

Work Session

Agenda Item #	5
Meeting Date	January 28, 2013
Prepared By	Suzanne Ludlow Acting City Manager

Discussion Item	Continued Discussion of Financial Matters and Budget Priorities
Background	<p>[This is a reprint of the agenda packet item from January 22, 2013.]</p> <p>At the end of the City’s budget process in May, there was discussion concerning approximately \$1.4 million dollars that the City Council was hesitant to allocate to a specific purpose. The funds consisted of a late allocation of \$653,220 from the Montgomery County Council in additional municipal tax duplication funds for police services and \$750,000 in funds that the City Manager had recommended committing towards a May 2015 payoff of the 2005 Community Center Bond. (The \$750,000 is approximately 40% of the payoff amount.)</p> <p>During the budget discussion, the Council felt that it did not want to allocate these funds until more information on the economic situation was available. The Council decided to review the use of the funds in January.</p> <p>A Council work session was held in December to start to identify fiscal goals or desired uses for these funds and to begin to think about the overall FY 2014 budget. Staff has also discussed areas of financial uncertainty, and identified required and optional budget items.</p> <p>Staff is beginning work on the proposed FY 2014 budget, to be considered by the Council in April and May. Staff is preparing a “maintenance of effort” budget, with proposals to add or remove programs, service changes, etc. to be based on the direction given to staff by the Council over the next month. (Once a proposed budget is prepared and submitted for consideration, the Council can modify it as it adopts it as a final budget.)</p> <p>The Acting City Manager will go over a number of financial issues and wish list items to facilitate a discussion by Council on January 22 and 28. By the end of the discussion on January 28, staff will want direction as to how to proceed with any expenditures from the unallocated \$1.4 million in the FY 2013 budget and with preparation of the proposed FY 2014 budget.</p>
Policy	The Council approves the budget of the City of Takoma Park
Fiscal Impact	n/a
Attachments	Overview of budget and financial items
Recommendation	Discuss; give direction to staff
Special Consideration	

Budget Overview and Discussion

Council Work Sessions January 22 and 28, 2013

General Questions for Council

1. What does the Council want to do with the tax rate for FY 2014?

The City's current property tax rate is \$0.58 per \$100 of assessed valuation. It should be noted that the tax rate will be applied to the City-wide taxable assessment valuation. The revised real property assessment estimate will be issued in mid-February. If the assessed value of property declines, the tax rate will need to be increased just to maintain the same amount of revenue (the "constant yield"). In FY 2013, it was estimated that the assessed value increased by 1.5% from the prior year, so keeping the nominal tax rate at \$0.58 yielded \$203,197 in increased property tax revenue over the prior year.

If the Council feels strongly that the real property tax rate should be lowered or remain constant, that information will be important for staff to know as the proposed budget is being prepared.

There have been some proposals to use rebates or special payments to offset the tax burden on some property owners. If there is agreement on a proposal or an interest in considering a proposal, staff can work with that while preparing the proposed budget.

2. Is the Council comfortable in making decisions that would significantly impact staffing and services before a new City Manager is appointed?
3. Does the Council wish to use a community visioning process to help identify priorities for City efforts and funding over a multi-year period?

4. Does the Council want to allocate some or all of the \$1.4 million in the FY 2013 Projected General Fund Fund Balance for use during this budget year?

Background Information

Revenue

Property Assessment may change due to the every three year reassessment for property in Takoma Park. The citywide estimate will be available in mid-February. 5% of this year's projected property tax revenue would be approximately \$575,000, so if the assessments decreased or increased by this percent, this would be the magnitude of the change.

In discussions related to the renegotiation of the franchise agreements with the cable television companies and the County, there has been talk of a possible opportunity to use more of the cable grant money for cable-related operating expenses. Currently only \$72,000 of cable money annually is designated for operating expenses.

Municipal Tax Duplication is currently under review in the County Council's GO Committee, with a study being done by the Office of Legislative Oversight. County staff has indicated they would like a portion to be considered a grant, which could be reduced over time. Takoma Park may be most hurt due to the significant amount of money for police services (that no other municipality receives).

Speed camera revenue is lower than projected (can't charge late fees; delay in implementing new cameras, etc.). Problems in the City of Baltimore may cause State legislation to be enacted that could impact revenues. These revenues fund several police staff positions and a large amount of sidewalk and traffic safety improvements.

Highway User Revenue is proposed to be higher this year for municipalities, based on Governor O'Malley's proposed budget, but still would be only a fraction of the amount Takoma Park received several years ago.

Undesignated Funds

\$1.4 million was left undesignated in the Projected General Fund Fund Balance for FY 2013. Citing uncertain economic circumstances, Council decided to leave the full \$1.4 million undesignated and to revisit its use in January. These funds could be spent during the current fiscal year or appropriated in the FY 2014 budget. Councilmember Male has suggested rebating property owners 35% of the \$1.4 million in undesignated funds (\$490,000); using 25% for reductions in property taxes for rental buildings for energy efficient improvements (\$350,000); using 20% for business for energy efficient improvements (\$280,000); and using another 20% for high priority services (Sunday hours for library during school year, purchase of lot at Jackson and Ethan Allen as garden) for another \$280,000.

Possible current year expenditures to enhance City operations

The Police Department would like to proceed with hiring a part time Emergency Manager to coordinate emergency management preparation and coordination for the City. The FY 2013 budget called for a position that was half time Dispatch Supervisor and half time Emergency Manager. However, it was determined that a full-time Dispatch Supervisor was needed so the Council agreed to add the half time position.

If the Council wishes, the City's Living Wage Law could be made consistent with the County's and several contractor position and similar part time staff could have their wages raised to the new level.

It is recommended that any remaining expenditures be one-time costs. These could include a community visioning process, hiring an architect to assess City facility needs and prepare recommendations and cost estimates, and additional funding for sidewalk installations or other short term capital projects.

Big Ticket Issues

Personnel- Related Items

The City of Takoma Park operates with very few staff for the services provided. Nevertheless, personnel costs comprise the biggest part of the budget. Personnel

costs also increase each year. Even with no added staff, modest salary increases and typical benefit cost increases, City revenue will need to increase each year just to cover personnel costs.

Most departments are understaffed and have increasing workloads. One area where the work load has increased markedly over the past several years is City TV. City TV staff and contractors staff the arts events in the Auditorium and many other programs in the Community Center and around Takoma Park. There is no indication that the number of events will lessen, so creating at least two full time positions is warranted.

The Police Department is looking to add staff to allow shifts to be reduced from 12 hours to 10 hours. The shorter shifts for police officers would reduce officer fatigue, illness and accidents (which should lower workers compensation and property insurance claims). The Department is exploring a proposal to add five officers over five years. This would provide another squad to cover the time from moving to the shorter shift and to increase the SAT/Tac team by one officer. The Chief is also exploring raising educational standards for officers and/or higher ranking officers. This would probably require an increase in pay to address competition with other police agencies for officers with a stronger educational background.

Councilmembers have proposed several service enhancements that would require additional staff: Establishing Sunday hours for the Library and the Community Center and establishing a Senior Outreach program with a part time staff person.

It may be that facility cleaning and maintenance requires more staff, contracting out for service or establishing some hybrid arrangement. It is unclear if a change would require additional funds.

With the new accounting standards, the unfunded pension costs will be shown as a liability in the City's financial statements. Also, the City's contribution to the police pension fund will increase under the changed assumptions recently adopted by the City.

Capital Improvements

Community Center building improvements are needed. As staffing and services have changed, the building has been subject to wear and tear, and staff has become familiar with maintenance needs, it is clear that it would be appropriate to have an architect assess the building and our needs, make recommendations for improvements and provide cost information. (See list on page 7.)

One of our oldest facilities is the Library. At some point, major renovation or replacement will be needed. And, as library services change, the type of facility needed may change as well. Councilmember Seamens has proposed to have a visioning process to rethink the role of the library in Takoma Park.

Besides the items in the FY 2013-2017 Capital Budget, there are a number of capital projects that HCD staff recommends considering:

- Flower Avenue Green Street: Funding to complete project in its entirety (may come from different grant sources and may require City match)
- Ethan Allen Streetscape Project: \$250,000 for matching funds for anticipated grant applications
- BY Morrison Park Improvements: \$20,000-\$30,000 for design and engineering; \$40,000 - \$60,000 for renovation and improvements
- Parking Pay Stations: \$15,000 per location (In addition to changes at specific parking lots, the City may need to upgrade its existing parking meters and either move to meters that take non-coin payments or to on-street parking pay stations.)
- 6530 New Hampshire Ave: \$20,000 for feasibility study
- Takoma Junction Streetscape: \$100,000 - \$300,000 for streetscape design and traffic engineering
- Winding Hill Way Access: Funding for purchase of ROW easement and needed resurfacing
- New Ave Multi-way Boulevard: Matching funding for potential State bond allocation
- Takoma Junction City Lot: Matching funding for potential environmental remediation

Sidewalk construction plans may be hampered by lower speed camera revenues; other funds may need to be identified if Council wants to continue to do sidewalk construction at the current rate.

Takoma Park Recreation Center on New Hampshire Avenue has been proposed to be torn down and a mixed use facility built that incorporates a recreation center. Alternatively, the land may be sold and a recreation center built elsewhere. In either case, the City of Takoma Park may need to pay to operate it without a contribution from Montgomery County while development plans are in the works.

If new officers are added to the Police Department, there would need to be a purchase of police cars and equipment.

There have been some proposals for installing surveillance cameras in public rights of way where crime problems have been reported.

Special Operating Budget Items

In order to prioritize community and Council desires for services, projects and initiatives, a community visioning process could be undertaken. Such a process would require money for a consultant firm, but could be useful in giving direction for future budgeting and staffing. (Currently, the Council has a Strategic Plan and Recreation Vision that may need updating or replacing, will have results from the Sustainability Action Plan process just beginning, and there is a desire for an economic development strategy and a vision for the library. How do these fit together? What else is needed?)

City should have an IT audit/strategic plan done to make sure the City has the right software, hardware, training, and controls for City staff and specialized police and financial needs.

A city-wide market study would cost approximately \$40,000.

Some Councilmembers have suggested having a City-wide traffic study done.

The Safe Routes to School program could be enhanced with the addition of approximately \$100,000 in staffing and programming funds.

The “We Are Takoma” series could be enhanced by the addition of approximately \$10,000 to help pay performers and to assist with marketing.

City facility construction/renovation proposals

Some funds are in budget to study adding a floor in 2nd level atrium area.

Improve storage options

Auditorium maintenance, including refinishing the floor

Police Department: Move holding cells and interview rooms to Level 1, create sally port, do miscellaneous improvements

IT: Remodel server room with better air conditioning/access etc.

Recreation: Teen room renovations

Improve building signage, convert 3rd floor Atrium room to nice training/conference room, clean/remodel storage areas in basement/improve Community Center entrance from parking lot, improve lighting along Library, identify storage for tables and chairs

HR: remodel so as to have confidentiality for interactions with HR Generalist

Library: Update/replace library building

Public Works needs cameras and security system and needs to update facilities not done in past year

General: “Green” and durable improvements to Community Center public spaces including hallways, meeting rooms, bathrooms; move vending machines; improve passport application area to allow for confidentiality; better use of lobby spaces on 3rd floor; remove shed in back of building and store trash in better location, repave/improve parking lot; plug-in station for electric vehicles