

City of Bowie Budget Policy Guidance Meeting

January 6, 2020

General Fund 2019 Summary

General Fund – Fund Balance increased by \$803,236 or by 2 percent over last year. (Equivalent to \$0.01cent on the tax rate.)

Budgeted revenues	\$ 50,880,100
Use of GF balance	<u>6,843,800</u>
Total budget	<u>\$ 57,723,900</u>

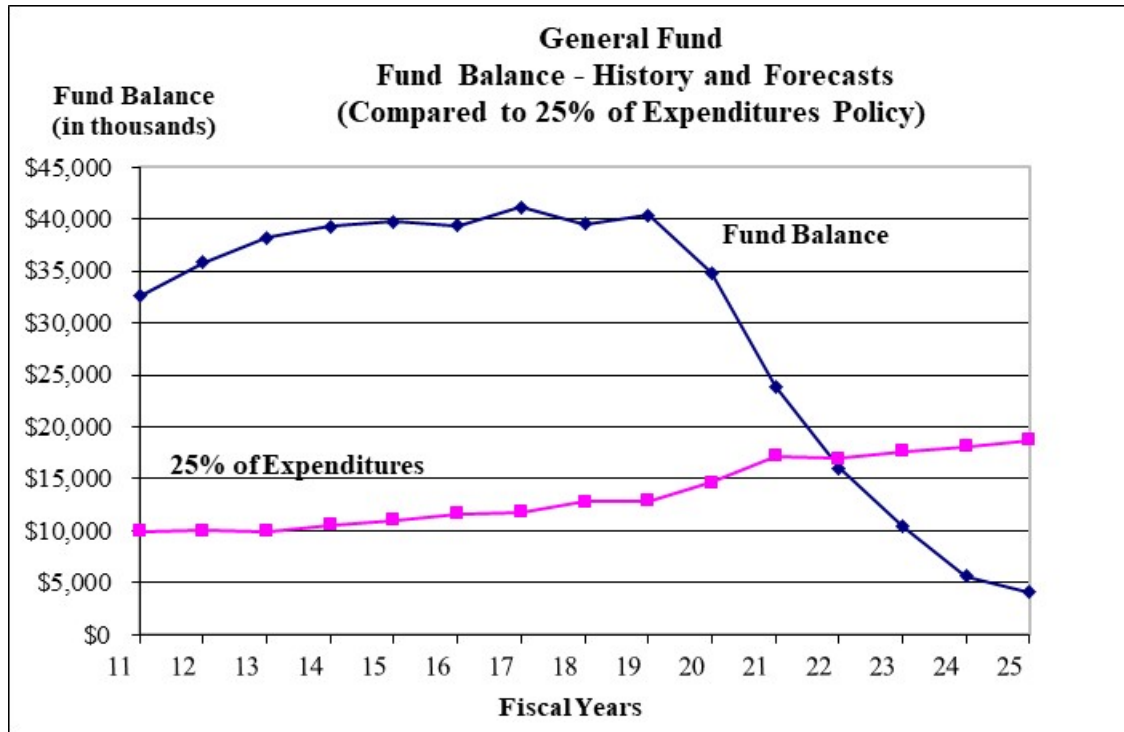
Actual revenues	\$ 52,235,520
Actual expenditures	<u>51,432,284</u>
Change in fund balance	<u>\$ 803,236</u>

Total fund balance FY2019	\$ 40,360,139
Total fund balance FY2018	<u>39,556,903</u>
Increase in total fund balance	<u>\$ 803,236</u>

FY2019 General Fund Net Change in Fund Balance

Revenues:	
General fund FY2019 budget	57,723,900
General fund FY2019 actual revenues	<u>52,235,520</u>
Unfavorable budget variance	(5,488,380)
Expenditures:	
General fund FY2019 budget	57,723,900
General fund FY2019 actual expenditures	<u>51,432,284</u>
Favorable budget variance	<u>6,291,616</u>
Net change in fund balance	<u><u>803,236</u></u>

General Fund Balance History adjust for 2019 year end



FY2019 Increase in fund Balance \$803,236

FY2019 Fund Balance \$40,360,139

Unassigned Fund Balance

Unassigned fund balance: represents the residual fund balance that has not been assigned to other funds or restricted, committed or assigned to specific purposes in the general fund.

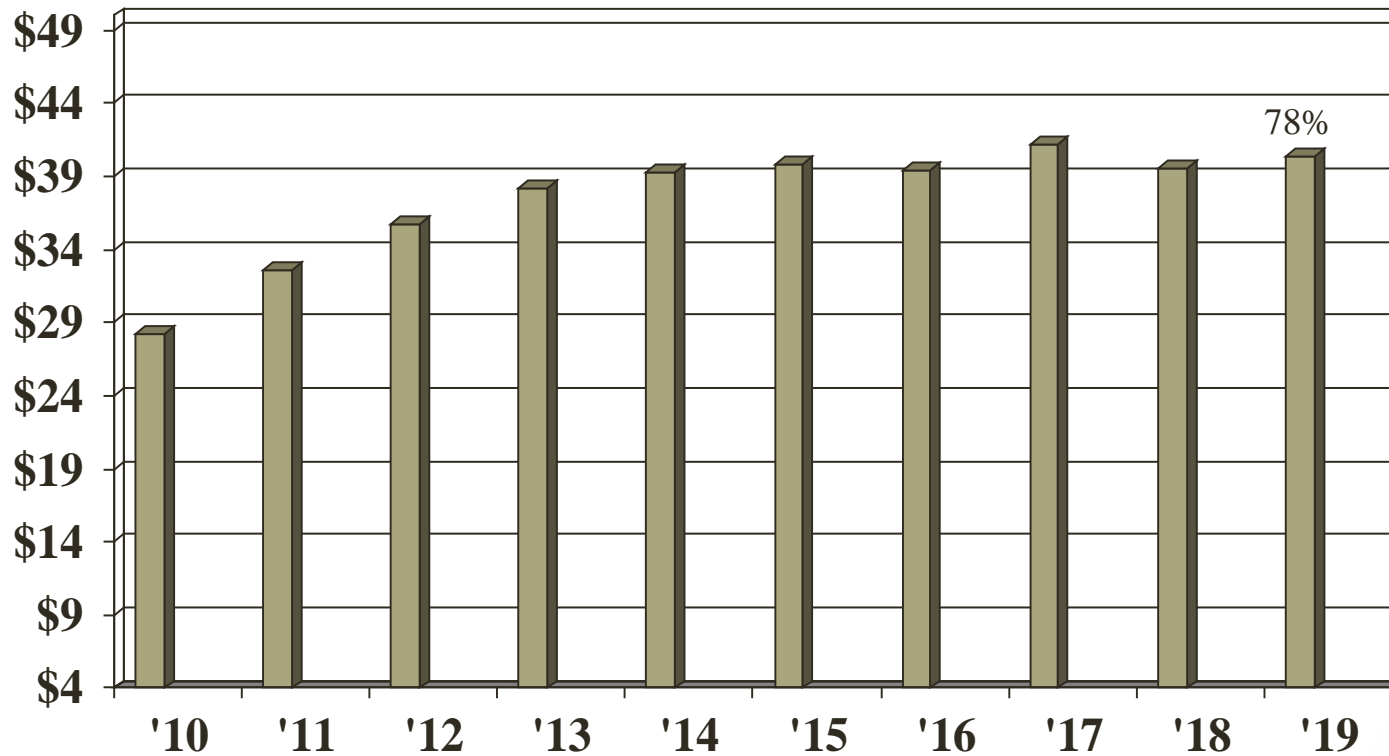
Unassigned fund balance	
Unassigned fund balance 2019	\$ 26,854,282
Unassigned fund balance 2018	<u>25,812,889</u>
Increase: Unassigned fund balance	<u>\$ 1,041,393</u>

Fund Balance Policy

The City Council adopted a policy to maintain the General Fund's fund balance at a level no lower than 25 percent of expenditures.

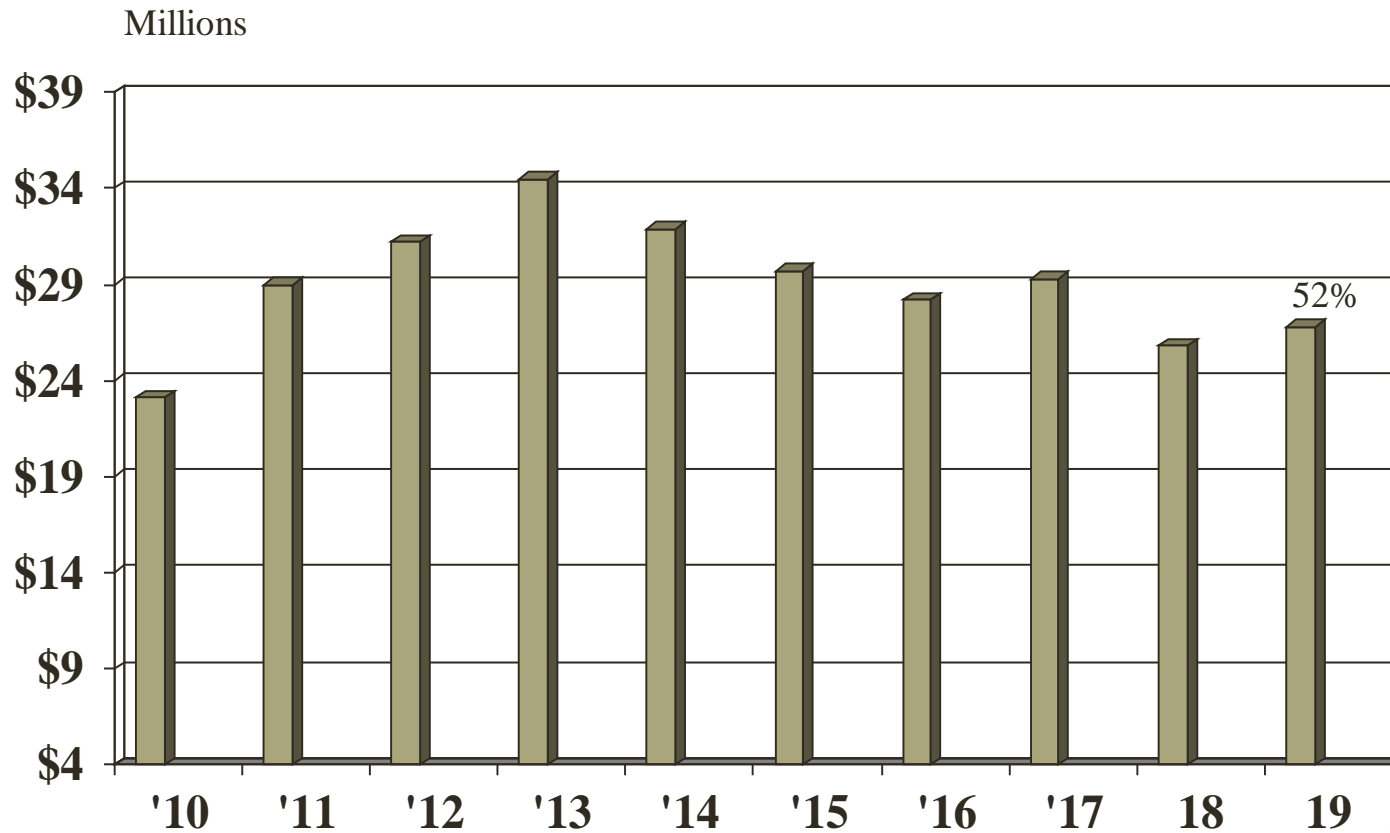
Total Fund Balance FY2019	<u>\$ 40,360,139</u>
2019 GF Expenditures	\$ 51,432,284
Fund Balance as a percentage of expenditures	78%

Total Fund Balance Last Ten Years



Fund Balance policy is 25% of expenditures

Unassigned Fund Balance – Last Ten Years



Governmental Liquidity Ratios

Current assets	<u>\$ 60,836,707</u>
Current liabilities	4,466,274
City has \$14 of current assets to cover every \$1 of current debt	\$14

Total assets	<u>\$ 157,946,290,</u>
Total liabilities	29,249,092
City has \$5 of total assets to cover every \$1 of total liabilities	\$5

FY2019

Budget Highlights

	FY2019	FY2019	Variance with Final Budget
	Final Budget	Actual	Positive (Negative)
Revenues			
Taxes	30,608,900	30,081,839	(527,061)
Licenses and permits	428,800	744,074	315,274
Intergovernmental revenues	14,111,600	15,098,765	987,165
Fees and fines	3,929,200	3,735,504	(193,696)
Contributions	141,200	162,054	20,854
Interest income	429,900	891,039	461,139
Rental income	498,600	544,909	46,309
Other revenues	225,000	470,436	245,436
Transfers In Water and Sewer	506,900	506,900	-
Appropriated Fund Balance	6,843,800	-	-
Total revenues	57,723,900	52,235,520	1,355,420

FY2019

Budget Highlights

	FY2019	FY2019	Variance with Final Budget
	Final Budget	Actual	Positive (Negative)
Expenditures			
General Government	11,425,000	9,532,207	1,892,793
Economic Development	799,300	720,017	79,283
Public Safety	14,161,700	13,316,223	845,477
Social Services	2,667,200	2,398,398	268,802
Public Works	15,346,500	14,016,741	1,329,759
Parks, Culture and Recreation	7,647,800	6,857,610	790,190
Debt Service	1,794,500	1,057,848	736,652
Nondepartmental	632,700	393,709	238,991
Transfers to other funds	<u>3,249,200</u>	<u>3,249,200</u>	<u>-</u>
Total appropriation	57,723,900	51,541,953	6,181,947

Action Items

- Establish a framework for FY2021 Budget
- Set priorities and parameters
- Emphasize importance of using the CIP as a strategic financial planning tool
- Consideration of long term recurring operating costs when adding Capital Projects
- Consideration of debt affordability
- Consider increasing the property tax rate

Legal Debt Margin

Total net debt applicable to the limit
as a percentage of debt limit in FY2020 56.9 percent.

Based on \$7.16 billion in assessed taxable value
Debt limit – 0.8 percent.

City of Bowie

Specific tasks

- Council meets to establish budget priorities and guidelines.
- City Manager conveys Council policy to department heads for guidance in preparing budget request.

Budget Development Schedule

December/ January	Council meets to establish budget priorities. City Manager conveys Council policy to Department Heads.
December	Staff begins planning recommendations for the Capital Improvement Program.
January	Staff begins developing goals for the coming year and estimating costs for operating budget recommendations.
February	City Manager meets with Department Heads to analyze new projects, evaluate progress on continuing projects, determine operating cost requirements and set priorities.
March	Finance Department makes revenue projections, prepares summaries, edits and assembles the City Manager's Proposed Budget.
April	City Manager submits the Proposed Budget and Capital Improvements Program to City Council between April 10 th and April 15 th , as required by City Charter.
April-May	City Council holds budget work sessions and one or more public hearings, all of which are televised and open to the public.

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 a long-range, strategic perspective for the 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.
3. The City will maintain an unassigned fund balance in the General Fund and the Water and Sewer Fund at a level not less than 25 percent of annual expenditures.
4. To the extent that unassigned fund balance in the General Fund 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.
8. The ratio of debt service expenditures as a percent of General Fund revenues shall not exceed 10 percent.

Revenue Outlook

- State
- County
- City

Revenue Outlook - State

- In FY2020, Personal Income Taxes are expected to grow by 3.1%, Sales Tax to increased by 2.9% over FY2019.
- Modest increase in Sales Taxes (1.8%) and Income Taxes (4.2%) are projected for FY2021.
- Risks in the future – Housing, lower wages and uncertainty at the federal level.

Source: Bureau of Revenue Estimates, State of Maryland Comptroller's Office, December 11, 2019

Revenue Outlook – County

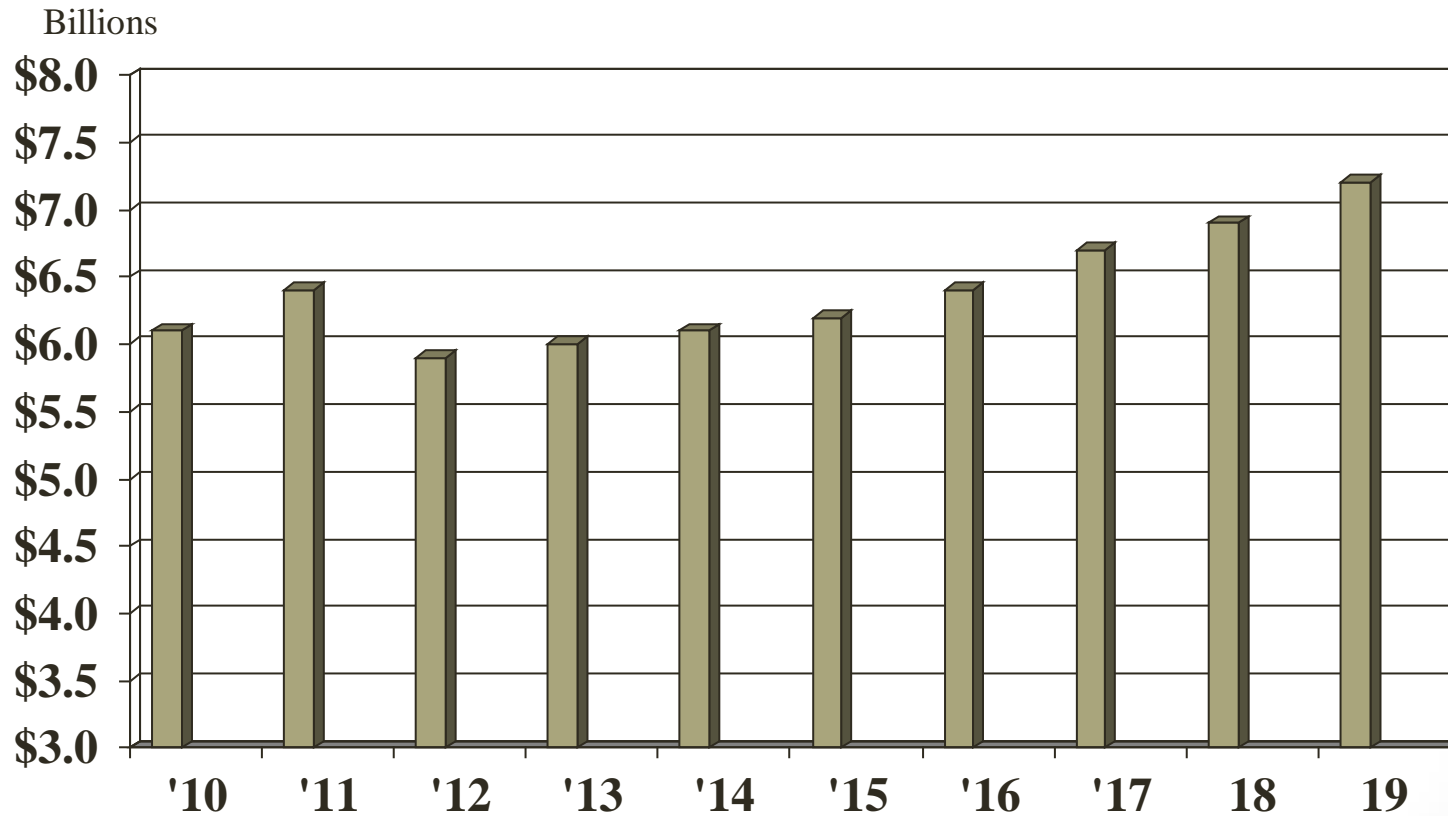
- Stable growth in both the real estate and job markets and the impact of revenues from MGM National Harbor for FY2020: Over all growth of 5.8%.
 - Housing market recovery – Increase of 3.5% in property tax revenue for FY2020.
 - Stable growth in the housing market increased Transfer and Recordation Taxes on average by 2 percent.
 - Intergovernmental Revenues are projected to increase by 1.1% over FY2019.
 - Uncertainty of the regional economic recovery may adversely affect projected revenues for FY2020.
 - Possible reductions in State Aid and cost sharing programs could also negatively impact County revenues.

Revenue Outlook - City

- FY2019 taxable property assessments – increased by 3.7 percent and projected to increase by 3 percent in FY2020.
- Highway user revenue for FY2019 and FY2020 are \$1,971,413,268 and \$2,481,237, respectively, as compared to \$3.1 million received in FY2007.
- State Income Taxes increased by \$1.2 million in FY2019, and are expected to grow by 2.6 percent totaling, \$11.2 million in FY2020.
- At risk from potential federal and state cutbacks, which could affect income taxes and grant support.
- Some Economist are projecting a slower economy for fiscal year 2020.

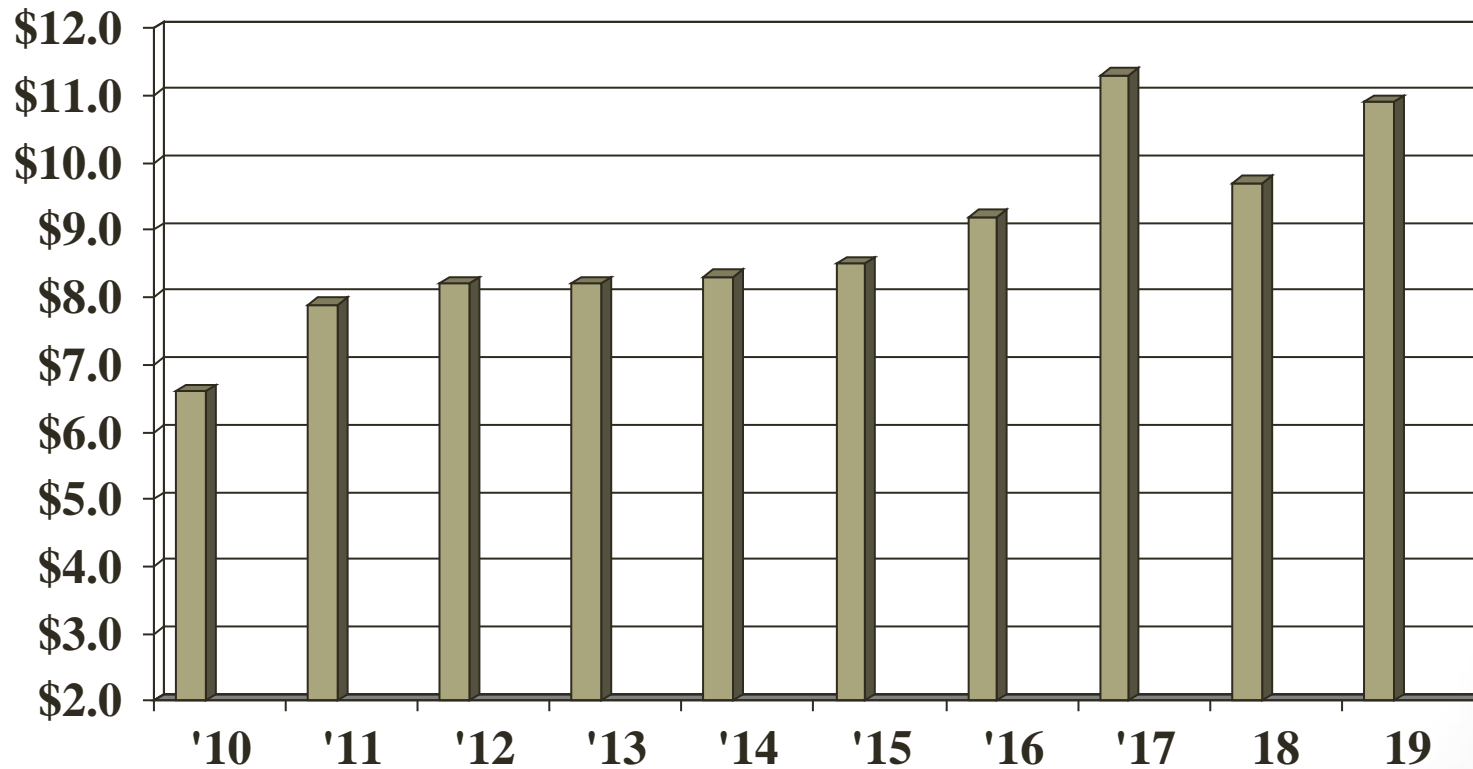
Trends of Major Revenue Sources Last Ten Years

Taxable Assessed Value Last Ten Years



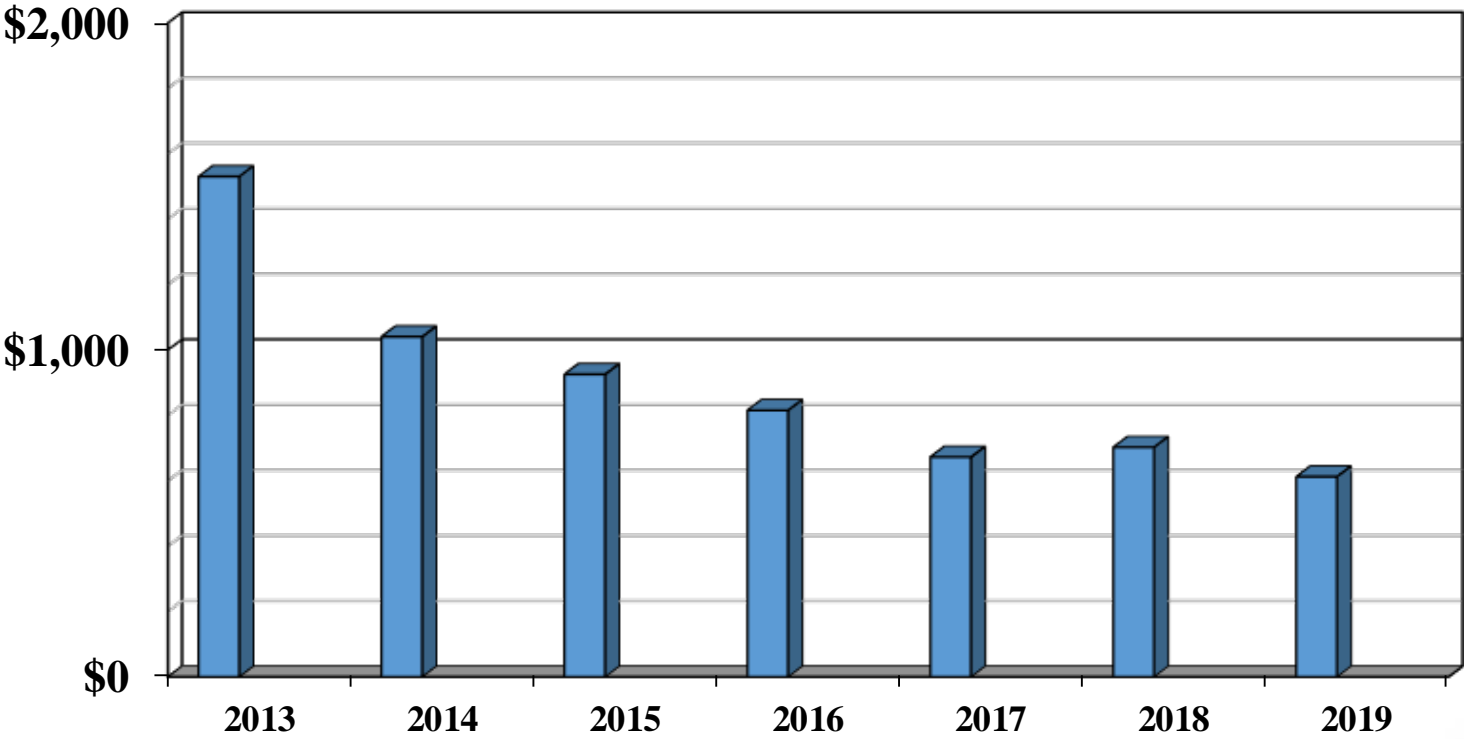
Income Taxes Last Ten Years

Millions



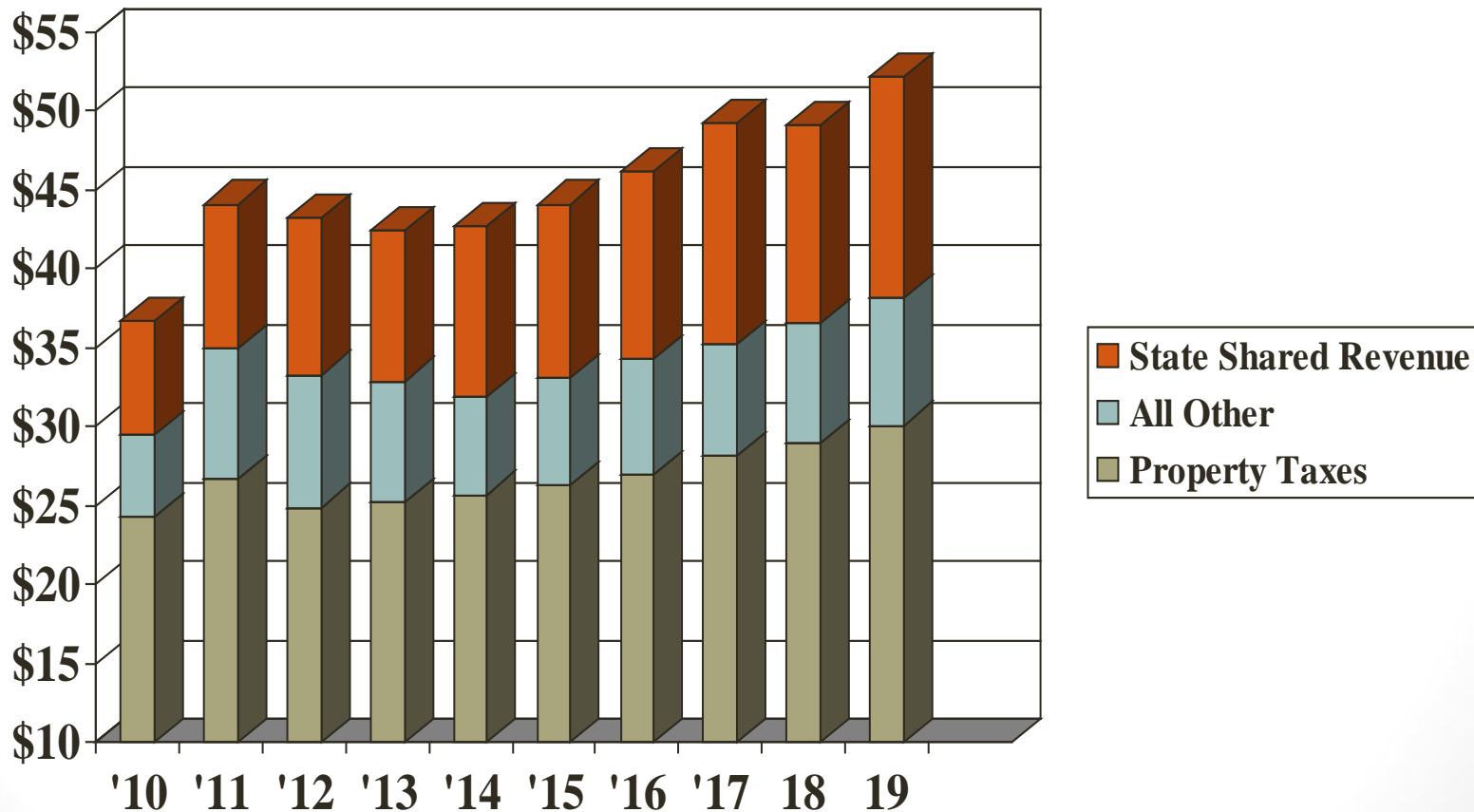
Revenue from Speed Camera Infractions

In millions



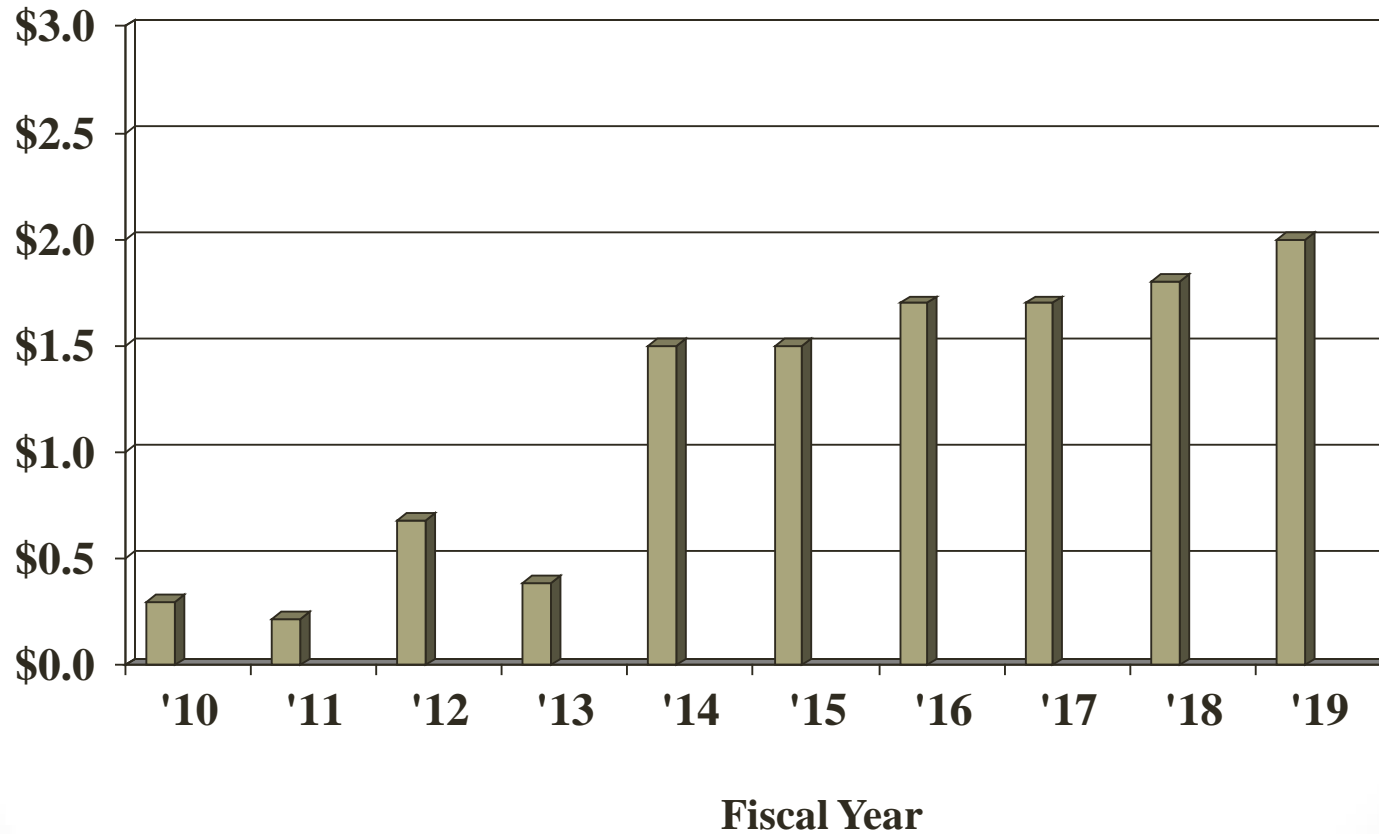
General Fund Major Revenue Categories

Millions



Highway User Revenue Last Ten Years

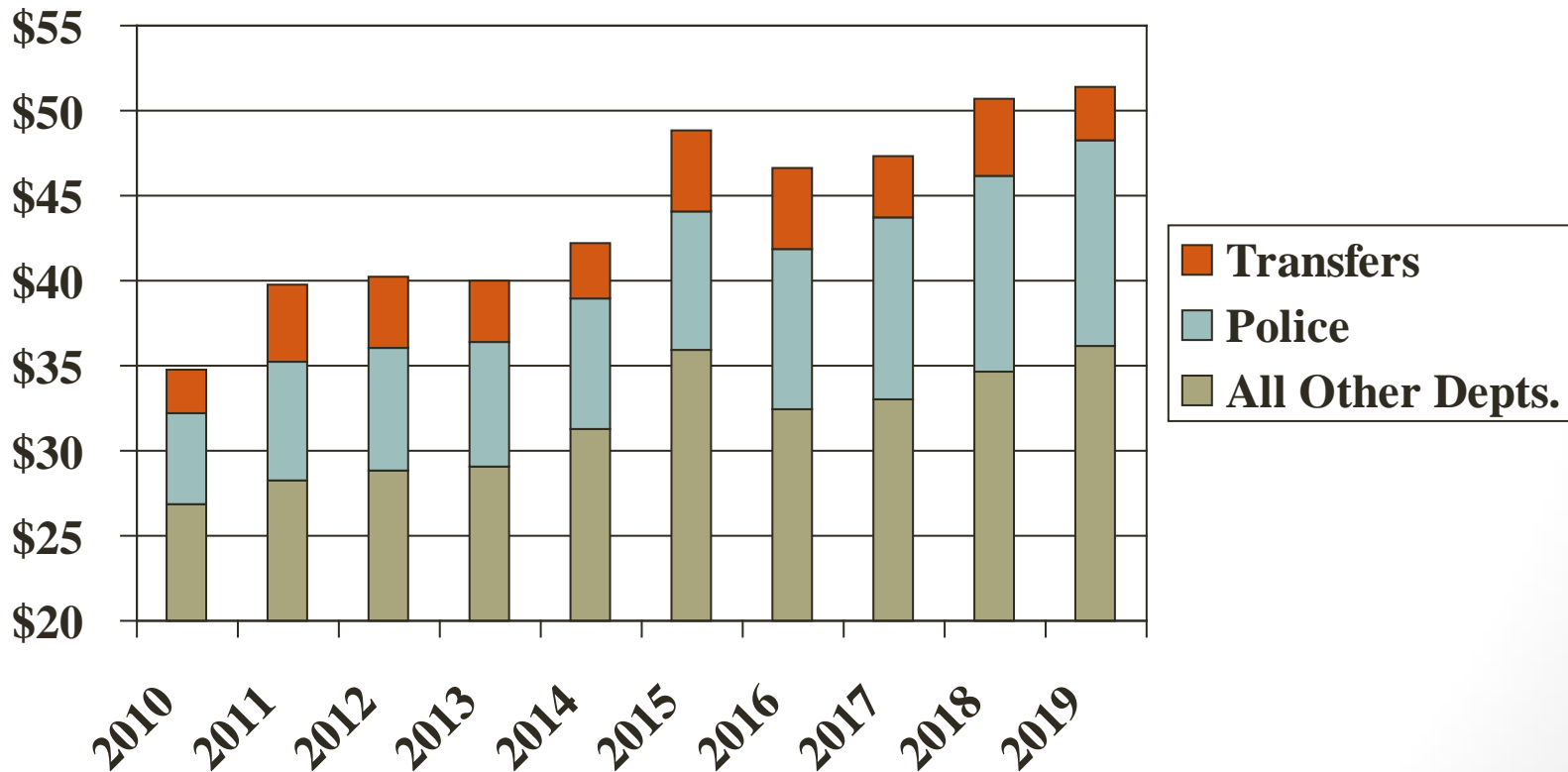
Millions



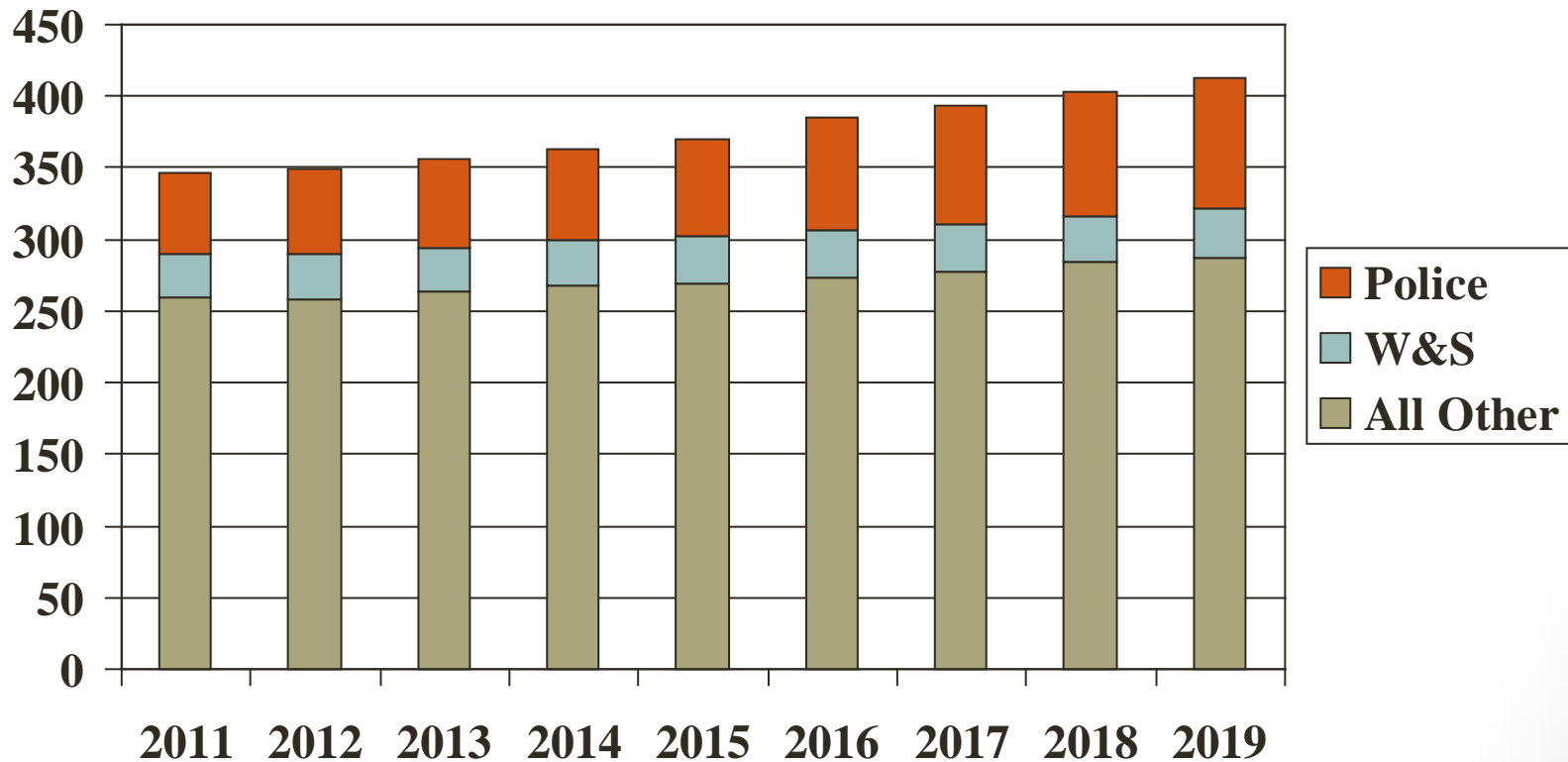
General Fund Expenditures

Transfers, Police, All Other Depts.

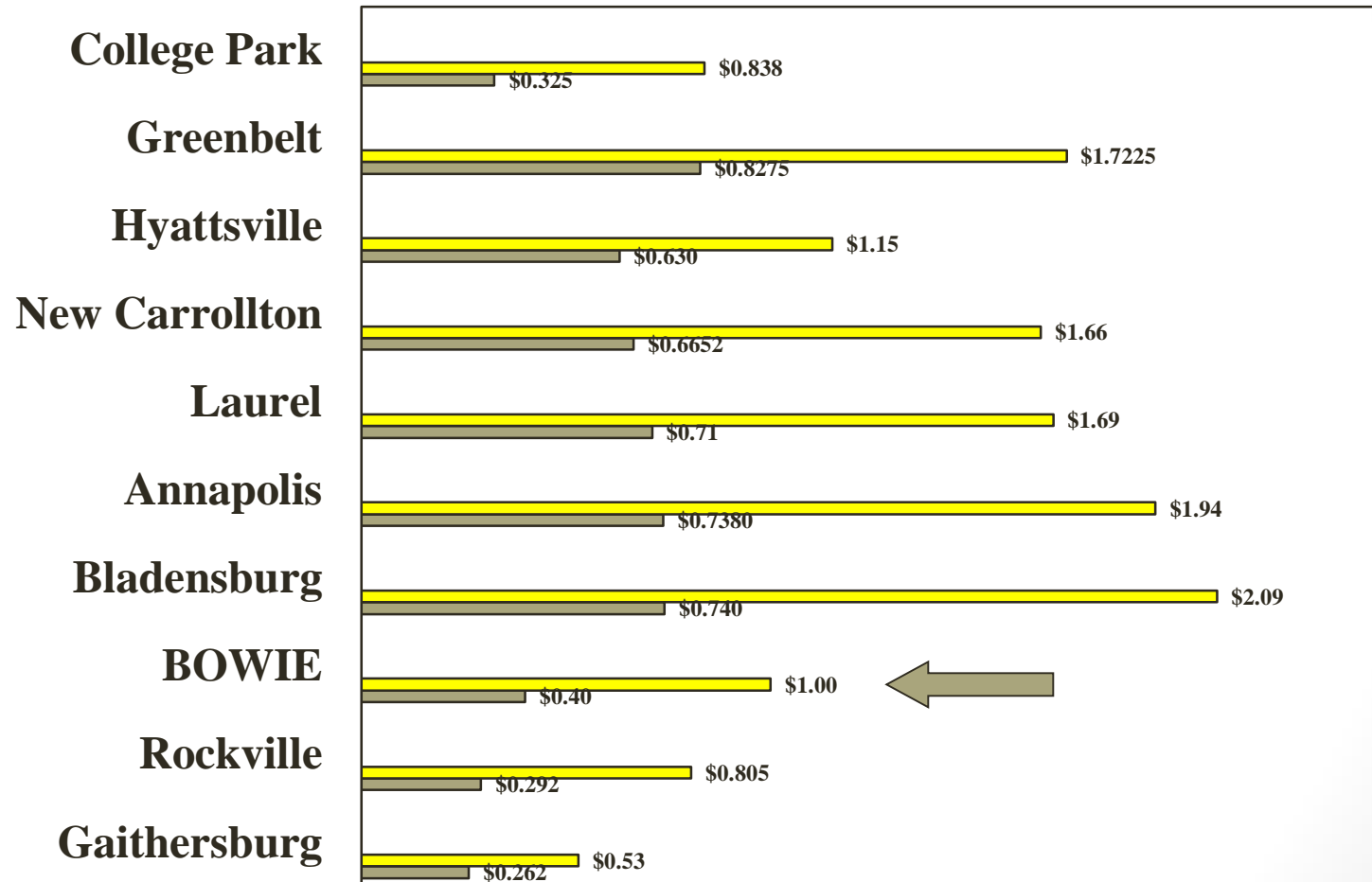
In Millions



Total Personnel Full-time Equivalents



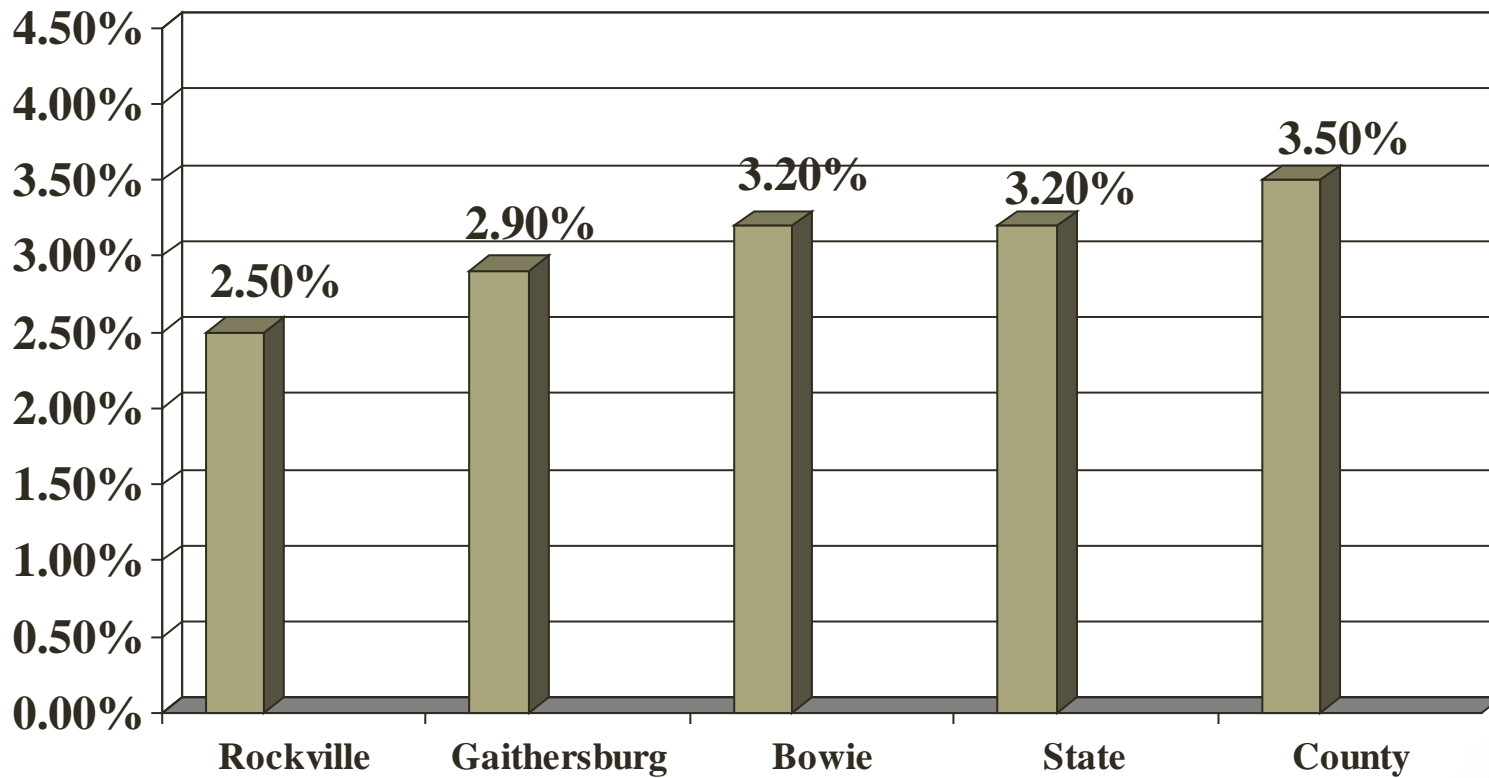
FY2020 Property Tax Rates – Business Personal and Real Property



Note: Some municipalities have additional charges, such as solid waste charges added to this rate.

Source: State of Maryland Department of Assessments and Taxation

Unemployment Rates October 2019



Source: Maryland Dept. of Labor, Licensing & Regulation

Major Capital Projects

FY2020

- Bowie Heritage Trail – construction of 10th Street Park and stormwater management installation at Hunting South Park (\$919,000).
- Chesapeake Bay – Stormwater Management solutions (\$1,468,500), includes construction of Woodhaven Drive SWM pond and construction Saddlebrook Stream Restoration.
- Allen Pond Park – Phase 1- Amphitheater, Parking improvements and replacement of synthetic turf field (\$722,000).

Capital Projects

FY2021 – FY2025

- Stormwater Management projects (\$5.0 mil.)
- Allen Pond Park improvements (\$6.6 mil.)
- Facility Preventive Maintenance (\$2.6 mil.)
- Water Storage Tanks (\$1.0 mil.)
- Water Distribution System (\$8.1 mil.)
- Public Works Main Facility (\$900,000)
- Kenhill Center (\$604,000)

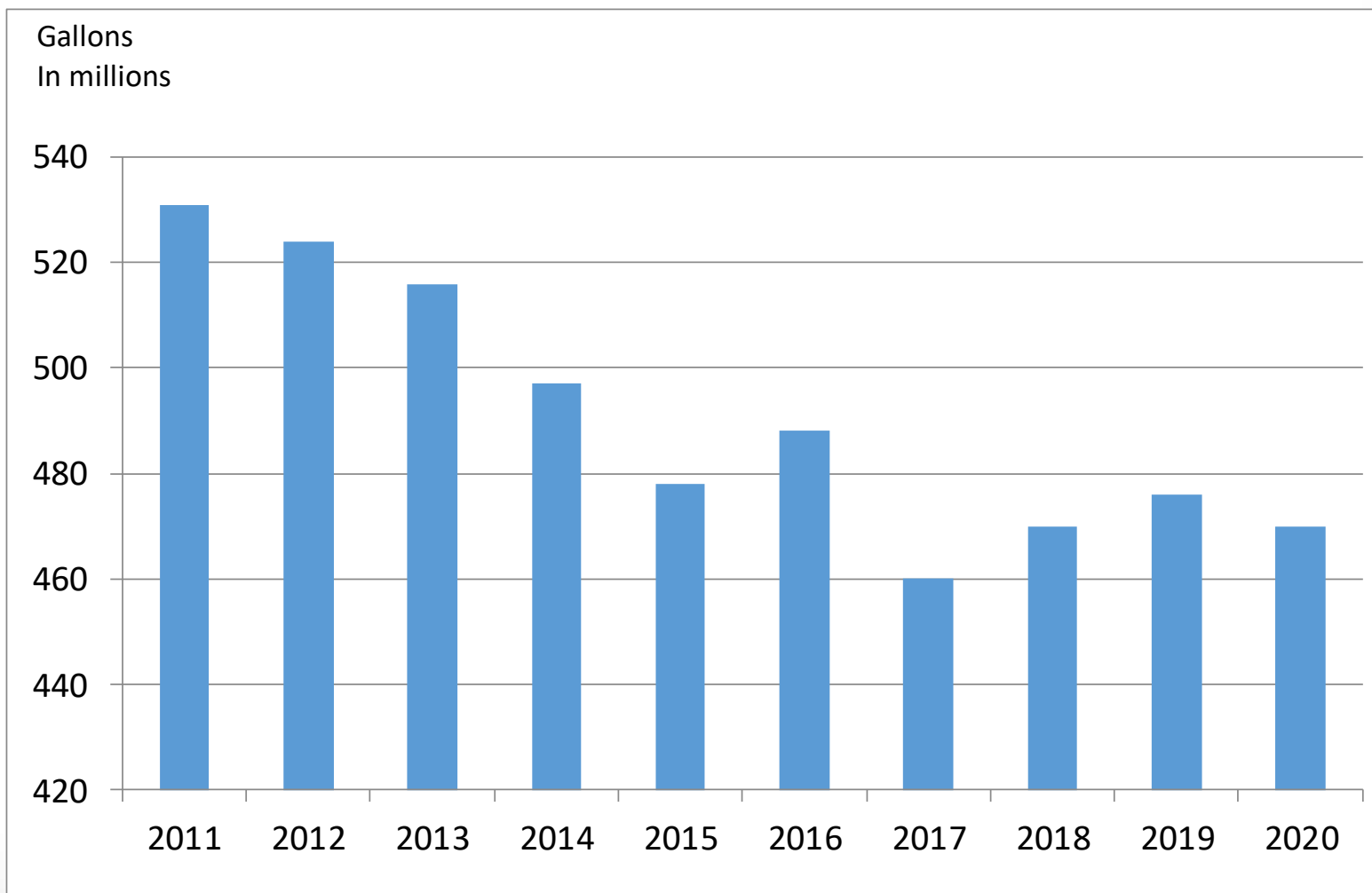
Potential Projects and Services for Future Consideration

- Melford development
- South Lake (Karington) Annexation
- City Facilities Management Program
- Rebalancing of refuse/recycling services
- Indoor Sports Facility (Basketball and Volleyball)

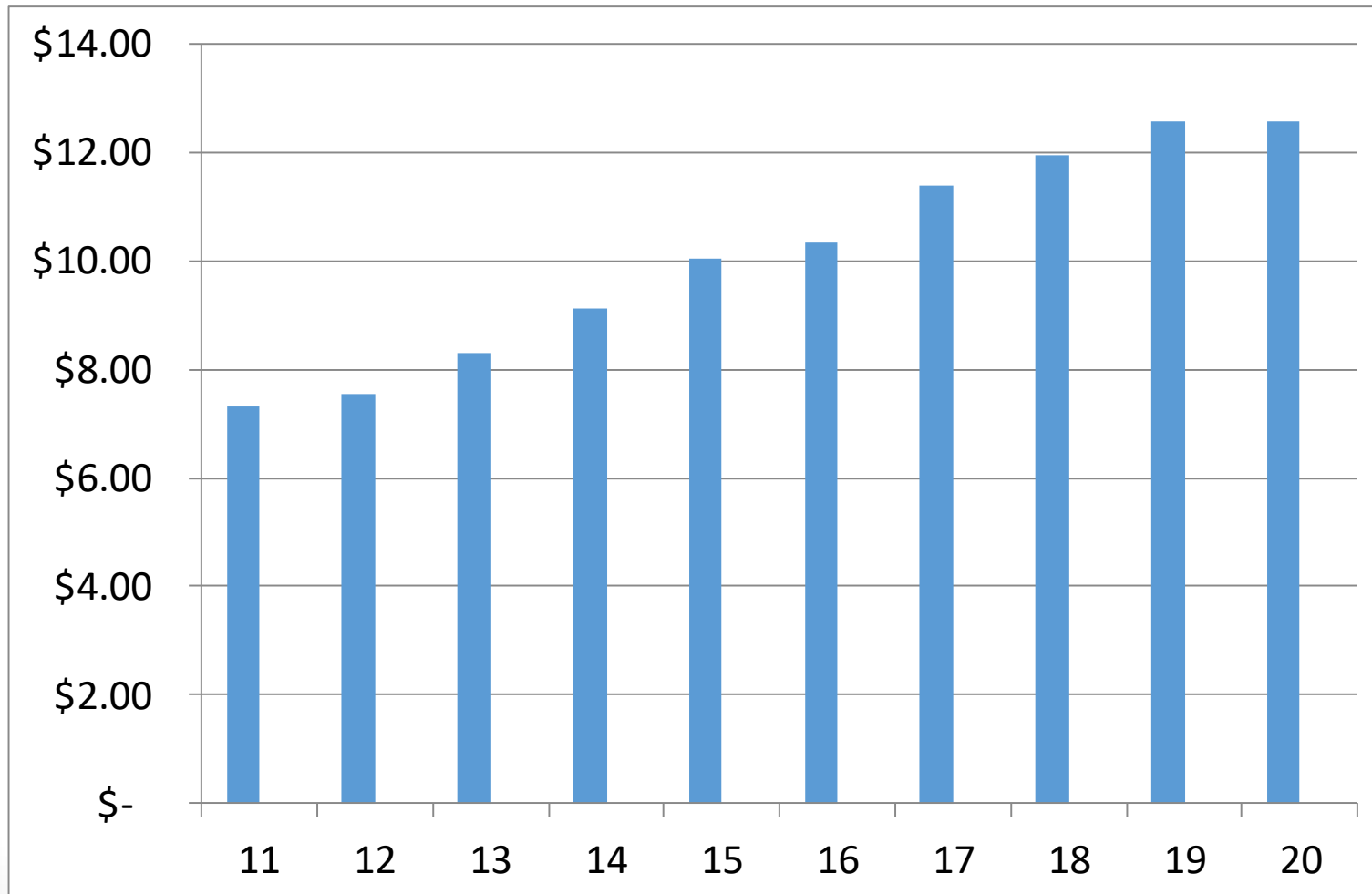
Water and Sewer Fund

- Self-supporting entity financed entirely by user charges.
- Declining user consumption.
- Potential replacement of critical infrastructure. Portions of the W&S system are over 50 years old.
- The financial forecast model anticipated a 5% rate increase for FY2021. It may be necessary to consider a higher rate increase due to declining user consumption.

Residential and Commercial Annual Consumption



Historical Water and Sewer Rates



Major Factors Impacting the FY2021 Budget

- Assessment values estimated to increase less than 5%, or approximately \$1.4 million annually for several years.
- Property Tax Rate increase (10 years without an increase)
- Expenditures continue to outpace revenue.
- At risk from potential federal cutbacks, and lower wages which would impact income taxes.
- Phase in replacement of damaged cast iron water pipes.

Council Guidance for Budget

- Are there any City-funded activities or services that could be eliminated or reduced in scope?
- Consider the impact of future operating cost when adding new capital projects.
- The tax rate has remained unchanged over the last ten consecutive years, (continue to monitor the impact on the fund balance).
- Are additional services being requested by the community?

Real Property Tax Rates

All Overlapping Governments

Fiscal Year	City	County	All Other*	Total
2013	.400	.809	.4170	1.6260
2014	.400	.820	.4170	1.6370
2015	.400	.830	.4170	1.6470
2016	.400	.872	.4320	1.7040
2017	.400	.868	.4320	1.7000
2018	.400	.860	.4320	1.6920
2019	.400	.850	.4320	1.6820
2020	.400	.848	.4320	1.6800

*The All Other column includes the State of Maryland, Maryland-National Capital Park & Planning Commission, and Washington Suburban Transit Commission.

Staff Recommendations – FY2021

- Focus on essential core services.
- Fund new projects with “pay-as-you-go” funding .
- Avoid authorizing new projects based on disproportionate State or Federal grants. (grant funding is not available for operating expenditures)
- Deferral of non-critical capital projects.
- Consider long-term financial impact of current decisions.
- Review user fees/charges and adjust accordingly.

Summary

- The City's financial position remains strong.
- Unassigned fund balance \$26.8 million, 52 percent of expenditures and transfers out.
- Essential core services being provided while maintaining a constant property tax rate that has not increased in the last 10 years (FY2011 through FY2020).
- Expenditure growth 5 to 7 percent.

Council Guidance for Budget

- Council questions or comments.