



# Recommended Budget

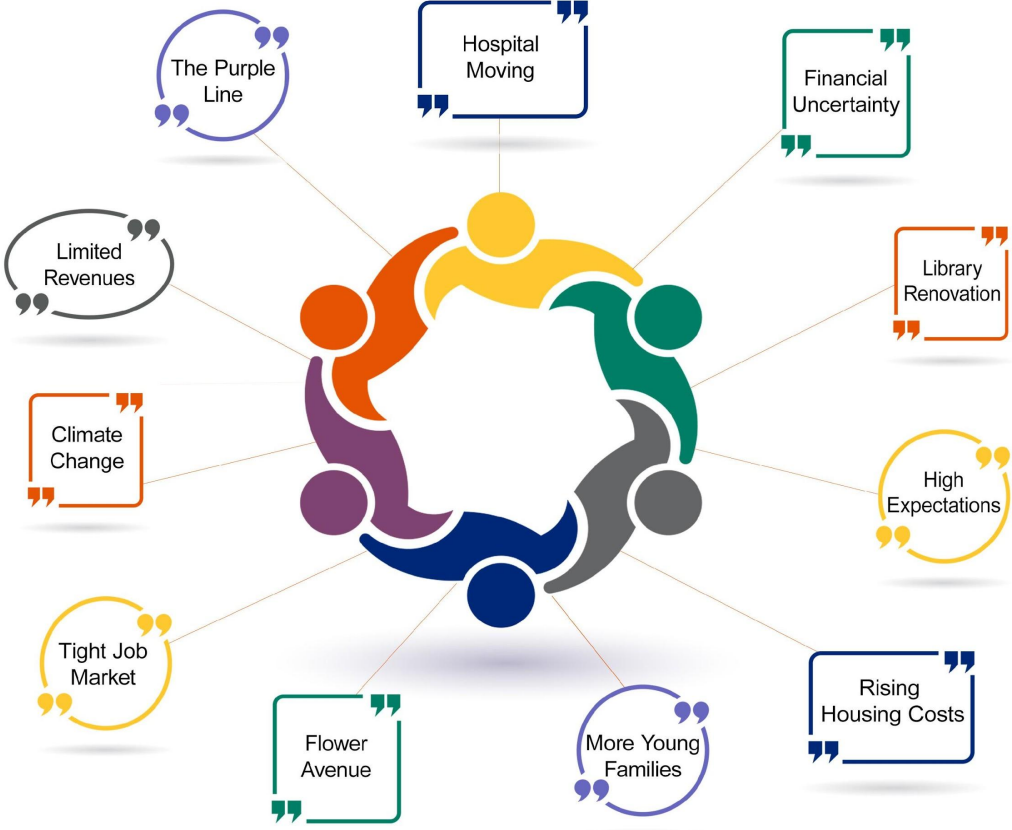
Presented by: Suzanne Ludlow

April 3, 2019



Revised: April 4, 2019

# Big Picture



## Introduction

- Proposed Budget – FY 2020



# Budget Overview

- Budget Schedule
- Budget Overview
- Budget Breakdown
- Council Priorities
- “Status Quo” Budget Figures
- Next Steps

# Budget Schedule

- April 3: Presentation of Recommended Budget
- April 8: Budget Open House and Work Session on Recommended Budget
- April 10: Budget Public Hearing
- April 15: Budget Open House and Work Session on Options for Service and Program Reductions
- April 24: Budget and Constant Yield Tax Rate Public Hearings
- April 29: Budget Reconciliation
- May 8: First Reading Ordinance adopting FY 20 Budget and Tax Rate
- May 15: Second Reading Ordinance adopting FY 20 Budget and Tax Rate

# Improvements to Budget Document

- New summary table with breakdown of budget by functional/program area
- Parsing out of programs that have been traditionally lumped together with departmental administrative divisions or in the Non-Departmental budget: Sustainability, Economic Development, Arts & Humanities
- More detailed breakdown of costs within each division and CIP, where applicable
- CIP look backward
- We will also make available a copy of the “Budget Worksheet” in Excel format, which includes the line item breakdown of the entire budget

**Capital Improvement**  
A Look Back - FY 2018 through

STREETS AND SIDEWALKS	FY20 Priority	Adopted FY18	Actual FY18	Adopted FY19	Estimated FY19	Proposed FY20
Bus Shelter Improvements	GF III			\$ 15,000	\$ 5,000	\$ 15,000
Decorative Street Light	ERR II			\$ 50,000	\$ 50,000	
<b>Ethan Allen Gateway Streetscape</b>						
City Fund	Bond II	\$ 562,411	\$ 199,091	\$ 562,412	\$ 925,732	
City Match	GF II			\$ 363,320	\$ -	
MD Bikeway	SRF II			\$ 46,000	\$ 47,218	
TAP	SRF II	\$ 627,750	\$ 604,866	\$ 604,634	\$ 650,634	
<b>Flower Avenue Green Street Project - Total FY20</b> Cost \$4,150,181						
City Fund						
City Match						
Montgomery County National Fish & Wildlife Grant						
SHA						
TAP						
WSSC						
CDBG						
Lincoln Ave Project SRTS						
Neighborhood Commercial Improvements						
New Sidewalk Design/Construction/Traffic Calming						
Public Art						
Street Light Upgrade						
Street Rehabilitation						
Takoma Junction Area Traffic Study						
New Hampshire Ave Bikeway Design						
City Fund						
Grant						
Public Land Management Implementation						
Takoma Park Economic Development Project						
City Fund						
Housing Fund Reserve Expenditures						
<b>SUBTOTAL - STREET AND SIDEWALKS</b>						

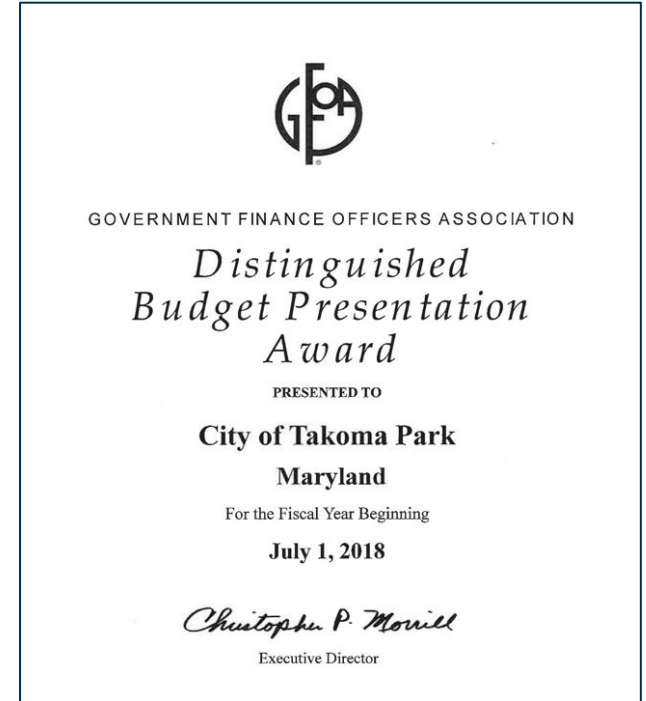
  

**Programs**  
FY 2024 - A Look Forward

STREETS AND SIDEWALKS	Proposed FY20	FY21	FY22	FY 23	FY 24
Bus Shelter Improvements	GF \$ 15,000	\$ 15,000	\$ 20,000	\$ 20,000	\$ 25,000
Decorative Street Light	ERR				
<b>Ethan Allen Gateway Streetscape</b>					
City Fund	Bond				
City Match	GF				
MD Bikeway	SRF				
TAP	SRF				
<b>Flower Avenue Green Street Project - Total FY20</b> Cost \$4,150,181					
City Fund	Bond	\$ 1,000,000			
City Match	GF	\$ 844,975			
Montgomery County National Fish & Wildlife Federation Grant	SRF	\$ 200,000			
SHA	GF	\$ 23,405			
TAP	SRF	\$ 728,231			
WSSC	SRF	\$ 1,774,220			
CDBG	SRF	\$ 259,350			
Lincoln Ave Project SRTS	SRF				
Neighborhood Commercial Center Improvements	GF	\$ 100,000	\$ 150,000	\$ 175,000	\$ 175,000
New Sidewalk Design/Construction & Traffic Calming	GF	\$ 250,000	\$ 500,000	\$ 500,000	\$ 500,000
Public Art	GF	\$ 45,000	\$ 50,000	\$ 55,000	\$ 60,000
Street Light Upgrade	GF	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Street Rehabilitation	GF	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
<b>Takoma Junction Area Traffic Study</b>					
<b>New Hampshire Ave Bikeway Design - Total FY20</b> Cost \$235,000					
City Fund	GF	\$ 45,000			
Grant	SRF	\$ 190,000			
Public Land Management Plan Implementation	GF	\$ 25,000	\$ 30,000	\$ 30,000	\$ 35,000
<b>Takoma Park Economic Development Project</b>					
City Fund	GF	\$ 175,000	\$ 175,000		
Housing Fund Reserve Expenditures	SRF	\$ 500,000			
<b>SUBTOTAL - STREET AND SIDEWALKS</b>					

Earlier this year, the City was presented with its first Distinguished Budget Presentation Award. The award represents the highest form of recognition in governmental budgeting and represents a significant achievement for the organization. The award, given by the Government Finance Officers Association (GFOA), reflects the commitment of the governing body and staff to meet the highest principles of governmental budgeting and presentation of budget information.

This is the first time the City has submitted its budget document for consideration. I am thrilled with the great work of our Finance staff. Congratulations to Finance Director Susan Cheung and Budget Specialist Alisa Trammell for a job well done!



## Summary

- Total Revenue of All Funds: **\$31,366,327**
- Total General Fund Revenue: **\$25,970,116**
- Total Real Property Tax Revenue: **\$13,525,018**
- Total Expenditures of All Funds: **\$35,100,930**
- Total General Fund Expenditures: **\$29,758,028**
- Proposed Tax Rate Increase: **from \$0.5291 to \$0.556**  
(2.69 cents increase or 3 cents over Constant Yield)





## Summary

- Unassigned General Fund Balance in Recommended Budget: **\$3,142,365**
  - Earlier this year, the Council adopted a policy that would require the reserve level to be at least 17% of the General Fund operating revenues. That amount would be about **\$4.4 million**.
  - Given budget realities, we will need to work our way up to the 17% level over the next couple of years by ensuring that ongoing revenue supports expenses.
- 2<sup>nd</sup> Year of Increased Capital Costs for Major Projects – Flower Avenue Green Street and Library
- Increase in FTEs and Personnel Costs
  - The increase in FTEs reflects an increase in the hours budgeted for existing positions (Landlord-Tenant Mediator, Parking Enforcement Officer, Economic Development Manager, Arts and Humanities Coordinator), organizational changes in the Police Department, and modest wage increases based on recent Compensation and Classification Study.

## Summary

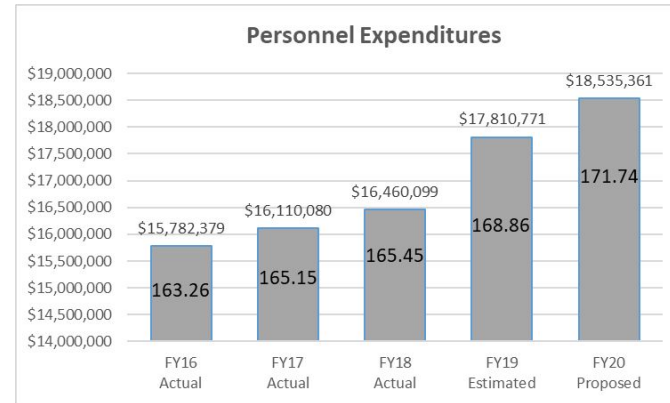
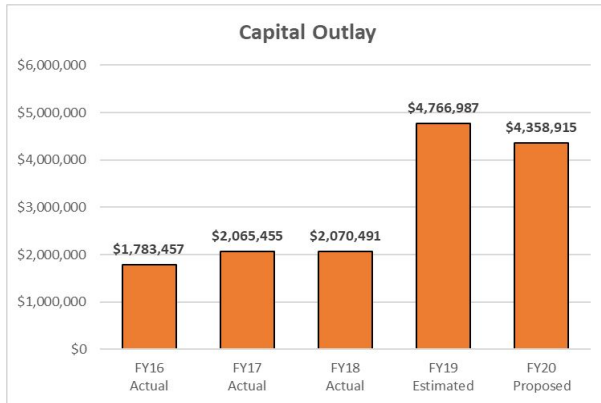
- Tax Rate Increase
  - From **\$0.5291** per \$100 valuation to **\$0.556** per \$100 valuation
  - Constant Yield is **\$0.526**
  - Needed to offset mixed bag valuation year
  - Each cent above constant yield equals about \$243,000
- Not proposing any new services or programs (that impact the budget) and in fact are actually reducing

Decrease in Assessed Value		
	<u>2019</u>	<u>2020</u>
Assessed Value	\$500,000	\$460,000
Tax Rate	0.5291	0.556
Tax Owed	\$2,645.50	\$2,557.60
Decrease in Tax Payment		-\$87.90

Increase in Assessed Value		
	<u>2019</u>	<u>2020</u>
Assessed Value	\$500,000	\$540,000
Tax Rate	0.5291	0.556
Tax Owed	\$2,645.50	\$3,002.40
Increase in Tax Payment		\$356.90

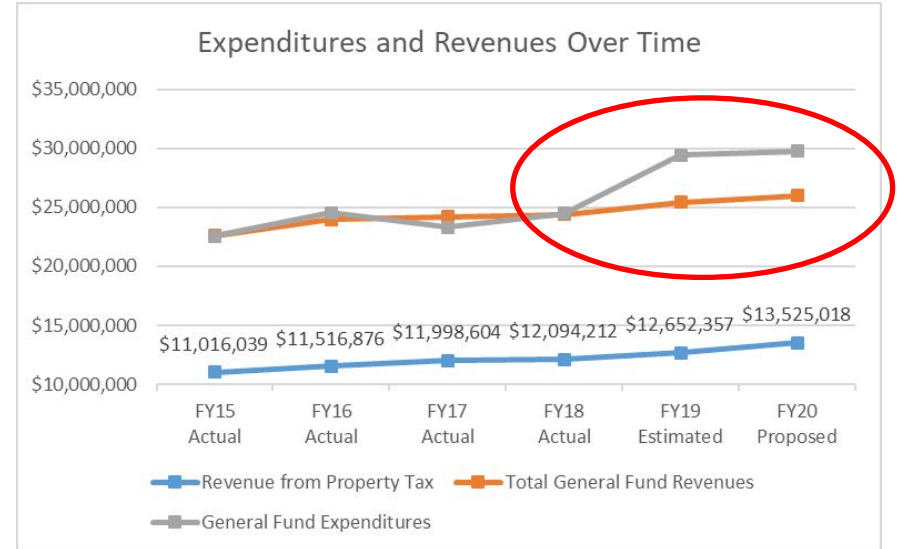
## Why the Proposed Tax Increase?

- Tax revenues have not kept pace with increased personnel and capital expenditures (operating costs have remained relatively flat over the same period)



## Why the Proposed Tax Increase?

- We have relied on reserves to fill the gap in previous years, but no longer have the “padding”
- We need increased tax revenue to cover costs and keep reserves at reasonable level
- We either increase tax revenue or cut services, programs, and the positions associated with them



## Why the increases in capital and personnel expenses?

- Long planned capital projects are either wrapping up or getting underway: Ethan Allen Gateway project, Flower Avenue Green Street Project, expansion and renovation of the Library
- FTEs have increased over the last several years in order to “right size” to meet Council’s priorities. Positions added include: Sustainability Manager, Construction Manager, Economic Development Manager, Youth Success Coordinator, and Community Policing officer
  - Meanwhile, the work we’ve traditionally done continues and the workload increases

Staffing Summary by Department or Fund	Actual FY15	Actual FY16	Actual F17	Actual F18	Adopted FY19	Proposed FY20
General Government	17.50	17.50	17.25	16.75	17.75	17.75
Police	59.47	59.47	62.64	62.95	64.95	<del>66.45</del> 65.45
Public Works	34.85	35.85	35.85	36.10	36.10	36.10
Recreation	19.89	19.89	19.87	19.34	20.53	21.03
Housing and Community Development	9.75	9.83	8.51	8.38	9.50	10.13
Communications	4.35	5.62	5.75	5.75	5.75	5.50
Library	10.90	11.12	11.13	11.13	11.13	11.13
Stormwater Management	1.15	1.15	1.15	1.15	1.15	1.15
Special Revenue	-	-	-	-	-	-
Speed Camera	3.00	3.00	3.00	3.00	3.00	3.00
<b>Total Full-Time Equivalents</b>	<b>160.86</b>	<b>163.23</b>	<b>165.15</b>	<b>164.55</b>	<b>169.86</b>	<del>172.24</del> 171.24

The 1.38 increase in FTEs reflects budgeted adjustments in hours for existing positions, rather than creation of any new positions.

## Why the reserve level?

- Until Council established a reserve policy, we typically made sure each year that there was at least \$3 million in reserves, which would fund about two months of City operations; consistent with government finance best practices, the Council established a policy that requires 17% of GF revenues be reserved (\$4.4 million in FY20)
- Examples of when reserves are used (each of the following can easily cost in the \$100,000s):
  - Time sensitive/unexpected purchases (such as property acquisition, major equipment replacement)
  - Unexpected loss in revenue or loss in revenue not offset (such as elimination of inventory tax)
  - Multiple day storm events

## Growing/Strengthening Programs:

- Housing
  - Affordable housing strategies
  - Landlord-tenant services
- Economic Development
- Community Policing

## Major Challenges/Opportunities:

- Fiscal sustainability
- Affordable Housing
- Economic Development, especially along New Hampshire
- Washington Adventist Hospital site
- Takoma Park Rec Center
- Takoma Junction
  - Intersection improvements
  - Site Development
- Capital projects underway
- Stormwater

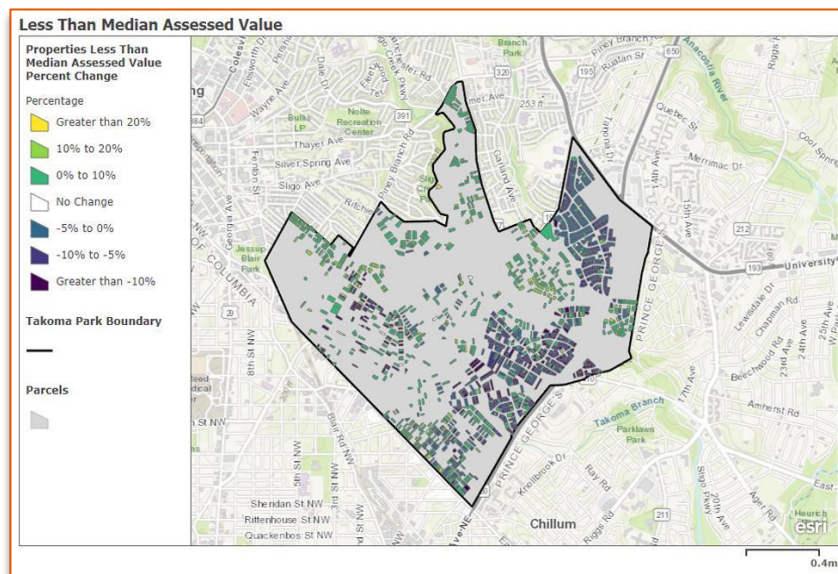
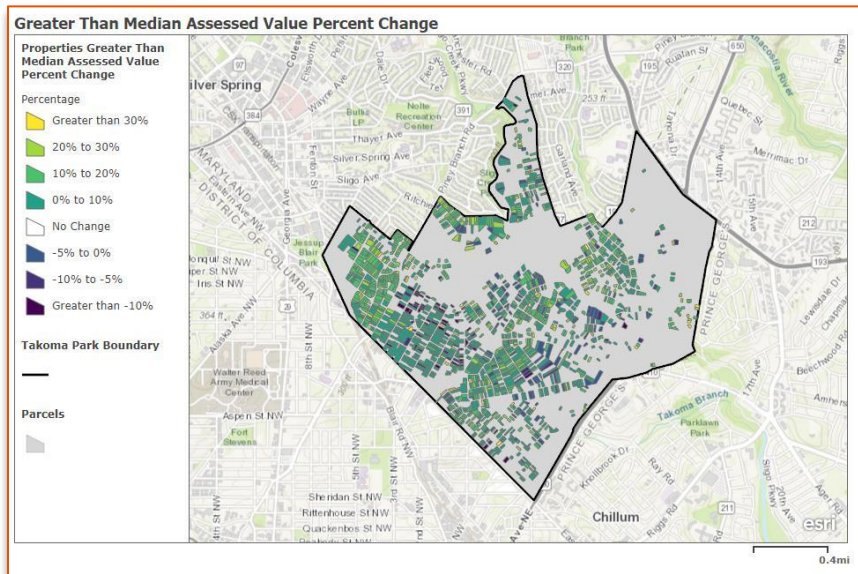


## Economic Context

- Property valuations were a mixed bag this year, with 37% of properties decreasing in assessed value
- Uncertainty about housing affordability moving forward as moratorium on new housing continues
- New Hampshire Avenue ripe for redevelopment; with development comes new tax revenue to help offset property tax revenue

Single Family Home Value	# of Properties	% of Properties that Decreased in Value
<\$400,000	170	81.2
\$400K-\$450K	653	74.4
\$450K-\$500K	620	39.8
\$500K-\$600K	970	20.5
\$600K-\$700K	568	11.3
\$700K>	473	5.7

# Single Family Home Assessed Value Change



# Budget Overview

## Budget Principles

- Pay ongoing costs with ongoing funds
- Maintain infrastructure as best we can, even when the budget is tight (otherwise, it costs much more down the road)
- Must follow legal mandates and strive to meet best practices

- **General Fund Revenues**

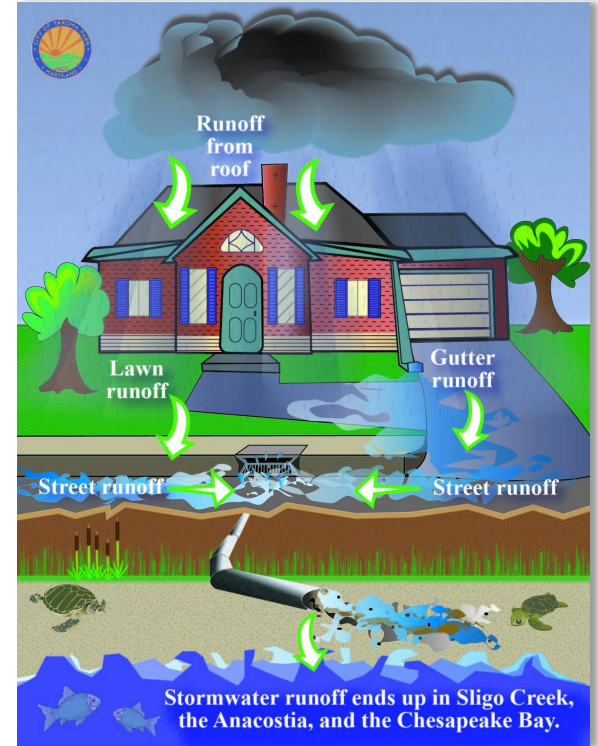
- Real Property Tax
- Income Tax
- Intergovernmental Revenue
- Personal Property Tax and Commercial Real Property Tax

- **Stormwater Fund**

- No change in rate for FY20, but changes likely in FY21

- **Special Revenue Funds**

- **Speed Camera Fund**



- **Real Property Tax – must increase or we must eliminate services/programs**
  - In FY18, rate was reduced below Constant Yield
  - In FY19, rate was reduced from \$0.5348 to \$0.5291
  - Despite rate cuts, property tax revenues have increased, but not enough to offset increased costs
- **Intergovernmental Revenue – includes tax duplication, HUR, State Police Aid, Cable Operating Revenue**
  - Tax duplication continues to be frozen at levels far below what is fair
  - HUR slightly up over FY19
  - Police Protection from State slightly down, but County Code Police Rebate up
  - Cable Franchise and Operating revenues continue to decline

- **Personal Property Tax**

- Expected revenue in FY20 down by \$320,000 from FY19 due to elimination of inventory tax for commercial properties
- No offset has been established; commercial property assessments had large increases in most recent assessment

- **Income Tax**

- We receive 17% of amount residents would otherwise pay to the County; total expected to be slightly lower in FY20 than in FY19

- Despite rate cuts, property tax revenues have increased, but not enough to offset increased costs

<b>Fiscal Year</b>	<b>FY16 Actual</b>	<b>FY17 Actual</b>	<b>FY18 Actual</b>	<b>FY19 Estimated</b>	<b>FY20 Proposed</b>	<b>% Change FY16-20</b>
<b>General Fund Expenditures</b>	\$24,507,546	\$23,287,590	\$24,464,414	\$29,419,261	\$29,754,586	21.41%
<b>General Fund Revenues</b>	\$23,941,482	\$24,213,442	\$24,369,567	\$25,430,642	\$25,970,116	8.47%
<b>Property Tax Revenues</b>	\$11,516,876	\$11,998,604	\$12,094,212	\$12,652,357	\$13,525,018	17.44%
<b>Personnel</b>	\$15,782,379	\$16,110,080	\$16,460,099	\$17,810,771	\$18,535,361	17.44%
<b>Operating</b>	\$5,039,283	\$4,737,035	\$4,938,055	\$5,811,269	\$5,648,177	12.08%
<b>Capital Outlay</b>	\$1,783,457	\$2,065,455	\$2,112,856	\$4,766,987	\$4,358,915	144.41%
<b>Debt Service</b>	\$1,902,426	\$359,898	\$982,447	\$919,915	\$917,728	-51.76%

- **Personnel Costs - total personnel costs (including wages and benefits) increasing 4.07%**
  - Wages increasing consistent with market per compensation and classification study
  - Health insurance only increased by 1%, which will result in an administrative correction during reconciliation!!
- **Operating costs decreasing**
- **Capital costs slightly down from last year, but still up overall**
  - Roads, sidewalks, facilities, and equipment
  - Flower Avenue Green Street and Library (portions not covered by grants or bonds)

	<b>FY19</b>	<b>FY20</b>	
<b>Fiscal Year</b>	<b>Estimated</b>	<b>Proposed</b>	<b>% Change</b>
Personnel	\$17,810,771	\$18,535,361	4.07%
Operating	\$5,811,269	\$5,648,177	-2.81%
Capital Outlay	\$4,766,987	\$4,358,915	-8.56%
Debt Service	\$919,915	\$917,728	-0.24%



## Capital Costs

- **Special large projects: Flower Avenue Green Street and Library**
- **Annual infrastructure spending on streets and sidewalks** - goal is \$500k each year
  - Street repaving - \$500,000 (reduced to \$300,000 in FY19, need to bring back up)
  - New sidewalks - \$250,000 (spent \$800,000 in FY19)
  - ADA sidewalk work - \$500,000 (spent \$400,000 in FY19), half is for SHA sidewalks
- **Equipment Replacement Reserve**
  - \$613,895 (\$1,114,565 in FY19)
  - Replacement of Police cars, Recreation bus, dump truck, PW pickup trucks, Admin pool car, miscellaneous PW equipment

## Capital Costs (cont'd)

- **Facilities Maintenance Reserve**

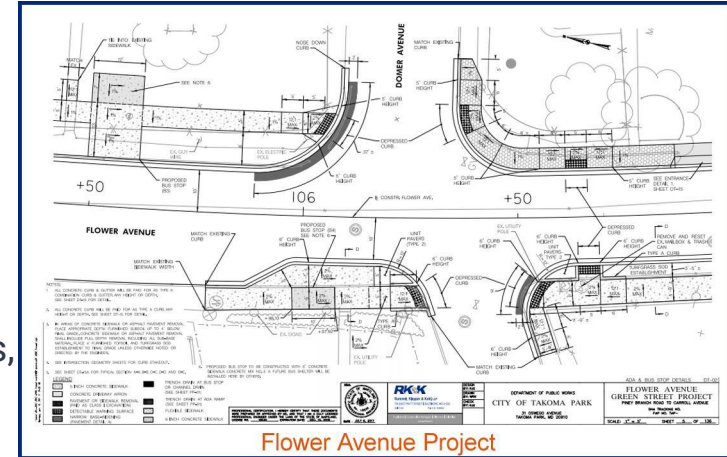
- Expenditures will include:
  - \$34,000 for replacement of overhead/garage doors at PW
  - \$50,000 for HVAC work in Community Center
  - \$135,000 for third floor renovations (reception area, atrium, meeting rooms, lactation room, storage)

- **Stormwater Fund and Fee**

- Fee remains \$92 for FY20; \$230,000 budgeted in FY20 for capital projects
  - Grant and Holly Ave bioretention
  - Manor Circle and Carroll Ave inlet and piping
  - Parkview Towers bioretention (at Lincoln and Hancock Ave)
  - Takoma Branch Stream restoration

# Special Revenue Funds

- We routinely pursue grant funds for major projects; some require matches from the General Fund
  - \$2,961,801 in non-City funds budgeted for Flower Ave Green Street
  - \$190,000 in non-City funds budgeted for New Hampshire Ave Bikeway Design
- We also receive payments through franchise agreements with cable companies that we use to pay for capital projects, equipment, and staff associated with City TV and other communications
  - \$185,500 budgeted for Communications/IT office space renovations, auditorium improvements, and a new Council dais



## Speed Camera Fund

- Revenues down slightly, as there has been a decrease in the number of tickets issued
- Fund pays for two Police Officers and a Photo Enforcement Analyst
- Excess revenue can be spent only on Police and other public safety items
  - In FY 20, we plan to use the funds to pay for a mobile camera trailer, field radio equipment, and mobile/in-vehicle computers



## The proposed budget is crafted to advance Council's Priorities, which were adopted in March 2019:

- 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



## A Livable Community for All

- Addressing floodplain issues and completing detailed design for Library
- Beginning to implement accepted recommendations of the Housing and Economic Development Strategic Plan; another \$200,000 contribution to the Affordable Housing Fund
- Continuing to advocate for reuse of the Washington Adventist Hospital site to benefit the City and community
- Furthering community policing efforts
- Advancing racial equity work
- Street, sidewalk, and bikeway improvements
- Funds for community grants and partnerships
- Community events and arts programming

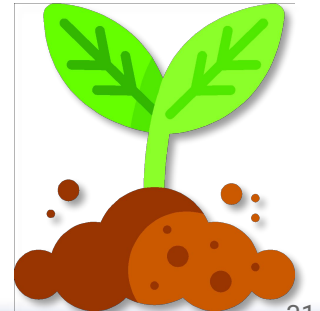


## Fiscally Sustainable Government

- The proposed budget includes an unassigned general fund balance of \$3.1 million
  - Per best practices and adopted policy, this should be \$4.4 million
- Contribution of \$50,000 in addition to actuarially recommended amount for Police Employees' Retirement Plan

## Environmentally Sustainable Community

- About \$100,000 in savings due to transition to LED streetlights!
- Flower Avenue Green Street project
- Stormwater improvements
- Rebates and grants for clean and efficient energy use



## Engaged, Responsive, and Service-oriented Government

- Increase in FTEs by 1.38 primarily due to increased hours for existing positions
  - Fulltime Landlord-Tenant Mediator, Fulltime Parking Enforcement Officer

## Community Development for an Improved & Equitable Quality of Life

- Implementing accepted recommendations of Housing and Economic Development Strategic Plan
- New Hampshire Avenue redevelopment
- Capitalize on Opportunity Zone designation
- Business assistance throughout the City (slightly reduced contributions to OTBA and TL-CDA)
- Takoma Junction development
- Takoma Park Recreation Center – strategize for next steps

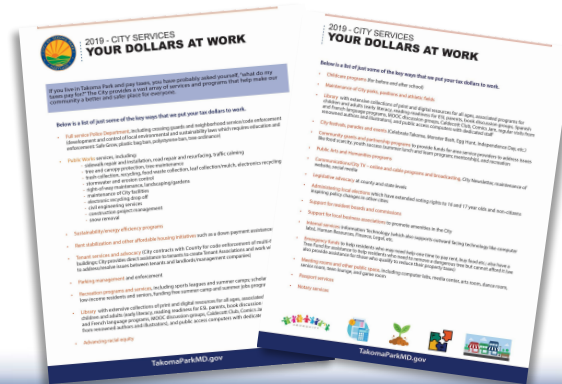




- **Community grants:** \$60,000 (up from \$40,000 in FY19)
- **Community Partnership Program:** \$110,000
  - Farmers Market - \$20,000
  - Food Pantry/Food Distribution - \$15,000
  - Summer Enrichment Program (Lunch and Learn) - \$45,000
  - Community Play Events - \$10,000
  - Teen Mentoring Program - \$20,000
- **Emergency assistance services:** \$30,000
- **Emergency tree removal grants:** \$25,000
- **Community events,** including Independence Day (\$25,000 for event, ~\$17,000 in overtime for Police and PW staff); Folk Festival (\$20,000), Celebrate Takoma (\$12,000), Misc. festival support (\$10,000)
- **Commemoration Commission:** \$12,000
- **Tax Rebate Program (supplement to State program):** \$152,000



- **Status quo for GF Expenditures: maintaining existing service levels and programs**
  - The proposed budget reflects continuation of existing service levels and programs, with the exception of a small increase in housing services
- **Status quo for Property Tax Revenues: maintaining constant yield**
  - If the tax rate was reduced to the Constant Yield (\$0.526), and we maintained a minimum level of \$3 million in reserves (\$1.4 million below the level established by the policy adopted last year), we would need to cut **about \$730,000** from the proposed budget



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# Next Steps

- The Budget Work Session on Monday will provide a more detailed overview of departmental and non-departmental budgets
- The second Budget Work Session will focus on the costs of individual programs and services, and provide Council with an opportunity to discuss potential budget reduction options