

PROPOSED BUDGET

Together, Moving Takoma Park Forward Fiscal Year 2019



Fiscal Year 2019 Proposed Budget Presentation

Agenda

1. Budget Overview

- a. Summary
- b. Economic Context
- c. Budget Principles
- d. Budget Trends

2. Council Priorities

3. Capital Budget

4. Operating Budget

5. Budget Schedule



Budget Overview

FY 2019 A Time of Transition

**Steering, Not
Reacting**



Budget Overview



Budget Overview

Summary

- Total revenue of all funds: **\$32,574,509**
- Total General Fund revenues: **\$25,316,715**
- Total expenditures of all funds: **\$39,252,270**
- Total General Fund expenditures: **\$31,900,001**
- Tax rate proposed to be raised to **\$0.545 per \$100**
- Major issues to discuss:
 - 5 staff positions to be phased in
 - Capital projects
 - Reserves



Budget Overview

Summary

- **Unassigned General Fund fund balance: \$2,620,514**
 - \$3 million is usually minimum needed to meet normal fluctuations of revenues and expenditures.
 - New recommendation on how to show Bond Reserve skews calculation, but fund balance is still very tight.
 - Although Council has not yet adopted a reserve policy, we have discussed using GFOA's recommended reserve amount, a minimum of 17% of the unassigned fund balance. That amount is about \$4.3 million.



Budget Overview

Summary

- **Five new staff to be phased in**
 - Human Resources position (full year)
 - Two police officers (half year)
 - Economic development manager (half year)
 - Economic development specialist (quarter year; in FY 18 as contract position)
- **Tax rate to increase 1.02 cents per \$100 valuation**
 - \$41 increase for \$400,000 house, if house did not increase in value
 - If house increased by maximum 10%, increase would be \$214
 - Property owners more impacted by County tax rate than City rate
- **Large capital projects underway**
 - Ethan Allen construction has started
 - Flower Ave bids have been opened; may need \$300K more for project
 - Library awaiting results of floodplain study



Budget Overview

Tax Rate in Context

If your owner-occupied home's taxable assessment value for 2018 was:

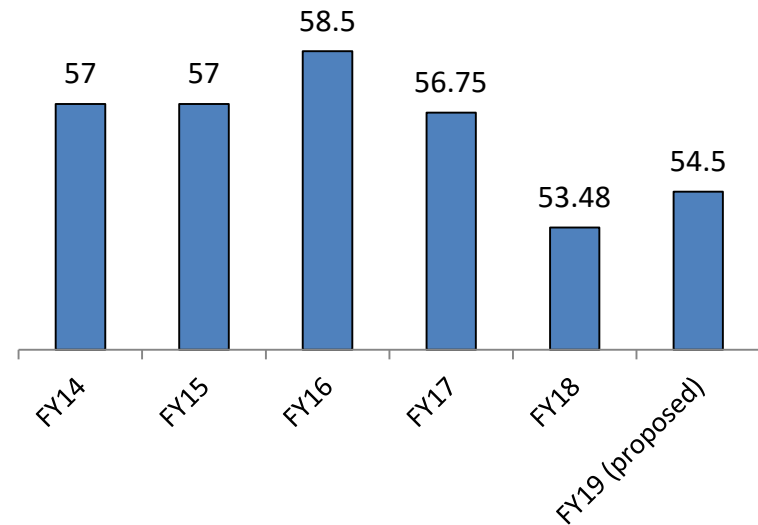


If your home's taxable assessment value increases by the maximum 10% for 2019:



Of the \$214 increase in City tax, just \$41 is due to the proposed tax rate increase and \$173 is due to the increase in home value.

Tax Rate
(in cents per \$100 valuation)



Budget Overview

Summary

- **Strong and/or growing programs in:**
 - Environmental sustainability
 - Youth outreach
 - Housing services
 - Communications and transparency
- **Major community planning challenges**
 - Washington Adventist Hospital site
 - Takoma Junction
 - Montgomery College
 - New Hampshire Avenue Recreation Center
 - School facility needs
 - Washington McLaughlin site
 - Open space, transportation, bikeways
 - Development applications, large and small



Budget Overview

What are the Challenges?

- **Economic unknowns**
 - Impacts from Federal tax law changes and State of Maryland legislation
 - Impacts from tariffs and trade war on investments and construction costs
- **New staff needed to carry out Council's vision**
 - Leadership in area of economic development
 - Structure to imbed community policing
 - Human Resource assistance for day-to-day operations
- **Concern for taxpayers**
 - Can they afford the tax amount?
 - How much will they be hurt by not deducting property tax on income tax?
- **Concern for fiscal sustainability**
 - Really, tax rate of \$0.545 is low for the City's needs
 - Unappropriated reserve should be 17%



Budget Overview

What is the EXCITEMENT?

- Takoma Park is finally being seen as a place for economic development; likely to increase and continue for years
- Just as young people have taken leadership upon themselves nationwide, they are pushing us here in Takoma Park – what will be their Takoma Park?
- Council / staff collaboration is strongest in at least 25 years...maybe ever
- Council's goals and expectations are high and inspire us to creativity



Budget Overview

Economic Context

1. **Assessable base** (value of property for purpose of taxation) is increasing in Takoma Park
2. **Net assessable base** increased only 6.5%
3. **Income tax revenue** has been increasing slowly; will need to see result of new Federal tax changes
4. **Purple Line construction underway; economic development increasing in Takoma Park area**; County finally helping on New Hampshire Avenue (planning for Bus Rapid Transit)
5. **Concern about housing prices** and maintaining housing affordability for residents across the economic spectrum to be addressed via recommendations of Strategic Plan for Housing and Economic Development
6. **Tariffs** may cause financial downturn, raise Library costs



Budget Overview

Budget Principles

- Pay ongoing costs with ongoing funds
- Maintain infrastructure, even when budget is tight
- Follow laws and best practices
- Others:
 - Predictability is good
 - Minimize large variations (applies to General Fund expenditures, tax rates, personnel, etc.)
 - Determine appropriate entity to pay for or provide services – doesn't always need to be taxpayer dollars or a City-provided service



Budget Overview

Budget Trends

- **General Fund Revenues**
 - Real Property Tax
 - Income Tax
 - Intergovernmental revenue
 - Personal Property Tax and Commercial Real Property Tax
- **Stormwater Fund**
 - No change in rate
- **Special Revenue Funds**
- **Speed Camera Fund**



Budget Overview

Budget Trends

- **Reserve Funds**

- Equipment Replacement Reserve (saves for expensive equipment with annual contributions)
- Facility Maintenance Reserve (saves for facility component replacement or maintenance)
- Emergency Reserve (amount specified in Charter)
- Housing Reserve (saves for housing-related efforts specified by Council)
- Bond Reserve (holds borrowed monies until time to spend it)

- **Debt**

- Amount to be paid for bonds for facilities and other debts



Budget Trends

General Fund Revenues

- **Real Property Tax** – rate was reduced below Constant Yield level for FY18
- **Income Tax** – 17% of amount residents pay to County; has risen slowly; future amounts uncertain; State not expecting immediate downturn
- **Intergovernmental Revenue** – has remained fairly flat; includes tax duplication, HUR, State police aid, cable operating revenue
 - Tax duplication continues to be frozen at low levels
 - HUR to increase in FY20
 - Cable revenue beginning to decline
- **These three components comprise 93% of the City's General Fund revenues**



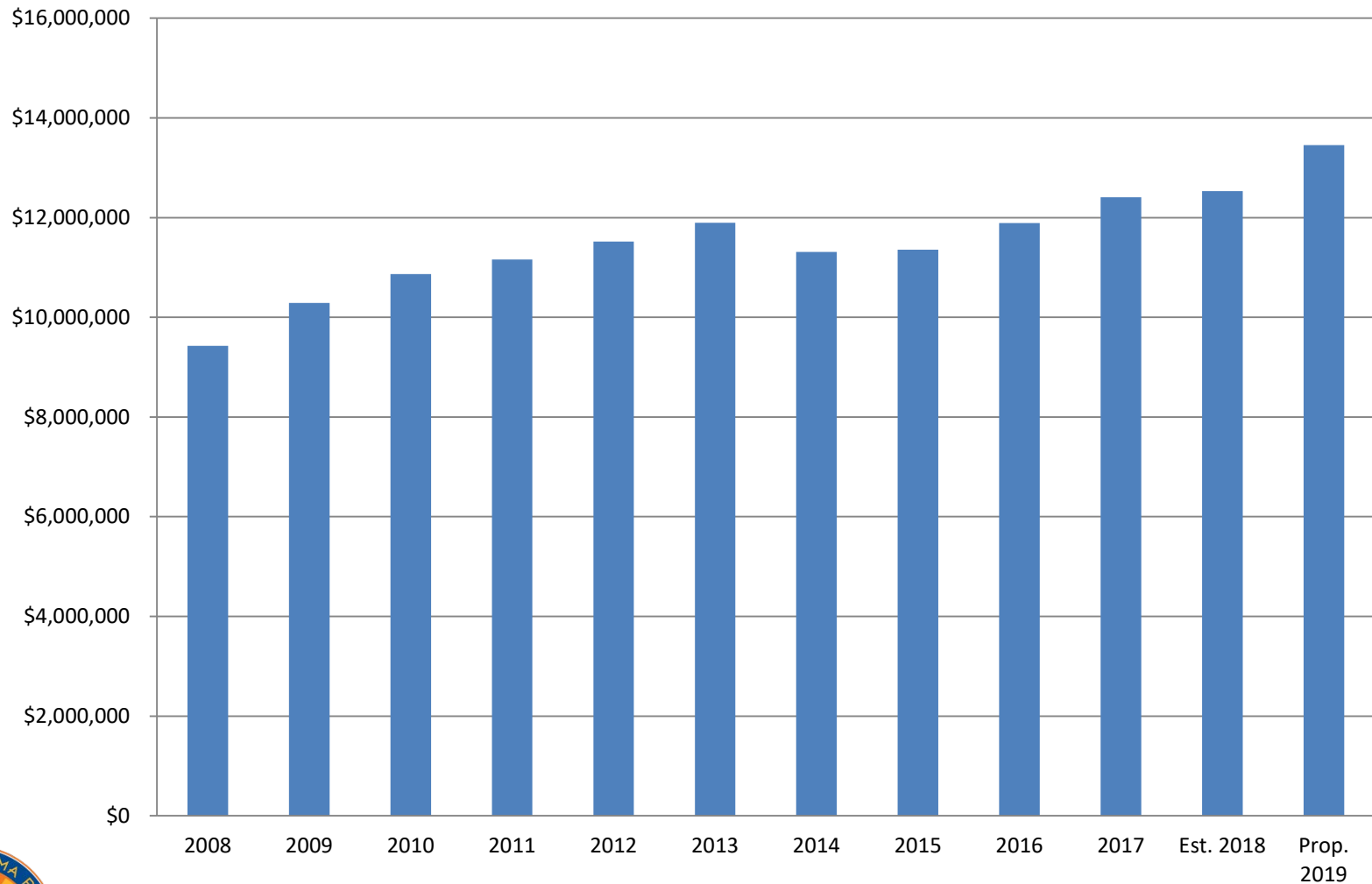
Budget Trends

General Fund Revenues

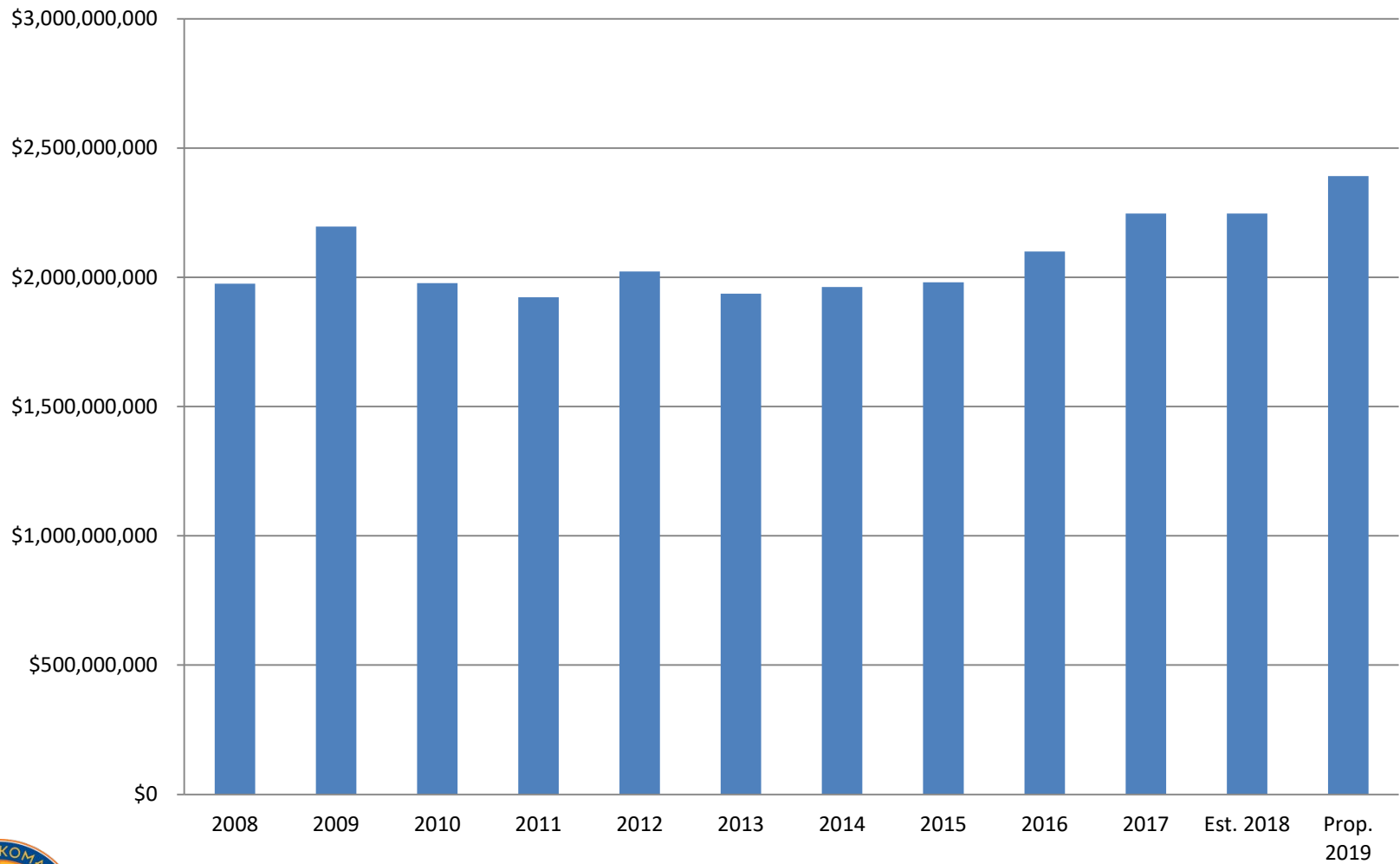
- **Personal Property Tax – expected FY 19 revenue: \$420,000**
- **Consists of amount for equipment & furnishings (about \$100,000) and for inventory (about \$320,000)**
- **Council indicated support for eliminating inventory portion of PPT; reduction in revenue to be addressed by creating a higher real property tax rate for commercial properties**
- **Since not able to make change to commercial rate for FY 19, Proposed Budget continues inclusion of inventory tax revenue**
 - Still time for Council to make PPT change for FY 19
 - Commercial real property tax rate category requires definition



Property Tax Revenue



Net Assessable Base



Budget Trends

General Fund Revenues

- Tax duplication increasingly out-of-kilter with costs County would have incurred if they were responsible for the services.
- Quote from County Executive Isiah Leggett in his FY19 Budget Message:

"Since 2007, I have added 132 police officers to the Montgomery County Police Department. While County tax-supported spending went up 24 percent over the past 11 years, I made sure our Police budget rose by nearly 33 percent."

% County police rebate/in lieu increased to City since 2007:

7.5%



Budget Trends

General Fund - Fund Balance Projections for FY19...

	As Of June 30, 2017	Additions	Deletions	As Of June 30, 2018	Additions	Deletions	As Of June 30, 2019
Emergency Reserve	464,807	-	-	464,807	-	-	464,807
Equipment Replacement Reserve	3,957,813	720,000	635,218	4,042,595	700,000	1,023,704	3,718,891
WSSC Contribution for Future Street Work	96,567	-	-	96,567	-	-	96,567
Facility Maintenance Reserve	461,524	250,000	167,500	544,024	200,000	426,000	318,024
NonSpendable-Prepaid, Deposits, Inventory	12,093	8,000	6,700	13,393	5,000	7,000	11,393
Housing Reserve	400,830	300,000	10,000	690,830	200,000	300,000	590,830
Bond Reserve (Restricted)	-	9,000,000	562,412	8,437,588	-	2,812,588	5,625,000
Total Reserved/NonSpendable Fund Balance	5,393,634	10,278,000	1,381,830	14,289,804	1,105,000	4,569,292	10,825,512
Total Unassigned Fund Balance	7,704,044	-	1,964,536	5,739,508	-	3,118,994	2,620,514
Total Fund Balance	13,097,678			20,029,312			13,446,026



Budget Trends

...compared to FY18 Projections

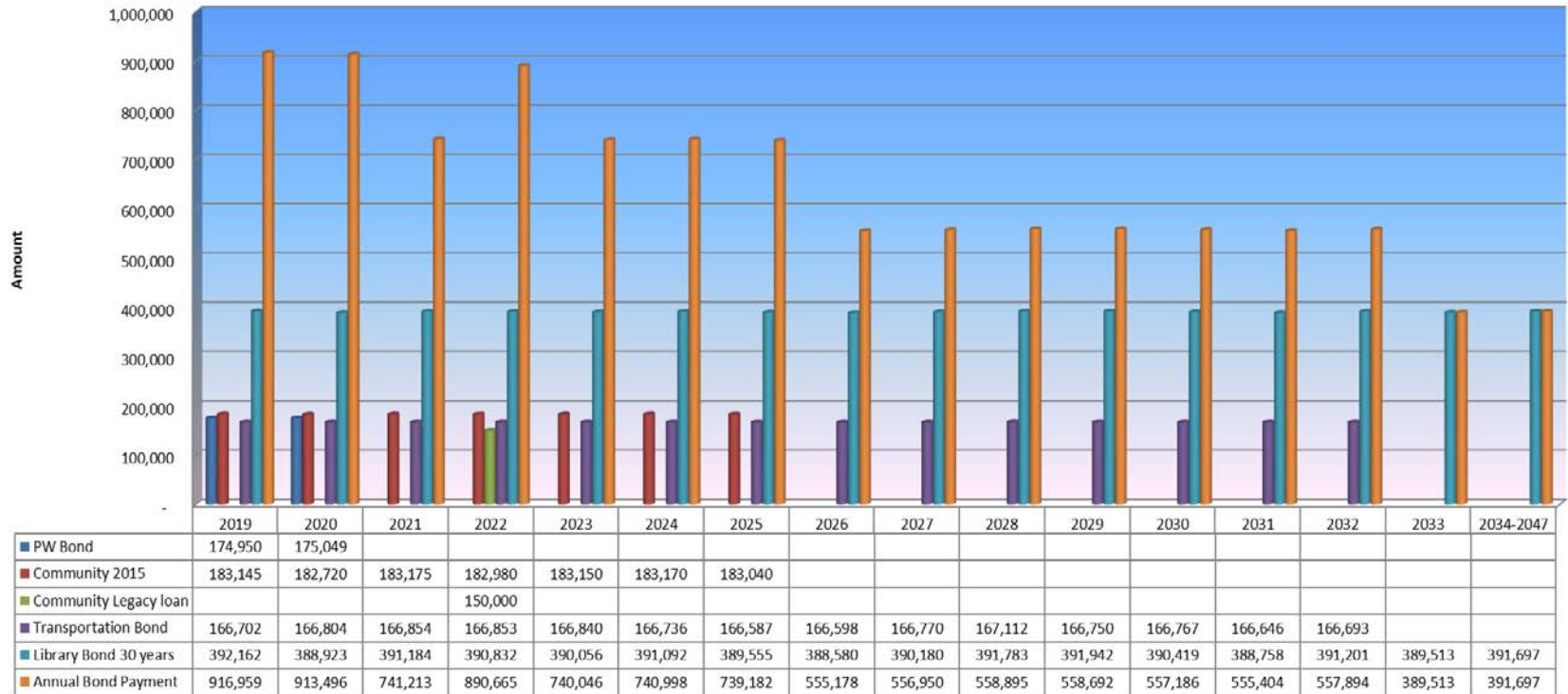
	As Of			As Of			As Of
	June 30, 2016	Additions	Deletions	June 30, 2017	Additions	Deletions	June 30, 2018
Emergency Reserve	455,069	-	-	455,069	-	-	455,069
Equipment Replacement Reserve	3,844,655	800,000	1,043,101	3,601,554	720,000	381,917	3,939,637
WSSC Contribution for Future Street Work	96,369	-	-	96,369	-	-	96,369
Facility Maintenance Reserve	596,330	-	61,233	535,097	250,000	144,000	641,097
NonSpendable-Prepaid, Deposits, Inventory	7,831	7,153	3,000	11,984	-	3,000	8,984
Designated for Subsequent Year Expenditures	2,324,965	-	1,056,364	1,268,601	-	1,268,601	-
Housing Reserve	-	400,000	50,000	350,000	300,000	350,000	300,000
Bond Reserve	-	-	-	-	3,500,000	-	3,500,000
Total Reserved/NonSpendable Fund Balance	7,325,219	1,207,153	2,213,698	6,318,674	4,770,000	2,147,518	8,941,156
Total Unassigned Fund Balance	4,926,642	-	262,056	4,664,586	-	1,602,919	3,061,667
Total Fund Balance	12,251,861			10,983,260			12,002,823



Budget Trends

Debt

Debt Service 2019-2047



Budget Trends

General Fund Expenditures

- **Personnel Costs**
 - Wages increased between 2.1-3.35% for each FY18 and FY19
 - Compensation survey underway
 - Proposing to phase in five positions
 - Health insurance only 2% increase
- **Costs of Supplies and Services**
 - Decrease
- **Capital Costs**
 - Expenditures for roads, sidewalks, facilities and equipment
 - Will need to pay portion of funds for the Flower Avenue Green Street project that is not covered by grants or the Transportation Bond
 - Will need to wait to learn Library cost estimates



Budget Trends

Supplies, Services and Miscellaneous

- **Departmental Supplies, Services and Miscellaneous declined 7.6% between FY18 and FY19**
- **The Non-Departmental Miscellaneous number varies**, as it includes Housing Fund expenditures (Budgeted at \$300,000 for FY 18 and FY 19, but only \$10,000 spent to date in FY 18) and General Contingency of \$122,250, which we are not likely to spend.



Budget Trends

Capital Costs

- **Standard Infrastructure Expenditures; goal is to allocate \$500K each year to the following. This year will do:**
 - Street repaving - \$300,000 (but benefit from utility paving)
 - New sidewalks - \$500,000
 - ADA sidewalk work - \$500,000 for City sidewalks (but \$91,000 to be paid from CDBG funds); \$200,000 for SHA sidewalks
- **Equipment Replacement Reserve**
 - Contributing \$700K
 - Recycling truck, trash truck, five Police vehicles, rear elevator upgrade, leaf box, HVAC and chiller pump



Budget Trends

Capital Costs

- **Facilities Maintenance Reserve**
 - Contribution of \$200,000
 - Atrium floor/some Police space construction - \$325,000
 - Misc facility improvements - \$101,000
- **Stormwater Fund and fee**
 - Fee stays at \$92
 - Projects include work on Flower Avenue, Devonshire/Glaizewood, Grant/Holly, Glenside/Anne, Glenside/Jackson, design of Takoma Branch stream restoration project
- **Special Large Projects – always vary**
 - Ethan Allen, Flower Avenue, Library



Budget Trends

Special Revenue Funds

- **Routinely pursuing grant funds for major projects**
 - Flower Ave Green Street - \$3,762,694
 - Ethan Allen Gateway - \$693,750
 - ADA sidewalks (CDBG) - \$91,000
 - MEA Low/Mod Home Energy - \$25,000
 - TKPK 5K - \$45,000
- **Magnitude varies with types of projects**
- **Some grants require General Fund matches**
- **Capital Cable Grant funds (declining, but over \$3 million in restricted account)**
 - \$237,600 to be spent on equipment this year
 - Other funds can be used in certain parts of Library renovation



Budget Trends

Speed Camera Fund

- Revenues are remaining stable at about \$1.3 million
- Fund pays for two police officers and a Photo Enforcement Analyst at approximate cost of \$450,000
- Excess revenue to be spent on Police items: In-car camera system replacement; field radio equipment; refit of property room storage system; camera trailer; mobile computers



Council Priorities

- **Proposed Budget is structured to advance the Council's Priorities**
 - **Priorities discussed in January in two Council retreats**
 - **Budget priorities discussed at February Council Roundtable with City's Senior Leadership Team**
 - **Adopted by Resolution on March 7, 2018**
-
- A Livable Community for All
 - Fiscally Sustainable Government
 - Environmentally Sustainable Community
 - Engaged, Responsive and Service-oriented Government
 - Community Development for an Improved and Equitable Quality of Life



Council Priorities

Included in Budget

- **A Livable Community for All**

- Community Policing; two new police officer positions
- Renovated and expanded Library
- Implementation of housing element of the Housing and Economic Development Strategic Plan and \$200,000 contribution to Housing Reserve
- Address possibilities for positive options for Washington Adventist Hospital site, to be vacated next year
- Street, sidewalk and bikeway improvements
- Major community events and arts programming

- **Fiscally Sustainable Government**

- Contribution of \$100,000 in addition to actuarially recommended amount for Police Employees' Retirement Plan



Council Priorities

Included in Budget

- **Environmentally Sustainable Government**
 - Continued remarkable work in community sustainability efforts; special focus to assist lower-income residents and multi-family buildings
 - Low-impact stormwater management projects, including Flower Avenue Green Street construction
- **Engaged, Responsive, Service-oriented Government**
 - Use results of Residents Survey to identify areas for improvement, focus community policing efforts, assist in gathering data for City's Racial Equity focus
 - Add position to two-person Human Resources division



Council Priorities

Included in Budget

- **Community Development for an Improved and Equitable Quality of Life**
 - Implementing economic development elements of Housing and Economic Development Strategic Plan; two new positions – an Economic Development manager and specialist
 - Capitalize on Purple Line's positive opportunities and protect our businesses and residents from potential negative impacts
 - New Hampshire Avenue redevelopment
 - Business assistance throughout the City
 - Takoma Junction development
 - Mixed use development that helps expand housing opportunities
- **We cannot rely on the private sector to craft and maintain the special character and diversity of Takoma Park – it will take work on our part to make it happen.**



Capital Budget

Funding Sources

- Use key to see which funds are to pay for which capital items in the CIP table in budget document; also note priority ranking
- General Fund: tax based funds not in other special funds or reserves; may include bond funds
- ERR – Equipment Replacement Reserve: tax based reserve funds to pay to replace large equipment and vehicles; funds are added based on the future cost and estimated life of items in the ERR list
- FMR – Facility Maintenance Reserve: tax based reserve funds for facility maintenance (not new construction) projects;



Capital Budget

Funding Sources

- **Special Revenue Funds:** grant funds for use on specific projects or purchases; funds are generally used within a year or two of receiving the revenue; cable capital funds represent most of the fund balance
- **Speed Camera Fund:** funds from speed camera fines that can only be used for public safety purposes (including sidewalk construction, police equipment, police or speed camera operations staff)
- **Stormwater Fund:** revenue from the Stormwater Management Fee that pays for projects and equipment (and staff) that repair or enhance stormwater infrastructure



Operating Budget

- Overview and highlights
- Organizational changes
- Community grants / partnerships



Operating Budget

Overview and Highlights

- Full-Time Equivalents increase from 165.45 to 171.86, representing five new full-time positions and adjustments in hours for part-time (mostly Recreation) staff
- Creation of new Economic Development division in Housing and Community Development
- Merging of Gardens division and Urban Forest division in Public Works under a Vegetation Management Supervisor
- Move towards organization structural change in Police Department to better advance community policing goals and for better management
- Move to use Racial Equity lens in internal and external operations citywide



Operating Budget

HCD Staffing

- Various efforts to address staff needs in Housing and Community Development resulted in an error in the budget document regarding planning and economic development staffing
- Current staff consists of a Community Development Manager, a Planner, and a vacant Economic Development Specialist position that had been a contract position
- Proposed staff in budget shows, for Planning & Development Services:
 - Community Development Manager
 - Senior Planner
 - Planner
 - Part-time Special Projects Coordinator (Safe Routes to Schools)



Operating Budget

Organizational Changes

- **Proposed staff in budget shows, for Economic Development:**
 - Economic Development Manager
 - Economic Development Specialist
- **In the past, planning staff was supplemented by interns**
- **There has been no approval for a senior planner position, but there are funds in the FY18 budget for the Economic Development Specialist position and for a planning intern**
- **For FY19, given the amount of work, either a planner or intern positions are needed in HCD**



Operating Budget

Community Grants / Partnerships / Assistance

- The FY19 Proposed Budget includes funds for Community Grants and also provides for contracts with groups that can help advance Council Priorities on a multi-year basis
- \$100,000 for the Community Grant program
- \$30,000 for emergency assistance services
- \$25,000 for the Independence Day Committee
- \$20,000 for the Folk Festival
- \$12,200 for the Arts and Humanities Commission
- \$110,000 for the Community Partnership Program to advance Council Priorities
- \$150,000 for City's supplement to the State Homeowner Property Tax Credit Program



Council Options

Budget Reconciliation Considerations

- Reductions or Additions to Proposed Budget
- Tax Rate Decrease or Increase
 - Proposed rate for FY17 is \$0.545 per \$100 valuation
 - Constant Yield rate is \$0.5075 per \$100 valuation
 - Each cent equals about \$239,000



Budget Schedule

- Wednesday, April 4 – City Manager's Presentation
- Saturday, April 7 – Budget Open House from 2-5 pm
- **Wednesday, April 11 – Public Hearing**
- Monday, April 16 – Budget Work Session on Items Advancing Council Goals
- Monday, April 23 – Budget Work Session on Capital Items
- Monday, April 30 – Budget Work Session on Departmental and Non-Departmental Budgets; Budget Reconciliation Discussion
- **Wednesday, April 25 – Public Hearing** on Constant Yield Tax Rate and Proposed Budget
- Wednesday, May 2 – Final Budget Reconciliation
- Wednesday, May 9 – First Reading of Budget Ordinances
- Wednesday, May 16 – Second Reading of Budget Ordinances



Fiscal Year 2019 Proposed Budget Presentation

QUESTIONS?

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