

FY 2011 BUDGET DEVELOPMENT OVERVIEW

“*Challenging*” best describes the financial situation for the current fiscal year 2010 (July 1, 2009 – June 30, 2010) and also describes our financial outlook and proposed budget for the coming fiscal year (FY 2011).

With income dropping over 30% from our conservative projections a year ago, we are fortunate that our reserves are high enough to see us through the immediate problems. Only a short year time ago – FY 2009—we had total revenues of \$802,730. Original projections for FY 2010 expected a drop to \$569,850. However, our most recent estimates place revenues at \$382,800. Without changes in services and programs and an increase in property tax levies for FY 2011, our only flexible revenue source, our reserves will soon evaporate.

FY2010: WHERE WE STAND RIGHT NOW.

Late February, we were notified by the Maryland Department of Finance that the Village share of State income tax payments will be significantly less than anticipated. A 30% drop in one year and a decrease by half of what we earned in FY 2009 has dramatically affected our financial position. The income tax rebate revenue has funded nearly 80% of the Village’s annual expenditures. Further drastic reductions by the State in our Highway User Revenues, which once stood at almost \$40,000, cut our receipts to \$3,000 for the current year and beyond.

We have always been conservative in our income projections; while we have increased the money spent on day-to-day maintenance such as street and right-of-way cleaning, the Council has been cautious in its decisions related to additional operating expenses. Astronomical costs associated with this winter’s storms—over \$85,000 including storm clean up-- coupled with the dramatic decrease in income, forces a projected draw-down of our \$1.2 financial reserves by \$300,000 for operating expenses alone. Only with the elimination of any capital projects that had been envisioned for this year is the draw-down not an additional \$250,000!

A review of the FY 2010 budget will show we have cut costs wherever possible to minimize the reserve draw-down. This does not mean that demands for service have diminished-- overwhelmed with snow removal costs, water issues to be addressed on a number of streets, Village trees damaged by winds and the heavy snow that have had to be removed or pruned and heavier than planned for building and street work project supervision place additional pressures on us. The addition of staff hours to address these demands also adds to our expenditure requirements. Even without any major capital improvement projects, our deficit is substantial.

FY2011: LOOKING AHEAD--Expenditure Side of the Budget

The State of Maryland is forecasting a continued drop in income tax revenues for at least the next two years with a slow recovery after that time. Under the current proposed budget, the Council is recommending immediate across the board reductions in services that will require belt tightening everywhere. The following reduced or eliminated services are envisioned to balance the coming year’s budget:

- Reduce the number of community-wide events from four to two.
 - Currently the Village spends about \$25,000 a year on four events: a 4th of July picnic; the Halloween Parade and party; the winter event at La Ferme; and the activities surrounding the Council elections and Annual Meeting in May. Under the Council proposal, we would continue the Halloween Parade and the Election/Annual meeting activities.
- Reduce legal representation at monthly Council meetings.
 - While it is important to have legal counsel available for any number of issues that surface at Council meetings, we believe by reordering the monthly meeting agenda, we can minimize the time counsel is present and delay any discussion requiring legal counsel until the following monthly meeting.

- Reduce the number of street cleanings and general maintenance.
 - This year’s budget planned for about 6 street cleanings throughout the year—more if the trees don’t cooperate. This prevents the clogging of the few storm sewer outlets in the Village as well as making the over-all appearance more attractive. Street cleaning in the fall is especially important as leaf removal is necessary for effective snow plowing. We can reduce street cleaning if each resident takes responsibility for cleaning the street and gutter areas in front of their house without a negative impact on the Village as a whole.
- Eliminating snow shoveling for residents over 65 and disabled.
 - The Village has had a generous program of providing snow shoveling for residents 65 and older and those with disabilities. Although very generous, the costs this past winter have been tremendous. Because of safety issues, the Village will continue to shovel sidewalks along Brookville Road. The Village will provide a list of companies that can be privately contracted to do the snow shoveling for residents. The Village manager is also compiling a list of teenagers who would be available to do snow shoveling.
- Reduce leaf bags costs. Reduce tree care and planting budget.
- Fore stall capital improvement projects such as street lighting upgrades and shift to repairs instead of capital improvements until such time that reserves will withstand additional draw-downs for large infrastructure improvement projects.

Unfortunately the budget will be further reduced by the discontinuation of police services previously provided to us on a contractual basis by the Chevy Chase Village Police. We were notified in March of this change. After much discussion, the Council felt that increasing Montgomery County police patrols on a contract basis would probably decrease the services we already pay for. Private security companies raise a number of liability issues.

FY2011: LOOKING AHEAD--Revenue Side of the Budget

The Council has made every effort to reduce the budget while trying to maintain the level of services that the Village enjoys. Despite all the spending reductions discussed here, the Council feels it is financially prudent to increase the property tax rate so as not to draw-down even more from reserves. This is really the only tax that we have any control over. Our income tax share is set in state law which we cannot affect, and other sources of revenues are not within our authority to adjust. The property tax is a far more stable and reliable source of income for government funding than the income tax, thus the reliance on it by local governments. Currently, we collect \$24,000 from Village residents from property taxes, which is less about \$80 per household. The state Municipal Homestead Tax Exemption further reduces our receipts. Our tax rate of \$0.008 (that’s less than a penny) per \$100 of value is in fact the lowest tax rate in the State of Maryland. Chevy Chase Village has a tax rate of 9.6¢, Section 3 has a rate of 2¢. The highest tax rate is Garrett Park with a 19.2¢; Section 5 has no local property tax rate at this time. The average of our surrounding jurisdictions is about 5.5¢.

In order to balance our budget, the Council is recommending an increase in the property tax rate to 4¢ per \$100 of assessed value. On a \$1,000,000 assessed property, this would be \$400 per year, an increase of \$320—about \$25 more per month. Without this proposed increase, the Village would have to cut services even further. As it is, many needed capital improvement projects are being put on hold until we see growth in our allocated income tax revenues and build our reserves back to a safe level.

Our Village has been—and continues to be—well managed. We have always had a conservative budget with an eye toward maintaining our reserve levels to offset potential disasters. This year we have been able to handle several “disasters” because of our strong reserve policies. We would appreciate your comments on this proposed budget at the meeting on Thursday, April 8 beginning at 7:30 PM.