

Budget and Tax Matters

Notice of a Public Hearing on the Proposed Budget and Tax Rates for FY2014

The Chevy Chase Village Board of Managers will convene on **Monday, April 8, 2013 at 7:30 p.m.** to hold a **public hearing** to consider the **proposed operating and capital budget and real and personal property tax rates** for the fiscal year beginning July 1, 2013 and ending on June 30, 2014 (FY2014).

The detailed proposed budget and Capital Improvements Program (CIP) plan are available at the Chevy Chase Village Office between 9:00 a.m. and 5:00 p.m., Monday through Friday. This information can also be accessed on the Village's website at www.chevychasevillagemd.gov (under "About", "Budget and Tax Information", "Proposed FY2014 Budget & CIP") or you may submit a request for this information to be mailed to you by calling (301) 654-7300.

Action on the Proposed Budget and Tax Rates for FY2014

In accordance with the Charter for Chevy Chase Village, during the Village's **Annual Meeting** scheduled for the **evening of Monday, April 15, 2013 at 7:30 p.m.** in the Village Hall, the Board of Managers will take **action on the proposed operating and capital budget and real and personal property tax rates** for the fiscal year beginning July 1, 2013 and ending on June 30, 2014 (FY2014).

Enclosed in this insert you will find the following:

- Budget Overview *Page 3*
- FY2014 Proposed Operating and Capital Budget Summary *Page 4*
- FY2014 Proposed Capital Improvements Program (CIP) Summary *Page 5*

Treasurer's Comments on the Proposed FY 2014 Budget

Contained within this insert is a summary of the proposed operating and capital budgets for the fiscal year that will begin on July 1, 2013 and end on June 30, 2014 (FY 2014). An operating and capital budget along with the property tax rate for FY 2014 will be adopted by the Board of Managers at the Village's Annual Meeting on Monday, April 15, 2013. The meeting will begin at 7:30 p.m.

This year's budget information packet contains an addition that we hope will improve clarity for Village residents. Sometimes a standard accounting presentation can obscure things a bit. For example, we expect to spend money to repair street damage from planned water line replacements, but WSSC will reimburse us for that expense. When we're planning to spend \$190,000 on street maintenance and there's going to be another \$300,000 or so that will be reimbursed by WSSC, the only interesting number is \$190,000. But a full income statement would show \$490,000 of street repair expenses in one place, with an offsetting \$300,000 revenue

line in another place. That detail is useful for some purposes, but it obscures the real question, which is how much of our own money do we expect to spend on street maintenance.

So we are providing both. In addition to the usual full operating budget and capital expenditure presentations, we are providing a one-page **Budget Overview**. The overview shows where we expect to get our money and how we plan to spend it. On that overview we have “netted out” two numbers:

- (1) The street maintenance expenditure shown is only what we will spend over and above spending for which WSSC will reimburse us,
- (2) The *SafeSpeed* revenue shown is only what remains after we pay the company that provides and operates the *SafeSpeed* cameras.

The second reason for the **Budget Overview** page is that *SafeSpeed* revenue is often misunderstood. Even after the *SafeSpeed* vendor fees are deducted from the gross revenue, the remainder is not all available for discretionary spending. We have substantial internal expenses for the *SafeSpeed* program, mostly for the cost of police and administration personnel who spend part or all of their time on administering the program. To make this easier to see we have provided a single line for *SafeSpeed* operating expenses, then on the lines for Police and for General Administration we have shown only the amounts beyond what was allocated to *SafeSpeed*.

For every revenue or expense item in the **Budget Overview** we have shown the proposed amount for FY 2014, the percentage change from our current projections for FY 2013, and in some cases a comment about the reason for the change from 2013.

The proposed budget generally reflects a “business as usual” approach to governmental services and operations with no major planned operational changes, and reflects a continued Capital Improvement Program for maintaining Village vehicles and equipment and improvements to the Village’s infrastructure.

We wish to highlight one budget assumption for Village residents, because it’s an assumption about which you may want to express an opinion. We are fortunate enough to have accumulated a substantial reserve in past years when tax receipts were unusually high. There is general agreement on the Board and in the Budget Committee that we would start to get uncomfortable with a reserve level of less than \$3 million. Some reserve is needed to handle the uneven cash flow that comes from tax receipt timing, and it’s prudent to have enough reserve to handle an unusual weather event or other unexpected need for cash. But as the overview shows, we expect to have almost twice that amount at the end of FY 2014, even after planning for a modest draw on reserves. Some on the Budget Committee advocated a property tax reduction that would return some of the reserve to the taxpayers. Others believed that the current national and world economic outlook is unstable enough that we could very well be glad we had a thicker “cushion” against that uncertainty. The proposed budget takes the more conservative approach and assumes a “constant yield” property tax rate. We expect that there will be a discussion about this at the upcoming budget hearing.

Respectfully submitted,

Gary Crockett, Board Member and Treasurer

Budget Overview

| PROJECTED SOURCES OF FUNDS | Proposed FY 2014 Budget | Difference from Projected FY 2013 | <u>Comments</u> |
|---|----------------------------|--------------------------------------|--|
| Income Tax | 2,200,000 | -12% | Unusually large true-up in 2013, conservative estimate for 2014 |
| Property Tax | 1,083,100 | 0% | Assumes constant-yield tax rate; open to discussion |
| Other | 402,302 | -3% | |
| <i>SafeSpeed</i> (net of vendor contract expense) | 710,000 | -8% | Assuming continued driver "learning curve" on citations |
| Total Projected Funds (net) | 4,395,402 | -7% | |
| PLANNED USES OF FUNDS | | | |
| <i>SafeSpeed</i> Operating Expenses (net of vendor) | 521,706 | 0% | |
| Police (net of <i>SafeSpeed</i>) | 993,757 | +15% | Due to unbudgeted compensation adj. and increased vehicle fuel and maintenance costs |
| Public Works | 848,764 | +3% | |
| General Government (net of <i>Safe Speed</i>) | 574,492 | +11% | Due to unbudgeted compensation adj. and health insurance level increase |
| Sidewalk Replacement Project | 428,000 | -23% | Multi-year capital project had higher costs in first years |
| Street Light Upgrades | 308,000 | N/A | New capital project if upcoming tests of new lights are satisfactory |
| Communications | 278,353 | +3% | |
| Parks, Trees, and Greenspace | 200,120 | -13% | New landscape contract and tree maintenance program have lower costs |
| Street Maintenance (net of WSSC) | 190,000 | +2% | |
| Legal Services | 100,000 | +33% | Allowing for some start-up expenses for new Village counsel |
| Misc Capital Projects | 145,000 | -72% | 2013 had renovation of Public Works space, now completed |
| Village Hall | 87,725 | +26% | Due to lower than expected maintenance costs in FY 2013 |
| Street Light Operating Expenses | 42,500 | +6% | |
| Total Planned Expenditures (net) | 4,718,417 | +4% | |
| Planned Draw on Reserves: | (323,015) | | |
| Planned Reserves Remaining: | 5,694,417 | | |

FY2014 Proposed Operating and Capital Budget Summary

| | Actual FY2012 | Budget FY2013 | Projected FY2013 | Proposed FY2014 |
|--|--------------------|--------------------|---------------------|--------------------|
| I. Revenue | | | | |
| Income Tax | 1,949,829 | 1,850,000 | 2,500,000 | 2,200,000 |
| Property Tax | 1,159,635 | 1,072,500 | 1,081,100 | 1,083,100 |
| Investments & Misc. Income | 50,455 | 38,500 | 46,925 | 46,500 |
| Cost Recoveries/Grants | 371,952 | 359,052 | 368,507 | 355,802 |
| Citation Revenue | 1,857,387 | 1,810,000 | 1,605,000 | 1,505,000 |
| WSSC Reimbursement | 0 | 350,000 | 170,506 | 181,000 |
| Total Revenue | \$5,389,258 | \$5,480,052 | \$5,772,038 | \$5,371,402 |
| II. Costs | | | | |
| A. On-going Programs | | | | |
| <u>Department Services</u> | | | | |
| Police | 1,994,380 | 1,952,591 | 1,947,220 | 2,069,643 |
| Communications | 395,590 | 384,481 | 359,741 | 370,353 |
| Public Works | 784,587 | 843,527 | 822,000 | 848,764 |
| General Government | 628,988 | 667,789 | 654,000 | 723,312 |
| Legal Counsel-General | 127,465 | 150,000 | 75,000 | 100,000 |
| <u>Facilities, Fleet, & Infrastructure</u> | | | | |
| Village Hall | 76,559 | 86,365 | 69,308 | 87,725 |
| Parks, Trees, & Greenspace | 212,285 | 239,720 | 235,000 | 200,120 |
| Lights | 39,288 | 40,000 | 40,000 | 42,500 |
| State User Fee | | 28,000 | | |
| Subtotal | \$4,259,142 | \$4,392,473 | \$4,202,269 | \$4,442,417 |
| Income vs. On-going Expense | \$1,130,116 | \$1,087,579 | \$1,569,769 | \$928,985 |
| B. Capital and Special Projects | | | | |
| <u>Equipment</u> | 68,719 | 78,400 | 55,816 | 65,000 |
| <u>Projects</u> | 777,952 | 1,366,000 | 1,256,800 | 1,187,000 |
| Subtotal | \$846,671 | \$1,444,400 | \$1,312,616 | \$1,252,000 |
| Total Costs | \$5,105,813 | \$5,836,873 | \$5,514,885 | \$5,694,417 |
| Surplus/(Draw on Reserves) | 283,445 | (356,821) | 257,153 | (323,015) |
| Reserves | | | | |
| Beginning of Year Reserves | 5,698,461 | 5,981,906 | 5,981,906 | 6,239,059 |
| End of Year Reserves | 5,981,906 | 5,652,815 | 6,239,059 | 5,916,044 |

Capital Improvements Program (CIP) and Special Projects
(Shown in thousands)

| Equipment | Proposed FY2014 | Total 6 Yr. Cost | Equipment/Project Description |
|--|----------------------------|-----------------------------|--|
| Phone System Replacement | \$17 | \$17 | Replacement is required due to technology advancements and the lack of available replacement parts for the Village's phone system. |
| Recording System for Police Radio/Phone System Replacement | 14 | 14 | Replacement is required due to technology advancements and the lack of available replacement parts for the Village's current recording system. |
| Replacement of Public Works Pick-up Truck | 34 | 34 | The replacement of one of the Village's three (3) pick-up trucks is required to support continued Village Public Works Department operations to include snow removal. The truck being replaced is the oldest in the fleet and is having significant mechanical issues. |
| Sub-Total | \$65 | \$65 | |

| Projects | Proposed FY2014 | Total 6 Yr. Cost | Equipment/Project Description |
|---------------------------------------|----------------------------|-----------------------------|---|
| Street Maintenance and Repair Program | \$371* | \$1,031* | This project provides for the ongoing maintenance and repair of the Village's roadways and curbs using concrete and hot mix asphalt. This funding level anticipates repaving each Village street every 20 years. |
| Village Sidewalk Replacement | 428 | 767 | The FY2014 amount will permit replacement of approximately 25% of existing sidewalks. In combination with the FY2012 and 2013 amount of \$1,180K approximately 85% of the existing sidewalks will have been replaced. |
| Sidewalk Maintenance Program | 5 | 17.5 | This amount will cover materials cost for ongoing sidewalk repair performed by Public Works personnel. |
| Village-wide Streetlight Upgrade | 308 | 383 | FY2014 amount represents funds to install new LED street lights to replace existing High Pressure Sodium bulb streetlights throughout the Village. |
| Crime Fighting Technology | 20 | 120 | These amounts are included to permit exploration of options to introduce new public safety equipment as new technologies develop. |
| Chevy Chase Open Space Development | 50 | 80 | Consultant and other costs to participate with Montgomery County in planning improvements for and use of the Chevy Chase Open Space property (previously referred to as the Wohlfarth Property). |
| Sub-Total | \$1,182* | \$2,398.5* | |
| Grand Total | \$1,247* | \$2,463.5* | |

**Village has option to require WSSC to restore streets following its water main replacements or to receive a payment for doing it itself. Estimated WSSC reimbursement \$281K.*