

**The Financial Advisory Committee
The Proposed FY 2019 Annual Budget**

To: The Bowie City Council
From: The Financial Advisory Committee
Date: April 19, 2018
Re: The Proposed FY 2019 Annual Budget

The Bowie Financial Advisory Committee (FAC) has reviewed the proposed budget for the fiscal year 2019. We are glad to see a budget that still maintains a high level of service to the community, which continues to make the City of Bowie such a desirable place to live. As in the past, the Committee also commends the Council and City Staff for proposing only modest increases in tax rate, engaging citizens as part of their consideration of increased capital investments, expanding services and continuing to maintain the overall infrastructure of the city. Finally, we wish to commend the City Manager, the Finance Director, and the entire Finance Team for ensuring that the budget is in keeping with the city's overall strategic plan.

The FAC is honored for the opportunity to be the first to review and formally comment on the budget each year. The city has operated at a high level of financial prudence over the years and has financially outperformed many other cities in the area and around the country. Each year the FAC attempts to highlight trends and details in the budget that we believe may warrant a closer level of investigation and/or may require a future strategy to mitigate potential liabilities to the budget or the services provided to our citizens.

This year's review draws attention to 4 main areas that we hope will draw attention and spark further conversation with leadership:

1. Community Services/Senior Center
2. Capital Improvements/Ice Arena
3. Strategic Plan / General Fund and Revenues
4. Public Safety / Police Department

Community Services

The annual budget provides funding for community services making Bowie a wonderful city to live in. Surveys taken by the FAC during Bowiefest 2017 showed 41.8% of our respondents (33 out of 79) cite Parks and Recreation as a positive aspect of the Bowie community. Given community appreciation for these facilities, we consider these well worth the tax revenue spent.

Senior Center:

The City has excellent services for our senior residents via the Senior Center. The long term effort to overhaul the HVAC (Heating, Ventilation and Air Conditioning) system in the Senior Center ensures dependable functioning during adverse temperature conditions. It guarantees the Senior Center will continue to provide a respite for our seniors as they use the center in the summer and winter months.

It will be important to evaluate the results of the facilities assessments projected for October 2018 as infrastructure continues to age.

The six-year Capital Improvement Plan (CIP) should be continually reviewed to ensure we are providing essential services, as in the past, while at the same time maintaining a healthy financial outlook for the wellbeing of the city.

Capital Improvements

Ice Arena:

The Ice Arena project is the largest project in the 2019 Proposed Budget CIP at an estimated cost of \$25.1M. The existing Ice Arena has been described as a beloved and impactful resource to many Bowe residents, spanning 2-3 generations. In the 2018 proposed budget (and as approved in FY 2015) a dual purpose indoor recreational facility that includes an indoor court facility and a two-sheet ice arena, was discussed. Despite the removal of the indoor courts during FY 2017, and the cost reduction to \$25.1M, it remains important to consider the implications of this effort on our cities future financial position. We continue to note and raise concern regarding the means of financing this facility, to include via public General Obligation Bond. The analysis to project the estimated cost for operating the new Ice Arena isn't complete, however, given, the current trajectory of expense vs. revenue expected in future budgets, an operational shortfall may have budget implications. The committee continues to question whether the trade-offs are understood by the citizens, or the potential implications for a large swath of our community. The Committee will continue to expound on this issue in the section below covering the strategic plan/general fund and revenues.

Basketball Court Amenities:

The Committee appreciates effort to add additional indoor play space for citizens. We support ensuring both sports complexes are considered equally.

Allen Park Pond:

The construction on the new amphitheater and replacement restroom building at Allen Park Pond was previously scheduled for completion during FY 2018 at a cost of \$2.24M (per the 2018 adopted budget). Of great concern is that the project is now scheduled for completion during 2020 & 2021, but at a combined cost of \$4.64M (an increase of 107%).

Strategic Plan

General Fund and Revenues:

The growth of the operating expenditures has exceeded the growth of operating revenues. This is not acceptable as an ongoing state and will not result in long-term financial stability. We believe fiscal prudence is needed given future projections. The current budget projects a revenue increase of 7.2 percent and an expenditure increase of 8.6 percent. Given these estimates we encourage the City Council to institute a Capital Improvement Plan strategic approach, which ties closely to a measurable demand signal by the population. Lacking such a demand, we would hope that such efforts would not be encouraged. We are concerned with a model where a limited group of citizens mandate financially imprudent actions coupling all the community with long term out of pocket implications, in a fiscally upside down environment. Should right-sizing occur then such expenditures may be appropriate. We would appreciate an opportunity to engagement with council on how we can determine whether the citizen demand warrants, going against the appropriate posture of restraint that should exist at this time. We do commend, the City Manager for using the fund balance and only slowly raising the tax rate to meet rising cost. However, maintenance and upkeep may need to be considered over large capital improvement projects.

The FAC is aware that community interest in City expenditures and economic development is at an all-time high. The City strives to maintain and enhance the public facilities that make Bowie a wonderful community to live and work. Several large proposed economic development projects have generated a good deal of community interest. However, as the FY19 budget submission indicates, City spending must be balanced with the costs that are transferred to Bowie residents. Active engagement and community buy-in for large capital development projects is necessary in this environment and we support enhanced efforts by the Council to assess resident input in prioritizing the scale and scope of development efforts throughout the acquisition process. Given the future need to enhance property taxes to cover City expenditures, the FAC encourages Council efforts to engage the community in City funding decisions and consequences.

Finance:

City council expenditures remain streamlined with modest increases expected in the next calendar year (less than 3%). Contracting costs are the same as last year (\$77K) and the Council could consider hiring a lobbyist (full or part-time depending on workload) to potentially reduce continuing contracting costs. Memberships and subscriptions remain a large line item (\$95.4K)

but unclear that any of these are discretionary or simply part of the cost of being affiliated with other local government entities.

City Manager activity expenditures per capita and City Manager activity expenditures as a percent of City total expenditures decline in FY19. These decreases are largely due to staff movement from the City Manager's office to Business Operations. Work goals for FY19 include assisting the city golf course improve their infrastructure and maintain good management practices. This goal in particular has a budgetary impact as the City has forgiven lease payments and invests in infrastructure repairs for the facility. If membership enrollments do not increase or a new lease holder identified, this facility could continue to operate at a loss for the City.

Public Safety

Police Department:

In 2018, Police Department expenditures represent nearly a quarter of city budget expenditures. Police Department services and staffing continue to expand. While these expansions are represented in the Department's strategic plan, it was unclear when the Department will be 'right-sized'. At the request of the Public Safety Committee, the FAC met with representatives from the Public Safety Committee, Chair Monica Best-James, and the City of Bowie Police Department, Police Chief Nesky and Deputy Police Chief Preston on February 7th, 2018. We discussed a range of topics including department organization, services provided, outreach program, current challenges, metrics and benchmarking. FAC will continue working with the Public Safety Committee and City of Bowie Police Department to ensure the Department is designed to meet our unique population needs. Our collective goal is to maintain public safety with expenditures that are reasonable and justified continuing to make Bowie a desirable place to live.

On behalf of the members of your Financial Advisory Committee, I would like to thank Council and the City for the opportunity, honor and privilege to serve the City of Bowie.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patricia R. Peterson". The signature is written in dark ink and is positioned above the printed name and title.

Patricia R. Peterson,
Chairman
City of Bowie Financial Advisory Committee