



# City of Bowie

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April 7, 2011

Honorable Mayor and Members of City Council:

I am pleased to submit for your review and approval the Proposed Budget for Fiscal Year 2011-2012. The Proposed General Fund Budget for FY2012 totals \$40,014,600. This Budget total is \$3,792,900 less than the FY2011 Revised Budget (original Budget plus Supplemental Appropriations). The expenditure total for all funds, excluding transfers between funds is \$48,330,700.

In the past, two factors continued to push up the Assessable Base – property value appreciation and growth in the City. Increases in the Assessable Base provided tax revenue needed to fund the programs and services required in a City that grew by approximately 50% over the last two decades. However, the recession has not only eliminated any property value appreciation, property values have actually declined. Also, development/activity has virtually come to a halt in the City. The 11 single-family building permits issued in 2010 provides a dramatic illustration of this slowdown, along with the recognition that there is little buildable land in the City. In 2005, 65 single-family homes were built, and in 2000, 169 single-family homes and 102 townhouses were permitted. Other recession impacts include a spike in the office vacancy rate in Bowie, which has risen to 22.9% in FY2011 from the FY2008 level of 12.7%. Foreclosures have had an adverse impact on the housing market and the resulting assessment totals. As of March 25, 2011 there were 201 vacant houses in the City, which creates additional community stress related to property maintenance and the overall neighborhood impact of these vacancies.

This Budget is based on maintaining a constant real property tax rate of \$.40 per \$100 of assessed value. The tax rate is recommended to remain at the FY2011 level despite a major reduction in the City's Assessable Base of taxable property. The recently completed reevaluation of all property in the City shows a decline in the taxable base from \$6.2 billion to \$5.7 billion. This \$500,000,000 reduction in property value results in a \$1.9 million reduction in property tax revenue, which is equivalent to a 9% loss.

The loss of property tax revenue set the stage for the preparation of the FY2012 Budget. With the exception of two new police officers, there are no additional full-time personnel in the FY2012 Budget. For the most part, existing service levels are being maintained. There may need to be a reduced level of staff support for City Committee activities, as the vacant position of Community Outreach Specialist is not proposed to be filled. The prior incumbent in the position spent the majority of her time servicing the Community Outreach Committee and the Education Committee. Deleting this position saves approximately \$66,700 in salary and benefits. Other positions are being held open longer before replacements are hired. In the upcoming year, the allocation for seasonal and temporary employees in the Streets, Parks and Grounds, and Stormwater Management Divisions has been scaled back, resulting in a savings of approximately \$14,300. In addition, City funded part-time staff at the Radio and Television Museum is eliminated, saving \$4,250.

The Capital Improvements Program (CIP) has been significantly modified in order to reduce the FY2012 impact. Over \$1.1 million originally scheduled as FY2012 project costs have been shifted to later years in the multi-year program, including:

	<u>FY2012 Savings</u>
1. Ice Arena: Funding request for one-half of cost of new refrigeration system and new dasher boards deferred to FY2013	\$ 368,800
2. Church Road Park: Parking lot expansion deferred to FY2016	340,000
3. Whitmarsh Park: Budget one-quarter of synthetic turf field project in FY2012, implement in FY2013	275,000
4. Jericho Park: Installation of 2,000 feet of trails and construction of dugout covers deferred to FY2015	141,600
5. Indoor Sports Facility: Needs assessment and site analysis deferred to FY2016	30,000
6. Belair Meadows Park Environmental Enhancement: Deleted	21,800
7. Public Art: Delete FY2012 Allocation, reduce future years to \$10,000	<u>15,000</u>
	\$1,192,200

The proposed realignment of the capital project schedule appropriately uses the CIP as a planning document. All of the projects listed above, with one small exception, continue to be recommended as valuable projects. The altered funding and implementation schedule again recognizes the multi-year impact of the reduction in property tax revenue. One of the projects recommended for FY2012 is the replacement of the HVAC system at the Belair Mansion. Originally budgeted in FY2011 at \$230,000, staff recently learned that the project will actually cost almost three times that amount. At its March 7, 2011 Meeting, Council approved a \$75,000 contract for project

engineering. This cost will come from the \$230,000 budgeted in the current year, leaving a balance of \$155,000 to be directed to the implementation phase in FY2012. An additional \$497,300 is needed to cover the project cost of \$652,300 in FY2012.

### **City Hall Project**

The new City Hall project is complete. We plan to move into this facility on April 15<sup>th</sup> and 16<sup>th</sup> and the first day of operations at this facility is scheduled for April 18<sup>th</sup>. Overall, the project is estimated to have cost approximately \$22,612,000.

The major cost elements of the project are:

Construction (including change orders)	\$16,872,800
Architecture and Engineering	\$2,069,100
Furniture and Equipment	\$1,025,100
Project Manager	\$1,010,000
Audio-visual and Fiber Optic Connection	\$638,500
Computers	\$344,600
Telephone	\$204,500
Public Art	\$170,000
Third Party Inspection	\$135,100

Because of the good fortune the City experienced when this project was bid, the construction cost, including change orders, came in at \$211.00 per square foot. Total change orders on this project are estimated at \$1,231,435 or 7.87% of the original bid. Change orders primarily fell into the following categories:

- Owner initiated changes like enhanced security components.
- Changes attributed to design issues.
- Unforeseen issues.
- Changes required because of County and WSSC inspector comments.

The new City Hall has been designed so that future expansion of City services can be accommodated as the City matures and as the mixture of City services changes over the next 50 to 75 years, which is the estimated life expectancy of this facility.

The debt service for this building for FY2012 is \$1,321,600 and will gradually decline over the next 19 years of this obligation. This represents 3.30% of the proposed \$40,014,600 General Fund budget.

### **Other Revenue**

After property tax, the two largest sources of Revenue had traditionally been Income Tax and Highway User Revenue (HUR) from the State of Maryland. A year ago we forecasted \$6.2 million in Income Tax receipts for FY2011 which would have matched estimates developed a year ago for FY2010 receipts. Fortunately, the Income

Tax revenue for FY2011 is expected to surpass the Budget amount by 11.1%, and total \$6,923,900. The projection for FY2012 is a 2% increase, to \$7,062,300.

Until FY2010, the Highway User Revenue had been a critically important Revenue Source, yielding over \$2 million annually to assist in maintaining the City's 185 miles of local streets. FY2012 will be the third year that these State funds have been slashed by approximately 95%, depriving the City of \$6 million over the three-year period of FY2010 through FY2012.

The FY2012 impact of the curtailed HUR and the lower Assessable Base is a combined reduction of \$3.9 million.

The most significant positive Revenue item is the money derived from speed camera tickets. The first cameras were installed in May 2010 on Northview Drive, followed by Belair Drive in June 2010. In January 2011, cameras became operational, following a lengthy approval process on MD 450 near Bowie High School and on MD 197 near Rockledge Elementary School. A final agreement is still being hammered out with Prince George's County to enable the City to place cameras on two County roads (Race Track Road and Old Chapel Road). The State highway locations have produced significant volume resulting in a major increase in the number of tickets paid, and increasing speed camera revenue in FY2011 to an estimated \$2,609,800. Given the loss of State dollars from HUR and the impending reduction in property tax receipts, speed camera receipts have helped to fill a gap at a critical time. However, the point of the speed cameras is improved traffic safety, and the analysis of the earliest installation on Northview Drive demonstrates that drivers are indeed slowing down, and the number of violations is dropping. This anticipated and desired change in driver behavior is certainly a positive traffic safety point. This volume drop-off trend is why the budgeted figure for FY2012 is \$2,317,100, which is 11.2% lower than the FY2011 total. It should also be noted that the Revenue element is a gross figure. The net impact for the City is 60% of the total, since the vendor receives approximately 40% of each \$40.00 ticket. That 40% share totals \$926,840, an amount included under Contractual Services in the Police Department budget. Thus, the net income in FY2012 from speed camera violations is expected to be \$1,390,260 ( $\$2,317,100 \times 60\%$ ).

State support for the Youth Services Bureau, which had held steady for over a decade at \$113,000, has declined incrementally over the last several years. The FY2011 revenue estimate is \$100,900, to be followed by another expected decline in FY2012 to \$99,000. A \$20 fee per counseling session (\$30 for nonresidents) is recommended. This fee is expected to generate \$27,000 in FY2012.

### **Tax Differential**

The County tax rate in Bowie will drop by 1.05 cents in FY2012, again reflecting the impact of the expanded scope of the Police Department. This decrease will result in a County tax rate of \$.8085 per \$100 of assessed value. As the chart indicates, the County

tax rate will have dropped by over 10 cents per \$100 of assessed value over the four-year period from FY2009 to FY2012.

Year	City Tax Rate	County Tax Rate – Tax Differential = Net County Tax Rate			Combined City/County Total
FY2009	\$.38	\$.96	\$(.051)	\$.909	\$1.289
FY2010	.38	.96	(.094)	.866	1.246
FY2011	.40	.96	(.141)	.819	1.219
FY2012	.40	.96	(.1515)	.8085	1.2085
FY2013	.43	.96	(.1567)	.8033	1.233

### **Tax Credit Program**

The State of Maryland has a program that provides credits against a homeowner's property tax bill if property taxes exceed a fixed percentage of the person's gross income. The program is available to all homeowners regardless of their age. This Budget recommends an additional local tax credit, in an amount equal to 25% of the value of the State credit. The local tax credit would apply against the City property tax.

The tax credit is available to taxpayers whose household income is not more than \$60,000. There are three eligibility criteria, in addition to the income cap. The criteria include:

- The taxpayer must own the property.
- The dwelling must be the taxpayer's principal residence.
- The taxpayer's net worth, excluding the value of the property on which the tax credit is sought, must be less than \$200,000.

If Council adopts this program, which is administered by the Maryland Department of Assessments and Taxation, Bowie would be joining fourteen counties and five cities (including College Park, Greenbelt, and Hyattsville in Prince George's County) already providing this Tax Credit program. This tax relief is expected to cost approximately \$50,000 in its first year, although until some experience is gained with the program it is difficult to predict the actual impact on the Budget.

### **Police Department Staffing**

The Bowie Police Department has a current authorized strength of 52 officers. Five new officers were budgeted in FY2011; one was hired in December 2010, and four officers will be entering the Prince George's Police Academy at the end of this month. Two additional officers are proposed in FY2012, bringing the total number of sworn personnel to 54, just three shy of the initial goal of 57 described in the staffing model as part of the information provided for the 2005 referendum.

The total cost for the two additional officers is \$259,400. This includes \$166,900 for salaries and benefits, two police cars (\$82,400) and \$10,000 for miscellaneous

required items including uniforms, weapons, clothing allowance, liability insurance, communication costs, etc.

In November 2010, the Bowie Police Department initiated a Criminal Investigation Division (CID) staffed by three officers. With its own CID, cases involving property crimes, robberies and assaults are now being investigated by the Bowie Police Department instead of the Prince George's County Police Department.

### **Energy and Environmental Programs**

There are two primary documents that influence the development of City programs regarding reducing energy consumption and enhancing the environment. The Climate Change Resolution was adopted by City Council on August 3, 2009 and the Comprehensive Energy Efficiency and Conservation Strategy dated March 10, 2010. These documents establish numerous goals and objectives for the City to achieve in terms of reducing energy consumption and improving the environment. Several of the major goals are listed below, with specific actions listed underneath them that have been recently implemented or are proposed to be implemented in FY2012.

#### **Reduce the use of Petroleum Products in City Vehicles by 2% Annually**

- GPS systems are proposed for nine dump trucks that will allow better monitoring of vehicle idling and allow better tracking of vehicles during major weather events.
- A hybrid vehicle is proposed in Public Works to replace a car with a "regular" gasoline engine.
- Three hybrid vehicles are proposed to be added to the fleet in subsequent fiscal years, each of which will replace current gasoline engine vehicles. Two of the cars will be in the Code Compliance Division, and one will be a "pool" car.
- GPS units previously installed on all refuse trucks will be used to design optimal refuse collection routes to reduce diesel fuel consumption.

#### **Increase Recycling Rate by 2% Per Calendar Year for the Next Five Years**

- The City is proposing to increase the distribution of large carts for recycling to an additional 6,200 homes in the FY2012 budget. This represents approximately 1/3 of the remaining homes in Bowie that are left to receive these bins. It is anticipated that the remaining 2/3 of households will receive these carts in FY2013 and in FY2014.
- The City is recycling approximately 32% of our solid waste stream in FY2011. This is an increase from the 27% recycled in FY2009 and the 30% recycled in FY2010. With the advent of the enhancement of the recycling program as

described above, we are anticipating that the recycling rate will increase to 35% in FY2012. The City is well on its way to increasing the recycling rate by 2% per year over the next five calendar years.

- However, the enhanced recycling rate only tells part of the story. The City has also experienced a reduction in landfill tonnage from 27,041 tons in FY2007 to an estimated 19,700 tons in FY2010. This represents a reduction in landfill tonnage of 7,341 tons per year or 27%. We anticipate a further reduction in tons landfilled to 18,300 tons in FY2011. The reduced landfill tonnage in FY2010 of 7,341 tons equates to a cost avoidance of \$418,437, using a blended disposal rate of \$57 per ton.
- Additional recycling containers are proposed for Allen Pond Park and Whitemarsh Park.

#### Reduce Overall Government Energy Use by 15% by 2015

- The City will be participating in a Demand Response Program for the third year for our larger facilities that have generators qualifying for this program. This program allows the City to use our generators to remove our electric load off the power grid on peak capacity days in the summer, thereby reducing the need to construct new power plants. The City expects to receive \$94,500 for participating in the program.
- The new City Hall opening this month is expected to receive a LEED Silver Rating. There are numerous energy reduction and environmental enhancements that need to be met to achieve the LEED Silver Rating. Examples of some of the green features are waterless urinals and low-flow, sensor operated sink faucets; cooling is provided through high efficiency rooftop units with premium efficiency fan motors; heating is provided through condensing boilers that convert up to 95% of the natural gas into usable heat compared with 80% for typical boilers; a green roof is incorporated into the building design.
- An “on demand” tankless water heater is proposed for the Ice Arena.
- Energy efficient replacement lights are proposed for the Gymnasium.
- A more energy efficient HVAC along with new more energy efficient windows and doors are proposed for the Belair Mansion in FY2012 and FY2013.
- New ceiling fans and retrofitted lighting for the Bowie Playhouse are proposed to improve energy efficiency.

Purchase Renewable Energy Credits to Achieve 10% Goal in 2010 and 20% Goal by 2015 of Total City Purchase of Electricity

- The City has purchased 1,190,000 kWh in renewable energy credits specifically focused on wind energy which allows us, when combined with State of Maryland renewable energy requirements, to meet approximately 14% of the City's total electric energy consumption using renewable energy credits.

Increase the City's Urban Tree Canopy Coverage to 50% by 2010

- Methods of enhancing the tree canopy are being investigated using the Urban Greening Grant. This will help the City devise strategies to move toward the goal of 50% tree canopy coverage by 2020.

Calculate Citywide Greenhouse Gas Emissions Baseline

- The Planning Department proposes conducting a Greenhouse Gas Emissions study for the entire City which will develop a baseline for future measurement of these emissions in the City.

**Water and Sewer Fund**

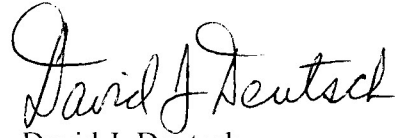
The Water and Sewer Fund rate is proposed at a combined rate of \$7.54 per thousand gallons. This is a 3.15% increase over the current rate. The typical household will pay an additional \$3.68 per quarter. It is worth noting that a year ago a 9% increase was predicted for FY2012. A series of approximate 10% increases are anticipated to be needed over the following five years to insure the stability of the Water and Sewer Fund, build the Fund Balance back up to the desired 25% level, and reduce the financial risks of major capital costs, such as a well replacement.

**Multi-year Commentary**

In the Fiscal Policies section of the Budget a five-year forecast is provided for the Fiscal Years 2013 through 2017. The chart shows that the Fund Balance will decline from its current level of \$30,440,000, an amount equivalent to 79% of Expenditures, to \$7,505,000 in FY2017. This \$7.5 million in FY2017 is a projection that falls below the Council's policy goal of a 25% Fund Balance, all the way to the 14% level. This FY2017 Fund Balance level occurs despite projections indicating the need for tax increases in future years. The forecast model, including as it does a 75% drawdown of the Fund Balance, is another dramatic demonstration of the multi-year effect of the reduction in State funding and the impact of the decline in the assessable base.

## Conclusion

I would like to thank Rob Patrick, Byron Matthews, Michael Finelli, John Fitzwater, Anne Ford, and Diane Griffin-Pluebell for their assistance with the preparation of the FY2012 Budget. Staff looks forward to assisting Council in your review of this financial and programmatic plan.

A handwritten signature in black ink that reads "David J. Deutsch". The signature is written in a cursive style with a large initial "D".

David J. Deutsch  
City Manager

“Integrity without knowledge is weak and useless,  
and knowledge without integrity is dangerous  
and dreadful.”

-- Samuel Johnson



*“Growth, Unity, Progress”*