

# City of Bowie Budget Policy Guidance Meeting

November 26, 2007

# City of Bowie

## Action Plan 11 from Strategic Plan:

Strategic Issue: Growing service demand

Goal: Better balance between resources and current demand for existing services

Action: Provide policy guidance at start of budget process

# City of Bowie

## Action Plan 11 (Continued)

### Specific tasks:

1. Council meets to establish budget priorities and guidelines.
2. City Manager conveys Council policy to department heads for guidance in preparing budget requests.

# Fiscal Policies

## Revenue and Expenditure Policies

1. The City will strive to adopt an annual General Fund budget in which recurring expenditures do not exceed recurring revenues.
2. A five-year projection of revenues and expenditures for the General and Water and Sewer Fund will be prepared each fiscal year to provide long-range, strategic perspective to each annual budget process.

# Fiscal Policies

## Revenue and Expenditure Policies (Continued)

3. On an annual basis the City will set rates for the Water and Sewer Fund at levels which provide for self-sufficiency.
4. One-time nonrecurring revenues shall be used for financing capital projects. Examples of one-time revenues include, but are not limited to: proceeds from the sale of surplus property, capital grants and other infrequent, nonrecurring revenues. The use of one-time revenues for financing ongoing operating expenditures is strongly discouraged.

# Fiscal Policies

## ■ Capital Financing and Debt Management Policies

1. The City will not use long-term borrowing to finance current operations or normal maintenance expenses.
2. The City will strive to maintain a high reliance on pay-as-you-go financing for its capital improvements.

# Fiscal Policies

## ■ Capital Financing and Debt Management Policies (Continued)

3. The City will maintain an unreserved General Fund fund balance at a level not less than 25 percent of annual General Fund revenue. The City will also maintain a budget basis unrestricted fund balance within the Water and Sewer Fund at a level not less than 25 percent of annual Water and Sewer Revenue.
4. To the extent that unreserved General Fund fund balance exceeds the 25 percent level, the City will draw upon the fund balance to provide pay-as-you-go financing for capital projects or for other one-time capital items.

# Fiscal Policies

- **Capital Financing and Debt Management Policies (Continued)**
- 5. As part of the Capital Improvements Program, an analysis of the long-term financial impact shall be performed for new capital projects. The analysis shall include the initial capital costs for acquisition and construction, as well as the impact on operating costs. The analysis of operating costs shall include the changes in operating and maintenance costs, additional workforce requirements, productivity enhancements, and risk management considerations.

# Fiscal Policies

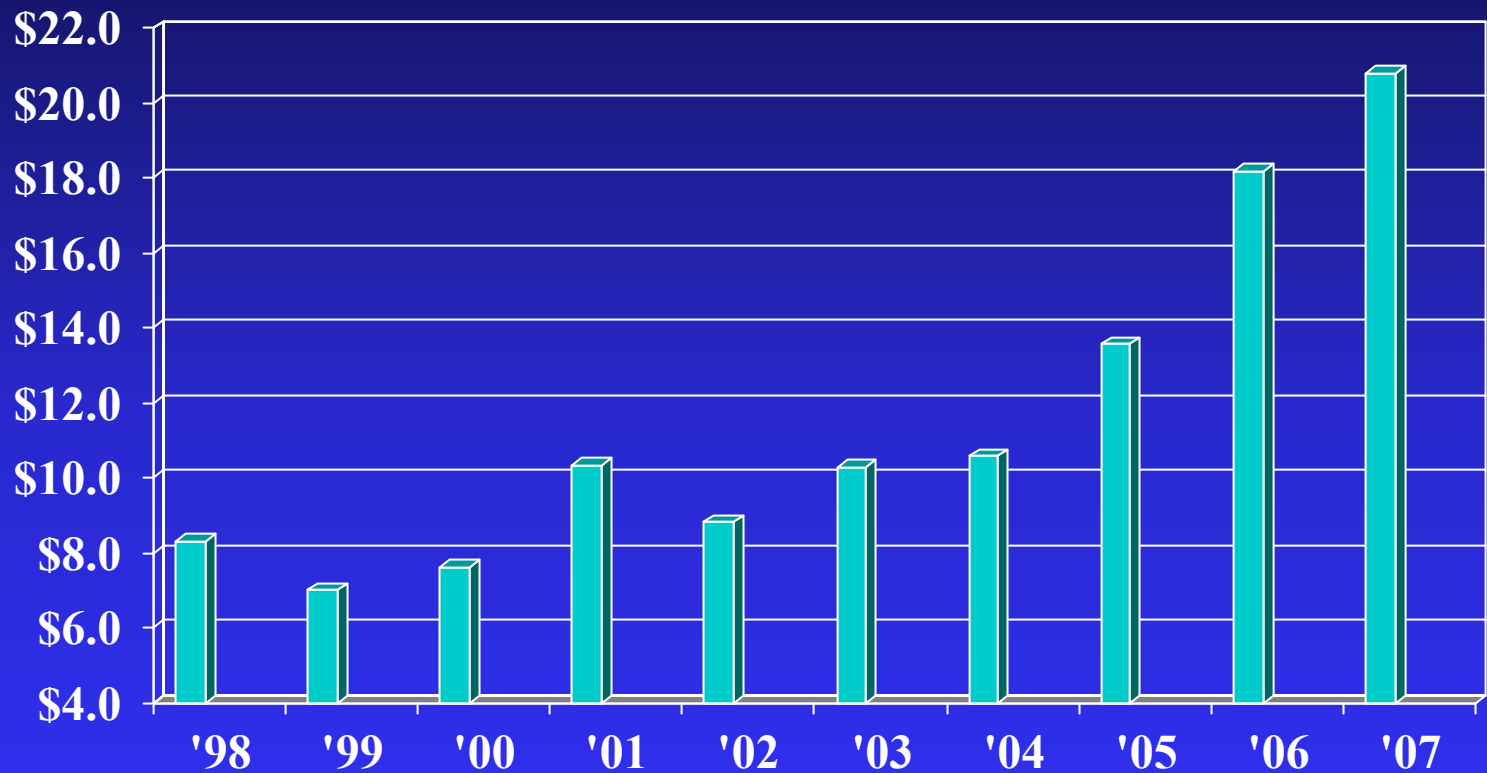
- **Capital Financing and Debt Management Policies (Continued)**
- 6. All debt issued will be repaid within a period not to exceed the expected useful lives of the improvements financed by the debt.
- 7. The City will maintain its tax-supported bonded debt at a level not to exceed 0.8 percent of the assessed valuation of taxable property within the City.

# Factors that would adversely impact City budget:

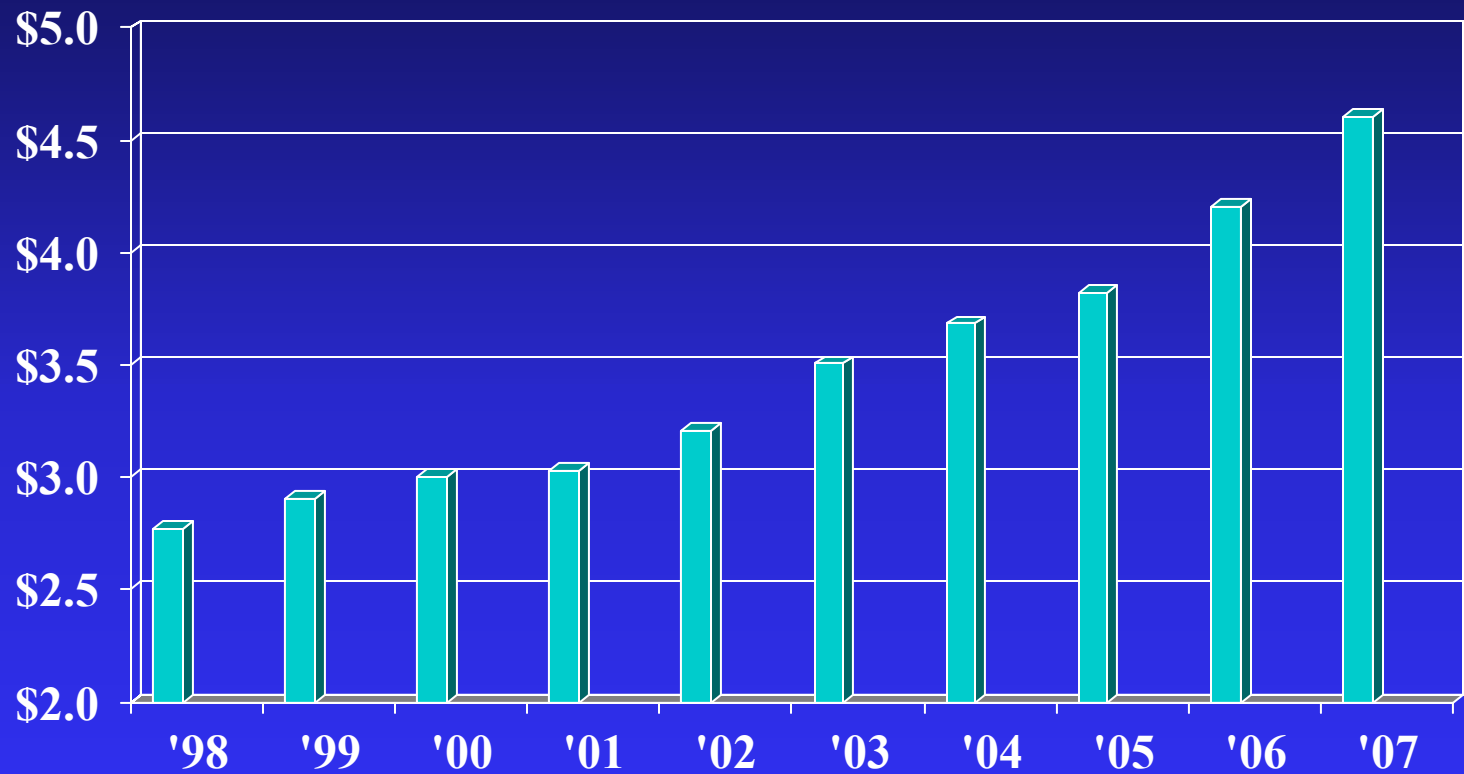
- Continued weakness in housing market
- Higher oil and energy prices
- Inflation

# Trends of Major Revenue Sources Last Ten Years

# Undesignated Fund Balance – Last Ten Years (In millions)

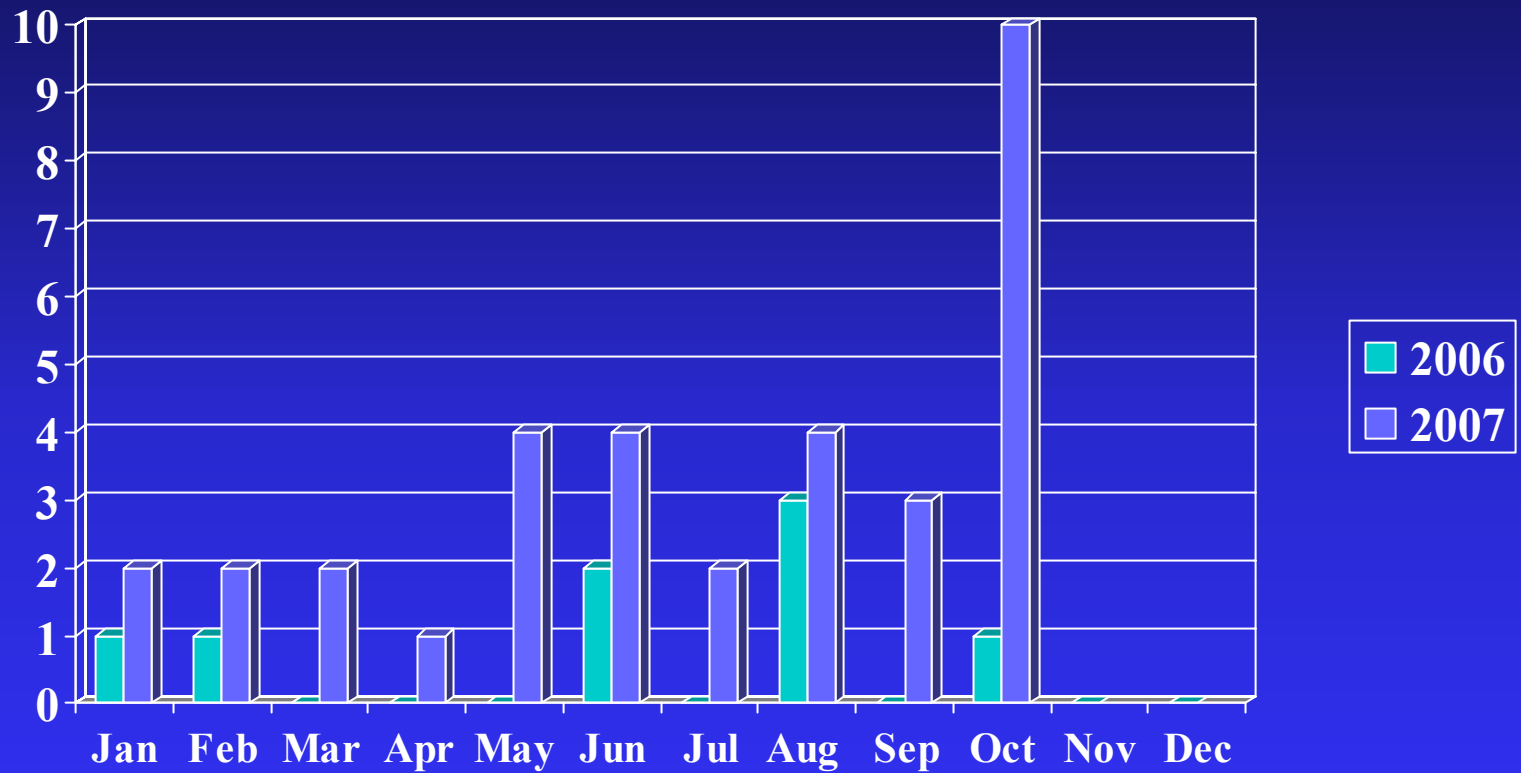


# Assessed Value – Last Ten Years (In billions)

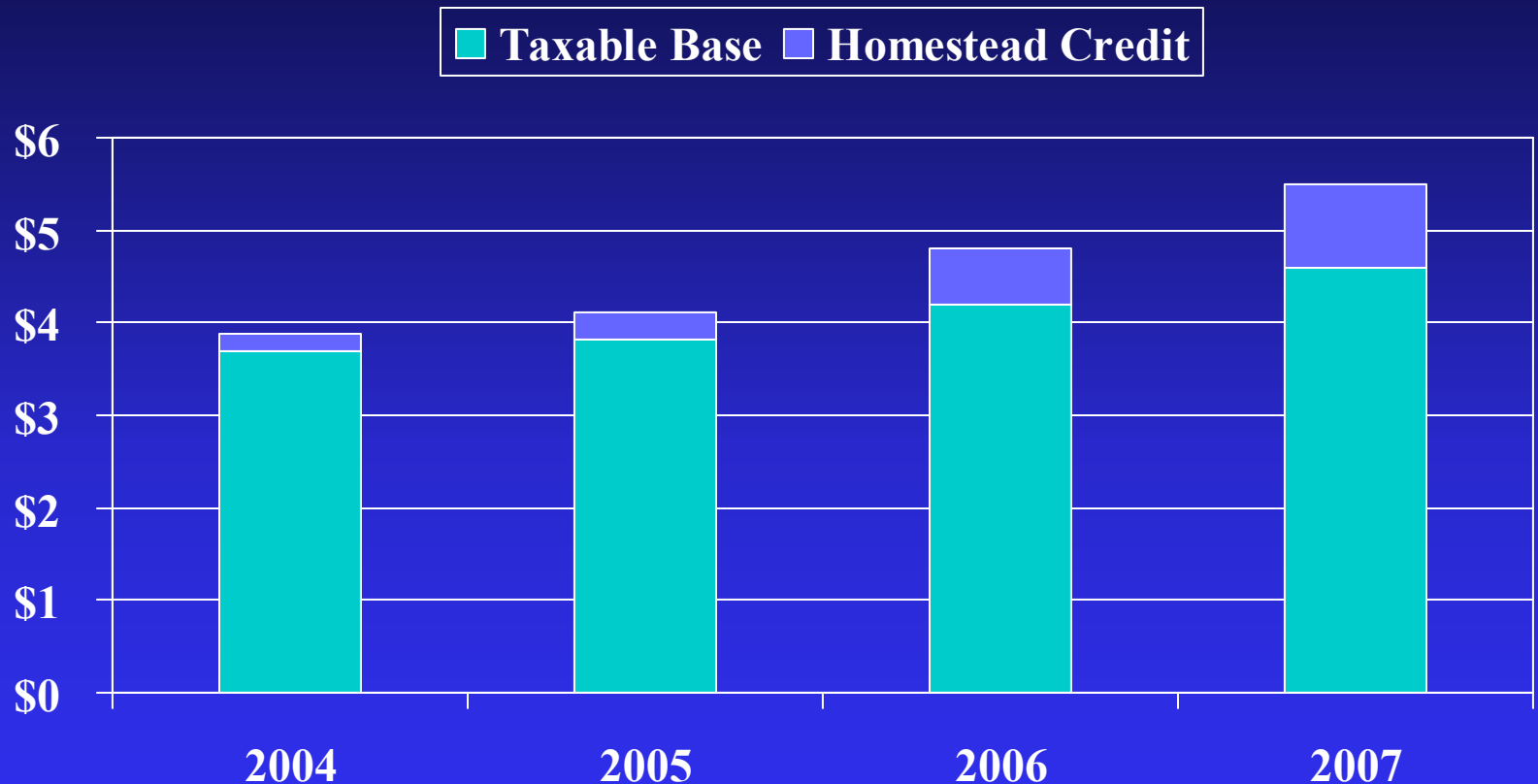


# Foreclosure Notices

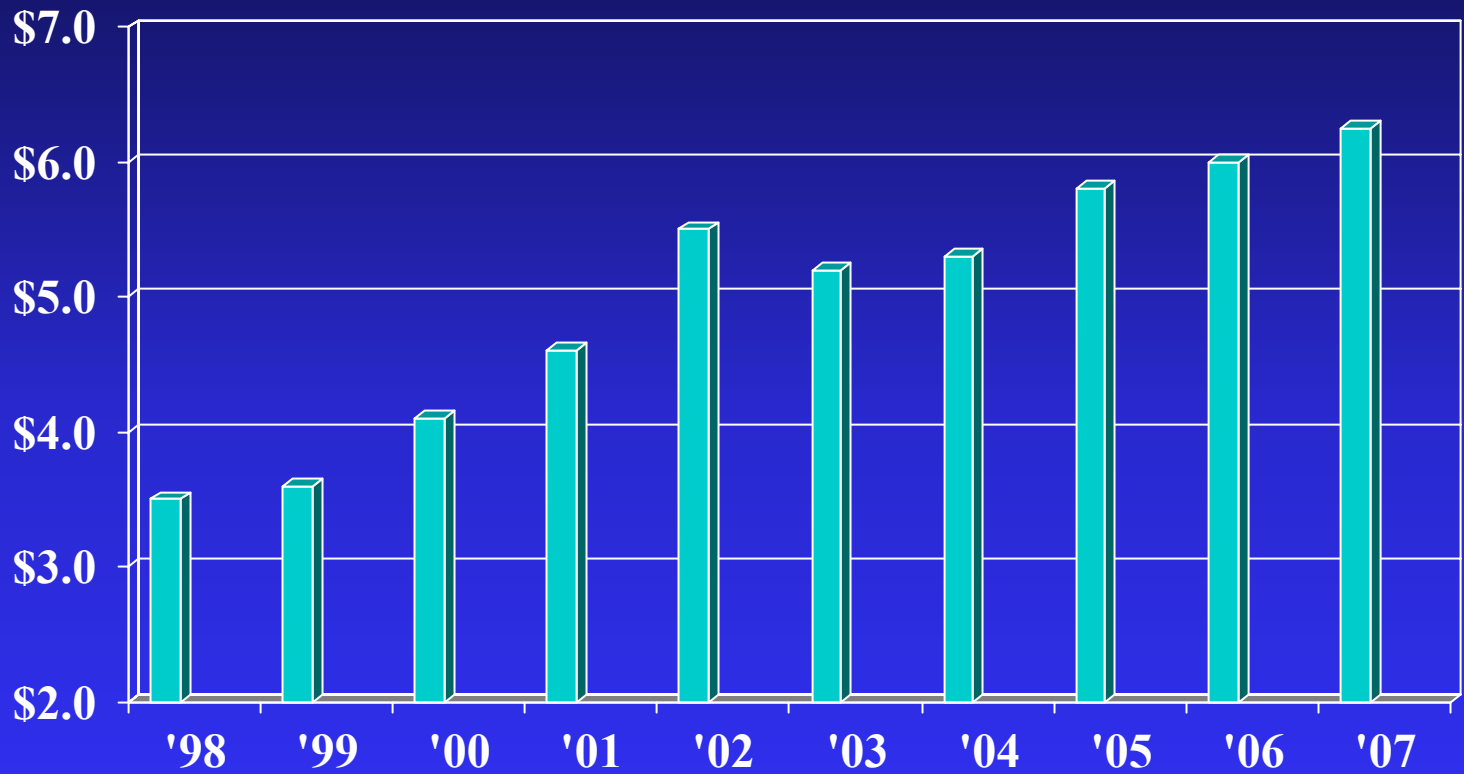
(January 2006 through October 2007)



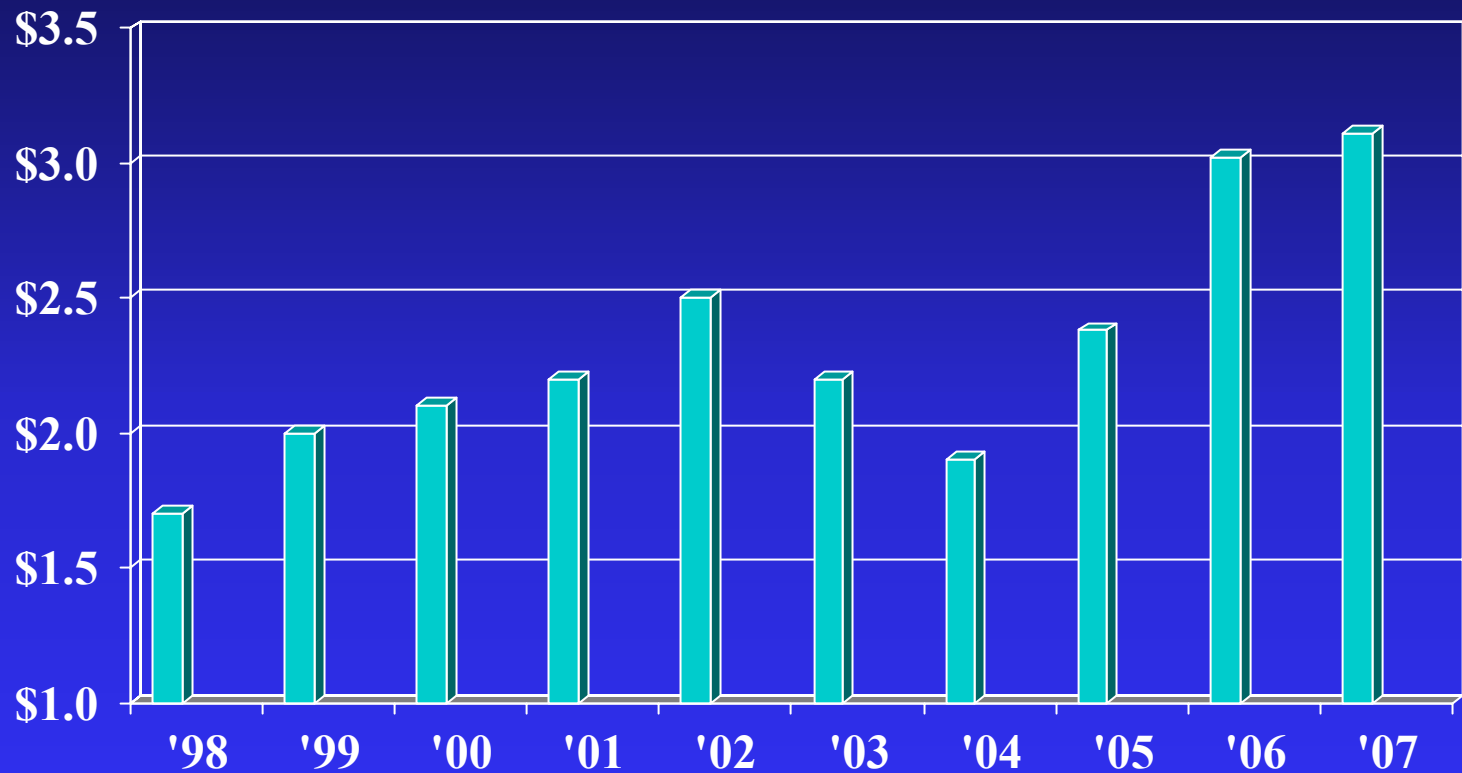
# Homestead Tax Credit (Assessed values in billions)



# Income Taxes – Last Ten Years (In millions)



# Highway User Revenue – Last Ten Years (In Millions)



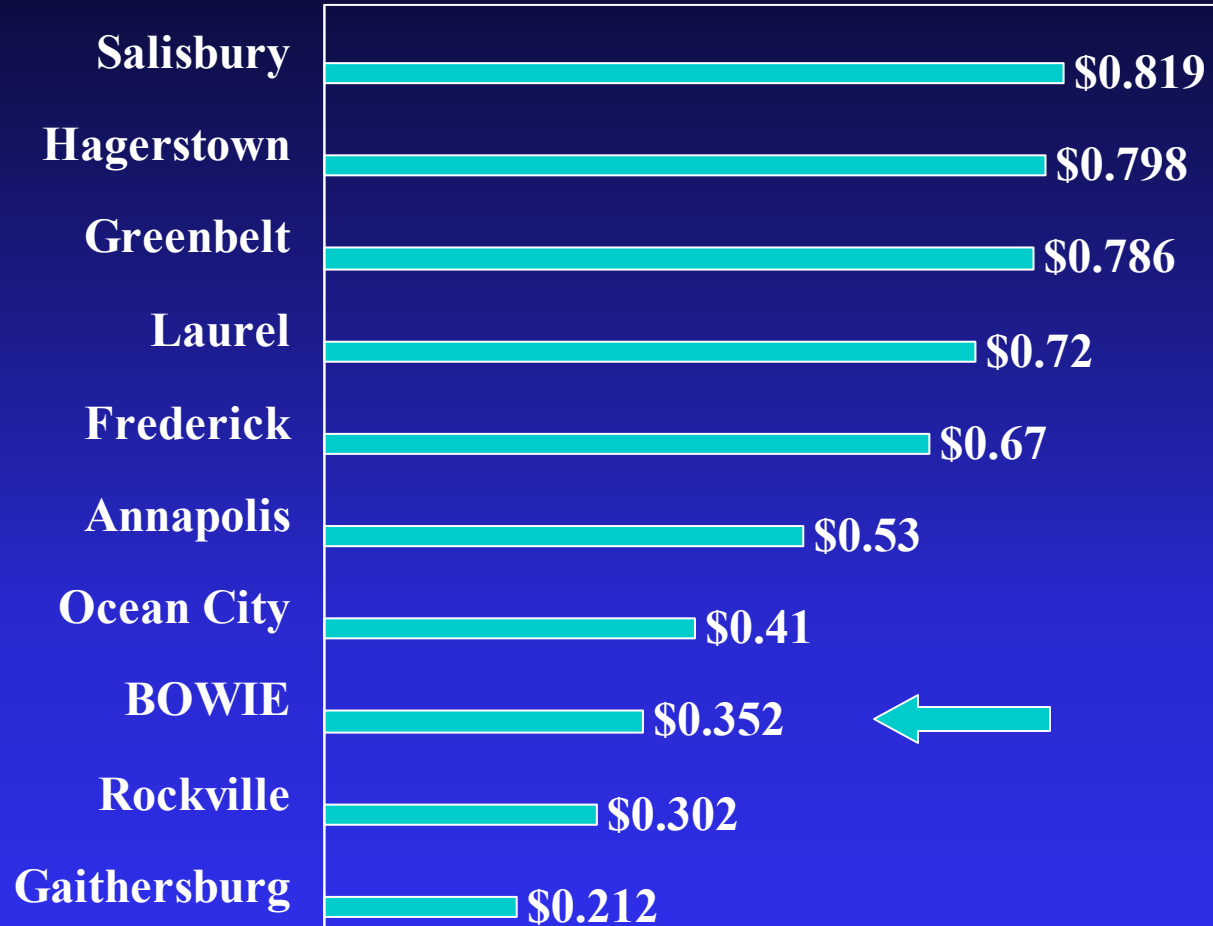
# Update on Highway User Revenue

- FY2008 budget estimate reduced by \$230,000
- Reflects reduced gasoline taxes collected by State
- Reduction represents .7% of total revenues

# Community Expectations

- Continue to provide quality, cost-efficient core services
- Continue implementation of police force

# FY2008 Property Tax Rates



Note: Some municipalities have additional charges added to this rate.

Source: State of Maryland Department of Assessments and Taxation

# Current Projects

- New Parks Maintenance Facility
- Old Town Bowie Redevelopment
- Allen Pond Park improvements
- Church Road Park development
- Hiker/Biker Trail System development
- Wastewater Treatment Plant Improvements

# New Services and Projects

- Police Department – Will take at least 2 more years to fully implement
- New City Hall – Project Management firm selected. Request For Proposals for Architectural/Engineering firms issued
- Golf Course improvements
- Old Town Bowie Traffic Improvements
- Public Works Main and Satellite Facilities

## Capital Costs of New Services and Projects

- City Hall/Police Department - \$32+ million
- Golf Course Improvements - \$4.2 million
- Old Town Bowie Traffic Improvements - \$3.5 million
- Public Works Satellite Facility - \$2.1 million
- Public Works Main Facility - \$1.1 million

# City of Bowie

## Action Plan 12 from Strategic Plan:

Strategic Issue: Growing service demand

Goal: Adjusted service mix that meets 2010 needs

Action: Evaluate options; select and implement changes

# Potential Projects and Services for Future Consideration

- New Gymnasium (CRC recommendation)
- Church Road Improvements
- Commingled recycling
- Dispatching for Police
- Facilities maintenance

# Sources of Funding

- Cash Reserves (Undesignated Fund Balance)
- Sale of surplus land:
  - ◆ Hohensee Sale - \$3.2 million
- Borrowing (for example, debt service on \$10 million would be in the range of \$735,000 to \$800,000 per year)
- Tax rate increases

# Water and Sewer Fund

- Self-supporting entity financed entirely by user charges
- Declining user consumption
- Anticipate 10% rate increase, borrowing using State Revolving Loan Program for Wastewater Treatment Plant improvements, and grants from the Chesapeake Bay Restoration Fund

# Council Guidance for Budget

- Action Plan 11 from the Strategic Plan states that the Council should establish budget priorities and guidelines.
- Once established, the City Manager conveys the Council policy to department heads for guidance in preparing budget requests.

# Council Guidance for Budget

- To avoid last minute requests during budget review in April and May, staff believes it's crucial to obtain Council consensus on budget items before committing City resources exploring new activities, projects, or services.

# Council Guidance for Budget

- Staff recommends that core services continue at the same level as currently provided. Core services include, but are not limited to, trash collection and recycling, street maintenance, police, parks maintenance, senior citizen and recreational services.

# Council Guidance for Budget

1. Are there additional services being requested by the community?
2. Are there any City-funded activities or services that could be eliminated or reduced in scope?

# Council Guidance for Budget

- Staff recommends limiting the initiation of new services, projects and activities, in order to allow time to:
  - ◆ Implement the Police Department
  - ◆ Work with the Project Management and Architect firms in designing the new City Hall facility.

# Council Guidance for Budget

## Water and Sewer Fund

- The FY2008 Adopted Budget recommended annual increases of approximately 10%. Does Council still support the approach of small increases each year as compared to large increases every few years?

# Council Guidance for Budget

- Council questions, comments, and expectations.