

Finance & Budget Working Group

Findings and
recommendations

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History and Actions To Date

- The working group sought an expanded budget calendar that would allow for more input by Council and resident engagement earlier in the process. Council adopted a Fiscal Year Budget Calendar on October 18, 2023
- A candidate orientation is in development and has already kicked off with a meeting last night.
- Budget priorities were set with a resolution on December 11, 2023
- Performance metric consultant was included in the FY 2025 budget to aid in the development of performance measures that can be used to evaluate the effectiveness of city programs and initiatives to inform budget strategies. The Council anticipates the City Manager's report back.

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BE IT FURTHER RESOLVED THAT the City Council will work with the City Manager and designated staff within the next eight months to conduct an initial review of City policy concerning the replacement of City vehicles, equipment and facility repairs, relative to municipal best practices, specifically:

- the criteria for vehicle replacement policy;
- the criteria for road maintenance policy; and
- the assumptions behind the Equipment Replacement Reserve that affect how frequently equipment is replaced; and
- policy options for a Facility Maintenance Reserve policy; and

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BE IT FURTHER RESOLVED THAT the City Council will work with the City Manager and designated staff in the next eight months to consider the feasibility of potential additional revenue sources, including, specifically:

- increase in the stormwater fee;
- railroad and utility tax increase;
- a vacant property tax; and
- a longer-term approach to considering a separate commercial property tax rate and/or changes in the non-inventory components of the commercial personal property tax.

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BE IT FURTHER RESOLVED that the City Council, working closely with the City Manager and staff, will create a Council subcommittee that will identify, consider and recommend options to the full Council in the following areas:

- relevant budgetary best practices of Maryland municipal structures for inclusion in City budgetary preparations;
- extension of the City's budgetary timetable; and
- expanded fiscal and programmatic data collection and analysis to support the Council's budget deliberations

Vehicle Replacement Policy & Equipment Replacement Reserve

Background

Equipment Replacement Reserve (ERR) is a reserve account established to fund the replacement of city equipment including but not limited to vehicles.

According to Director Braithwaite of Public Works, under the current Vehicle Replacement Policy:

- Vehicles receive assessments starting at five years of age.
 - Age, mileage, and maintenance costs are considered.
- The evaluation parameters are congruent with industry standards.

Vehicle Replacement Policy & Equipment Replacement Reserve

Working Group Recommendations

- City Manager to continue a regular review of its Vehicle Replacement Policy and ensure appropriate adjustments to its objective criteria—Lifespan of vehicles may change with electrification.
- Consider evaluating cost of vehicle maintenance earlier than five year mark.
- ERR: Direct the City Manager to make recommendations for increasing funding to ERR in order to fully fund the electrification of our fleet and support the infrastructure.

Road Maintenance Policy

Background

Currently, the City resurfaces streets on twenty year cycles allocating \$500,000 a year for this expenditure.

This policy was established in 2004.

When the policy was established, most of our streets had issues on a deeper level than resurfacing would address.

Making adjustments to the frequency will require continued monitoring by Public Works to the wear of the underlayment of the streets to determine if they are holding up for longer than the predicted 20 years.

Recommendations

- Direct the City Manager to continue to review the practice for possible adjustments to frequency of paving to determine if we can prolong lifespan.
- Since this \$500,000 has not had any adjustments since it was set in 2004, its sufficiency should be reviewed by the City Manager.

Stormwater Fees

Background

The City Council revised the fee structure in Fiscal Year 2022 and all properties are billed based on a rate of \$25 per 500 square feet of impervious surface.

- Projected FY25 Revenues \$775,000

Recommendations

At the conclusion of the working group's assignment, neither City Staff nor Council had not had a chance to review LIDC's report.

- Direct the City Manager to provide an update on recommended projects from LIDC along with a recommended implementation plan and potential adjustments to the current stormwater fee that may support escalation of the City's overall stormwater mitigation plan
- Direct the City Manager to find ways to support private property stormwater abatement in ways that are equitable in taxing obligation.

City Fees/Services/ Rentals

Background

Most Senior Level Staff report that they assess their department's fees/services/rentals when preparing their budget.

- The City is restricted from making profits on many of the services it provides citizens.
- Increasing fees will mean that services offered by the City that support low income residents will be burdensome to those residents.
- Public Works reports that they experienced increased efficiency through software upgrades, which has meant less time on task.

Recommendations

- The City Manager should continue to evaluate fees to ensure that they fully cover staff time.
- If there are behaviors that Council wishes to influence through fees, they will need to clarify that with the City Manager.

Railroad and Utility Tax Increases

Background

The work group reviewed rates of similar jurisdictions

- The City's rate of 1.57 per \$100 of assessed valuation is comparable.
- Historically increases in this tax are directly passed on to the utility ratepayers.

Recommendations

- City Manager to investigate further how an increase may affect residents.

Commercial Property, Non-Inventory, and Inventory Tax

Background

- In April of 2018, the City Council opted to repeal the City's inventory tax.
 - The tax was removed in order to be inline with other jurisdictions surrounding the City.
 - When the inventory tax was repealed, it was with the intent to determine alternate revenue sources.
- Non-inventory tax is complicated to predict on the City's end, creates more work on commercial end, and effects certain types of businesses more than others.

Since the pandemic, businesses have had an added unpredicted financial strain.

- Most businesses perceive themselves as currently in a recovery phase.
- Depending on the business association, some areas still have high levels of vacancy.

Commercial Property and Non-Inventory Tax

Recommendations

- The goal of the committee with regard to a higher commercial property or non-inventory tax is to generate revenue for the City from the commercial district.
- Understanding that currently businesses may not be stable enough to endure an additional tax, we would like to understand what indicators the City Manager will look for to signal that our commercial properties are flourishing and can withstand shouldering a tax increase.
- As economic conditions continue to change, the work group suggests Council receive yearly updates on vacancy rates and comparisons of tax with other businesses and business associations similar to Takoma Park.

Vacant Property Tax

Background

The registration fee for a vacant property is \$200 annually.

- There are approximately 14 vacant properties within Takoma Park.

Findings

- Vacant property tax is not going to be a significant source of revenue for the City.
- Staff assess owners of the vacant properties are often financially restricted to rehabilitate properties.

What next?

- The City Manager will need more guidance from council on what outcome is sought. This would be a policy decision about what we want to do about vacant properties, not a financial decision about generating revenue.

Conversations for Council

Much of what Council sought to address in the Budget/Finance Resolution, we found that the City Staff is already mindful of, such as City Fees/Services/Rentals and reductions to programs/possible new sources of funding.

Possible City Council Direction for City Manager:

1. Explore increased railroad and utility tax scenarios
2. Make suggestions for increase of ERR to fund future purchases of EVs
3. Make suggestions for increase to road maintenance policy to account for inflation
4. Make suggestions for possible new sources of revenue
5. Make suggestions for possible reductions