

Work Session

Agenda Item #	2
Meeting Date	January 30, 2012
Prepared By	Barbara B. Matthews City Manager <i>BBM</i>
Approved By	

Discussion Item	Financial Matters and Budget Priorities for Fiscal Year 2013
Background	<p>The City's new fiscal year will commence on July 1, 2012. In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager will prepare a recommended budget for consideration by the City Council.</p> <p>The Fiscal Year 2013 budget will account for the City's financial activities in four major funds or fiscal entities. They are the General Fund, the Stormwater Management Fund, the Special Revenue Fund, and the Speed Camera Fund.</p> <p>The City Manager requested the January 30 work session to review key financial factors that may impact the Fiscal Year 2013 budget and to obtain the Council's guidance on specific issues, including property tax rates and proposed staffing positions.</p> <p>The work session also provides the City Council with an opportunity to discuss its service priorities for Fiscal Year 2013.</p>
Policy	The City Council is the policymaking making body for the City of Takoma Park and establishes work priorities for the staff.
Fiscal Impact	None
Attachments	Council Discussion Points and Supporting Financial Information
Recommendation	<ul style="list-style-type: none"> • Review the financial information provided by the City Manager and ask questions as needed • Provide guidance on the noted Council discussion points • Advise the City Manager of service priorities
Special Consideration	The City utilizes the Special Revenue Fund to account for revenue and expenditure activity attributable to the specific project funded by each grant. The Special Revenue Fund will not be discussed at the January 30 work session.

COUNCIL DISCUSSION POINTS

Property Tax Rates

Residents' Survey

- Undertake third City of Takoma Park Residents' Survey
- Use similar format to past surveys to allow identification of trends over time
- Add specialized questions as desired to meet current needs
- Cost of survey less than \$40,000; funding from the General Fund

New Position – Public Works/Stormwater

- Full-time position: "Special Projects Coordinator"
- Duties: develop Requests for Proposals; select vendors; do community outreach; oversee capital projects such as sidewalk installation, low impact stormwater management and projects recommended by Sustainability contractor; research and apply for grants and handle administrative responsibilities
- Approximately 60% of time would be spent on Public Works projects and 40% on Stormwater projects
- Position would cost approximately \$75,000; funding from the General Fund and Stormwater Fund
- Increase in base rate from \$48 to \$55

New Position – General Government / Housing and Community Development

- Full-time position: "Management Assistant"
- Duties: assist with a wide variety of programs and projects in the City Manager's Office and Housing and Community Development Department to allow senior staff to focus on more complex projects or responsibilities
- Approximately 50% of time would be spent assisting the City Manager's Office and 50% assisting the Housing and Community Development Department
- Position would cost approximately \$75,000; funding from the General Fund

Level of Funding for Sustainability Initiatives

COUNCIL DISCUSSION POINTS

New Position – Police Department

- Full-time position: “Police Communications Supervisor/Emergency Coordinator”
- Duties: serve as supervisor of Police Dispatchers; ensure appropriate equipment is provided and maintained for communication needs of the Police Department and for emergency situations facing the City government; work to plan, develop, coordinate, and implement comprehensive emergency management functions on behalf of the City
- Position would cost approximately \$90,000; funding from the Speed Camera Fund

Allocation for ADA Sidewalk Retrofit Work

- Staff recommends \$300,000 to \$600,000 per year

Allocation for New Sidewalks and Traffic Calming Projects

Stormwater Project Study

- Hire a firm to review existing areas of impervious surface areas in Takoma Park and determine the most cost effective and efficient methods for reaching the goal of treatment of 52 additional acres of impervious area (over the 27 acres currently being treated) by the year 2020. This study will help the City meet new federal mandates requiring that the City provide stormwater management for 20% of the impervious area in the City.
- Cost of study would range from \$50,000 to \$75,000; funding from the Stormwater Fund

GENERAL FUND

The General Fund is the general operating fund of the City. Fund expenditures include basic City services, such as police protection, street maintenance, and recreation. Administrative services, such as human resources and financial management, are also accounted for in the General Fund.

Certain capital expenditures are recorded in the General Fund. These expenditures include items funded out of the Equipment Replacement Reserve and the Facility Maintenance Reserve, as well as capital projects funded by general operating revenues of the City.

Historical Context - Revenues

- Substantial reduction in State revenues in Fiscal Year 2010
 - Highway User Revenues
 - State Aid for Police Protection
- Significant reduction in County revenues in Fiscal Year 2011
 - All municipal tax duplication payment categories
 - Library Aid
 - New Hampshire Avenue Recreation Center operating grant
- Dramatic decline in investment revenues/use of money and property
- Property tax rates unchanged since Fiscal Year 2010
 - Increase in revenues because of higher assessed values

Historical Context - Expenditures

- City staffing has remained relatively constant over the years
- Transfer of certain police positions from the General Fund to the Speed Camera Fund and the Special Revenue Fund
- Staff reductions across all departments in Fiscal Year 2011
- Increased fringe benefit costs, particularly for employee retirement/pension benefits
- Long-term debt and other financial obligations
 - Payoff of 2004 street improvement bonds in Fiscal Year 2012
 - Payoff of police equipment capital lease in Fiscal Year 2012
 - Payoff of Maryland State Retirement Plan unfunded liability with 2010 bond issuance
 - Early redemption of 2002 Community Center bond issue in Fiscal Year 2012

GENERAL FUND

Historical Context – Other

- Concerted effort to address prior underfunding of Equipment Replacement Reserve
- Establishment of Facility Maintenance Reserve in Fiscal Year 2012
- Prior Council commitment to maintain City street infrastructure on a cash basis

Preliminary Fiscal Year 2013 Outlook

- Governor's proposed budget
 - No increase in State Aid for Police Protection
 - Return to lower rate for Highway User Revenues. Potential revenue loss of \$44,770.
- Potential reduction in municipal tax duplication payments
 - County departments asked to reduce budgets
- Police Employees' Retirement Plan
 - Decrease in employer contribution rate
 - 34.83% to 34.18%
 - Higher salaries will impact Fiscal Year 2013 costs in spite of lower rate
- State Retirement and Pension System
 - Decrease in employer contribution rate
 - 10.94% to 8.99%
 - Higher salaries will impact Fiscal Year 2013 costs in spite of lower rate
- Employee wage adjustments
 - December Employment Cost Index released on January 31
 - Market study underway
 - Wage opener for Fiscal Year 2013 in both collective bargaining agreements
- Reduction of approximately \$207,000 in debt service payments
 - Early redemption of 2002 Community Center bond issue in Fiscal Year 2012
 - Final payment on police equipment capital lease in Fiscal Year 2012

Council Discussion Points

- Property tax rates
- Resident survey
- Proposed new full-time staff positions: Special Projects Coordinator and Management Assistant
- Level of funding for sustainability initiatives

General Fund Summary

	<u>Audited FY08</u>	<u>Audited FY09</u>	<u>Audited FY10</u>	<u>Audited FY11</u>	<u>Adopted FY12</u>
<u>REVENUES</u>					
Taxes and utility fees	12,573,318	13,318,311	13,287,014	13,751,914	14,059,123
Licenses and permits	45,470	72,291	75,030	78,664	53,300
Fines and forfeitures	213,197	219,502	209,408	253,694	228,800
Use of money and property	353,747	172,812	73,680	44,111	60,000
Charges for service	831,249	779,550	986,138	989,821	901,530
Intergovernmental	4,762,643	4,696,110	4,583,828	4,304,639	4,294,987
Miscellaneous	157,676	94,545	137,934	131,135	101,572
Total Revenues	18,937,300	19,353,121	19,353,032	19,553,978	19,699,312
<u>EXPENDITURES</u>					
General Government	2,235,526	2,234,650	2,493,621	2,290,748	2,516,954
Police	5,349,349	5,591,925	5,982,158	5,821,798	5,984,466
Public Works	3,611,130	3,643,110	3,788,121	3,728,947	4,087,398
Recreation	1,074,624	1,085,952	1,175,477	1,267,910	1,347,140
Housing and Community Development	1,277,216	1,188,927	1,267,039	1,150,502	1,283,570
Communications	368,580	373,522	379,610	305,977	324,958
Library	881,541	917,942	985,522	933,559	1,033,410
Non-Departmental	759,351	712,871	2,421,020	899,803	846,554
Capital Outlay	931,837	1,394,193	965,830	3,033,129	2,529,791
Debt Service	1,170,718	984,261	878,404	1,179,855	2,144,583
Total Expenditures	17,659,872	18,127,353	20,336,802	20,612,228	22,098,824
Excess (deficiency) of revenues over expenditures	1,277,428	1,225,768	(983,770)	(1,058,250)	(2,399,512)
<u>OTHER FINANCING SOURCES (USES)</u>					
Bond proceeds	-	-	1,400,000	1,500,000	-
Capital lease	220,029	-	-	-	-
Sale of property	109,276	3,300	1,564	5,986	4,000
Operating transfers in (out)	(61,668)	(257,602)	(3,625)	(7,502)	(47,500)
Total Other Financing Sources (Uses)	267,637	(254,302)	1,397,939	1,498,484	(43,500)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,545,065	971,466	414,169	440,234	(2,443,012)
<u>FUND BALANCE</u>					
Beginning of year	6,404,664	7,949,729	8,921,195	9,335,364	9,775,598
End of year	7,949,729	8,921,195	9,335,364	9,775,598	7,332,586

Notes:

Capital Outlay expenditures in Fiscal Years 2009 - 2012 include costs associated with the Public Works Facility renovation.

Non-Department expenditures in Fiscal Year 2010 included payoff of an unfunded liability to the Maryland Pension and Retirement System.

Proceeds from the Fiscal Year 2010 bond issue were used to pay off an unfunded liability to the Maryland Pension and Retirement System.

Proceeds from the Fiscal Year 2011 bond issue were for the Public Works Facility renovation.

Debt Service expenditures in Fiscal Year 2012 include the early redemption of the 2002 Community Center bond issue.

General Fund Revenues

REVENUES BY SOURCE	Audited FY08	Audited FY09	Audited FY10	Audited FY11	Adopted FY12
Taxes and Utility Fees					
Real Property	9,032,239	10,007,250	10,556,622	10,858,055	11,298,829
Personal Property	395,786	279,133	311,657	299,525	313,200
RR and Public Utilities	154,629	154,882	158,355	161,139	159,500
Penalties and Interest	47,447	58,807	61,172	62,267	30,000
Admission and Amusement	102	268	614	514	600
Additions and Abatements	(2,221)	(1,139)	-	-	-
Highway User Revenues	585,784	508,902	60,210	43,931	131,994
Income Tax	2,359,552	2,310,208	2,138,384	2,326,483	2,125,000
Total--Taxes and Utility Fees	12,573,318	13,318,311	13,287,014	13,751,914	14,059,123
Licenses and Permits	45,470	72,291	75,030	78,664	53,300
Fines and Forfeitures	213,197	219,502	209,408	253,694	228,800
Use of Money and Property	353,747	172,812	73,680	44,111	60,000
Charges for Services					
Inspection Fees	317,141	301,482	291,793	310,426	295,000
Public Parking Facilities	21,171	35,011	43,904	54,950	46,000
Waste Collection & Disposal Charges	70,581	60,198	63,974	71,237	70,500
Recreation Programs and Services	254,547	260,539	278,845	428,184	373,350
Library Fines and Fees	20,106	25,551	29,579	29,236	40,880
Passport Services	28,339	22,307	21,725	25,550	18,500
WSSC	42,828	-	179,991	-	-
Copying	5,033	1,707	5,945	5,818	4,000
Telephone Commissions	-	-	64	60	100
Special Trash Pickup	8,417	8,091	8,880	8,195	11,900
Parking Lot Lease--County	8,000	12,000	12,000	10,000	-
Recyclable Sales	8,763	12,955	6,047	10,796	3,000
Mulch Sales	24,750	23,361	25,581	26,499	25,000
Advertising--Bus Shelters	16,621	12,860	12,714	3,670	8,000
Farmer's Market	4,952	3,488	5,096	5,200	5,300
Total--Charges for Services	831,249	779,550	986,138	989,821	901,530
Intergovernmental Revenues					
Police Protection (State)	408,564	396,763	261,254	261,254	261,254
State Grants -Other	-	-	-	-	20,000
Bank Share Tax	5,643	5,643	5,643	5,643	5,643
Library Aid	114,430	112,352	120,155	100,950	95,900
Police Rebate	717,308	716,590	799,976	881,162	922,170
In Lieu of Police	2,322,023	2,322,023	2,322,023	1,973,720	1,983,594
In Lieu of Roads Maintenance	442,624	442,624	442,624	376,230	376,230
In Lieu of Parks Maintenance	72,229	72,229	72,229	61,395	61,395
In Lieu of Crossing Guard	163,193	163,193	163,193	138,714	138,714
Takoma/Langley Rec. Agreement	125,000	125,000	125,000	93,750	79,670
Hotel Motel Tax	91,757	81,325	73,685	81,765	80,000
Cable Franchise Fees	235,272	191,036	146,320	261,686	194,544
Cable--Operating	64,600	67,332	51,726	68,370	75,873
Total--Intergovernmental Revenues	4,762,643	4,696,110	4,583,828	4,304,639	4,294,987

General Fund Revenues (continued)

<u>REVENUES BY SOURCE</u>	<u>Audited FY08</u>	<u>Audited FY09</u>	<u>Audited FY10</u>	<u>Audited FY11</u>	<u>Adopted FY12</u>
Miscellaneous					
Tree Fund	20,000	10,000	10,000	10,000	39,000
Sales of Impounded Property	442	3,096	2,154	1,442	2,000
Federal Emergency Management	-	-	42,518	92,125	-
Other	39,544	59,954	59,739	23,695	55,972
Insurance Claims	6,216	394	18,743	500	1,000
Day Laborer Site	70,000	15,000	-	-	-
Administrative Fees--Parking	3,885	3,825	3,045	2,865	3,000
Federal Grant	6,764	1,876	1,135	-	-
Donations	10,825	400	600	508	600
Total--Miscellaneous	157,676	94,545	137,934	131,135	101,572
Total Fund Operating Revenues	18,937,300	19,353,121	19,353,032	19,553,978	19,699,312
Sale of City Property	109,276	3,300	1,564	5,986	4,000
Bond Proceeds	-	-	1,400,000	1,500,000	-
Lease Purchase	220,029	-	-	-	-
Total General Fund Revenues	19,266,605	19,356,421	20,754,596	21,059,964	19,703,312

Note: Over the years reflected above, the audit classification of certain revenues changed. Consequently, there may be variances in classifications between the budget presentation and the audit report.

**City of Takoma Park
Property Tax Data
Fiscal Years 2005 to 2012**

Fiscal Years	Real Property Rate/\$100	Real Property Est. Assessment	Real Property Revenue	Estimated Revenue Per Tax Rate Cent	Personal Prop. & Public Utilities Rate/\$100	Personal Property Est. Assessment	Personal Property Revenue	Estimated Revenue Per Rate Cent	RR & Public Utilities Est. Assessment	RR & Public Utilities Revenue	Estimated Revenue Per Rate Cent
Est. 2012	0.580	1,948,074,014	11,232,174	194,807	1.45	21,600,000	313,200	2,160	11,000,000	159,500	1,100
2011	0.580	1,868,831,518	10,858,055	186,883	1.45	21,189,430	307,247	2,119	11,113,060	161,139	1,111
2010	0.580	1,826,785,810	10,556,622	182,679	1.45	20,707,720	300,262	2,071	10,919,000	158,326	1,092
2009	0.605	1,669,463,691	10,007,250	166,946	1.51	21,517,740	324,918	2,152	10,236,720	154,574	1,024
2008	0.610	1,480,266,902	9,032,239	148,027	1.52	24,076,170	365,958	2,408	10,139,630	154,122	1,014
2007	0.630	1,305,972,838	8,232,645	130,597	1.58	21,500,830	339,713	2,150	10,406,020	164,415	1,041
2006	0.630	1,159,577,994	7,369,473	115,958	1.58	20,828,000	329,082	2,083	9,507,450	150,218	951
2005	0.660	1,040,717,919	6,923,415	104,072	1.65	22,440,290	370,265	2,244	10,670,330	176,060	1,067

SPEED CAMERA FUND

The Speed Camera Fund was established in Fiscal Year 2009 to account for financial transactions related to the City's speed camera program. The goal of the program is to reduce speeding in an effort to prevent accidents and reduce injuries and fatalities. By State law, program revenues are restricted and cannot be used to fund general City operations. They may be used for purposes that improve public safety.

Historical Context - Revenues

- Four cameras were installed in Fiscal Year 2009.
- A fifth camera was installed in March 2011.
- A sixth camera was installed in September 2011.
- Legislation enacted during the 2009 State legislative session raised the threshold for issuance of a citation from more than ten miles above the speed limit to more than 12 miles above the posted limit.

Historical Context - Expenditures

- Program staff and other police positions currently charged to Speed Camera Fund
 - FTEs = 3.75
- Grant funding for Gang Task Force Officer has expired
 - Position to be fully charged to Speed Camera Fund in Fiscal Year 2013
 - Increase in FTEs = 0.25
- Grant funding for Research and Policy Analyst has expired
 - Partial grant funding may become available
 - Position to be fully/partially charged to the Speed Camera Fund in Fiscal Year 2013
 - Potential increase in FTEs = 0.50
- Certain police equipment moved to Speed Camera Fund in Fiscal Year 2012
- Funding source for ADA sidewalk retrofit work, new sidewalk construction, and traffic calming projects

Historical Context - Other

- Fund balance as of June 30, 2011 = \$1.12 million
- Major radio acquisition projected in Fiscal Year 2014
 - \$407,000 reserved for this expenditure
 - Full amount may not be needed

SPEED CAMERA FUND

Preliminary Fiscal Year 2013 Outlook

- Projected net revenues of \$615,000 based on the following:
 - Existing camera installations
 - Increase of 0.75 FTEs
 - Allocation of \$150,000 for police equipment
- Possible addition of a speed camera on Carroll Avenue

Council Discussion Points

- Proposed new full-time position: Police Communications Supervisor/Emergency Coordinator
- Allocation for ADA sidewalk retrofit work
 - Staff recommends \$300,000 - \$600,000 per year
- Allocation for new sidewalks and traffic calming projects
- Use of excess unreserved fund balance monies

Speed Camera Fund Summary

	<u>Audited</u> <u>FY08</u>	<u>Audited</u> <u>FY09</u>	<u>Audited</u> <u>FY10</u>	<u>Audited</u> <u>FY11</u>	<u>Adopted</u> <u>FY12</u>
<u>REVENUES</u>					
Taxes and utility fees	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	620,302	2,167,224	1,734,132	2,295,255
Use of money and property	-	18	2,537	2,836	3,500
Charges for service	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	-	620,320	2,169,761	1,736,968	2,298,755
<u>EXPENDITURES</u>					
Police	-	251,641	999,099	1,033,167	1,363,514
Capital Outlay	-	-	317,128	806,477	1,200,800
Total Expenditures	-	251,641	1,316,227	1,839,644	2,564,314
Excess (deficiency) of revenues over expenditures	-	368,679	853,534	(102,676)	(265,559)
<u>OTHER FINANCING SOURCES (USES)</u>					
Bond proceeds	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	368,679	853,534	(102,676)	(265,559)
<u>FUND BALANCE</u>					
Beginning of year	-	-	368,679	1,222,213	1,119,537
End of year	-	368,679	1,222,213	1,119,537	853,978

STORMWATER MANAGEMENT FUND

The City is responsible for providing stormwater management services. These services, which are directed by the Public Works Department, include the construction, maintenance and repair of storm drains, inlets, channels, and ditches. Additionally, the City ensures compliance with state and federal requirements for erosion and pollution control associated with stormwater run-off.

The Stormwater Management Fund accounts for revenue and expenditure activity related to stormwater management.

Historical Context - Revenues

- All property owners in the City pay a fee that is based on the amount of impervious surface on the property.
- Each single-family residential dwelling unit is billed at a flat rate equal to the average amount of impervious surface on a single-family lot (1,228 square feet).
- Current base rate of \$48, which was implemented in FY 2007.

Historical Context - Expenditures

- FTEs = 0.75
- TV inspection of 1/3 of the system on an annual basis
- System repairs and capital improvements
- Street sweeper purchased in Fiscal Year 2011

Council Discussion Points

- Use of fund balance for stormwater project study
- Proposed new full-time staff position: Special Projects Coordinator
 - Increase in base rate from \$48 to \$55

Stormwater Management Fund

	<u>Audited FY08</u>	<u>Audited FY09</u>	<u>Audited FY10</u>	<u>Audited FY11</u>	<u>Adopted FY12</u>
<u>REVENUES</u>					
Taxes and utility fees	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	-
Charges for service	374,101	361,155	362,815	373,657	361,000
Intergovernmental	-	-	180,225	9,486	111,000
Miscellaneous	21,053	17,696	24,380	4,880	12,000
Total Revenues	395,154	378,851	567,420	388,023	484,000
<u>EXPENDITURES</u>					
Public Works	251,424	171,764	202,051	246,268	287,461
Capital outlay	73,360	124,534	291,557	289,752	278,000
Total Expenditures	324,784	296,298	493,608	536,020	565,461
Excess (deficiency) of revenues over expenditures	70,370	82,553	73,812	(147,997)	(81,461)
<u>OTHER FINANCING SOURCES (USES)</u>					
Loan proceeds	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	70,370	82,553	73,812	(147,997)	(81,461)
<u>FUND BALANCE</u>					
Beginning of year	233,076	303,446	385,999	459,811	311,814
End of year	303,446	385,999	459,811	311,814	230,353

Note: Over the years reflected above, the audit classification of certain revenues changed. For comparative purposes, the audited and budgeted figures shown above have been classified in the same manner as reflected in the most recent a

Full-Time Equivalents (FTEs) Personnel Schedule

Staffing Summary by Department or Fund	Actual FY07	Actual FY08	Actual FY09	Actual FY10	Actual FY11	Adopted FY12
General Government	16.00	18.00	18.00	18.00	16.50	16.50
Police	58.98	60.50	60.87	57.44	54.99	54.99
Public Works	32.83	32.63	32.63	32.63	32.25	32.25
Recreation	19.90	20.45	20.07	19.57	17.77	17.77
Housing and Community Development	9.50	9.50	9.50	10.25	9.38	9.38
Communications	3.00	3.00	3.00	3.00	2.00	2.00
Library	9.50	9.50	9.50	9.50	8.78	8.78
Stormwater Management	0.75	0.75	0.75	0.75	0.75	0.75
Special Revenue	-	-	-	0.50	1.87	1.16
Speed Camera	-	-	-	2.75	3.00	3.75
Total	150.46	154.33	154.32	154.39	147.29	147.33

**City of Takoma Park
Retirement and Health Benefits**

<u>Fiscal Year</u>	<u>Police Retirement Contributions</u>	<u>Rates</u>	<u>MD Retirement Contributions</u>	<u>Rates</u>	<u>MD Retirement Unfunded</u>
2013		34.18%		8.99%	
YTD 2012	924,278	34.83%	581,364	14.83%	
2011	930,263	34.82%	581,285	10.83%	
2010	835,105	34.70%	445,941	7.58%	1,544,186
2009	748,832	31.00%	417,281	7.37%	
2008	651,866	28.66%	457,493	8.80%	

Note:

The \$1,544,186 expenditure in Fiscal Year 2010 represents the payment of an unfunded liability that had beenn amortized over 40 years

Fiscal Year	Health Benefit Costs
YTD 2012	760,085
2011	1,209,062
2010	1,173,045

Note:

2012 YTD is through January 26, 2012

RESERVE FUNDS

Equipment Replacement Reserve

As part of the annual budget process, the City Council considers the contribution to the Equipment Replacement Reserve. Section 804 of the Charter of the City of Takoma Park provides for the establishment and maintenance of the Equipment Replacement Reserve.

The annual contribution level to the Equipment Replacement Reserve is based on a simple premise. Taking into account the expected life of the particular piece of equipment, an annual amount is to be contributed to the Equipment Replacement Reserve. For example, for a vehicle with a life expectancy of eight years, one-eighth of its expected replacement cost would be contributed each year. The accumulation of funds over time should result in sufficient funds on hand to purchase replacement equipment when it has exceeded its useful life.

Since the establishment of the Equipment Replacement Reserve, the City's annual contribution has varied greatly, ranging from \$0 in several years to \$1.0 million in Fiscal Year 2011. Low funding levels over the years, coupled with an increase in items captured in Equipment Replacement Reserve, have caused the City to play "catch up" in terms of the contribution amount. The City has successfully utilized the transfer of unreserved fund balance – accumulated over time and in excess of that needed for cash flow and other financial reasons – to build up the Equipment Replacement Reserve.

While the City has made substantial progress in building up the Equipment Replacement Reserve, much work remains to be done. It is essential for the City's continued financial stability to ensure that the City's future capital equipment needs can be met.

Facility Maintenance Reserve

By Ordinance No. 2011-23, the City Council established the Facility Maintenance Reserve. The establishment of this new reserve fund was recommended by the City Manager as part of her recommended budget for Fiscal Year 2012.

The creation of a Facility Maintenance Reserve provides a focused mechanism to ensure that the City identifies and plans for future facility maintenance items. An initial funding contribution of \$250,000 was made in Fiscal Year 2102.

Public Works staff is in the process of identifying items that should be accounted for in the Facility Maintenance Reserve and determine associated pricing for each item. Items could range from the replacement or major renovation of structures such as the Library or Heffner Community Center to smaller items such as flooring, seating in the auditorium, etc.

Emergency Reserve

Section 804 of the Charter of the City of Takoma Park provides for the establishment and maintenance of an Emergency Reserve. This reserve is to be used exclusively for emergency expenditures necessary for the health, safety or welfare of persons, or actions necessary to perform essential governmental functions, as determined and authorized by the Council by specific ordinance. The amount of the Emergency Reserve is increased by the annual percentage change in the Consumer Price Index.