

**The Financial Advisory Committee
The Proposed FY 2020 Annual Budget**

To: The Bowie City Council
From: The Financial Advisory Committee
Date: 13 May 2019
Re: The Proposed FY 2020 Annual Budget

The Bowie Financial Advisory Committee (FAC) has reviewed the proposed budget for the fiscal year 2020. 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 minimizing the property tax rate increases, considering increased capital investments, expanding services and aging infrastructure. Finally, we wish to commend the City Council, City Manager and City Financial Manager for expertly managing to ensure that the budget is in keeping with the city's overall strategic plan.

The FAC takes pride in having the opportunity to be the first to review and formally comment on the budget each year, prior to its adoption. The city has operated at a high level of financial efficiency over the years, and has financially outperformed many other cities in the area and around the country. Once again, this was reflected in the recent award from the Government Finance Officers Association's presentation of a Certificate of Achievement for Excellence in Financial Reporting for the FY2017 Comprehensive Annual Fiscal Report (CAFR). Bowie won this award for the 44th time. A stellar achievement, no other local government in Maryland has won this award that many times. For this outstanding performance, we appreciate the dedication of the City Manager and his leadership team with special note of the City Financial Manager.

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 a potential liability to the budget or the services provided to our citizens.

This year's review has focused on 4 main aspects we hope will draw attention and spark further conversation with leadership in these areas:

- 1. General Fund and Revenues**
- 2. Planning and Community Development**
- 3. Community Services**
- 4. Capital Improvement / Bowie Ice Arena (Formerly, Bowie Sports Complex)**

General Fund and Revenues

Overall, Bowie continues to provide high level of efficiency and quality services to residents. Customer satisfaction polls are encouraging in this regard. Even as (per City Manager) the property tax rate remains at .40 for the 10th consecutive year.

Revenues from Property taxes represent 58% of total revenues. Projected growth is being realized as assessable bases from new and continuing developments continue to grow. This reflects positively on the dynamic planning and economic development arm of the City.

Fund Balance erosion: despite increasing revenues, the use of Fund balance appears to be escalating at alarming rates. The trend is particularly pronounced in the 2023 year where fund balance is projected to be at \$7.8m. Since the Council had adopted the position that Fund Balance should be maintained at 25% expenditures, this escalation is troubling.

Suggestion: this issue be treated as an immediate/long term risk and continuously/actively managed to prevent decline to levels greater than 25%. mitigation of the impacts must, of necessity, include strategies relative to both expenditures(decrease) and revenues(increase)

1. Risk 1: The biggest risk here may be the inability to continue quality services at the high levels citizens are accustomed to in future years.
2. Risk 2: it appears that one of the strategies in play, is to postpone certain expenditures to future years. while this may work temporarily, there are vital services that may become immediately due. that too becomes a risk to be confronted and mitigated.
3. Risk 3: We recognize that the bulk of City expenses relate to labor/personnel costs. However, it is reasonable to expect that some positions and activities, would pay for themselves and more. Otherwise, we run the risk of increasing deficit, decreasing accountability and ultimately efficiency.

Revenues related to the Golf Course: noted that the while there is currently no revenue stream from the golf course, the activity can be transformed into a significant source or revenues if it were brought up to reasonably moderate standards and managed/marked in a business-like fashion.

Recommendation:

1. The spending on improvements, earmarked for this and future years be directed to a coordinated and focused effort intended to return the facility into an activity that will pay for itself.
2. That the city commence search for a responsible management company with experience to operating a pristine golf course. This especially since there is a short time remaining on the current lease.

Grants Director Position: the position is being converted to fulltime plus the addition of a full time Intern. We applaud this move as one that would, potentially, maximize the level of grants funds from Federal, State, Local and Private payors. The assumption is that the City desires a more robust push for funds to augment appropriate activities.

Recommendation:

These positions should be managed for success and effectiveness. One measure should be an increase in grants revenue from federal, state, county and other grantors. Right now, it appears that grants revenue coming into the city coffers, is low. It is understood that much of the work/burden of the grants administrator, is related to the dissemination of grant money to

residents. However, it is equally important that the position not only pay for itself but also generate continuously, sufficient revenue streams for current and future years.

Revenue from Belair Mansion: Belair Mansion is a significant asset owned by the city. In spite of that fact, the rental is projected as \$600.

Recommendation:

This landmark of Bowie be made into one that generates more income.

The FAC remains willing to render services and recommendations which fall within the scope of their authority.

Planning and Community Development

The Department of Planning and Community Development continues to provide invaluable support to the Bowie leadership. Concerns regarding revenue vs. expenditures have been articulated repeatedly. Given the growing concern of expenditures out pacing revenue Strategic Goal 2 (annexation policy) remains a good strategy; however, there has to be an endgame to this strategy.

Options:

1. Bolster the tax base by attracting Corporations to the City.
2. Improve public education options - currently one high school and not an attractive option
3. Inviting small businesses (corporation, limited liability company or proprietorship) with 500 employees or less into the Bowie community is something that should be assessed in the near future.

Benefits: Boost Tax income for local governments; Boost employment and discretionary income in the community. A SWOT analysis can be the starting point for discovering what makes Bowie a preferred landing spot for small corporations.

Community Services

The City of Bowie continues to provide an array of Community Services. Bowie residents find great value in the services available in our great city. These services entail Recreation and Parks, Parks and Grounds, Senior Services, the Ice Arena, Gymnasium, and Social Services. The majority of expenditures in this area are allocated to staff, for salaries and fringe benefits, to manage, maintain, and operate the array of programs and facilities available. Repair and maintenance of facilities is a noticeable portion of this expenditure. Community Services takes up 23% of the overall FY20 proposed budget expenditure, the second largest expenditure made by the City, by department.

Community Services is a vital portion of attracting and retaining City residents. We encourage the City to continue providing these services in accordance with responsible municipality budgeting. Upkeep of the parks and grounds encourages both residents and non-resident visitors to visit and patronize our local businesses partaking in our local economy.

Recommendation:

Community Services remain fairly stable without a significant increase or decrease in the funds needed to maintain them. However, City of Bowie should continue to actively engage with taxpayers to ensure allocated funds for personnel, and services align with the needs of all facets of our community while encouraging visitors (to maintain Bowie's economic prosperity).

Capital Improvement

As in previous years, the City of Bowie continues to demonstrate that its citizenry is the foundation upon which community growth and financial wellbeing is based. The Capital Improvement Program (CIP) promises to continue the provision of essential services while maintaining a healthy balance in the financial outlook of the City.

Of continued note and concern is the continued increase in total costs for the Bowie Ice Arena. Despite the reduction in scope during 2017 (the removal of the indoor courts), the total costs for the project has steadily increased from \$27.9M in FY2018 to \$28.1M in FY2019, now to \$28.7M in FY2020 (an increase of over 2.8%).

In addition, we wish to highlight that the costs projected for the Phase 1 Construction of the Amphitheater and Pavilion at Allen Pond Park during FY2020 & FY2021 has now increased significantly from \$2.8M to \$3.12M (an increase of 15%).

While we applaud the proposed projects and their benefits to the Bowie Community, it is our belief that major overruns in projected costs would need to be much better articulated and justified in keeping with the City Council's commitment to prudence and transparency in City affairs.

Sincerely,

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