



Mayor and City Council of Cumberland

Mayor Raymond M. Morriss
Councilman Seth D. Bernard
Councilman Richard J. "Rock" Cioni
Councilman Eugene T. Frazier
Councilwoman Laurie P. Marchini

City Administrator Jeffrey D. Rhodes
City Solicitor Michael S. Cohen
City Clerk Marjorie A. Woodring

AGENDA

Work Session

City Hall Second Floor Conference Room

DATE: May 5, 2020

- I. **4:00 PM** – Convene in Open Work Session
- II. Presentation of the Fiscal Year 2021 Annual Budget
- III. Adjournment

Item Attachment Documents:

- II. Presentation of the proposed Fiscal Year 2021 Annual Budget

City of Cumberland

FY 2021 Budget Discussion
May 5, 2020

FY 2021 Budget Highlights

- COVID-19 UNCERTAINTY
- General Fund \$226K Deficit
- The assessable base is expected to increase 1.2%.
- Health insurance rate increase of ONLY 4.6%, refund projected at \$786K
- Recommend final year of the planned 3 annual Water rate increases of 5%.
- MPA requires General Fund assistance of \$132K and DDC requires GF assistance of \$32K.
- New equipment and capital projects debt issues – General Fund - \$2.2 million, Water Fund \$3.2 million, Sewer \$7.9 million.
- New Grant and other financial assistance – General - \$15.1 million, Water \$2.5 million, Sewer \$50.4 million.

FY 2020 COVID-19 Concerns

- MPA Parking revenue (business closings, travel restrictions)
- Tax collections & penalty/interest income (no tax sale)
- Hotel Motel (travel restrictions)
- Income tax allocation (State Comptroller announcement)

**City of Cumberland
General Fund
FY 2020 Budget**

COVID-19 Reductions	Initial Budget	COVID-19 Change	Current
MPA Cash Assistance	\$ (119,000)	\$ (65,748)	\$ (184,748)
RE Tax Penalties & Interest	400,000	(95,000)	305,000
Hotel/Motel	350,000	(103,000)	247,000
Income Tax Allocation	1,400,000	(129,458)	1,270,542
		<u>\$ (393,206)</u>	

- Potential COVID-19 impacts on FY 2020 Results
- Tax collection penalty and interest is likely a timing difference

FY 2021 COVID-19 Concerns

- Income tax allocation
- Highway User Revenue
- Hotel Motel
- Interest Income
- Police Protection
- Penalties & Interest (incr.)
- Building Permits
- Traders' Licenses
- Tax Collections
- Water/Sewer delinquencies

**City of Cumberland
General Fund
FY 2021 Budget**

COVID-19 Reductions	Initial Budget	COVID-19 Change	Current
Income Tax Allocation	\$ 1,410,000	\$ (352,500)	\$ 1,057,500
Highway User Revenue	1,221,433	(305,358)	916,075
Hotel/Motel	382,000	(191,000)	191,000
Interest	117,000	(58,500)	58,500
MPA Cash Assistance	(114,000)	(18,000)	(132,000)
Admissions & Amusement	16,400	(8,200)	8,200
RE Tax Penalties & Interest	420,000	100,000	520,000
Police Protection	49,500	-	49,500
Trader's License	44,300	-	44,300
Building Permits	25,600	-	25,600
		<u>\$ (833,558)</u>	

COVID-19 reductions are placeholders pending more concrete data

Assessable Real Property Tax Base

Dollar Figures are in Thousands (000's)				
Fiscal Year Ending	Constant Yield Notice Assessable Base Estimate	Tax Rate	Tax Levy	Year-to-Year Inc (Dec)
6/30/2013	\$ 844,797	\$ 0.9654	\$ 8,155.7	\$ (502.3)
6/30/2014	\$ 859,193	\$ 0.9654	\$ 8,294.6	\$ 138.9
6/30/2015	\$ 867,489	\$ 0.9654	\$ 8,374.7	\$ 80.1
6/30/2016	\$ 843,326	\$ 0.9654	\$ 8,141.5	\$ (233.2)
6/30/2017	\$ 858,693	\$ 0.9654	\$ 8,289.8	\$ 148.3
6/30/2018	\$ 864,731	\$ 1.0595	\$ 9,161.8	\$ 872.0
6/30/2019	\$ 863,802	\$ 1.0595	\$ 9,152.0	\$ (9.8)
6/30/2020	\$ 890,094	\$ 1.0595	\$ 9,430.5	\$ 278.5
6/30/2021	\$ 902,502	\$ 1.0595	\$ 9,562.0	\$ 131.5

Key Points

- Constant yield rate is \$1.0466.
- Keeping the same rate as FY 2020 represents a revenue increase \$116,000

Personnel Costs FY 21

- COLA increases of 2% for all employees (subject to union negotiations).
- Health insurance increase of 4.6%. National average 7-8% annual increase.
- Projecting a FY 2020 health insurance refund of \$786K (\$200K, - FY 19 \$600K - FY 18, \$400K – FY 17). Ironically the large health claim refund may be caused by the pandemic due to reductions in non-emergency Dr visits and surgical procedures.
- Plan option existing staff mix = 51 Individual, 66 2-party, 77 Family and 38 opt-outs- currently there are 11 vacant positions.
- General Fund personnel cost comprise 70.2% of the expenditure budget.
- Budget prepared at full staffing level with allowance for 5 vacancies.

Health Insurance Costs

City of Cumberland							
FY 2021 Projected Health Care Costs							
Fund		City Expense		Employee / retiree Cost			Total Insurance
		Health Insurance Cost	Retiree Health Ins	Employee Cost	Retiree Cost	Over 65 Retiree Cost	
001	General	\$ 2,996,036	\$ 31,170	\$ 251,800	\$ 27,404	\$ -	\$ 3,306,410
002	Water	706,783	15,113	26,530	28,313	-	776,739
003	Sewer	786,701	21,538	29,560	38,470	-	876,269
017	DDC	44,797	-	4,400	-	-	49,197
020	MPA	37,941	-	1,634	-	-	39,575
111	CDBG	33,283	-	3,269	-	-	36,552
Total		\$ 4,605,541	\$ 67,821	\$ 317,193	\$ 94,187	\$ -	\$ 5,084,742

FY 2021 Projected Health Care Cost Increase							
Fund		City Expense		Employee / retiree Cost			Total Insurance
		Health Insurance Cost	Retiree Health Ins	Employee Cost	Retiree Cost	Over 65 Retiree Cost	
001	General	\$ 137,818	\$ 1,434	\$ 11,583	\$ 1,261	\$ -	\$ 152,095
002	Water	32,512	\$ 695	1,220	1,302	-	35,730
003	Sewer	36,188	991	1,360	1,770	-	40,308
017	DDC	2,061	-	202	-	-	2,263
020	MPA	1,745	-	75	-	-	1,820
111	CDBG	1,531	-	150	-	-	1,681
Total		\$ 211,855	\$ 3,120	\$ 14,591	\$ 4,333	\$ -	\$ 233,898

FY 2021 Capital Equipment

		Existing Debt	CDA 20 - 7	CDA 20 - 10	CDA 20 - 30	Total	Total - New Debt
General Fund							
IT	Cisco Switches	\$ 32,000	\$ -	\$ -	\$ -	\$ 32,000	\$ -
IT	Windows 10 Upgrades	12,320				12,320	-
Police	Admin	50,000	-	-	-	50,000	-
Police	Patrol Vehicles	226	199,774			200,000	199,774
Fire	Utility Vehicle		40,000			40,000	40,000
Fire	Marshal Pickup		40,000			40,000	40,000
Eng	Tahoe Rep		28,000			28,000	28,000
Street	Hot box trailer	39,000				39,000	-
Street	Caterpillar Loader	125,000				125,000	-
Total General Fund		258,546	307,774	-	-	566,320	307,774
Water Fund							
Dist	Brushhog attachment	-		10,000		10,000	10,000
Dist	Backhoe	27,840	-	82,160		110,000	82,160
Filt	Sludge Thickner Mixer			15,000		15,000	15,000
Total Water Fund		27,840	-	107,160	-	135,000	107,160
Sewer Fund							
WWTP	3/4 Ton Pickup		35,000			35,000	35,000
Sani	2500 Tool Truck		47,000			47,000	47,000
Sani	Trench shoring	12,000				12,000	-
Fld	Drill, Tripod, safety clutch	13,000				13,000	-
Total Sewer Fund		25,000	47,000	-	-	72,000	47,000
Combined		\$ 311,386	\$ 354,774	\$ 107,160	\$ -	\$ 773,320	\$ 461,934

Ladder Truck on order – expected delivery early in FY 2022 - \$1.3 million

5/5/2020

Capital Expenditures Ongoing Projects Summary

Combiined	Expenditures				Funding Sources		
	Prior Years	FY 2021	FY 2022 +	Total	Existing Debt	New debt	Grant
General	\$ 761,132	\$ 9,088,507	\$ 8,913,961	\$ 18,763,600	\$ 1,755,860	\$ 1,932,700	\$ 15,075,040
Water	108,400	4,463,900	1,729,765	6,302,065	666,410	3,164,705	2,470,950
Sewer	858,260	8,068,740	49,948,260	58,875,260	621,471	7,878,914	50,374,875
Combined	\$ 1,727,792	\$ 21,621,147	\$ 60,591,986	\$ 83,940,925	\$ 3,043,741	\$ 12,976,319	\$ 67,920,865

- Significant multi-year projects are in process or planned.
- New debt will be required
- Significant financial assistance is expected (grants).
- Debt & grants will be drawn down as construction progresses on multi-year projects

Capital Project Expenditures General Fund

General Fund	Expenditures				Funding Sources			
	Prior Years	FY 2021	FY 2022 +	Total	Existing Debt	New debt	Grant	New
MSC Sprinklers	\$ -	\$ 20,885	\$ -	\$ 20,885	\$ -	\$ 20,885	\$ -	
MSC Fence Replacement	-	25,218	-	25,218	-	25,218	-	
MSC Pole Building	-	23,478	-	23,478	-	23,478	-	
Cap Cavanaugh Field (Fence Rep)	-	13,926	-	13,926	-	13,926	-	
Cap POS - Long Field Imp	-	165,000	-	165,000	-	15,000	150,000	CDA 2020
Cap MHT - 19 Frederick St	-	200,000	-	200,000	-	100,000	100,000	CDA 2020
Cap Intersection Lights	-	50,000	-	50,000	50,000	-	-	CDA 2020
Cap McMullen Bridge	-	310,000	-	310,000	44,728	17,272	248,000	CDA 2020
Cap Cumberland St Bridge	100,000	100,000	4,500,000	4,700,000	-	-	4,700,000	CDA 2020
Cap Baltimore St Bridge	29,000	1,930,000	1,500,000	3,459,000	29,000	686,000	2,744,000	CDA 2020
Cap Mall Access	632,132	6,000,000	2,913,961	9,546,093	1,382,132	1,030,921	7,133,040	CDA 2020
St Imp Misc Street Paving	-	250,000	-	250,000	250,000	-	-	
Total General Fund	\$ 761,132	\$ 9,088,507	\$ 8,913,961	\$ 18,763,600	\$ 1,755,860	\$ 1,932,700	\$ 15,075,040	

Future

Bridge Fayette St Bridge	\$ 43,218		\$ 2,800,000	\$ 2,843,218		\$ -	\$ 2,843,218	CSX/FHA
Bridge Washington St Bridge	36,218		4,000,000	4,036,218	36,218	800,000	3,200,000	FHA
Bridge Valley St Bridge			240,000	240,000		240,000		TBD
Bridge Marion St Bridge			100,000	100,000		100,000		TBD
Bldg City Hall - P.S. Bldg HVAC			1,420,000	1,420,000		1,420,000		TBD
Bldg City Hall - P.S. Bldg Elevator			430,000	430,000		430,000		TBD
Total Future	\$ 79,436	\$ -	\$ 8,990,000	\$ 9,069,436	\$ 36,218	\$ 2,990,000	\$ 6,043,218	

- The Baltimore St Access (BAS) new funding sources – CDBG \$636K, Community Legacy \$393K, Heritage Area \$100K
- \$632K Previously issued street improve debt was utilized for BAS design. In addition, \$750K of the 1.0 million FY 20 Street improvement debt is earmarked for the BAS project. The remaining \$250K of these funds are earmarked for misc. street paving in FY 21.
- An additional \$1.03 million in new debt is expected to be required to complete the Balt. St Access project. Amount depends on construction bids, additional funding approval, no state pullback

Capital Project Expenditures Water Fund

Water Fund	Expenditures				Funding Sources			
	Prior Years	FY 2021	FY 2022 +	Total	Existing Debt	New debt	Grant	New
Dist Cross connections Program	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ -	CDA 2020
Dist Hydrant/Valve Replacement	-	150,000	-	150,000	-	150,000	-	CDA 2020
Dist Water main replacement	-	82,000	-	82,000	-	82,000	-	CDA 2020
Dist Cole Street Valve Equip	-	50,000	-	50,000	-	50,000	-	CDA 2020
Dist Industrial Blvd Bridge Waterline	-	300,000	111,515	411,515	-	411,515	-	CDA 2020
Filt Intake Screening	108,400	746,900	-	855,300	616,410	238,890	-	CDA 2020
Filt DAF Concrete Repair at Scrapper	-	35,000	-	35,000	-	35,000	-	CDA 2020
Filt SCADA System	-	50,000	-	50,000	50,000	-	-	CDA 2020
Filt Koon Dam Repairs	-	300,000	-	300,000	-	300,000	-	CDA 2020
Dist Decatur St Waterline	-	2,500,000	1,618,250	4,118,250	-	1,647,300	2,470,950	DWSRF 2020
Total Water Fund	\$ 108,400	\$ 4,463,900	\$ 1,729,765	\$ 6,302,065	\$ 666,410	\$ 3,164,705	\$ 2,470,950	

Future

Filt Filter Building	-		18,500,000	18,500,000		-	-	TBD - 2025
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Recent Completions

Dist Willowbrook Road Waterline	724,790	-	-	724,790	604,490	724,790	120,300	
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Capital Project Expenditures Sewer Fund

Sewer Fund	Expenditures				Funding Sources			
	Prior Years	FY 2021	FY 2022 +	Total	Existing Debt	New debt	Grant	New
WWTP SCADA System	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ 24,721	\$ 25,279	\$ -	CDA 2020
WWTP Electrical Switch Gear	-	307,000	-	307,000	238,490	68,510	-	CDA 2020
WWTP Influent Screen Design/Const	-	75,000	-	75,000	-	75,000	-	CDA 2020
WWTP Ammonia-Nitrogen & Nitrate Probes	-	50,000	-	50,000	-	50,000	-	CDA 2020
Fld Flood Control Concrete Rep	-	250,000	-	250,000	-	62,000	188,000	CDA 2020
Sani Mill Race 78" Pipeline	715,000	7,000,000	43,785,000	51,500,000	215,000	6,785,625	44,499,375	WQSRF 2020-1
Sani Evitts Creek CSO P-3	143,260	336,740	6,163,260	6,643,260	143,260	812,500	5,687,500	WQSRF 2020-2
Total Sewer Fund	\$ 858,260	\$ 8,068,740	\$ 49,948,260	\$ 58,875,260	\$ 621,471	\$ 7,878,914	\$ 50,374,875	

Future								
Sani Evitts Creek CSO P-4	-	-	8,150,000	8,150,000	-	1,018,750	7,131,250	WQSRF 2021
Sani North End CSO	-	-	2,600,000	2,600,000	-	412,500	2,187,500	WQSRF 2021
Total Future	\$ -	\$ -	\$ 10,750,000	\$ 10,750,000	\$ -	\$ 1,431,250	\$ 9,318,750	

Recent Completions								
WWTP CSO Tank	28,584,755	-	-	28,584,755	2,864,002	-	25,720,753	WQSRF 2017
WWTP Air Blower System	1,329,800	-	-	1,329,800	286,700	-	1,043,100	CDA 2015
Total Recent	\$29,914,555	\$ -	\$ -	\$ 29,914,555	\$ 3,150,702	\$ -	\$ 26,763,853	

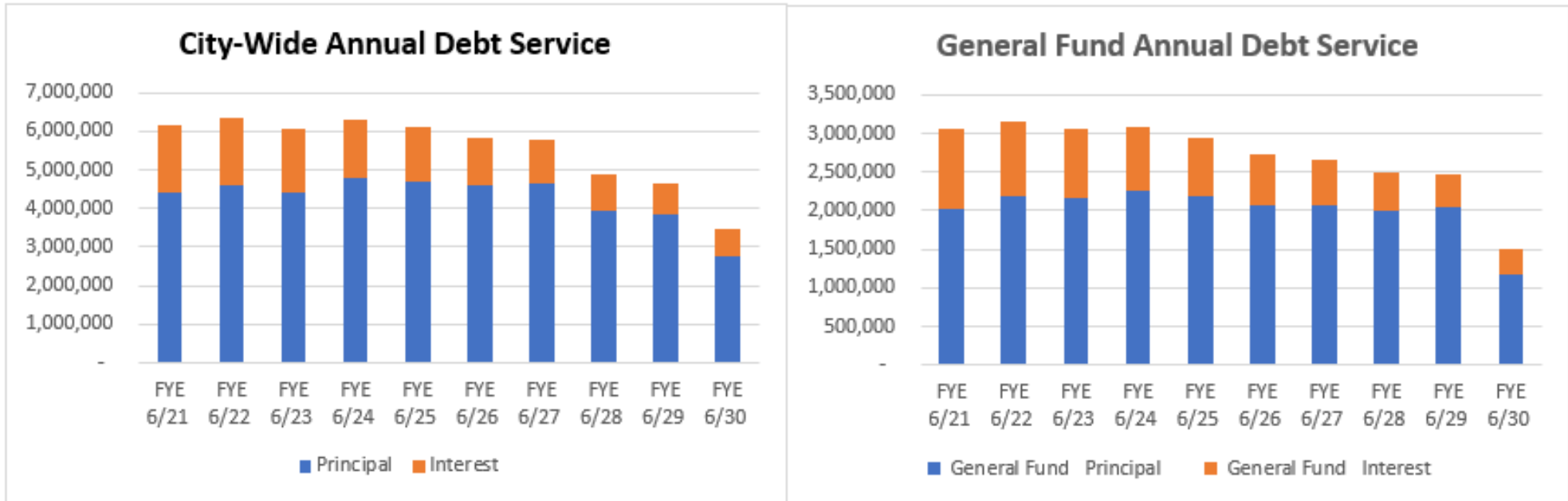
- Mill Race Pipeline and Evitts Phase 3 funding approved
- Evitts Creek Phase 4 requested

City-Wide Debt Service Requirements (000's)

Year	Governmental Funds		Proprietary Funds		City-Wide		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2021	\$ 2,084	\$ 1,090	\$ 2,314	\$ 694	\$ 4,398	\$ 1,784	\$ 6,182
2022	2,297	1,064	2,283	694	4,580	1,758	6,338
2023	2,287	985	2,126	669	4,413	1,654	6,067
2024	2,381	901	2,387	636	4,768	1,537	6,305
2025	2,325	821	2,359	588	4,684	1,409	6,093
2026 - 2030	9,896	2,822	9,908	2,049	19,804	4,871	24,675
2031 - 2035	6,100	1,158	5,913	1,008	12,013	2,166	14,179
2036 - 2040	2,138	194	3,254	504	5,392	698	6,090
2041 - 2045	-	-	2,692	269	2,692	269	2,961
2046 - 2050	-	-	2,530	98	2,530	98	2,628
2051 - 2055	-	-	642	7	642	7	649
Total	\$ 29,508	\$ 9,035	\$ 36,408	\$ 7,216	\$ 65,916	\$ 16,251	\$ 82,167

- Expected debt service on new 2021 debt is reflected in the table above.

Annual Debt Service Requirements



City-wide annual debt service requirements for existing and new FY 2021 debt is manageable.

Proprietary Funds FY 2021 Budget

0	Water	Sewer	Non-Major		Total
			Trash	MPA	
<i>Operating Revenues:</i>					
Charges for Services:					
Domestic	\$ 2,633,000	\$ 5,609,000	\$ 1,781,100	\$ -	\$ 10,023,100
Industrial	2,436,000	788,000	3,900	-	3,227,900
Sanitary commissions	-	4,190,000	-	-	4,190,000
Water companies	2,408,000	-	-	-	2,408,000
Rents/Concessions	-	-	-	356,933	356,933
Connection Charges	150,000	3,000	-	-	153,000
Other	204,700	661,500	21,475	16,000	903,675
Total Operating Revenues	7,831,700	11,251,500	1,806,475	372,933	21,262,608
<i>Operating Expenses:</i>					
Personal services	3,085,609	3,293,712	-	177,885	6,557,206
Utilities	196,300	474,500	-	13,200	684,000
Supplies	286,900	493,900	-	-	780,800
Repairs and maintenance	865,800	380,750	-	13,700	1,260,250
Landfill and recycling	200	7,000	515,125	-	522,325
Depreciation	1,291,125	2,441,467	-	138,738	3,871,330
Contractual services	279,500	1,073,904	1,097,103	18,000	2,468,507
Other operating expenses	1,382,809	934,447	196,198	55,634	2,569,088
Total Operating Expenses	7,388,243	9,099,680	1,808,426	417,157	18,713,506
<i>Non-Operating Revenues (Expenses):</i>					
Interest income	105,000	132,000	-	-	237,000
Interest expense	(444,284)	(183,960)	-	(80,929)	(709,173)
Other nonoperating revenue	-	-	-	-	-
Total Non-Operating Income (Loss)	(339,284)	(51,960)	-	(80,929)	(472,173)
Net Income Before					
Contributions, Special Items, and Transfers	104,173	2,099,860	(1,951)	(125,153)	2,076,929
Transfers-In and other sources	-	-	-	-	-
Grant Income	1,500,000	6,317,148	-	-	7,817,148
Transfers-out PILOT	(360,341)	(2,241,033)	-	-	(2,601,374)
Transfers-in (out)	-	-	-	132,048	132,048
Other Uses	-	-	-	-	-
Total other Sources (Uses)	1,139,659	4,076,115	-	132,048	5,347,822
FY 2020 Projected Net Income	\$ 1,243,832	\$ 6,175,975	\$ (1,951)	\$ 6,895	\$ 7,424,751

5/5/2020

Proprietary Funds FY 2021 Budget *continued*

0	Water	Sewer	Non-Major		Total
			Trash	MPA	
FY 2020 Projected Net Income	\$ 1,243,832	\$ 6,175,975	\$ (1,951)	\$ 6,895	\$ 7,424,751
Add Depreciation	1,291,125	2,441,467	-	138,738	3,871,330
Add Financing Proceeds	3,098,900	2,026,593	-	-	5,125,493
Less Capital Purchases	(4,598,900)	(8,216,251)	-	-	(12,815,151)
Less Principal Payments	(1,145,124)	(1,022,833)	-	(145,633)	(2,313,590)
Cash Flow	\$ (110,167)	\$ 1,404,950	\$ (1,951)	\$ -	\$ 1,292,832
Cash/Investments expected at 6-30-2021	4,343,546	13,239,870	308,931	-	17,892,346

- **Water Fund** - In FY 19 we recommended a series of 3 annual 5% water rate increases. The FY 21 budget reflects this increase (the average inside residential customer will experience a \$0.91 per month increase).
- **Water Fund** - includes a \$50K timber sale in the water supply watershed.

Proprietary Funds FY 2021 Budget *continued*

- **Sewer Fund** - The large Sewer Fund profit is primarily due to the BRF Grant from the State of Maryland, which will be utilized on the Race Mill Pipeline project. The cash flow is expected to be \$1.4M, bringing sewer fund cash to over \$13 million.
- **Trash Fund** – the slight projected negative cash flow is manageable with cash balance of over \$300K.
- **MPA** – Budget includes \$185K and \$132K General Fund subsidies in FY 20 & 21 respectively. Both years reflect revenue reductions and personnel cuts due to COVID-19 pandemic.

Governmental Funds FY 2021 Budget

	General Fund	Housing Assistance	Non-Major Governmental Funds								Total
			DDC	TIF District	CDBG	Police Grants	Special Projects	Community Legacy	Capital Projects	Street Improve	
Revenues											
Taxes	\$ 12,701,280	\$ -	\$ 185,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,886,914
Licenses & Permits	122,900	-	-	-	-	-	-	-	-	-	122,900
Intergovernmental	3,089,824	2,192,573	-	-	865,902	495,049	1,018,140	320,000	6,853,259	-	14,834,747
Service Charges	1,569,450	-	-	-	-	-	-	-	-	-	1,569,450
Fines, Forfeitures & Interest	59,200	-	1,700	-	16,400	-	-	-	-	-	77,300
Misc	982,000	-	25,000	-	-	-	-	-	100,000	-	1,107,000
	18,524,654	2,192,573	212,334	-	882,302	495,049	1,018,140	320,000	6,953,259	-	30,598,311
Expenditures											
General Government	1,794,672	-	323,797	-	-	-	-	-	-	-	2,118,469
Public Safety	11,684,675	-	-	-	-	500,049	-	-	-	-	12,184,724
Public Works	2,741,189	-	-	-	-	-	-	-	-	-	2,741,189
Recreation	708,834	-	-	-	-	-	-	-	-	-	708,834
Community Dev. & Housing	1,529,178	2,192,573	-	-	126,288	-	1,213,140	320,000	-	-	5,381,179
Capital Outlay	-	-	-	-	679,614	-	-	-	8,848,507	250,000	9,778,121
Debt Service	3,095,988	-	-	-	76,400	-	-	-	-	-	3,172,388
	21,554,536	2,192,573	323,797	-	882,302	500,049	1,213,140	320,000	8,848,507	250,000	36,084,904
Revenue in Excess of (less than) expenditures	(3,029,882)	-	(111,463)	-	-	(5,000)	(195,000)	-	(1,895,248)	(250,000)	(5,486,593)
Other Financing Sources (Uses)											
Financing Proceeds	2,240,474	-	-	-	-	-	-	-	-	-	2,240,474
Payment in Lieu of Taxes	2,601,374	-	-	-	-	-	-	-	-	-	2,601,374
Transfers-In	-	-	31,941	-	-	5,000	195,000	-	1,895,248	250,000	2,377,189
Transfers-out	(2,509,237)	-	-	-	-	-	-	-	-	-	(2,509,237)
Utilize Restricted Fund Balance	471,094	-	-	-	-	-	-	-	-	-	471,094
Unassigned surplus (deficit)	\$ (226,177)	\$ -	\$ (79,522)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (305,699)

Governmental Funds FY 2021 Notes

- **DDC** – Deficit represents the balance of the Fund’s unrestricted cash. General Fund assistance at a level sufficient to avoid negative cash balance. DDC expenditures include contract payments to the Cochran Group of \$50K for FY 20 and \$56K for FY 21 for design services associated with the Baltimore Street Redevelopment (Access) Project.
- **Non-Major Gov Funds** - other than DDC are zero balance funds established for specific purposes.
 - The Capital projects and Street Imp funds rely on outside grants and General Fund transfers funded through General Fund debt issuance/draws.
 - The Special projects (Carver Center, Jane Frazier Playground, ACM Volleyball Courts, Johnson Height Parks and Allegany County Community Enhancement projects) are fully funded with grants or partially funded with a General Fund match. The \$195K transfer represents a General Fund match requirement if the project and grant funds are accepted.

General Fund FY 20/ 21 Department Budget

	Revised FY 2020		Request FY 2021	
General Government				
Mayors' Office	\$ 26,288		\$ 26,135	
City Council	32,249		32,708	
City Clerk	102,642		101,082	
City Administrator	107,380		105,949	
Comptroller	361,565		366,927	
Personnel	80,535		80,482	
City Solicitor	125,979		110,187	
HRDC 400 N Mech St	1,400		1,300	
City Hall	89,031		94,732	
Information Technologies	394,328		382,995	
Vehicle Maintenance	118,119		164,903	
Central Services	321,264		243,141	
Building Maintenance - HRDC	12,237		3,200	
Municipal Service Center	57,176		65,978	
Insurance	2,918		31,244	
Debt Alloc	(12,164)		(16,291)	
Total	\$ 1,820,947	8.1%	\$ 1,794,672	7.5%
Public Safety				
Police	\$ 5,375,021		\$ 5,861,191	
C3I	43,188		42,866	
C3I Narcotics & Fed Forfeitures	30,621		21,852	
DDC Code Enforcement	57,430		61,702	
Fire	5,450,684		5,543,246	
Public Safety Building	164,576		153,818	
Total	\$ 11,121,520	49.4%	\$ 11,684,675	48.6%
Public Works				
Public Works	\$ 81,999		\$ 54,448	
Engineering Services	162,152		188,826	
Street Maintenance	2,012,707		1,781,618	
Snow Removal	153,193		296,297	
Street Lighting	436,633		420,000	
Total	\$ 2,846,684	12.7%	\$ 2,741,189	11.4%
Recreation				
Director of Parks & Rec	\$ 135,439		\$ 115,347	
Recreation Activities	127,541		76,357	
Swimming Pool	126,387		84,699	
Parks	538,590		432,431	
Total	\$ 927,957	4.1%	\$ 708,834	2.9%
Community Development				
Economic Development	\$ 350,000		\$ 350,000	
Community Development	927,702		1,064,502	
C.D. Special Projects	98,869		114,676	
Total	\$ 1,376,571	6.1%	\$ 1,529,178	6.4%
Debt Retirement	\$ 2,817,781	12.5%	\$ 3,095,988	12.9%
Transfers Out	\$ 1,579,334	7.0%	\$ 2,509,237	10.4%
Total Expenses & Outflows	\$ 22,490,794		\$ 24,063,773	

General Fund - Fund Balance (000's)

Fund Balance Detail 6/30/2019

Nonspendable	\$ 2,482	Prepays and deposits (Workers' Comp)
Restricted	1,970	Debt restricted for specific purposes
Unassigned	2,748	Free
	<u>\$ 7,200</u>	

Unassigned fund balance at 6/30/2019
 Expected FY 2020 Surplus
 Potential FY 2021 Deficit

\$ 2,748
34
(226)
<u>\$ 2,556</u>

\$ 2,851 Gap

FY 2021 Budgeted Expenditures
 Fund Balance Policy
 Fund Balance Target

\$ 21,628
25%
<u>\$ 5,407</u>

Goal 47.3%

Cutting deficit to break-even improves our %age goal attainment to 51.4%

General Fund – Discretionary Expenditures

Community Development

Nuisance Property Removal	300,000
Property Rehabilitation	100,000

Spec Va Ave Cumm Enhance'	xfer	95,000	City Match
Spec Carver Center	xfer	100,000	City Match
Cap 19 Frederick St	xfer	100,000	City Match

Other

Shade Tree	89,000
Let's Beautify Cumberland	10,000
Hotel Motel Contributions	45,000

- Eliminate or delay all or partial until we get a better handle on COVID-19 revenue impact?

Key Points

- General Fund deficit of \$226K
- Significant reliance on State funding sources and general COVID-19 uncertainties
- Tax rate - current \$1.0595 or constant yield \$1.0466 (diff. \$116K) – public hearing May 19th
- Discretionary expenditures
- Selective new hiring for vacancy replacements
- COLA allowance (General Fund - \$148K)
- Water rate increase of 5%
- Capital expenditure/new debt – minor impact (\$104K in new G.F. debt service in FY 21)
- CEDC > ADC reduction
- One-time transfer or loan from Utility

Questions ??

To: Mayor and City Council

From: Ken Tressler

Re: FY 2021 Budget

I am sending this narrative to accompany the budget discussion to provide some background and hopefully facilitate a better understanding at the meeting Tuesday evening.

The COVID-19 pandemic has disrupted everyday life and has had a major impact on City operations. The uncertainty associated with the pandemic has made the budget preparation very difficult. We are forced to make some broad assumptions concerning the immediate revenue impact of the disease. We will monitor closely for clues concerning any current or long-term financial impacts.

Slide 2 FY 21 Highlights – With the broad assumptions taken we are sitting at a General Fund deficit of \$226K. The General Fund deficit is helped by a lower than expected health insurance increase and a projected large health insurance refund. Capital expenditures require new debt issues of \$13.5 million with associated grants of \$68 million.

Slide 3 FY 2020 COVID-19 Concerns –

- MPA xfer from General Fund - Parking revenue (meters, fines, garages) is down, staff has been temporarily laid off but we still expect a larger General Fund transfer will be required.
- Tax Penalty/Interest collections - We typically see an increase in tax penalty and fee collection as a result of the annual tax sale – no sale was held this year. We expect this will be a timing difference and recovered next year.
- Hotel/Motel – we were ahead of pace to exceed our budget through February. Our understanding is local vacancies are in the 90% to 95% range which will significantly impact the revenue for the remainder of the year.
- Income Tax Allocation – Comptroller Franchot stated in a recent press release that tax withholdings could be down 22%. This is a state-wide estimate, the city impact may be different. The portion of the FY 20 income tax allocation projection associated with calendar year 2020 taxes has been reduced by 25%

Slide 4 FY 2021 COVID-19 Concerns –

- Income tax allocation – Original budget estimate reduced by 25%.
- Highway User Revenue – the state source for this allocation is gas tax. The state provided the FY 21 estimate before the pandemic. We are using a placeholder reduction of 25% to the previously provided estimate due to the recent drops in gas prices and the state-imposed travel restrictions.
- Hotel/Motel – Assuming a drop of 50% off of the original estimate. This placeholder assumes that the current situation will improve significantly during FY 21.
- Interest – the recent interest rate drops are not solely due to the COVID-19 but they are significant nonetheless. For example, a significant portion of our investments are placed with

the Maryland Local Government Investment Pool (MLGIP). The MLGIP interest rate has dropped from 1.7% March 1st to 0.53% on April 30.

- MPA Cash assistance – Revenue reductions are outweighing expenditure curtailment.
- Admissions and amusements tax - Assuming a drop of 50% off of the original estimate. This placeholder assumes that the situation will improve significantly during FY 21.
- RE Tax Penalty & interest – the assumption is we will make up for the FY 20 loss in FY 21.
- Other – no provision made for traders' license or building permit reductions – These items may be considered more at-risk with a long-term downturn in the economy. Tax & water/sewer collections may take a hit, but that would be considered a timing difference absent a longer-term economic downturn scenario (loss of tax base, etc.)

Slide 5 FY 2021 Assessable base – Constant yield notice indicates a 1.2% increase in the assessable base. Retaining the \$1.0595 rate will result in an increase of \$116K

Slide 6 FY 2021 Personnel Costs – COLA increases allowed for non-union, police and fire (subject to union negotiation. No increase for AFSCME.

Health insurance increase was lower than expected and the projected FY 2 refund (based on FY 20 claims) will be the highest ever if it holds. The favorable FY 20 health insurance claims may have something to do with COVID-19 related restrictions and postponements.

We currently have 11 vacant positions in the general fund – we are assuming that we will average 5 open positions during FY 21.

Slide 7 FY 2021 Health Insurance cost breakdown – Illustration

Slide 8 FY 2021 Capital Equipment request – significant equipment purchases include – Police vehicles - \$250K, Street Dept. front-end loader - \$125K, Water Dist. – Backhoe \$82K. Total capital equipment expenditures are \$773K using \$311K of existing debt and \$462 in new debt. The \$1.3 million ladder truck has been ordered. It has a 16-18-month lead time.

Slide 9 FY 2021 Capital Projects Summary – Includes projects with activity during FY 21. Many are multi-year projects and as such the debt and grant amounts will be spread over the life of the project.

Slide 10 FY 2021 Capital Projects General Fund

- The two major FY 21 General Fund funded project activities include the Baltimore St Bridge and the Baltimore St Access (BAS) Project. Both are expected to begin in FY 21 and complete in FY 22.
- The BAS project is relying on several different funding sources include the recently added CDBG, Community Legacy and Heritage Area grants.
 - The CDBG funding will occur over two separate grant funding years
 - Community Legacy is questionable given it is relatively large compared to typical single project requests. A decision will also have to be made if we want to proceed with this request solely, proceed with a community outreach for other requests and include them

with the BAS request or drop the BAS request and only include other community requests.

- We are confident in the Heritage Ara grants which requires a match.
- Finally, overall City debt of \$2.4 million will be required if all funding sources come in as planned. It is dependent on construction bids coming in at or below expectations or a value engineering process if they come in higher.
- Misc. street projects of \$250K are projected for FY 2021 using street improvement debt issued in FY 20. The balance of the \$1.0 million in the FY 20 Street improvement debt will be utilized on the BAS project. No funds will remain for future years.
- Timing is uncertain on the Washington St and Fayette St bridge projects.

Slide 11 FY 2021 Capital Projects Water Fund – Two projects highlight the FY 21 activity. The contract for intake screen project at the filtration plant has been awarded and work will begin in FY but the majority of the work will occur in FY 21. The Decatur St waterline project is expected to begin in FY 21 and be completed in FY 22. We have secured some grants on this project and are pursuing additional funding. The debt will be through the Maryland drinking water revolving loan pool.

A major filtration plant improvement (\$18.5 million) is in discussions and expected to begin during FY 2025.

Slide 12 FY 2021 Capital Projects Sewer Fund – Two significant WWTP projects will be completed in FY 20 (CSO Tank and Air Blower System). These projects had a total cost of \$30 million and we will have received grant funding of \$26.8 million.

Two new major projects have had some design work completed but are expected to ramp up during FY 21. The Mill Race Pipeline and Evitts Creek Phase 3 projects are estimated to ultimately cost over \$58 million with grants providing over \$50 million of the funding.

Two additional CSO projects are estimated to start in FY 22 and FY 23 with a combined value of \$10.8 million and grant providing funding of \$9.3 million.

Slide 13 City-wide Debt Service requirements – The table includes the debt service on all new debt expected to be issued during FY 2021. The City-wide debt service payments for FY 20 are \$5.7 million. Considering the new debt issued in FY 21 it will fluctuate between \$6.1 and \$6.3 million over the next 5 years. It is manageable but as always has to be monitored.

Slide 14 City-wide and General Fund annual debt service requirements – Illustration.

Slide 15-17 FY 2021 Proprietary Fund budget continued – Financial statement and cash projection. Overall, the proprietary funds are profitable and have significant cash balances.

- **Water Fund**
 - Revenue includes the 3rd year of planned 3-year 5% annual rate increase

- Fund is profitable due to grant income of \$1.5 million on Decatur St project, but is showing a slight cash deficit of \$110K. The fund is expected to end FY 21 with a cash balance of \$4.3 million.
- The FY 21 results include \$50K in a timber sale in the City owned filtration plant area watershed.
- **Sewer Fund**
 - Fund is very profitable primarily due to grant income associated with the CSO capital projects. These funds are utilized to pay for capital expenditures, but the Fund is still expected to show positive cashflow of \$1.4 million bringing the expected cash balance to \$13.2 million.
- **Trash Fund** – basically break-even. The fund is expected to end FY 21 with a cash balance of over \$300K.
- **MPA** – The Municipal Parking Authority ran out of cash during FY 19 and will run a deficit for the foreseeable future. We are projecting revenue at \$50K below the levels prior to the COVID-19 pandemic. We have adjusted expense to mitigate the effects of the lost revenue.

Slide 18-20 Governmental Funds FY 21 Budget – Except for the General Fund and the DDC, the governmental funds are “in & out” funds. They receive revenue through grants or general fund assistance that is utilized for specific purposes. Fund balances or deficits typically indicate a timing difference between receiving the expenditure and making the associated expenditure.

- **DDC** – The DDC has required fairly significant General Fund assistance to prevent an annual deficit since FY 15. This has been done even though the fund had available cash. In FY 20 and 21 the DDC is funding Cochran Studio’s design work associated with Baltimore St Access project (\$106K). The general fund assistance allowed in FY 21 is in an amount required after all of the DDC unrestricted cash is utilized.
- **Special Projects** – Two special projects will require some General Fund assistance if the suggested grant applications are awarded. We plan to request a \$100K Historical Preservation grant for the Carver Center which will require a \$100K match from the General fund. We have been in discussions with Allegany County for community enhancement grant funds for demolition of city owned buildings on Virginia Avenue. The remaining portion of the City’s match is \$95,000 on the community enhancement project.
- **General Fund** – after accounting for the utilization of restricted fund balance for capital expenditures the General Fund is showing a deficit of \$226K. Other than the COVID-19 items discussed earlier and fluctuations in departmental capital asset purchases there are few large variances between the revised FY 20 budget and the requested FY 21 budget. The major fluctuations are discussed below.
 - Public Safety – the increase from FY 20 to FY 21 is primarily related to personnel costs (fewer open positions budgeted), COLA increases and an increase in vehicle purchases.
 - Parks & Rec – the decline in recreation costs is caused by equipment purchases in FY 20 (dump truck and mower) compared to none requested for FY 21.

- Community Development – personnel costs increased \$50K due to COLA and full staffing levels in FY 21 and an increase in the nuisance abatement and property rehabilitation request represents an increase of \$70K.
- Transfers-out – The different is primarily due to an increase in general fund transfer for street improvement and capital projects (funded with debt) and the City match requirement on special revenue grant requests.

In FY 19 we did not utilize all of the blight removal funds available. We decided to utilize a portion of the unspent funds from FY 19 to increase our activity in FY 20 by \$80K to \$330K. We have \$300K budgeted for Nuisance abatement/blight removal and \$100K for property rehabilitation in FY 21. Given our current backlog of City owned properties earmarked for demolition the \$300K may be more than is needed for FY 21.

Slide 21 General Fund – Fund Balance – Unassigned fund balance is a key measurement of the health of a municipality. Our fund balance policy sets the unassigned fund balance target to 25% of budgeted expenditures. Using the revised FY 20 surplus of \$34 and the initial budget request reflecting a \$226K deficit we have a gap of \$2.85 million. We are only at 47% of the fund balance target.

Slide 22 General Fund – Discretionary Expenditures – If a decision is made to cut general fund expenditures the “discretionary expenditures” *could* be considered the easiest target.

Slide 23 Key Points –

- There is a major reliance on State funding and it is expected the COVID-19 will cause substantial budget pressure. We’ve not heard of any potential pull-back of previously committed funding, but it is something to keep an eye on.
- There is significant uncertainty with the effect of COVID-19 on several City revenue line items. All we can do is make a best guess and manage to results as they become known (i.e. delay or cancel discretionary expenditures, delay replacement hires where practical.
- I am suggesting that we keep the existing tax rate and we hold the public hearing on May 19th to accept this rate (vs the constant yield rate).
- The budget reflects the planned 5% water rate increase for FY 21.
- The FY 21 financial impact on the general fund capital expenditures and new debt is a relatively minor \$104K.
- The financial impact of the potential CDEC to ADC transition is unknown but could represent a reduction in the budgeted City investment of \$350K
- Get the extraordinary circumstances associated with the COVID-19 pandemic we may want to consider a one-time discretionary transfer from the utilities to cover the projected deficit. If the pandemic impact is less than assumed or if there are other favorable variances we could elect to reduce or eliminate the utility transfer.