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City of Takoma Park Fiscal Health Update

Presented by:

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January 18, 2023

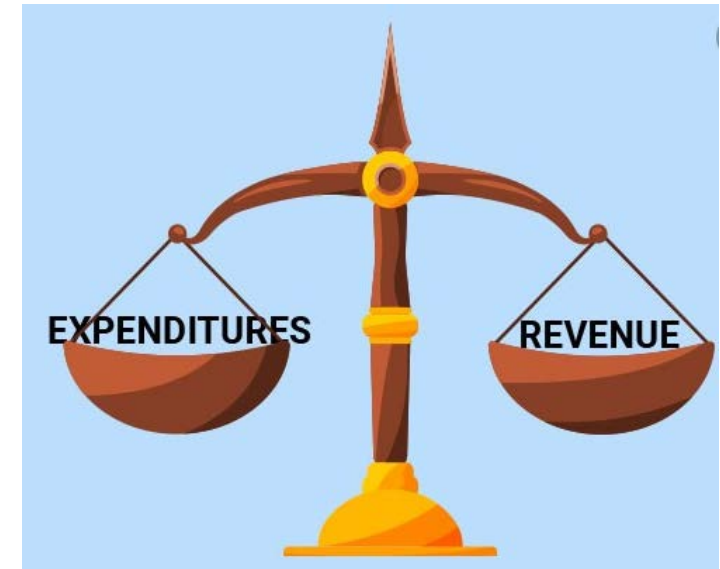
Importance of Fiscal Health

- The City of Takoma Park has a history of solid financial management. 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 reserves.
- In Takoma Park, by following the Reserve Policy established in FY2018, we 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

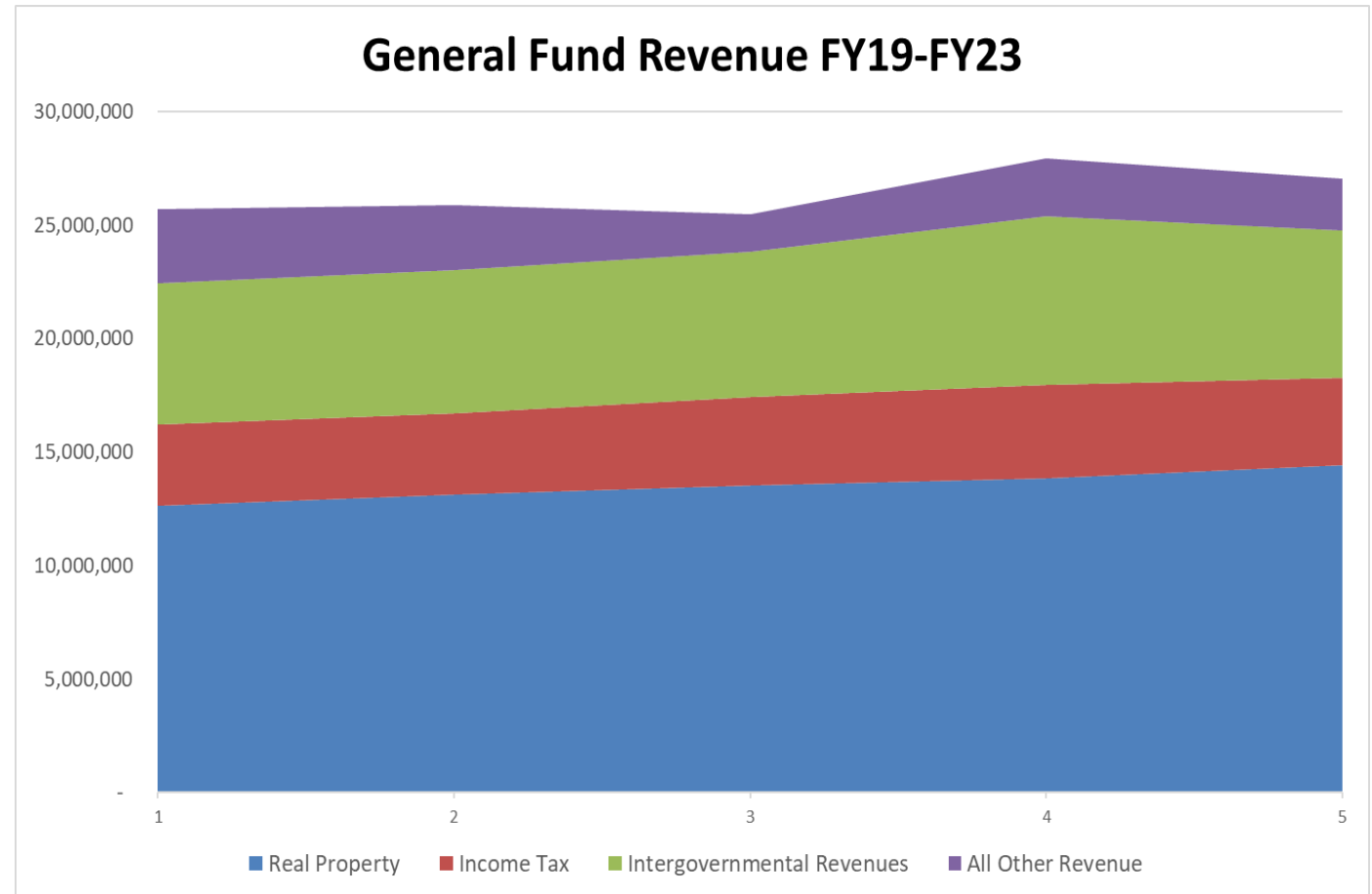
Historically, the City's budget consists of four primary funds. The General Fund can be used for discretionary spending, while the other three are restricted for limited purposes. Starting from FY22, a fifth fund was created for the receipt of funds from the United States Treasury.

- 1. General Fund (GF)**
- 2. Special Revenue Fund (SRF)**
- 3. Speed Camera Fund (SCF)**
- 4. Stormwater Fund (SWF)**
- 5. American Rescue Plan Act Fund (ARPA)**



General Fund Outlook: Revenues

- The General Fund accounts for 89% of City's total revenues.
- 91% of General Fund revenues come from three main sources:
 - Real Property 53%
 - Income Tax 14%
 - Intergovernmental 24%

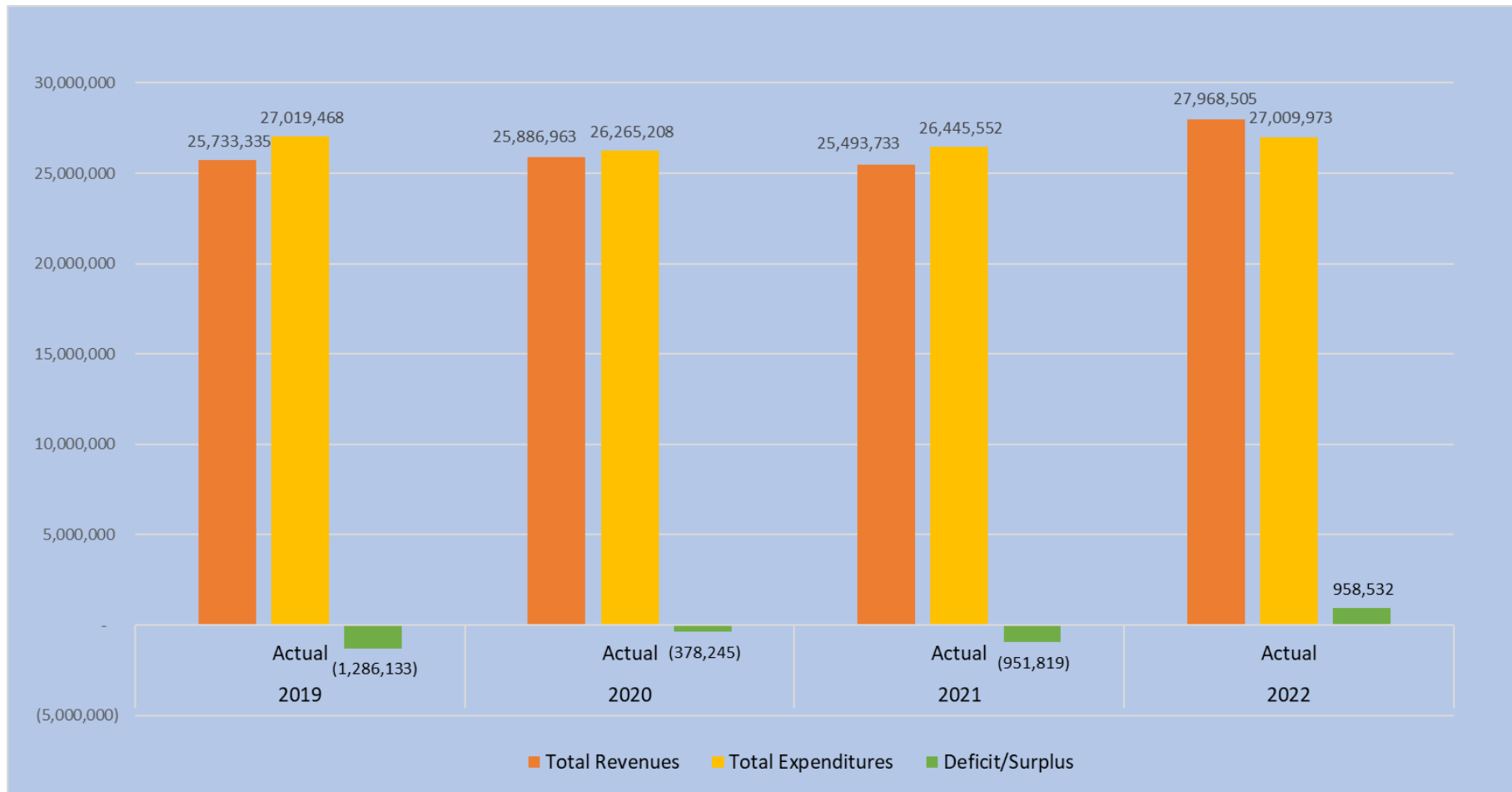


General Fund Outlook: Expenditures

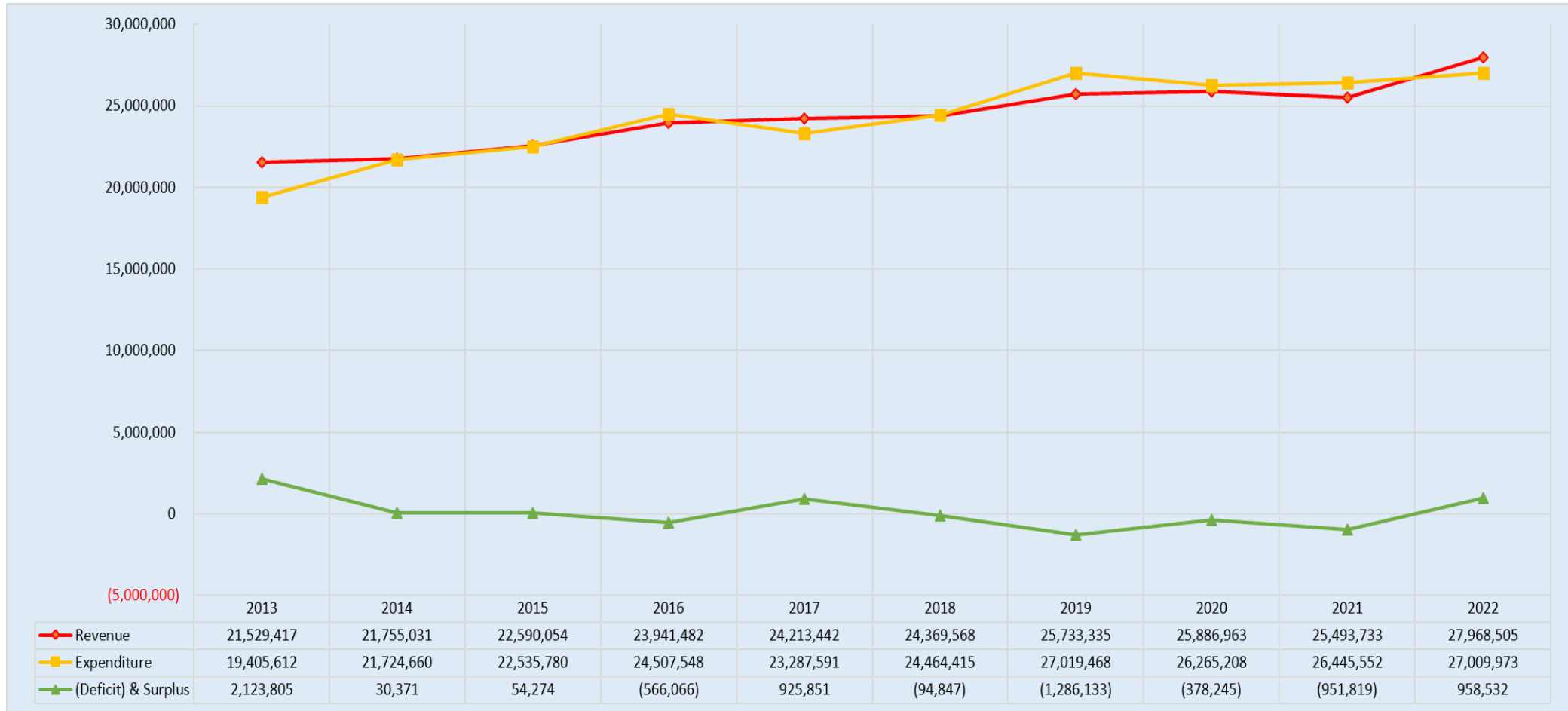
	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Actual	Actual
Total Revenues	24,369,568	25,733,335	25,886,963	25,493,733	27,968,505
Total Expenditures	24,464,415	27,019,468	26,265,208	26,445,552	27,009,973
Deficit/Surplus	(94,847)	(1,286,133)	(378,245)	(951,819)	958,532
Bond Reserve*	8,968,565	7,776,707	7,425,719	6,535,194	6,310,018
Unassigned Reserve	7,165,390	6,934,380	6,304,957	7,109,661	4,598,441
Committed Reserve**	5,830,852	5,927,168	5,976,863	5,669,561	9,297,995



General Fund Outlook: Expenditures, cont.



General Fund: Long-term Historical Trends

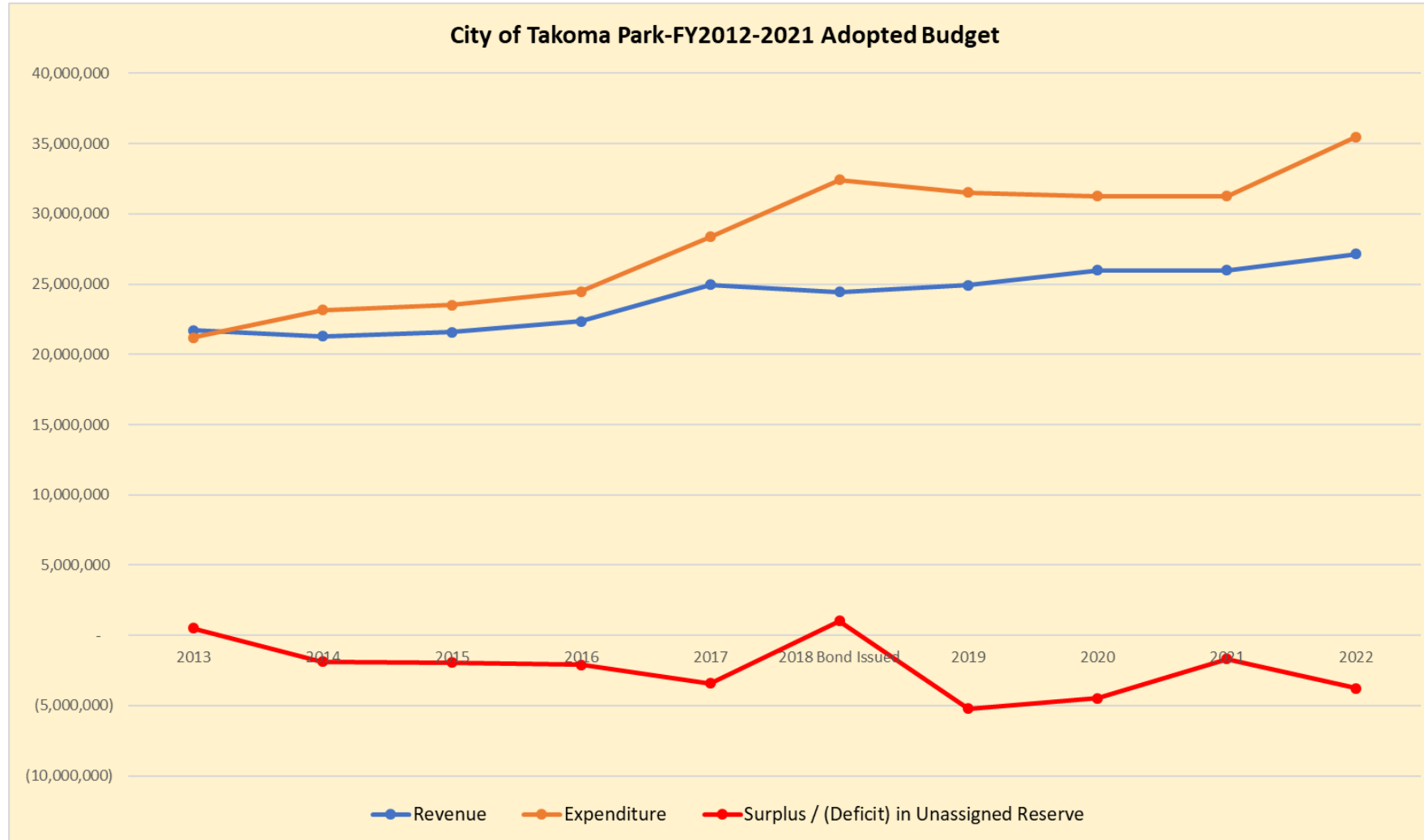


General Fund Outlook: Reserve Levels

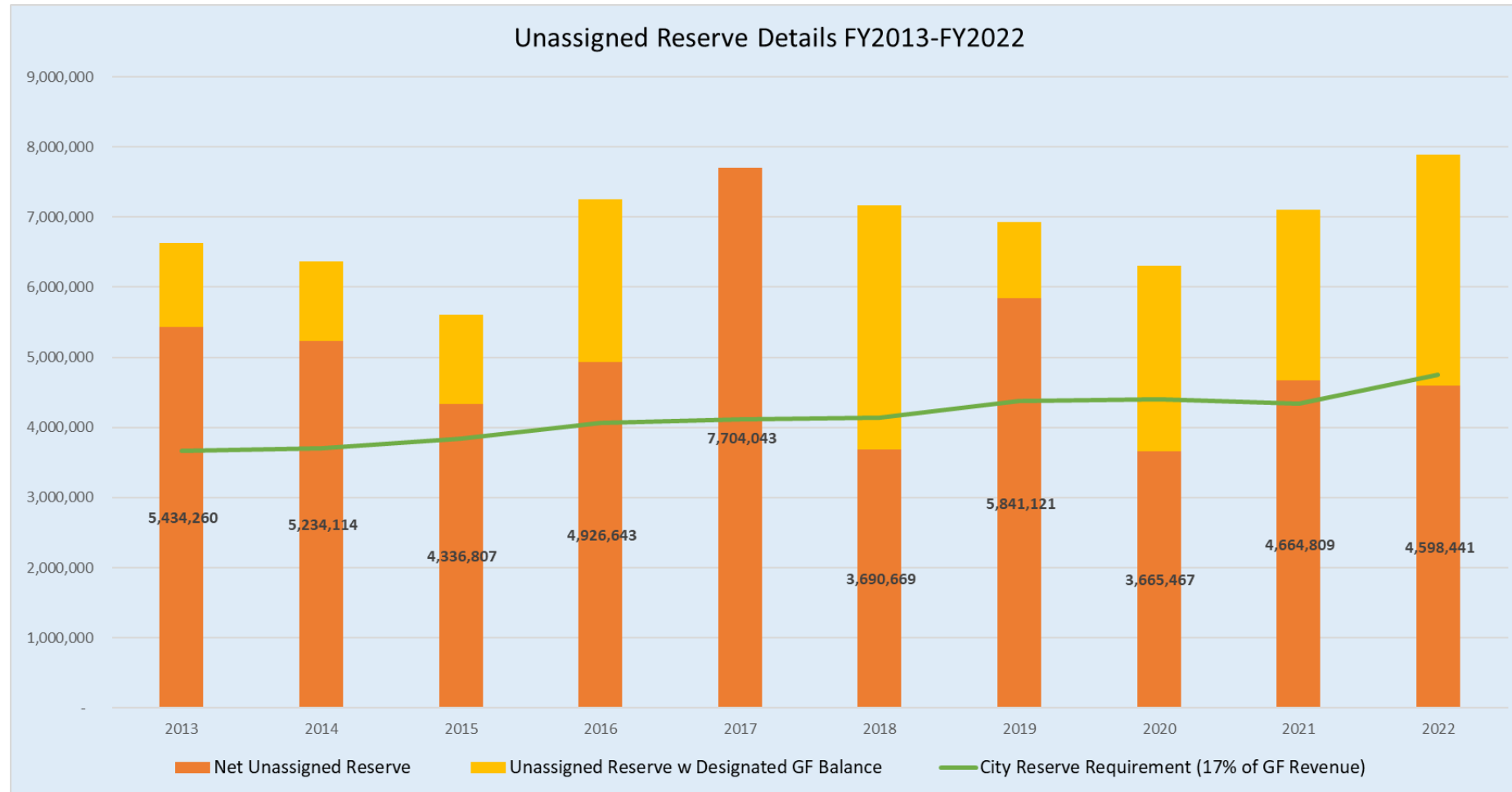
- GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund for budgetary and emergency purposes.
- GFOA recommends, at a minimum, that governments regardless of size maintain unrestricted budgetary fund balance 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.
- In FY22, the City's Unassigned Reserve is right at the target of 17% or \$4.6 million.



General Fund Outlook: Reserve Levels Cont.



Planning for Long Term Fiscal Health



FY23 Adopted Budget w Budget Amendments

	Adopted FY23	1st Amendment w Carry Over	1st Amendment w Budget Increase	2nd Amendment Salary Increase	Current/Adjusted FY23
EXPENDITURES					
General Government	4,347,269	137,000		22,511	4,506,780
Police	8,538,116			210,377	8,748,493
Public Works	5,641,139	604,994		36,147	6,282,280
Recreation	2,087,480			12,899	2,100,379
Housing and Community Development	2,576,737	58,800	35,500	17,162	2,688,199
Communications	754,332	6,958	33,000	5,422	799,712
Library	1,401,556		24,377	13,129	1,439,062
Inter-Departmental	1,288,181	20,000	50,000		1,358,181
Capital Outlay**	6,729,125	1,192,653			7,921,778
Debt Service	740,712				740,712
Total Expenditures	34,104,647	2,020,405	142,877	317,647	36,585,576
Net (deficiency) of revenues*** over expenditures	(2,048,409)				(4,529,338)



General Fund Outlook and FY23 Current Budget

	2018	2019	2020	2021	2022	2023
	Actual	Actual	Actual	Actual	Actual	Current Budget
Total Revenues	24,369,568	25,733,335	25,886,963	25,493,733	27,968,505	27,056,238
Total Expenditures	24,464,415	27,019,468	26,265,208	26,445,552	27,009,973	36,585,576
Deficit/Surplus	(94,847)	(1,286,133)	(378,245)	(951,819)	958,532	(4,529,338)
Bond Reserve*	8,968,565	7,776,707	7,425,719	6,535,194	6,310,018	
Unassigned Reserve	7,165,390	6,934,380	6,304,957	7,109,661	4,598,441	
Committed Reserve**	5,830,852	5,927,168	5,976,863	5,669,561	9,297,995	



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)**.
- In FY22, the City had a surplus of \$958,532 in the General Fund due to the recognition of the one time revenue \$1.19 million from the ARPA Fund.

- 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)

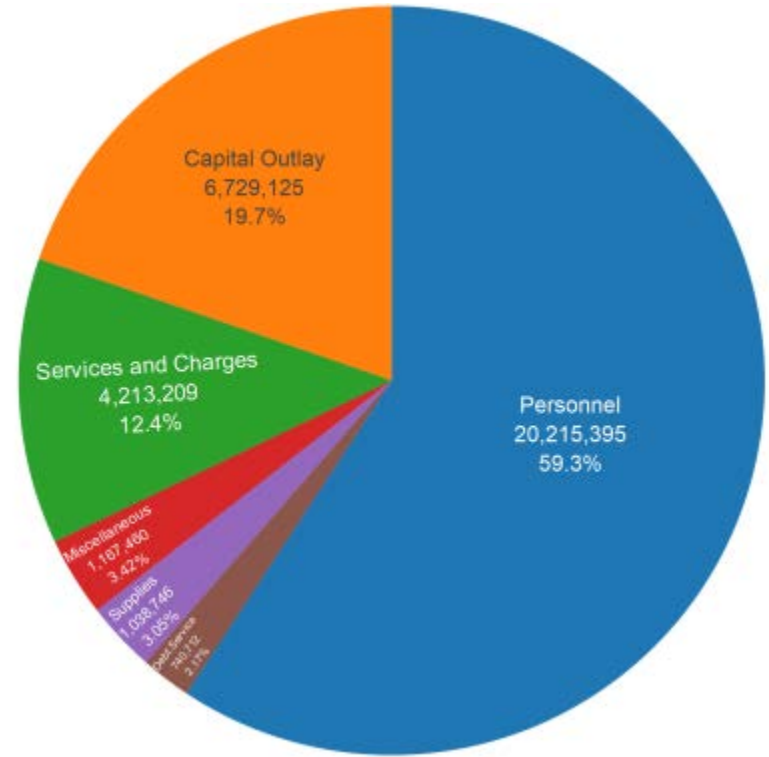


Balancing the Budget (FY23 Adopted)

A. Make cuts to General Fund spending

Personnel costs make up 60% of the City's total expenditure.

The next largest expenditure area in the General Fund is capital improvement projects 20% in the Adopted Budget of FY23.



Type	FY23 Adopted Expenditures	Percent
Personnel	20,215,395	59.3%
Capital Outlay	6,729,125	19.7%
Services and Charges	4,213,209	12.4%
Miscellaneous	1,167,460	3.4%
Supplies	1,038,746	3.0%
Debt Service	740,712	2.2%
Total	34,104,647	100.0%



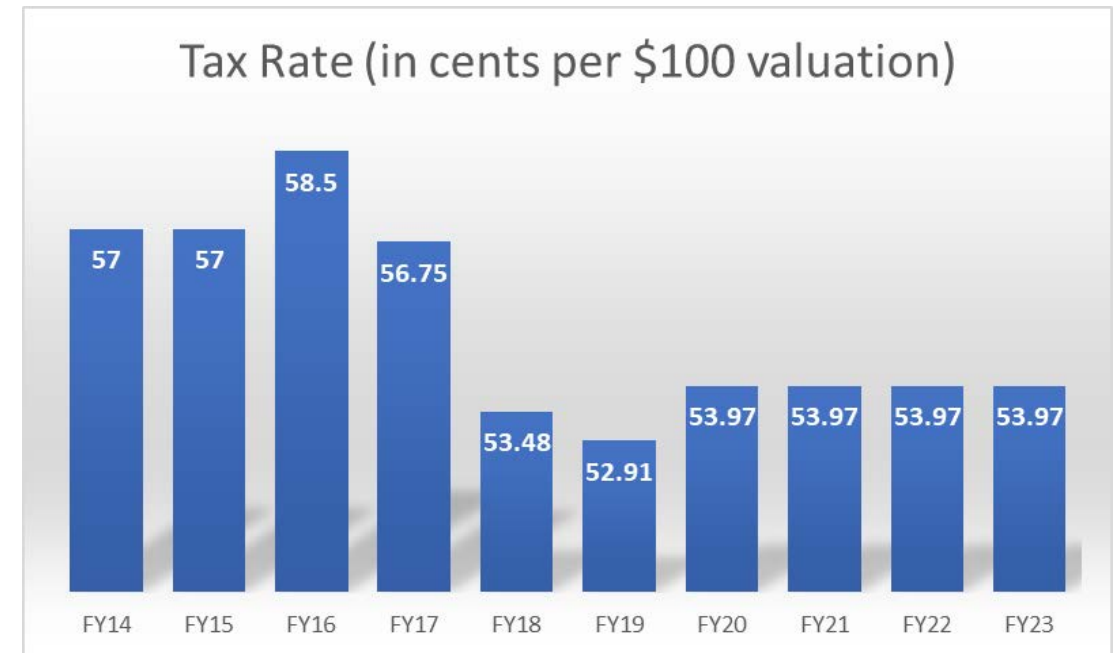
Balancing the Budget (cont.)

B. Increase revenue by raising tax rates

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

C. Identify new sources of ongoing revenue

- encourage new businesses to open
- Increase fee revenue i.e. Refuse and License



Questions?

