Chevy Chase Village Board of Managers
FY2016 Budget Work Session
Monday, February 23, 2015 at 7:30 p.m.

MEMORANDUM

To: Board of Managers

From: Shana R. Davis-Cook, Village Manager

Date: February 19, 2015

Subject: Initial Draft Budget for FY2016

I have prepared the enclosed draft budget and supporting materials with assistance from Village Finance Director Demetri Protos. The draft budget reflects input from Village Department Heads Police Chief John Fitzgerald and Director of Municipal Operations Michael Younes.

This memorandum highlights specific areas of the budget for the Board's review:

I. FY2016 Budget Process

- Following the Board's **Budget Work Session** on **Monday, February 23**, I will make requested modifications to the budget and circulate the amended draft to the Board in advance of the Public Hearing.
- The Board will hold a **Public Hearing** on the draft budget at your regular meeting on **Monday, March 9**, followed by a second **Public Hearing** on the budget during your **Monday, April 13** regular meeting.
- An explanatory memo regarding the budget will be drafted by Board Treasurer Mr. Gary Crockett and included in the April issue of *The Crier*.
- The Board will **adopt** the FY2016 operating and capital budget during the Village's Annual Meeting on **Monday, April 20**.

II. Budget Assumptions—Revenue

Revenue *(see Tab 2)*

- The State of Maryland has reported that the constant yield **real property tax** rate for FY2016 is $.0828, which is based upon the Village's 2015 net assessable real property base of $1,028,218,399. If the Board adopts this rate, it will yield approximately **$850,953** in revenue in FY2016 (*see Tab 2*).
- I have held the **personal property tax** rate at the current $.66 per $100 of assessed value, for a yield of approximately **$95,000**.
- The **income tax** revenue estimate for FY2016 is **$2.25 million,** which is $350,000 lower than the FY2015 budgeted amount, but is $150,000 higher than the FY2015 year-end projection. As has been reported by the Board Treasurer in recent months, income tax receipts are lower in FY2015. This is due to higher distributions of income in tax year 2012 than the actual and projected distributions of income for tax year 2013, which the State then reconciled in its income tax distribution that was paid to the Village during FY2015. The FY2016 proposed

total reflects a slight rebound, therefore, above FY2015 projected actuals in anticipation of a slight balancing effect on filings for the 2014 tax year.

- Unlike previous fiscal years, ***SafeSpeed* Program** revenue projections have remained relatively steady over the full course of the current fiscal year. We currently anticipate meeting the **$1.3 million** in revenue from new citations by year end, which has been held in the FY2016 budget. We have held the budgeted amount for interest earned on the Village's *SafeSpeed* account despite a slightly lower projection in FY2015.
- The draft FY2016 operating and capital budget presented herein will generate an approximate $307,139 draw on reserves; however, reserve balances as of June 30, 2016 are still estimated to total $6,274,379.

III. Expense Highlights *(see Tab 3)*

***(Please Note:** Unless otherwise indicated, all references herein to "FY2015" refer to the FY2015 adopted budget.)*

On-Going Programs

The FY2016 proposed budget is up approximately 5.8% from the FY2015 year-end projections. The proposed operating budget reflects a surplus of $458,867 (before capital projects and equipment purchases) for FY2016.

- **Personnel, Department Services**
  (27 full time employees, including 2 contract employees)
  The Bureau of Labor Statistics' consumer price index for urban wage earners in the Washington/Baltimore area for 2014 has not yet been released. This index has historically been the marker used by the Board in determining the COLA for the next fiscal year. Pending issuance of this information, a **1.8%** (same as last year) **cost-of-living adjustment** (COLA) has been reflected for all personnel salaries, including contract employees, and a **4% performance/merit increase** has been reflected for all eligible employees (see the personnel-related information located behind *Tab 5*). All other salary-impacted line items have been adjusted accordingly (e.g., disability insurance, FICA, pension contributions, etc.).

  As the Board is aware, we transitioned last fall from the Chesapeake Employers Insurance Company (formerly Injured Workers' Insurance Fund) to the Montgomery County Self-Insurance Program (MCSIP) for **workers' compensation insurance**. This change reduced this expense (across all departments) by over $20,000. We have estimated a 10% increase, however, in this first policy renewal year under the MCSIP since we do not have experience with their actuarial adjustments year-over-year and the impacts that other members' claims may have on this smaller pool.

  Despite our transition to a lower-cost **health insurance** plan during FY2014, health insurance rates continue to increase primarily due to the new member-level billing requirement for group plans. Under member-level billing, a separate premium is calculated for each insured based upon their individual age. There are also now separate premiums for each minor dependent (an employee with five children will have a five times higher premium for their children's coverage than an employee with one child). Due to standard inflationary pricing for group health plans, we anticipate an approximate 10% increase (above the individual age increases) in health insurance premiums across all departments in FY2016.

  Chief Fitzgerald has provided a recommendation for **one additional patrol officer** (the first new position proposed since major personnel reductions—4 positions eliminated/frozen—were

instituted in FY2010). The primary purpose of this new position is to ensure two patrol officers are on-duty at all times. A memo from Chief Fitzgerald regarding the proposed position follows this memo. No other documents within these briefing materials reflect this new position pending the Board's discussion.

- **Operations, Department Services**
  Village-wide operations expenses are up 5.3% in the draft FY2016 budget compared to the FY2015 year-end projection.

- **Police, Personnel**
  (11 full-time employees: 10 sworn [including 1 contract employee], 1 civilian; see above regarding proposal for an 11th patrol officer position)
  Expenses are projected to increase 7.6%, primarily attributable to the aforementioned COLA and step increases. We have also increased **overtime**, which was, frankly, underfunded in the current fiscal year. Overtime has increased steadily over the last few years as a result of several factors, including a compensation policy for court attendance, which was adopted in March of 2013 whereby officers receive a minimum of three hours of overtime for attending court when scheduled outside an officer's normal shift. The District Court has also changed its operating schedule and has moved its major traffic violations cases from an afternoon to early morning docket, resulting in a greater likelihood of overtime as our afternoon/evening shift officers must now attend court outside of their normal shifts. Another factor resulting in increased overtime is our officers' increased participation in the regional "Smooth Operator" Program, which pays officers for dedicated traffic enforcement—outside of their normal shift—during specific "wave weeks" throughout the year, expenses for which are reimbursed to the Village by the State of Maryland's Motor Vehicle Administration. We continue to experience modest use of overtime due to shift coverage within the Communications Center by police department personnel. We are also now performing a better internal accounting of overtime expenses than had been done previously, so this expense is more accurately reflected in the budget.

  FY2016 is our triennial **reaccreditation** year for the department through the Commission on Accreditation of Law Enforcement Agencies (CALEA). Please see the attached memo from Chief Fitzgerald (beginning on **page 1-9**), in which he recommends we no longer participate in CALEA's accreditation process. Pending Board direction on this matter, all expenses related to the reaccreditation have been left in the draft budget. This includes annual dues, travel and lodging expenses for the two-person accreditation panel (that would visit us next spring for their on-site review), our staff's travel and lodging at CALEA's annual conference at which time we would receive the final determination on our reaccreditation and related office supply expenses for the overall process. These expenses total $12,750 in the current draft FY2016 budget.

- **Police, Operations**
  Due to a $75,000 reduction in the *SafeSpeed* contractor's processing fees (renegotiated in late 2014) and a $7,500 decrease in **vehicle maintenance and repair costs** as a result of a new fleet of cruisers, the FY2016 budget is down approximately 4.3%. Although fuel costs are down in the current fiscal year, we have maintained the level in FY2016 since this expense remains volatile.

  Ammunition costs have been increased by $3,000 due to a department policy change requiring twice annual qualifications (up from the former once annual qualification). Additionally, the

"Info Cop" line item has been eliminated, which had been a $2,000 recurring expense for the system used by officers to run driver information. The system has been replaced with CapWin which is $500 annually, a savings of $1,500.

- **Communications, Personnel**
  (5 full-time employees)
  The only measurable adjustment (besides the personnel-wide increases noted above) is an increase in the **overtime** budget for this department. The overtime budget was reduced by 50% in the FY2015 in anticipation that a reduction in the mandatory overtime schedule would result in a reduction of the FY2014 budgeted amount. Unfortunately, we under-budgeted in both years, and our actuals exceeded these amounts. Although we expect overtime usage to actually come down in FY2016, in order to adequately fund this expense, the line item has been increased by $6,500 above the FY2015 budget, for a total in FY2016 of $12,500 (a decrease of 21% from the FY2015 projected actual).

- **Communications, Operations**
  Expenses are relatively flat; however, during the current fiscal year, we added an additional **records management system** license which has increased our annual maintenance fees by $500. This additional seat allows the two daytime Communications Clerks along with three other department personnel to access the system simultaneously as is often required when the Police Chief and Public Safety Coordinator are also on-duty.

- **Public Works, Personnel**
  (6 full-time employees)
  Aside from the salary and benefits increases noted above, the only other material changes in this area are an increase in the "Temporary Labor" and "Seminars & Training" line items.

  I propose increasing the hourly rate for the **temporary workers** we hire in support of our annual leaf collection program (October through December). Temporary laborers currently make $11.50 per hour (last increased in 2011). I propose a $1.00 an hour increase for a total rate of $12.50 per hour. This approximate 8% increase represents a 2% cost-of-living adjustment per year since the last increase. This will result in a $750 increase in the budget line item ($8,250 total). Although this rate remains lower than Montgomery County pays its temporary laborers ($17.52/$18.09 per hour starting salary), I feel that the proposed $12.50/hr. rate is fair for the level of work performed by the laborers we hire, one of which has worked with us for several years, and the other who has been with us for two consecutive years.

  Additionally, Department Head Michael Younes has proposed increasing personnel safety by sending the Public Works Supervisor to Occupational Safety & Health Administration (OSHA) **training**. This training will help with our ongoing risk management efforts. We have budgeted an additional $500 under the "Seminars & Training" line item for this purpose.

- **Public Works, Operations**
  We have increased the "**Weather Events, Labor**" line item by $1,000 ($7,500 total) to reflect increased salaries and the Public Works Supervisor's eligibility for overtime (position classification change enacted in FY2014). Additionally, **salt costs** have increased by 12% requiring an additional $1,000 ($9,000 total) under the "Weather Events, Material" line item.

The State of Maryland now requires an annual physical (not covered by medical insurance) for all non-commercial drivers' license holders operating a commercial vehicle under 26,000 lbs. Because this is a new requirement for employment eligibility, we are paying for this new mandate, and we have increased the "Medicals & Physicals" line item by $500 to cover the expense.

The vehicle maintenance and repairs budget has been increased by $4,000 ($11,000 total) due to the fleet's age and a new State of Maryland annual inspection requirement.

- **General Government, Personnel**
  (5 full-time employees [including 1 contract employee])
  Prior to this past year, the Public Safety Coordinator had attended and taken the minutes of the Board's monthly meetings. This function has been returned to the Community Liaison/Administrative Assistant position, and the overtime line item has been increased by $1,000 ($2,000 total) to reflect the additional hours for these and other committee meetings to which this staff person is assigned.

- **General Government, Operations**
  Bank charges have steadily increased over the past few years and we are bringing this line item up by $2,000 in the budget to more accurately reflect actual expenses for all Village accounts (including *SafeSpeed).*

  The Community Events area has been increased by $6,000, including:

  - A single-year $750 increase in the Halloween Party budget is proposed to fund the purchase of replacement figurines for our haunted house. We use animatronic figures in our haunted house, several of which have deteriorated due to age and had to be discarded in advance of this year's party.
  - A modest $250 increase for the Winter Holiday Party (total $13,250) due to escalating costs (there are currently no proposed changes to the event plan).
  - The largest single line increase—$5,000—is reflected under the "Other Community Events" line item, which funds the events and social activities outside of our four core seasonal events (Annual Meeting, July 4th Parade & Party, Halloween Party and Holiday Party). This additional funding reflects an escalation of social activities and programs, some of which have been proposed by the Community Relations Committee. The Board formed this committee last fall and charged the committee to work with staff to propose and oversee various social activities and events throughout the year in an ongoing effort to further propel and enhance the sense of "community". A memo detailing the Community Relations Committee's proposed schedule of activities and related expenses for FY2016 can be found on **pages 1-7—1-8.**[1]

- **Professional Services**
  Despite major ordinance reviews and changes by Village Counsel and use of outside counsel for the filing of pension plan compliance documents, we continue to remain under budget on legal expenses. I have every reason to believe that this will remain the case in FY2016.

[1] The Community Relations Committee's memo also proposes events and expenses during the remaining months of FY2015, which will be scheduled for Board consideration at an upcoming meeting.

Additionally, I would like to establish a new line item for consulting services by civil and traffic engineers. Over the past couple of years, staff has consulted with a local civil engineer, Mr. William (Bill) Bissel, regarding water runoff concerns on public and private properties. This feedback was instrumental in identifying the erosion concerns in Laurel Park. From time-to-time, my staff and I could also benefit by having access to a traffic engineer who could provide guidance on matters that arise, especially as we determine whether a situation might necessitate a modification, but before a proposal is brought forward to the Board. Although members of the Village staff are well-informed and knowledgeable about these topics, it would be far more beneficial to consult with professionals in these areas. Other neighboring municipalities have standing consulting agreements with traffic, civil and even lighting engineers to provide guidance to their staff and councils. I have, therefore, proposed moving $2,500 from the "Legal-General Counsel" line to a new "Engineers & Other" line item. This reduces the legal line item from $100,000 to $97,500, while maintaining the Professional Services category at a total of $100,000. This $2,500 allocation is a "starter" amount as we gauge the need for these consulting services; we will be able to better estimate the need and cost for these services after this initial fiscal year.

Facilities, Fleet & Infrastructure

- **Village Hall**
  Expenses in this area have remained relatively flat, save minor increases in the janitorial contract and building electricity, which have been increased a total of $1,600 (combined).
- **Parks, Trees & Greenspaces**
  Expense levels will remain relatively unchanged; however, the landscape maintenance contract has gone up by $5,000 due to new contract rates.

  We also anticipate ongoing maintenance costs related to the Western Grove Park once it is developed later this calendar year. To reflect these new expenses, we have budgeted $5,000 under "Western Grove Park Maintenance" as an initial placeholder and since the construction will not be completed until half way through the fiscal year.

Capital and Special Projects *(see Tab 4)*
Please see the Director of Municipal Operations' memo regarding the revised CIP, which begins on **page 1-12**.

Respectfully submitted,

Shana R. Davis-Cook
Village Manager

Att. Budget Proposal from the Community Relations Committee

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Chevy Chase Village
Community Relations Committee

Background

The newly formed Community Relations Committee was created to organize events and activities that will provide more opportunities for Village residents to interact with each other and establish a greater sense of community.

A similar committee called Children, Youth and Families ran successfully for a number of years, and our hope is to re-kindle some of those activities and add new ones that will offer something for everyone in the Village.

Proposal

Some of our proposed activities, such as the weekly Toddlers Group and most of the charitable events, will not incur any costs, others will. Therefore, we are submitting a request for the Board's consideration of a modest budget for the activities that we would like to organize in support of our goal of creating a stronger sense of community within the Village. We have outlined the activities we hope to offer through the end of FY 2015 and throughout FY2016. The proposed activities along with their estimated costs are shown below:

FY2015

MONTH	ACTIVITY	ESTIMATED COST
FEB '15	Movie Night for kids/Wine & Cheese for adults	$250
APR '15	Spring Resident Social	$1250
MAY '15	Babysitting Course	$350
		$1850

FY2016

MONTH	ACTIVITY	ESTIMATED COST
SEPT '15	"New Resident" Social	$1250
OCT	Halloween Costume Swap and Coat Drive	$100
NOV	Charitable Event (ex. Sandwich making Martha's Table)	
DEC	Village Holiday Party	
JAN	Tween Movie Night or Babysitting Course	$250
FEB	Children's entertainment (ex. Magician, Storyteller)	$500
MAR	Charitable Event (ex. Dress for Success, Baby/Toddler)	$150
APR	Spring Resident Social	$1250
MAY	Multi-generational Game Night	$200
		$3700

We thank the Board for its consideration of this request and hope it will be found to be reasonable and worthwhile.

Respectfully submitted,

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Karen Spangler

Co-chairs of the Community Relations Committee