

**CITY OF TAKOMA PARK, MARYLAND
CITY COUNCIL REGULAR MEETING**

WEDNESDAY, NOVEMBER 30, 2022

MINUTES

CALL TO ORDER/ROLL CALL

Present: Mayor Searcy, Councilmember Fulcher, Councilmember Dyballa, Councilmember Gibson, Councilmember Seamens, Councilmember Honzak, Councilmember Small

Also Present: City Manager Fox, Acting Deputy City Managers Gregory Clark and Rosalind Grigsby, City Clerk Carpenter, HCD Director Eubanks, Finance Director Cheung, Economic Development Manager Kowler

Mayor Searcy called the meeting to order at 7:30 PM in the Auditorium of the Takoma Park Community Center, 7500 Maple Avenue.

PUBLIC COMMENTS

Arthur David Olson provided information on the balance of the Equipment Replacement Reserve and proposed a way to draw down some of the balance to use for another purpose, such as shoring up the Police Pension Fund, which would reduce the required contributions in future years.

Tom Gagliardo expressed disappointment that comments are still limited to three minutes and wanted to see enlarged community involvement in discussions. He referenced an approach to addressing the affordable housing crisis. Mr. Gagliardo also supported Mr. Huebner's comments about the City budget.

Paul Huebner commented on the City budget, the decrease in the unassigned fund balance, a decrease in the Police Pension Fund balance, and the fiscal health of the City. He asked what process the City Council will use to assemble the data and understand what the staff proposes in order to arrive at budget decisions.

COUNCIL COMMENTS

Mr. Small congratulated Mayor Searcy and noted that she is the City's first Black Mayor. He recited the Langston Hughes poem, *I, too*. He said he knows a fair bit about municipal government and looks forward to future considerations.

Ms. Dyballa noted an upcoming meeting on the proposed Belford sidewalk. She serves on the COG Committee on Energy and Environment. At a recent meeting, she learned that the region has hit its the short-term climate goals, but it is not on track to reach the long-term climate

goals. She has been elected as Chair of the NLC Energy and Environment Committee and is now a member of the NLC Board.

Mr. Gibson thanked speakers for their comments tonight and indicated that he takes the comments to heart.

Ms. Honzak also acknowledged the public comments and said the Council is interested in what residents have to say.

Ms. Searcy also thanked the commenters. She said that helpful information about the budget is always welcome. She noted that she attended the Montgomery Community Media Honors event where Vernon Ricks was honored. He was Takoma Park's first Black Mayor Pro Tem. She announced that CCI Health Services will celebrate its 50th anniversary on Saturday. Sunday is Pajamarama in Old Town.

CITY MANAGER COMMENTS

The City Manager had no comments.

PRESENTATIONS

1. Annual Comprehensive Financial Report and Audit

Timothy Sawyer, of Barbacane Thornton and Company LLP., made a presentation. (Presentation attached.) He, Ms. Cheung, and Mr. Fox responded to a number of questions and comments from members of the Council.

Q - Is there anything the City should be addressing in the coming year?

There were no findings. There will be a single audit related to the ARPA funds and the Council should be aware of this.

Q - At a base level does the City take in more or less revenue than it spends?

Mr. Sawyer referenced page 39, for 2022 the City had \$31.4 million in total revenues across all funds, and spent \$30.1 million.

Q - Is the budget operating on a surplus?

For 2022 the City operated on a surplus.

Q - Is part of the surplus dedicated to debt service or expansion of services?

It is hard to say. Based on the fund balance, which went up, and you do have various items that it is set aside for. On page 37, you can see the unassigned fund balance, that can be used for any purpose. Others are dedicated to a specific purpose.

Q - When discussing the controls and Generally Accepted Accounting Principles, there were no findings. Notwithstanding that, is it your assertion that the material position of the City with regard to its financial is positive or negative.

I would say it is positive. No material weaknesses or deficiencies in your controls. It was a clean audit.

Q - Is there a way to summarize our finances at the end of last year and at the end of this year? Is this good news?

Yes.

Q - Can you summarize some of the factors that contribute to the City's position as far as the increase in the fund balance and the net position? What am I missing?

(Mr. Fox) Yes, it is a good audit and staff and Council have done a great job. I would say, and the auditors have stated, if it had not been for ARPA this would be a much higher deficit than we see here. When we did the \$3 million reduction exercise with the last Council, we did things to get us to this position. We will have to stay vigilant as we go forward.

(Auditor) You had a \$1.2 million surplus this year, your revenue loss calculation with ARPA funds was 1.2 million. Without that, you would have been break even.

Q - I believe there were significantly less expenses because of vacancies not filled and programs not activated because of COVID. Are there other ways that the expenses were reduced that may not be able to be replicated?

(Mr. Fox) In FY22, we made certain decisions. We did a lot of freezing to create savings to get us to the position where we are. We made reductions of \$3 million by holding or not doing certain projects. There is litany of strategies to get to this point with Council's help.

Q - What is your opinion about constructing a budget in this manner versus construction of a budget that allows citizens to have a more reasoned understanding of where the money is being spent?

(Mr. Fox) We will continue to work at engagement. We will be rolling out "Balancing Act" that will engage the community and Council a bit more about the budget. We are having a financial forecast prepared by a consultant. Both of these will allow for more engagement.

Q - It would be helpful to understand how our current budget/fiscal situation compares to pre-pandemic. What was lost in terms of revenue, and what was gained by ARPA funding? What does this tell us about our future fiscal health?

(Mr. Fox) A good starting point is the fiscal health of the City presentation that was done earlier this year. What we have gained with ARPA is a continuing conversation to have going forward, overlaid with the 10-year financial forecast.

Q - It would help me to know the cost of our projects, by performance-based budgeting or time on task. The budget which can show how much time is spent by personnel will give a truer cost of any project we take on. Is that being considered? Comments from some of our residents and their expressed concerns about our budgeting process leads me to think we will need to make hard decisions about our priorities. To make those hard decisions, I need to know what the costs of those projects are.

(Mr. Fox) To do something differently with the budget is a conversation to have with Council, as we do not currently have staff capacity to do anything differently, such as performance-based or zero-based budgeting. There are various options that you can do. It would take a lot to do, and part of it would be understanding this Council's priority and where you want to focus attention.

Q - One thing in looking at the unrestricted surplus this year versus a deficit last year was the impact of the pandemic on various revenue streams – speed camera revenue, recreation revenue. Will the financial forecast assume pre-pandemic revenue streams? Has there been discussion of potential impact of those revenues?

(Mr. Fox) They will be doing modeling.

Q - We will also want to look at the bump up in tax duplication revenue and what that means over time. There is a combination of monies made available to us. There is ARPA, the bump of tax revenue over time, and other revenue streams that lulled during the pandemic will continue to pick up. It will be helpful because of the uncertainty about revenues. Have you audited other jurisdictions that have seen the revenues begin to pick up?

(Auditor) Overall, you will see that. We don't know if it will totally recover.

(Ms. Cheung) The increases compared to FY21 are mainly hotel tax, amusement tax, income tax, recreation fees, and in the property tax due to increased assessment value. The property tax rate has remained flat for the last few years. Interest on our deposit accounts have been really low.

Q - I notice the investment earnings went down and it made me wonder about what we should keep in mind thinking about the current state of the world, recession, and inflation.

(Auditor) Inflation is the biggest factor. Costs will go up and can you generate enough revenues to keep up,

Q - In terms of our reserve balances, we want to ensure that our reserve fund balances are in line with our policies. It gets a little confusing as to when it is appropriate to draw from our reserves, and how much. It did look like there was a substantial transfer of committed dollars from our reserve. Can you talk about that?

(Auditor) Committed reserves went up from \$5.7 million last year to \$9.3 million. Within that \$9.3, you've set aside funds for the ERR, emergency reserve, facility maintenance, the housing fund reserve.

Q - I'm trying to think about how this relates to the future budget. As we are talking through priorities, how do we need to increase our reserves, even though we are well within our bounds of an appropriate level of reserves that are uncommitted. As we get ready to talk through the upcoming budget, what recommendations do you have as to whether we need to increase those reserves given the number and amount of committed activities that we already have slated.

(Ms. Cheung) In the FY23 adopted budget, we had a budget deficit. We determined to maintain 17% of the general fund expenditure in the general fund unassigned reserve. The remaining amount, we moved to a committed reserve. That committed amount can be released for any reason that the Council considers appropriate for any type of project, or when our future budget becomes balanced. That amount is in the committed balance. It is not in the restricted reserve, such as the bond funds. When the budget becomes balanced, it can be released to the unassigned reserve.

Q - We use the word deficit around here, and it feels very alarmist. The Annual Comprehensive Financial Report is the actual revenues and actual expenditures. Right now, in 2022, we are not showing a deficit. But for FY2023, we needed to plan to do more work than we anticipated being able to fund. Just because we may plan a budget deficit, doesn't necessarily mean that is what actually happens when all of the dust settles. When we start talking about the next budget, the question is whether or not there are certain activities that we really want to make sure we are able to push and anticipating revenues that could actually meet that.

Mr. Fox indicated that he will have additional financial information for the City Council at the beginning of the year.

2. Police Pension Fund Actuarial Valuation

Tom Vicente, BoltonUSA, presented the report. (Presentation attached.)

Mr. Vicente responded to questions.

Ms. Dyballa asked if there is a recommendation to change some of the assumptions, particularly the investment return assumption?

Mr. Vicente responded that you want to look at it from the perspective of asset allocation. From the actuary's perspective, the long-term rate of return is a budgeting tool. If we are more conservative, it means in the long term we are more likely to exceed the rate of return and front load the contributions. If we have a more aggressive rate of return, we will contribute less now but may have to contribute more in the future. Seeing what others are doing is informative. We think you are in the right range, but the Pension Board may reconsider this in March.

Ms. Honzak asked if we are at the desired capacity for our current police force? Does the lower number result in a fairly meaningful increase in the amount needed?

Mr. Fox responded that we are fully staffed as of now.

Mr. Vicente said the head count has ranged from 38 to 42. The number of officers is part of the reason for the amount this year. When you look at the contribution as a percentage of payroll, because the payroll had gone down, that made the percentage look bigger, even though the dollar amount of contribution hadn't risen as much. The translation was that the officers who left were retiring who were at the top of their careers and the top of the pay scale, as was the person who entered the DROP. We had more attrition at the top end and replaced them with folks at the lower end, which is good from a payroll budgeting standpoint but from the pension standpoint makes the pension payroll look a little bit lower.

Mr. Small asked if the payout in percentages for employee pensions is a way to incentivize retaining a police force and inducing officers to want to join our force and asked if our contributions are comparable to other municipalities.

Mr. Fox responded that he hasn't done a comparison. He said that staff did work with the Department to develop the DROP plan over the last few years. There is still more work to do to entice police as well as staff in any department.

Ms. Searcy referenced the unfunded actuarial accrued liability as a percentage of covered payroll, Appendix 1, column 6. It looks like over the past few years we've been to some degree in a bit of a lowering of that percentage. That column helps us in assessing whether or not we have sufficient assets to pay benefits when they are due?

Mr. Vicente said yes. Column 6 looks at the unfunded liability as a percentage of covered payroll. That column is trying to put the numbers in context. Is it better to say a \$6.4 million unfunded liability is big or small. We try to put it in context by comparing it to covered payroll. The general idea is that over time, you would like that number to get smaller compared to

covered payroll. Meaning that it's less of an outstanding obligation compared to the overall scale of the operation. That generally has been the case

Ms. Searcy noted in her response to Councilmember Honzak, the point is that we got the DROP set up in an effort to try to help retain some of our more senior officers. We are bringing in younger officers who, because of their salary, their payroll amounts may not be as high. My question is, over time, if this trend is to continue, will it likely be the case that we will start to see the percent increase. How will that impact?

Mr. Vicente said that, long term, if it is a healthy workforce, the retirement of more senior officers at higher grade levels will open positions for younger officers to move up keeping a good flow of individuals. Over the long term, it is balanced. If you keep the number of officers in the same range and there is no reason to expand or contract those numbers, then even with the turnover it won't be so precipitous as to unbalance the plan.

3. Economic Development Update

Housing and Community Development Director David Eubanks introduced himself and the Department. The Department has five divisions, each headed by a manager. Ira Kowler is the Economic Development Manager.

Mr. Kowler introduced the presentations from the three business associations.

Aimee Bearne, Long Branch Business League, made a presentation. (Presentation attached.)

Laura Barclay, Old Takoma Business Association, made a presentation. (Presentation attached.)

Kayleigh de la Puente, Takoma/Langley CDA, made a presentation. (Presentation attached.)

VOTING SESSION

4. Resolution Setting Forth the Dates for the City Council Winter Recess

Mr. Seamens moved the resolution; second by Mr. Smith.

The resolution was adopted (VOTING FOR: Searcy, Fulcher, Dyballa, Gibson, Seamens, Honzak, Smith).

Resolution 2022-46 (attached)

ADJOURNMENT

The meeting was adjourned at 11:05 PM.

Minutes adopted January 11, 2023

I, Too
BY LANGSTON HUGHES

I, too, sing America.

I am the darker brother.
They send me to eat in the kitchen
When company comes,
But I laugh,
And eat well,
And grow strong.

Tomorrow,
I'll be at the table
When company comes.
Nobody'll dare
Say to me,
"Eat in the kitchen,"
Then.

Besides,
They'll see how beautiful I am
And be ashamed—

I, too, am America.