	\$0	\$0	\$0	\$100,000
Takoma-Langley Crossroads Business Incubator	\$500,000	\$0	\$100,000	\$300,000	\$100,000	\$0	\$0
Energy Efficiency Upgrades: Weatherization, Electrification	\$500,000	\$0	\$150,000	\$350,000	\$0	\$0	\$0
Lending Program: Laptops	\$11,000	\$0	\$6,825	\$4,165	\$0	\$0	\$10
Lending Program: Wi-Fi Hotspots	\$3,000	\$3,000	\$0	\$0	\$0	\$0	\$0
Mental Health Crisis Counselors	\$600,000	\$0	\$102,500	\$275,000	\$222,500	\$0	\$0
Recreation Program Scholarships & Tutoring	\$300,000	\$0	\$150,000	\$150,000	\$0	\$0	\$0
Interactive Online Budget Tool	\$124,000	\$0	\$0	\$124,000	\$0	\$0	\$0
Community Engagement	\$100,000	\$18,000	\$9,800	\$5,000	\$5,000	\$5,000	\$57,200
Municipal Broadband	\$400,000	\$0	\$30,000	\$185,000	\$0	\$0	\$185,000
Library Expansion	\$4,000,000	\$0	\$0	\$3,500,000	\$500,000	\$0	\$0
Recreation Center Redevelopment	\$320,000	\$0	\$160,000	\$160,000	\$0	\$0	\$0
Community Center Renovation	\$1,000,000	\$0	\$1,000,000	\$0	\$0	\$0	\$0
Financial Software Upgrade	\$165,000	\$0	\$0	\$0	\$0	\$0	\$165,000
Premium Pay for Essential Workers	\$272,000	\$241,400	\$0	\$0	\$0	\$0	\$30,600
ARPA Contingency Amount (\$463,825)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Public Space Management (from contingency)	\$90,000	\$0	\$90,000	\$0	\$0	\$0	\$0
Neighborhood Community Connectors (from contingency)	\$100,000	\$0	\$100,000	\$0	\$0	\$0	\$0
Street Rehabilitation (from contingency FY23 & surplus FY24)	\$273,825	\$0	\$273,825	\$350,000	\$0	\$0	(\$350,000)
Sidewalks CIP	\$0	\$0	\$0	\$750,000	\$0	\$0	(\$750,000)
ARPA Fund Summary Total	\$16,271,825	\$791,663	\$4,712,678	\$7,901,794	\$1,319,210	\$438,097	\$1,108,383
General Fund Revenue Loss Reimbursement	\$1,191,900	\$1,191,900	\$0	\$0	\$0	\$0	\$0
Unencumbered	\$6,535	\$0	\$0	\$0	\$0	\$0	\$6,535
ARPA Fund TOTAL	\$17,470,250	\$1,983,563	\$4,712,678	\$7,901,794	\$1,319,210	\$438,097	\$1,114,918