

## MEMORANDUM

TO: City Council

FROM: David J. Deutsch  
City Manager

SUBJECT: ***Status Report***

DATE: December 19, 2013

1. 2014 Development Sites Outline

You will find a copy of the *2014 Development Sites & Highway Projects Outline* in your package for your information and use. This annual publication of the Department of Planning and Economic Development highlights development activities and transportation projects within the City and the surrounding area. Additional copies are available from the Planning Department upon request.

2. Recycling on New Year's Day

Beginning in 2012, City Council authorized the collection of single stream recycling (not metal or yard waste) on New Year's Day as a convenience to residents. The reason for this change was to accommodate those who wish to recycle, but have to wait three weeks during the holiday season each year, since Christmas and New Year's holidays are always on the same day. This year the following areas are impacted: Bowie Forest, Buckingham, Derbyshire, Foxhill, Kenilworth and Somerset.

3. Senior Rental Housing

The staff review of this matter is underway. There are many aspects to this issue that need to be considered. We are planning on reporting back to you by late February. Letters have gone to the representatives of the senior facilities who came to the November 25<sup>th</sup> Council Meeting, advising them of the status of this item.

4. Budget Guidance Report

Attached are the slides for the January 6 Budget Guidance discussion. If you have comments or questions on the material prior to that first Council Meeting in January, do not hesitate to contact me.

5. FY14 Budget Objective

The FY14 Budget contains an Objective regarding the evaluation of the use of the Bowie Performing Arts Center (BCPA) for holding a fund-raising event to support the arts scholarship fund. The staff report on this is attached.

6. Belair Drive Signal Light at US 50 Ramp

SHA has provided the City with an early Christmas present. The signal is now in full Red-Yellow-Green operation.

7. Speed Signs

Public Works recently moved the speed signs to the following locations: **Global Street** (fr. Quarterhorse Drive), **Windover Turn** (fr. Rocky Spring Lane), **Dolphin Way** (fr. Danbury Drive, **Overbrook Lane** (fr. Traymore Lane), **Beaverdale Lane** (fr. Kavanaugh Lane), and **Dunwood Ridge Terrace** (fr. Nashua Lane).

Attachments



# City of Bowie

15901 Excalibur Road  
Bowie, Maryland 20716

## MEMORANDUM

TO: City Council

FROM: David J. Deutsch, City Manager 

SUBJECT: Concert Series to Benefit the Scholarship Fund

DATE: December 18, 2013

In fiscal year 2014, the City Council assigned staff an objective to "Prepare a report by December 31, 2013, that evaluates the use of the Bowie Performing Arts Center for holding a fund raising event to support the arts scholarship fund."

### Background

The City of Bowie established a scholarship fund in 1989 with donations that were received from developers. At its peak, the fund held \$114,650. The last donation to the fund was in January 2000. Since that date, the City of Bowie has awarded \$98,500 in scholarships. In the early stages of this program, the interest income was sufficient to cover the scholarships issued to those receiving educational and arts scholarships. These awards have traditionally been made annually for a total of \$6,000, with \$5,000 of this amount for the "Excellence in Education Scholarships" and \$1,000 for the "Arts Scholarship."

Currently, the interest rate proceeds are minimal and the annual scholarship monies have come from the principal, which has dwindled to \$65,600. At the current rate of usage, staff anticipates the fund will be depleted in eleven years.

It has been suggested that a series of concerts, anywhere from three to five yearly, could be held at the Bowie Center for the Performing Arts (BCPA), in order to generate income that could be placed in the scholarship fund for future use. These dates could be deducted from the 14 allocated days the City of Bowie receives at the (BCPA). Additionally, it has been suggested that staff from the City's Department of Community Services can produce the series.

Staff has examined the following options regarding this matter:

Option 1

The funds for the scholarships issued by the City of Bowie will remain available for the next eleven years based on staff's assessment of the situation. These funds came from developers and do not involve tax payer dollars in any form.

Under this scenario, there is no emergency to resolve the funding source, and assuming the same expenditure levels continue, there is sufficient income to maintain the program the way it is for the next eleven years. The scholarship fund is still eligible to receive donations from developers in the future. If no additional funds are received, the program would continue until its last checks were issued and subsequently be closed out in 2024.

Option 2

Under this scenario, the scholarship fund would continue to be managed and funds awarded as in past practice. However, under Option #2, there would be some changes in the manner in which the scholarships are advertised. In this instance, a continual effort to communicate to the Bowie community that such a fund exists, with requests that donations to the fund can be made by the public. This would be advertised on our web site, by publication of said opportunity in the Bowie Blade and the Gazette Star and the Bowie Patch, as well as social media outlets. Individuals would be encouraged to provide proceeds from life insurance policies or even trust accounts making the scholarship fund the beneficiary, which would resolve the funding question.

This approach aims to create awareness and, hopefully, the community would participate in this unique program. This allows the program to continue using private dollars to help sustain the program and does not include any taxpayer dollars.

Option 3

It was suggested by Councilman Brady that a concert series be established at the BCPA as noted earlier consisting of three to five events with a goal of generating \$5,000 to \$10,000 per event for the scholarship fund. Staff spoke with the Artistic Director of the Community Concert Series in Fayetteville, North Carolina, the Maryland-National Capital Park and Planning Commission, the City of Rockville, and the Bowie Center for the Performing Arts (BCPA).

These individuals had the following comments:

- Do a series, not just one pilot concert, because a single event would be insufficient to evaluate the program.
- Partner with local and state arts groups for their support, be it financial or otherwise.
- Establish an arts organization in the community to run the series.
- Solicit donations from sponsors and large corporations, as well as smaller businesses and interested individuals.

Under such a scenario, funds would be required, either from the scholarship fund itself, or the city's general fund to cover start up costs, that include the following costs:

Budget

|                                            |            |              |
|--------------------------------------------|------------|--------------|
| Artist/Performer                           | (per show) | \$20,000     |
| Promoter Fees                              |            | 2,000        |
| Sound/Lights/monitors                      |            | 5,000        |
| Equipment Rental                           |            | 1,000        |
| Advertising                                |            | 5,000        |
| Local Hotel/Car Rental (artists and staff) |            | 3,000        |
| Ticketing Fees and Miscellaneous (ushers)  |            | 1,000        |
| Legal fees                                 |            | <u>1,000</u> |
| Total                                      |            | \$38,000     |

Groups in the \$20,000 range in today's market are Arlo Guthrie, Joan Baez, Preservation Hall Jazz Band, The Lettermen, KC and the Sunshine Band, Three Dog Night, The Chieftains, and Blues Traveler to name a few. Staff assumes that the larger the draw, the larger the costs will be as noted above. Also, these numbers can increase or decrease based on the number of members of the entertaining group and technical staff they employ. Staff time is not included in the above calculations nor are any security/police costs or fees from any of the potential partners noted above.

The BCPA facility has an 800 seat capacity. Using the above expenditures as an example, the minimum cost for each seat, assuming each show is a sell out is \$47.50. To gain a projected profit of \$5,000, an additional \$6.25 would need to be added to each seat for a per seat cost of \$53.75.

The only sold out performances at the facility have been the Bowie High musicals and the Bowie Senior Chorale which average under \$15.00 a ticket. The most expensive ticket ever offered for an event was the BRAVA Gala that sold for \$100 each, but sold only 600 tickets. Staff recommends that in order to achieve the goal of generating proceeds from the concert at \$5,000 per event, the ticket pricing must be based on selling seventy five percent of the seats, or 600 seats. Using that scenario, the per seat ticket price rises by \$8.33 to include a profit margin, to \$71.66 each.

The numbers presented above are provided as an example of the cost centers involved in producing such a concert series. These costs are incurred whether or not a 501(c)(3) entity is established. Under a 501(c)(3) scenario, Articles of Incorporation are required, tax exempt status is necessary, and annual filings with the State of Maryland occur. Staff sees no reason to establish such an entity or to ask another group or individuals to establish this since no matter who runs the program as outlined above, the fact remains that the seating capacity of 800 per show is insufficient to generate a positive cash flow over a couple of concert presentations. Staff's opinion is that the per seat price required to achieve the intended goal will not be attractive enough to the public regardless of the entity running the concerts.

Also, the MD 450 corridor is not recognized as a "destination address." If it were, it might otherwise attract folks from around the area. Additionally, there is a significant number of venues in the immediate area that not only provide keen competition for destination/concert events. Examples of these venues include Wolf Trap, Merriweather Post Pavilion, Strathmore, Blues Alley, Rams Head in Annapolis and Baltimore, Fillmore in Silver Spring, the Birchmere and Warner Theatre. These other venues have larger capacities and also have the ability to provide food and beverage on site, unlike the BCPA. Partnering with other arts groups and organizations is not viewed as a solution to the per seat ticket cost issue identified above.

#### Option 4

This approach involves the solicitation of sponsors for such a series as noted under Option 3. To make this successful, larger corporate entities would need to be identified, officially contacted by the City of Bowie, or its representative (promoter/ a 501(c)(3), other art group) and dedicated staff time allocated to follow up with each of the players indentified. Funding levels desired for each sponsorship level and benefits package would need to be identified as well. Considerable staff time would be needed to monitor these contributions and to answer calls and questions about the program. No estimate on such time has been offered at this time. In concept, such an approach can work, but requires considerable financial cooperation by the private sector. If in fact a significant sponsor

was identified and wanted to participate, it would be advantageous to remove the City of Bowie altogether from such a program and allow the private sector to conduct the program on its own.

#### Option 5

The objective assigned to staff only focuses on the arts scholarship fund. For arts scholarships, the fund has historically issued checks as small as \$500 and as large as \$1,000. Staff finds that the scope of the work involved, as described above, is extremely time consuming and depends on many parties to participate and yields only marginal returns that significantly outweigh the liability in order to generate a small stream of revenue. There are no guarantees that such a concert series can be self sustaining, let alone generate a profit.

The City of Bowie scholarship fund normally issues four to six checks per year. One check is issued in the amount of \$1,000 for an arts scholarship award, if identified, and four to five checks are issued to students for the education scholarships which are given out in \$1,000 increments for a grand total expenditure of \$6,000 per year. A far more productive approach would be for the City Council to dedicate the \$6,000 dollars necessary on an annual basis through the budget process once the current funds are exhausted. In using this process, future funding is secured, with minimal effort and can be considered in a similar way to the manner in which the City Council appropriates funds for our public art program.

**Recommendation:** Staff has provided five potential options above for consideration. All of them are attractive in some way; however, efforts to inaugurate a concert series are seen as cost prohibitive given the size of the BCPA and the need to yield a profit for the scholarship fund. Secondly, it is incongruous to perform the work necessary for an arts scholarship and ignore the education scholarships program that is awarding five times the amount of money each year in comparison to the arts scholarship.

Staff recommends that the objective assigned recognize scholarship efforts by the city as a whole. Option 5 as noted above is the most cost effective, time sensitive approach which establishes a dedicated revenue source for a worthy program at a future date only available to Bowie residents and immediately solves the matter.

# City of Bowie Budget Policy Guidance Meeting

January 6, 2014



# Background

# City of Bowie

## Action Plan 11 from Strategic Plan:

Strategic Issue: Growing service demand

Goal: Better balance between resources and current demand for existing services

Action: Provide policy guidance at start of budget process

# City of Bowie

## Action Plan 11 (Continued)

### Specific tasks:

1. Council meets to establish budget priorities and guidelines.
2. City Manager conveys Council policy to department heads for guidance in preparing budget requests.

# Action Items

- Establish a framework for FY2015 Budget
- Set priorities and parameters
- Emphasize importance of using the CIP as a strategic financial planning tool
- Consideration of long term recurring operating costs when adding Capital Projects

# City of Bowie

- Council/Manager form of government
  - ◆ Council – Policy-making body with legislative authority
  - ◆ Manager – Responsible for carrying out the policies and ordinances, overseeing the day-to-day operations, and serves as the Chief Financial Officer

# City of Bowie

- The City Manager is required to prepare an annual budget to be submitted to the Council (City Charter, Sec. 39. Powers and duties, par.6).
- The City Manager shall submit a budget to the Council between the tenth and the fifteenth days of April each year (City Charter, Sec. 42. Duty to prepare budget, etc.)

# Budget Development Schedule

|                       |                                                                                                                                                                                    |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| November/<br>December | Council meets to establish budget priorities. City Manager conveys Council policy to Department Heads.                                                                             |
| December              | Staff begins planning recommendations for the Capital Improvement Program.                                                                                                         |
| January               | Staff begins developing goals for the coming year and estimating costs for operating budget recommendations.                                                                       |
| February              | City Manager meets with Department Heads to analyze new projects, evaluate progress on continuing projects, determine operating cost requirements and set priorities.              |
| March                 | Finance Department makes revenue projections, prepares summaries, edits and assembles the City Manager's Proposed Budget.                                                          |
| April                 | City Manager submits the Proposed Budget and Capital Improvements Program to City Council between April 10 <sup>th</sup> and April 15 <sup>th</sup> , as required by City Charter. |
| April-May             | City Council holds budget work sessions and one or more public hearings, all of which are televised and open to the public.                                                        |

# Fiscal Policies

## Revenue and Expenditure Policies

1. The City will strive to adopt an annual General Fund budget in which recurring expenditures do not exceed recurring revenues.
2. A five-year projection of revenues and expenditures for the General and Water and Sewer Fund will be prepared each fiscal year to provide a long-range, strategic perspective for the annual budget process.



# Fiscal Policies

## **Revenue and Expenditure Policies (Continued)**

3. On an annual basis the City will set rates for the Water and Sewer Fund at levels which provide for self-sufficiency.
4. One-time nonrecurring revenues shall be used for financing capital projects. Examples of one-time revenues include, but are not limited to: proceeds from the sale of surplus property, capital grants and other infrequent, nonrecurring revenues. The use of one-time revenues for financing ongoing operating expenditures is strongly discouraged.

# Fiscal Policies

- **Capital Financing and Debt Management Policies**
  1. The City will not use long-term borrowing to finance current operations or normal maintenance expenses.
  2. The City will strive to maintain a high reliance on pay-as-you-go financing for its capital improvements.

# Fiscal Policies

## ■ Capital Financing and Debt Management Policies (Continued)

3. The City will maintain an unassigned fund balance in the General Fund and the Water and Sewer Fund at a level not less than 25 percent of annual expenditures.
4. To the extent that unassigned fund balance in the General Fund exceeds the 25 percent level, the City will draw upon the fund balance to provide pay-as-you-go financing for capital projects or for other one-time capital items.

# Fiscal Policies

## ■ Capital Financing and Debt Management Policies (Continued)

5. As part of the Capital Improvements Program, an analysis of the long-term financial impact shall be performed for new capital projects. The analysis shall include the initial capital costs for acquisition and construction, as well as the impact on operating costs. The analysis of operating costs shall include the changes in operating and maintenance costs, additional workforce requirements, productivity enhancements, and risk management considerations.

# Fiscal Policies

## ■ Capital Financing and Debt Management Policies (Continued)

6. All debt issued will be repaid within a period not to exceed the expected useful lives of the improvements financed by the debt.
7. The City will maintain its tax-supported bonded debt at a level not to exceed 0.8 percent of the assessed valuation of taxable property within the City.
8. The ratio of debt service expenditures as a percent of General Fund revenues shall not exceed 10 percent.

# Revenue Outlook

- State
- County
- City

# Revenue Outlook - State

- In FY2013, Income Taxes rose by 8.1%, Sales Tax increased by 0.7%.
- Modest increases in Sales Tax (3.1%) and Income Taxes (5.0%) estimated for FY2014.
- Continuation of increases in Sales Tax (3.8%) and Income Taxes (4.6%) projected for FY2015.
- Risks in the future – Housing, non-stop uncertainty at the federal level, sequestration, Federal Reserve actions and Mid East unrest.

Source: Bureau of Revenue Estimates, State of Maryland Comptroller's Office, October 2013

# Revenue Outlook – County

- Continue to face great challenges in FY2014 and FY2015:
  - ◆ Housing market slowly recovers – Slight increase of 1.9% in property tax revenue in FY2015.
  - ◆ Moderate increases from income, transfer and recordation taxes.
  - ◆ Decrease in speed camera revenue.
  - ◆ Uncertainty of Federal budget actions which could reduce income tax and other revenues.
  - ◆ Unknown budgetary decisions at the State level which could affect State aid.

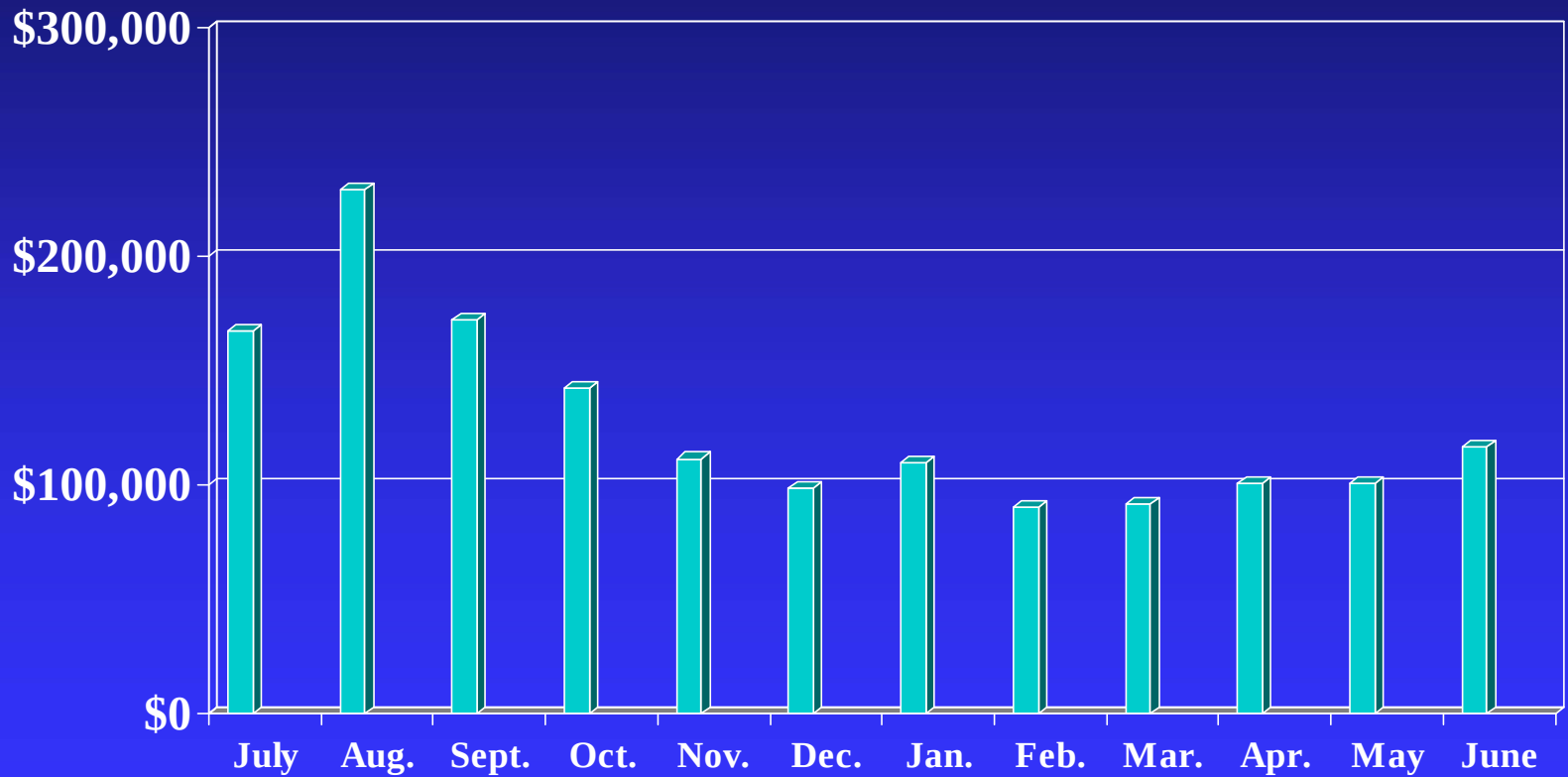
Source: Prince George's County



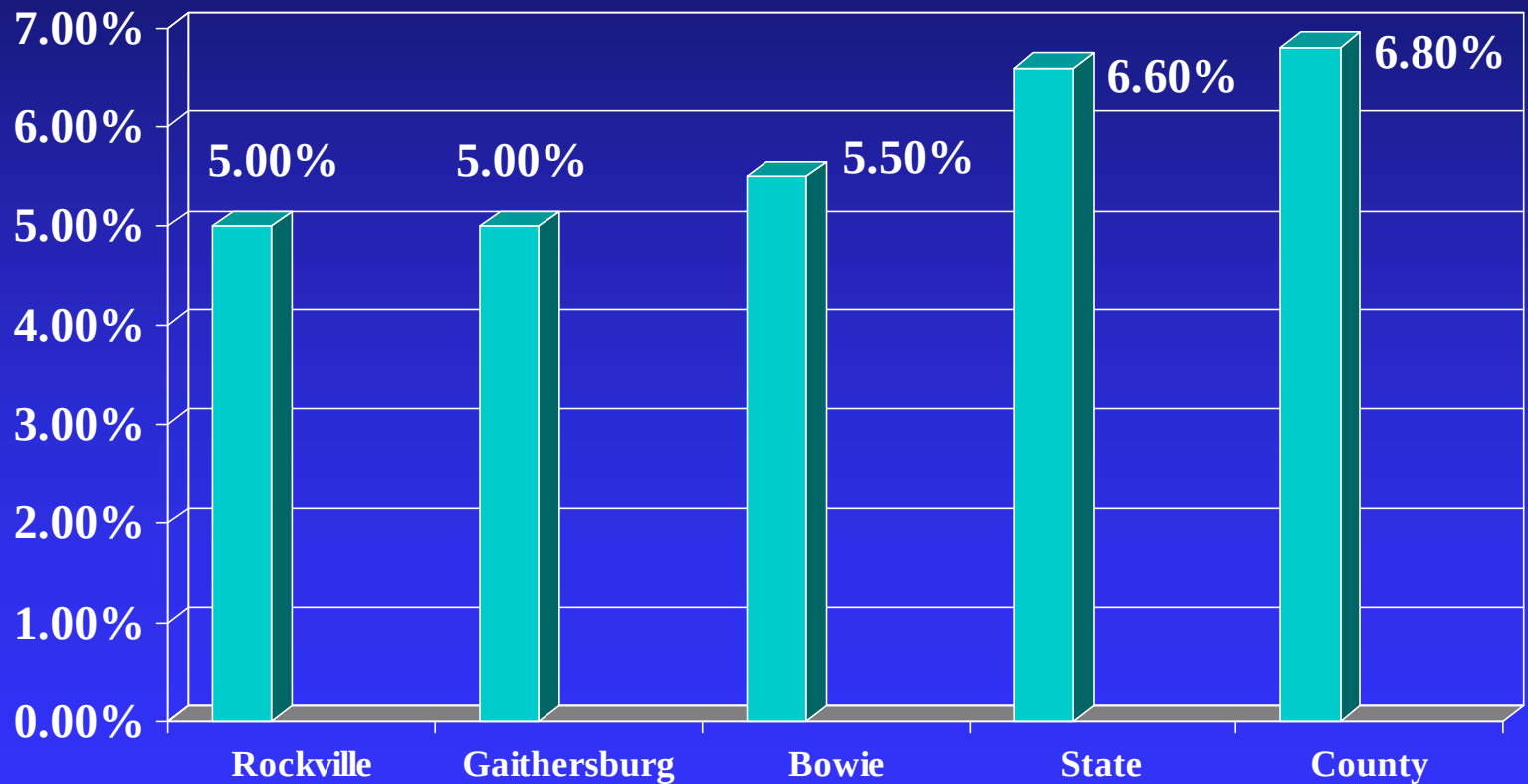
# Revenue Outlook - City

- FY2015 taxable property assessments – expect less than 2% increase. (All property will be reassessed by January 2014 and will be the basis for FY2015 assessments.)
- Highway user revenue estimates for FY2014 and FY2015 are \$452,000 and \$469,200, respectively, as compared to \$3.1 million received in FY2007. The City also received a one-time only grant of \$1 million from Highway user revenue in FY2014.
- Using State estimates, increase in Income Taxes of nearly 4.6 percent or roughly \$400,000 expected in FY2015.
- Speed Camera Program revenue expected to decline in FY2015. In FY2013, \$1.5 million collected, offset by \$.61 million in costs. Collections budgeted to decline by over \$500,000 in FY2014.
- At risk from potential federal cutbacks which could affect income taxes and grants.

# Revenue from Speed Camera Infractions FY 2013



# Unemployment Rates August 2013

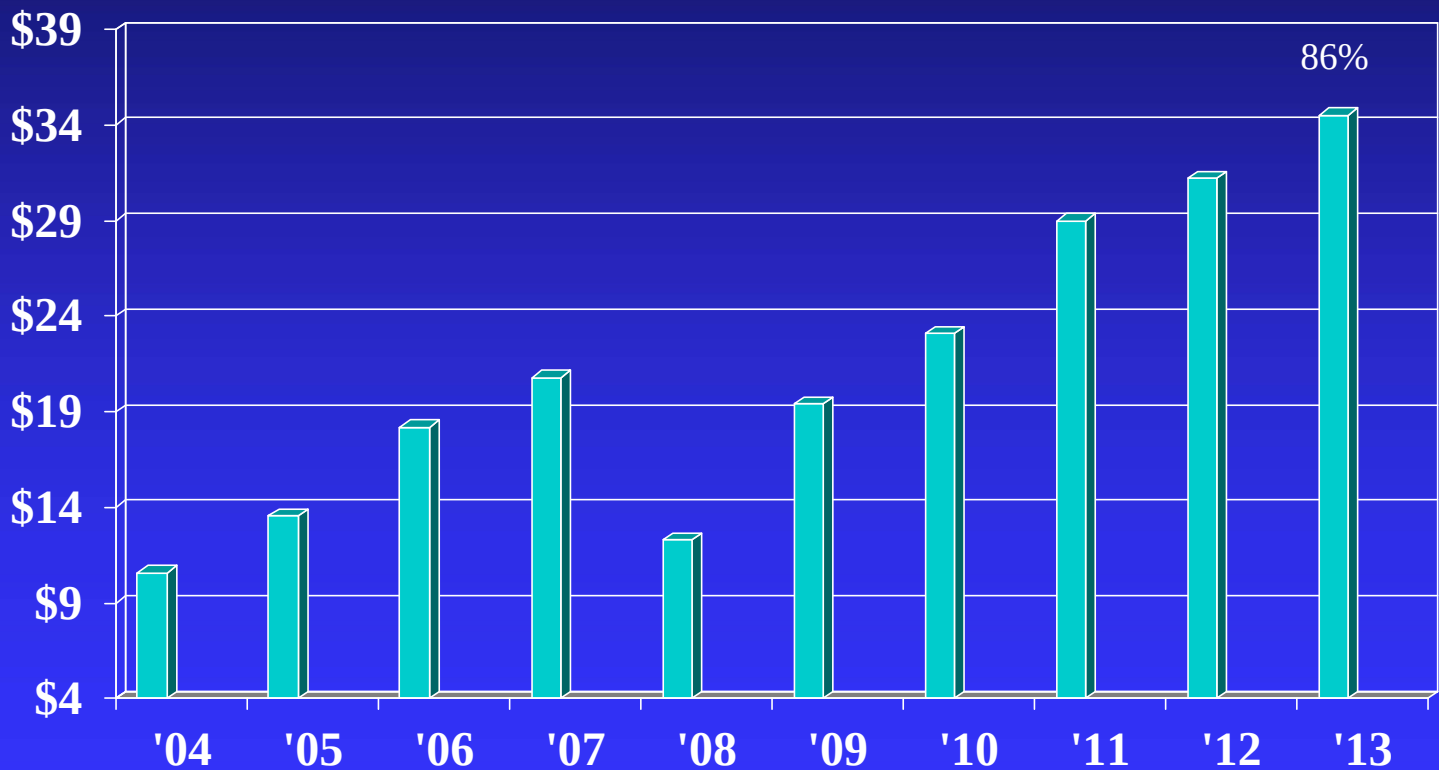


Source: Maryland Dept. of Labor, Licensing & Regulation

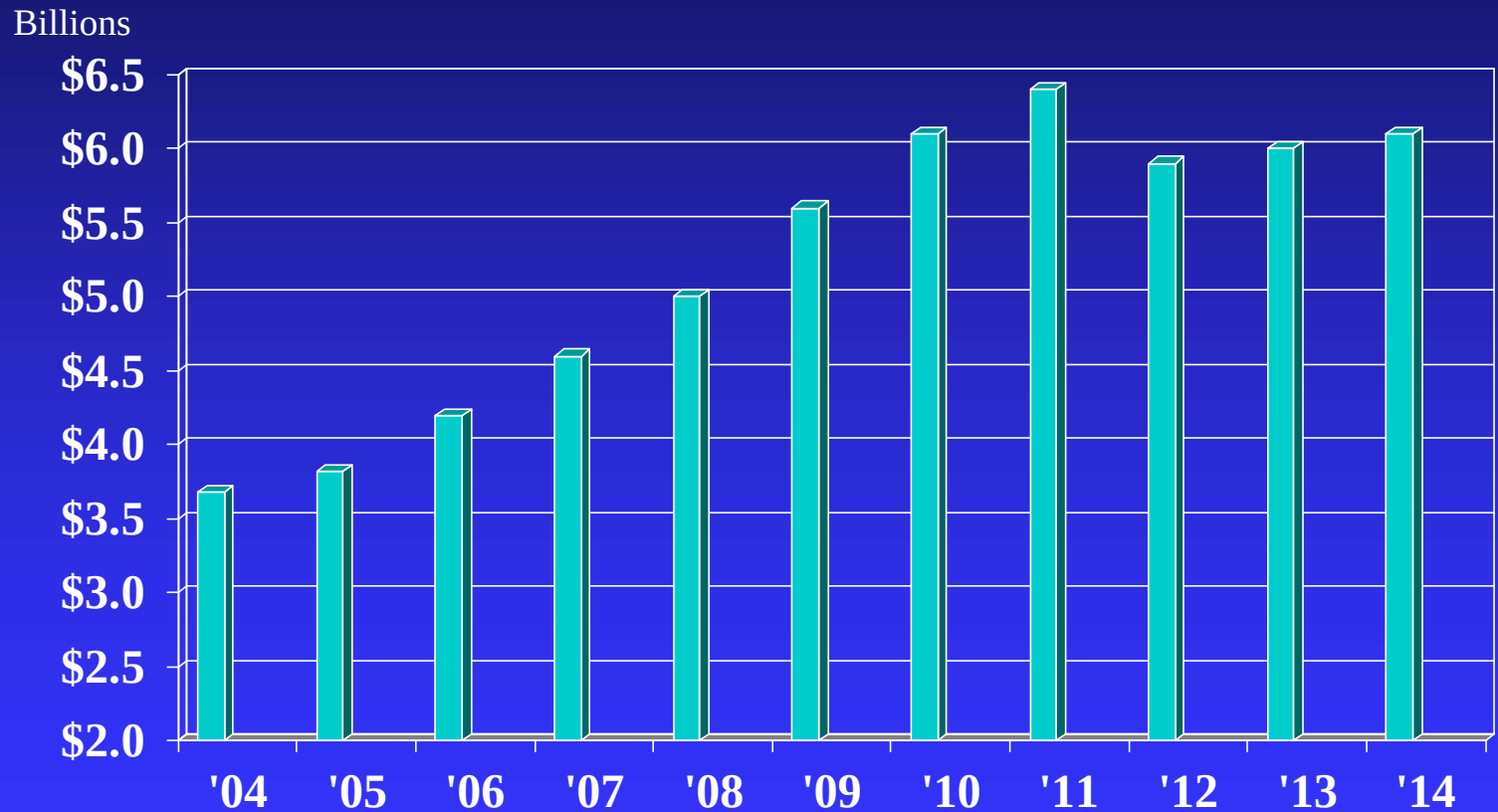
# Trends of Major Revenue Sources Last Ten Years

# Undesignated/Unassigned Fund Balance – Last Ten Years

Millions

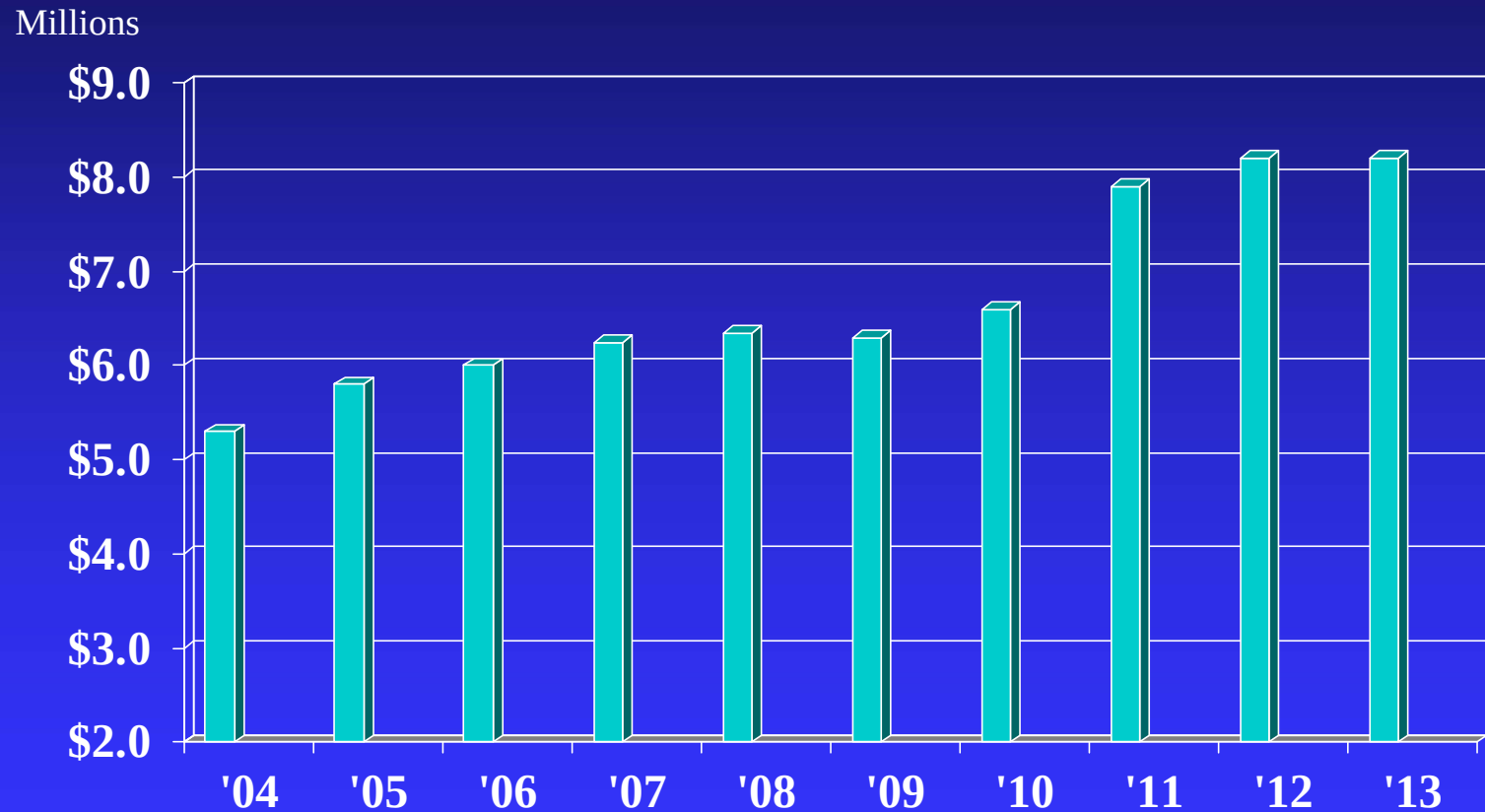


# Taxable Assessed Value Last Ten Years

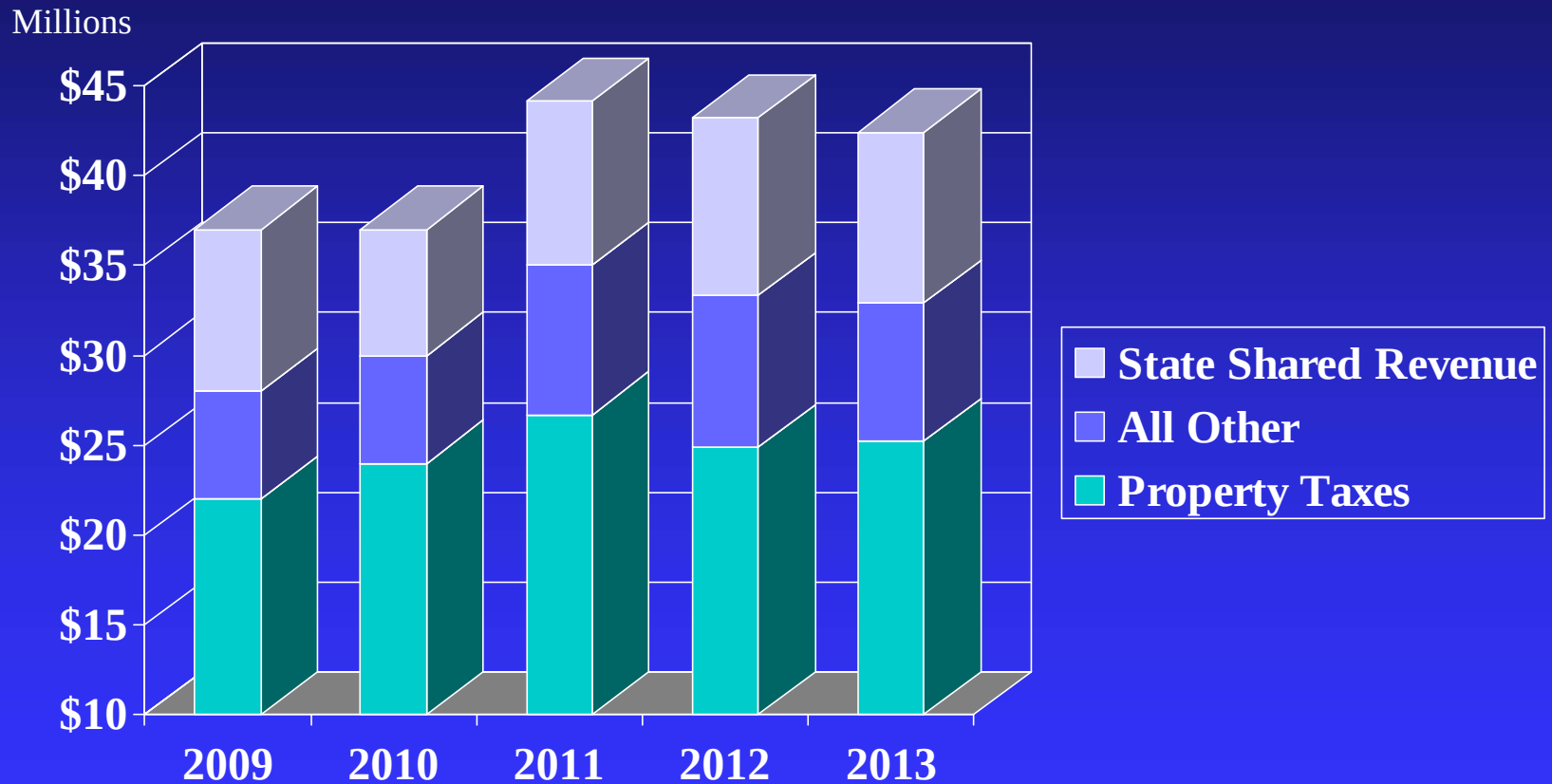


FY2004 – 2013 (Actual), FY2014 (Budget)

# Income Taxes Last Ten Years

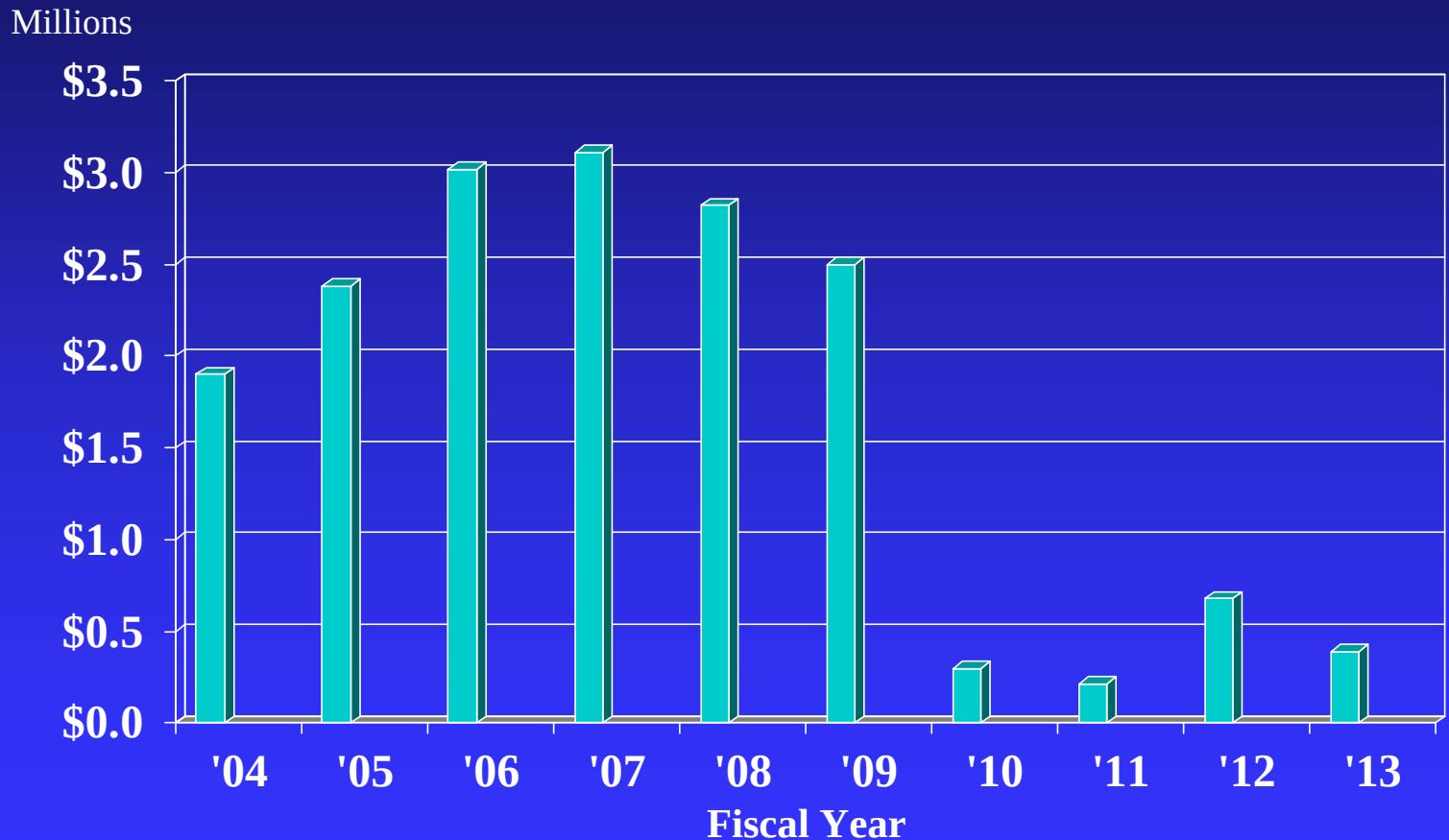


# General Fund Major Revenue Categories





# Highway User Revenue Last Ten Years

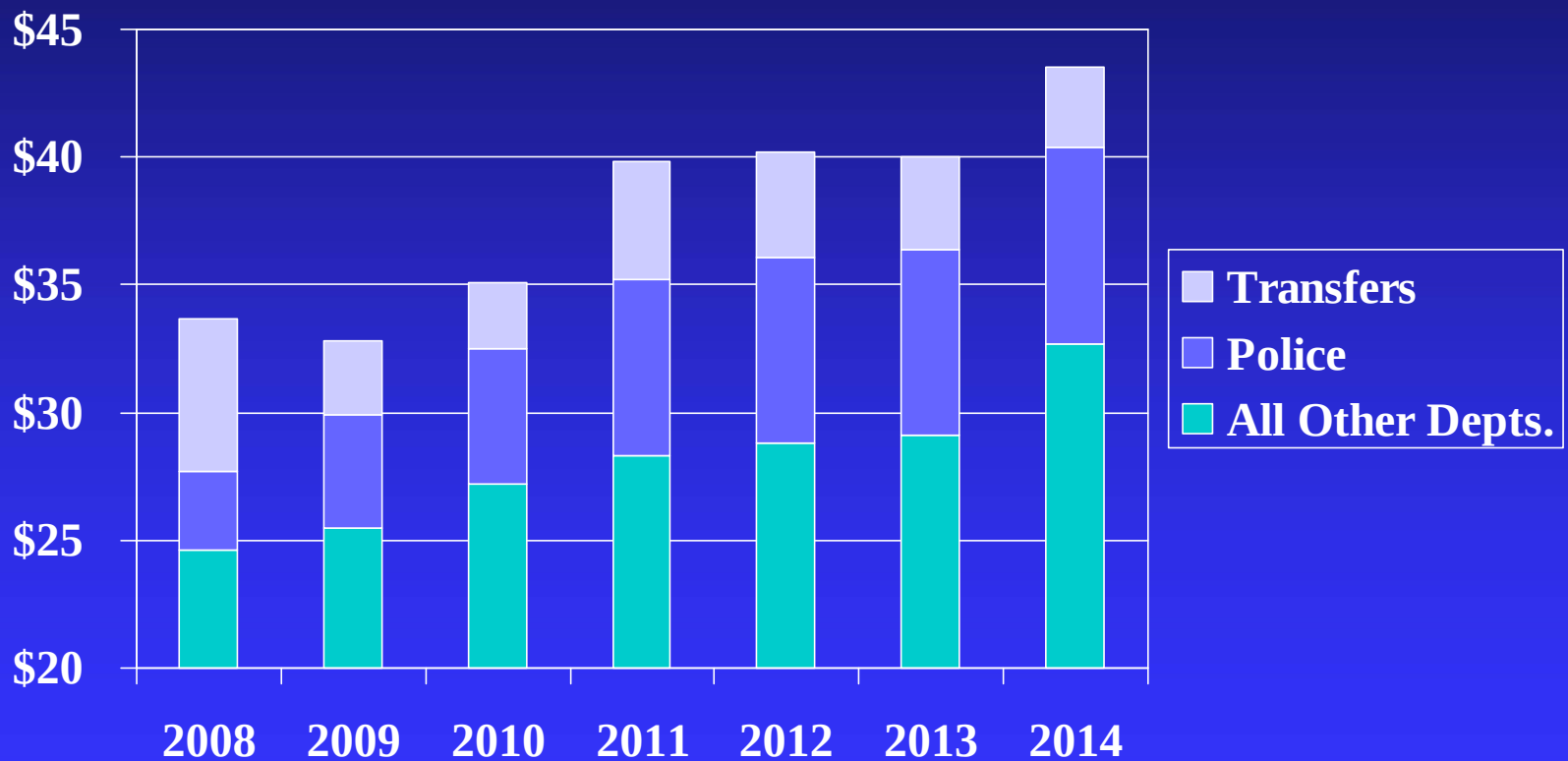


# Update on Highway User Revenue

- The City expects to receive \$452,000 in FY2014, in addition to a one-time only grant of \$1 million. The City received \$3.1 million in FY2007.
- Restoration of full funding (FY2007 levels) is highly improbable.

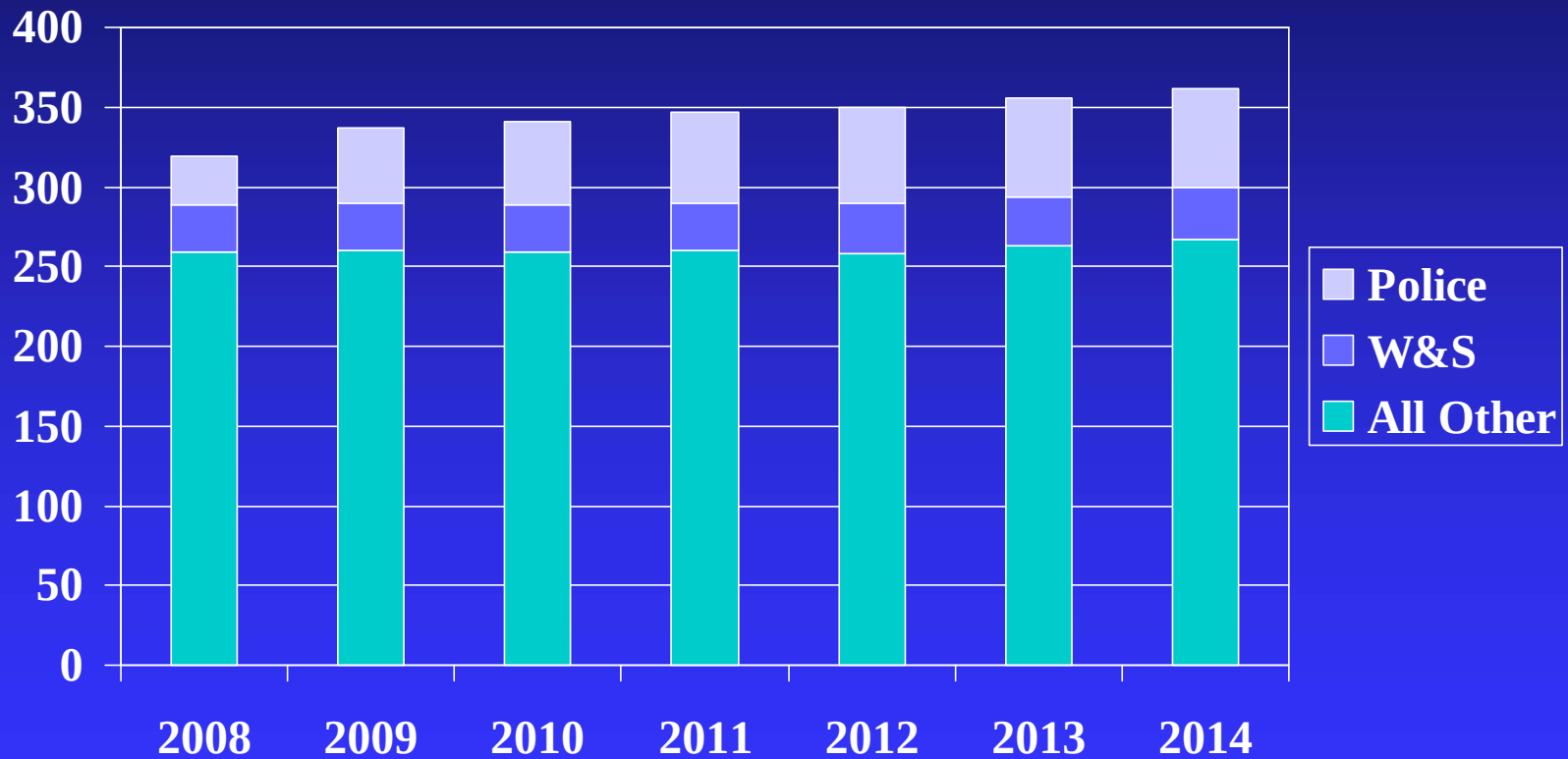
# General Fund Expenditures Transfers, Police, All Other Depts.

In Millions

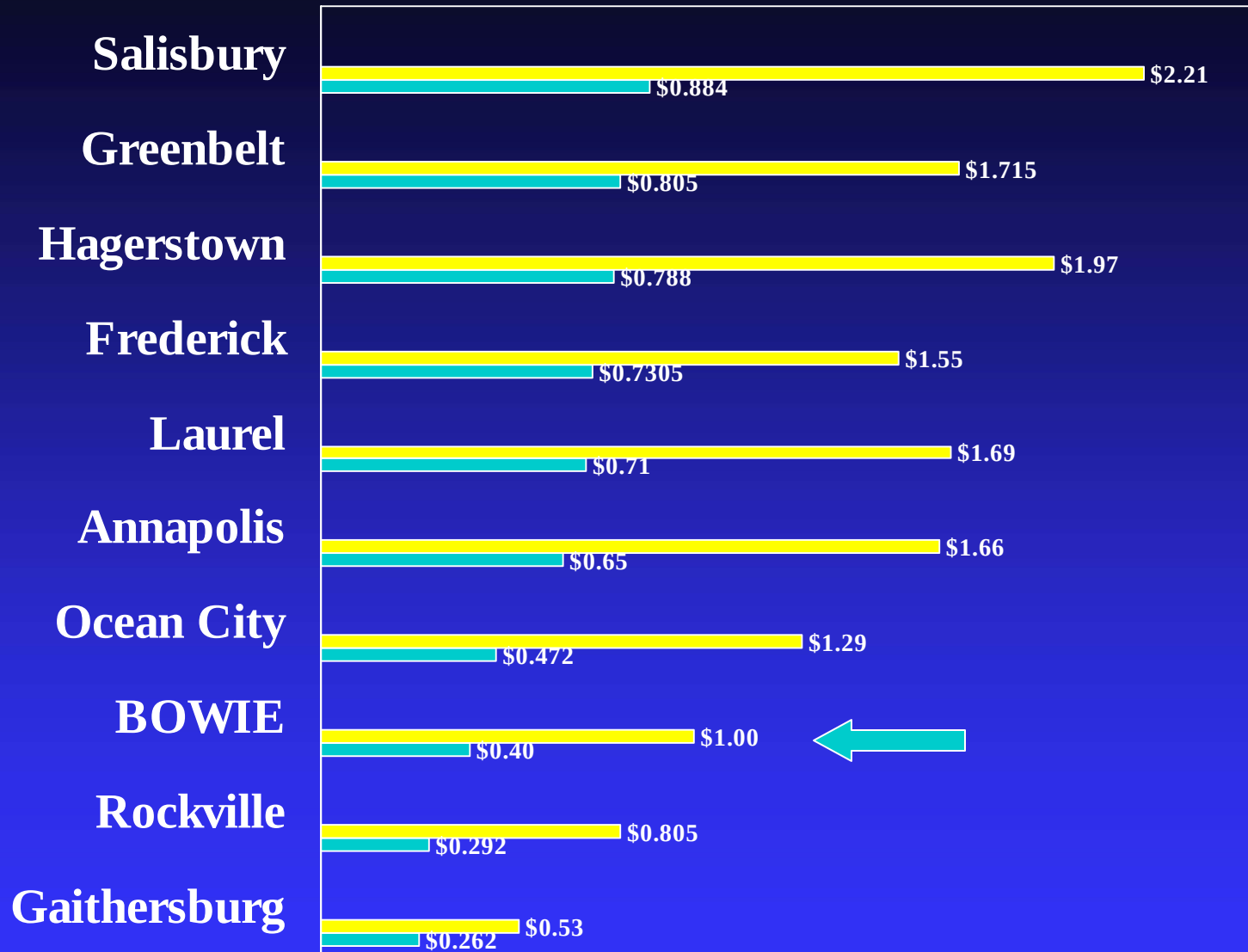


FY2008 – 2013 (Actual), FY2014 (Budget)

# Total Personnel Full-time Equivalents



## FY2014 Property Tax Rates – Business Personal and Real Property



Note: Some municipalities have additional charges added to this rate.

Source: State of Maryland Department of Assessments and Taxation

# Major Capital Projects FY2014

- Bowie Heritage Trail – Completion of design/engineering plans and construction of Phase I. Also includes installation of 10<sup>th</sup> Street playground (\$1,437,000).
- Land Acquisition – Negotiations underway for Bowie Race Track property.
- Facilities Preventive Maintenance – Annual contribution to replace or refurbish major components at City facilities (\$448,300).
- Belair Mansion – Driveway replacement, roof repairs, and drapery installation (\$338,100).

# New Services and Projects FY2015 and beyond

- New Indoor Sports Facility (\$11.1 mil.)
- Police Call Center – To be implemented during FY2014, this additional police function will increase the annual Police Department budget by more than \$525,000
- Allen Pond Park improvements (\$13.2 mil.)
- Whitemarsh Park improvements (\$6.7 mil.)
- Old Town Bowie Traffic Safety Improvements (\$2.2 mil.)
- Bowie Heritage Trail (\$648,400)
- Facility Preventive Maintenance (\$2 mil.)
- Gymnasium - Replace roof (\$380,000 – revised estimate)

# City of Bowie

## Action Plan 12 from Strategic Plan:

Strategic Issue: Growing service demand

Goal: Adjusted service mix that meets 2015 needs

Action: Evaluate options; select and implement changes



# Potential Projects and Services for Future Consideration

- Renovation of Kenhill Center
- Stormwater Management Program, including Total Maximum Daily Load (TMDL) reductions
- A-44 Greenway Trail
- City Facilities Management Program
- Rebalancing of refuse/recycling services
- Green initiatives

# Water and Sewer Fund

- Self-supporting entity financed entirely by user charges.
- Declining user consumption.
- Potential replacement of critical infrastructure. Portions of the W&S system are over 50 years old.
- The financial forecast model anticipated a 10% rate increase for FY2015. It may be necessary to consider a higher rate increase due to declining user consumption and capital costs.

# Council Guidance for Budget

- Action Plan 11 from the Strategic Plan states that the Council should establish budget priorities and guidelines.
- Once established, the City Manager conveys the Council policy to department heads for guidance in preparing budget requests.

# Council Guidance for Budget

- Establishment of budget priorities and guidelines at start of budget development process provides an opportunity for cost and other analyses to be performed.
- There is insufficient time for similar analyses to be conducted during the five Council budget worksessions held in April and May of each year.

# Major Factors Impacting the FY2015 Budget

- Assessment values estimated to increase less than 2%, or approximately \$475,000, annually for several years.
- Continuation of major reductions to Highway User Revenue.
- At risk from potential federal cutbacks, which would impact income taxes.

# Council Guidance for Budget

- Projected FY2015 tax rate – Council may wish to consider keeping the real property tax rate constant at \$.40. This would be the fifth consecutive year of no tax rate increases, if approved.
- Are additional services being requested by the community?
- Are there any City-funded activities or services that could be eliminated or reduced in scope?

# Real Property Tax Rates

## All Overlapping Governments

| Fiscal Year | City | County | All Other* | Total  |
|-------------|------|--------|------------|--------|
| 2008        | .352 | .946   | .4182      | 1.7162 |
| 2009        | .380 | .909   | .4180      | 1.7070 |
| 2010        | .380 | .866   | .4179      | 1.6639 |
| 2011        | .400 | .819   | .4170      | 1.6360 |
| 2012        | .400 | .808   | .4170      | 1.6250 |
| 2013        | .400 | .809   | .4170      | 1.6260 |
| 2014        | .400 | .820   | .4170      | 1.6370 |

\*The All Other column includes the State of Maryland, Maryland-National Capital Park & Planning Commission, Washington Suburban Sanitary Commission, and Washington Suburban Transit Commission.

# Staff Recommendations – FY2015

- Focus on essential core services.
- Recognize declining resources.
- Consider long-term financial impact of current decisions.
- Review user fees/charges and adjust accordingly.
- Deferral of non-critical capital projects and equipment scheduled for replacement.



# Summary

- The City's financial position remains strong.
- Essential core services being provided while maintaining a constant property tax rate that has not increased in the last 4 years (FY2011 through FY2014).

# Council Guidance for Budget

- Council questions or comments.