



Gaithersburg

Annual Budget Forum



Mayor and City Council Work Session
February 9, 2015

Agenda

- ❑ Strategic Directions
- ❑ Economic Factors
- ❑ FY 2014 Annual Financial Report
- ❑ Budget Issues
- ❑ Mayor and City Council Annual Retreat

Strategic Directions

- ❑ City Administration
- ❑ Communication
- ❑ Community Services
- ❑ Economic Development
- ❑ Infrastructure and Facilities
- ❑ Parks, Recreation and Culture
- ❑ Planning and Development
- ❑ Police
- ❑ Sustainability
- ❑ Transportation
- ❑ Housing??

Economic Factors

- ❑ Regional Economy
- ❑ State & County Budget Issues
- ❑ Property Trends
- ❑ OPEB & Health Care

Regional Economy

- ❑ Of the 15 Largest U.S. Job Markets, the DC region was 14th in Job Change in FY 2014
- ❑ Federal Job Change was the weakest of any sector, while State and Local Government was the strongest (in MD)
- ❑ Unemployment in the DC region and Maryland remain lower than the national average, but not by as wide a margin as in prior years
- ❑ Median home sales prices have risen steadily since 2009; as have new building permits (to 60% of pre-recession levels)
 - Price Increases will slow in 2015

State & County Budget Issues

❑ State of Maryland

- \$400 million in cuts to current year budget in response to weaker than expected revenues
- New Administration intends to address FY 2016 deficit through expenditure cuts – which will include local aid to municipalities –
 - Highway User
 - State Aid for Police Protection
 - Program Open Space
- Transportation funding formula is elusive

❑ Montgomery County

- Some economic indicators point to continued recovery but income tax continues to decline
 - Unemployment down (best in DC Region) and resident employment up
 - Maintenance of Effort regulations constrain budget decisions
 - Home sales will decline & prices will increase only slightly; transfer & recordation will decline from last year
- ❑ City priority remains on what we control – not supplemental income

Property Trends

- ❑ Approximately 65% of Real Property is residential and 35% is commercial
- ❑ 2012 and 2013 Commercial Assessments rebounded somewhat
 - 2014 expected to be flat at best
 - 2014 saw negative absorption and little development activity is in the pipeline
- ❑ 2014 Residential Assessments are expected to be up
 - Informal staff research indicates consistent upward assessment of residential properties
 - Virtually all new constructed and permitted development is residential

OPEB & Health Care

- “Other Post-Employment Benefits” (OPEB) responsibilities are rising as we approach peak of the retirement cycle
 - Retiree healthcare is a major component of our employee benefit package
 - Annual contributions to the Trust Fund will need to be increased to guarantee current benefits
 - Permanent, long-term cost reductions need to be implemented (for new employees)

- Still wide uncertainty in health care landscape; costs continue to rise
 - City’s “pooled” approach mitigates risk via cooperative purchase – prescription costs especially difficult to control
 - New programs and initiatives designed to increase employee awareness have been instituted
 - Renewal rates are based solely on claims history – year-to-date experience in FY 2015 has been an improvement

FY 2014

Annual Financial Report

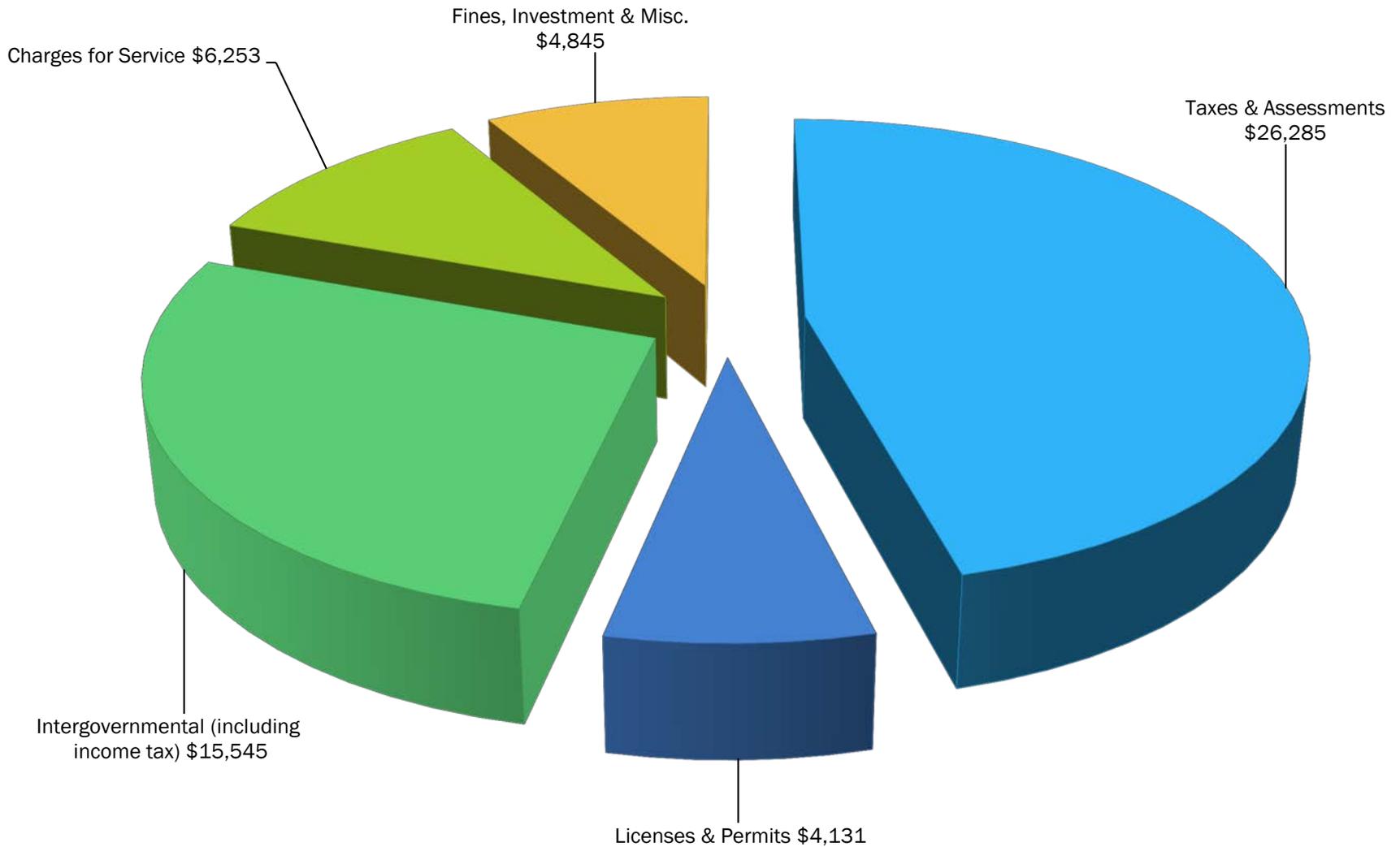
Revenue

Expenditures

Fund
Balances

FY 2014 Audited Revenues by Category (000s)

Audited Total \$57,059



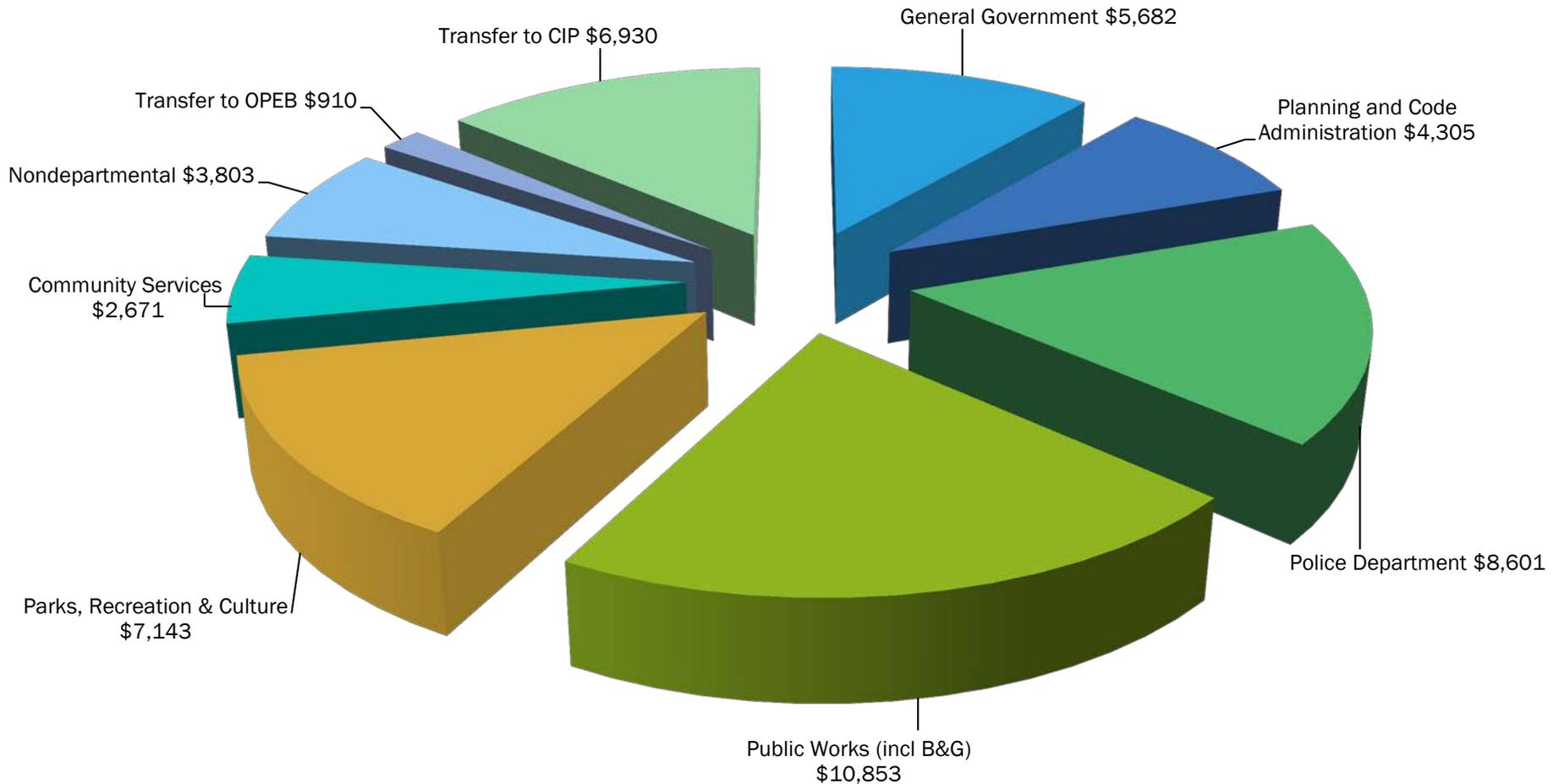
Revenue

Total FY 2014 Actual vs. Budget (in thousands)

- ❑ Budget - \$53,882
- ❑ Actual - \$57,059 (\$3,177 above budget)
 - Summary of revenue variances:
 - Licenses & Permits - \$982
 - Intergovernmental - \$1,866
 - Charges for Services - \$315
 - Fines & Forfeitures - (\$992)
 - All Other - \$1,006

FY 2014 Audited Expenditures By Department (000s)

Audited Total \$50,898



Expenditures

Total FY 2014 Budget vs. Actual

- ❑ Budget - \$56,727
- ❑ Actual - \$50,898 (\$5,829 below budget)
- ❑ Unexpended budget amounts:
 - General Government - \$2,594
 - Public Safety - \$808
 - Public Works - \$1,186
 - Parks, Recreation & Culture - \$823
 - All Other - \$418

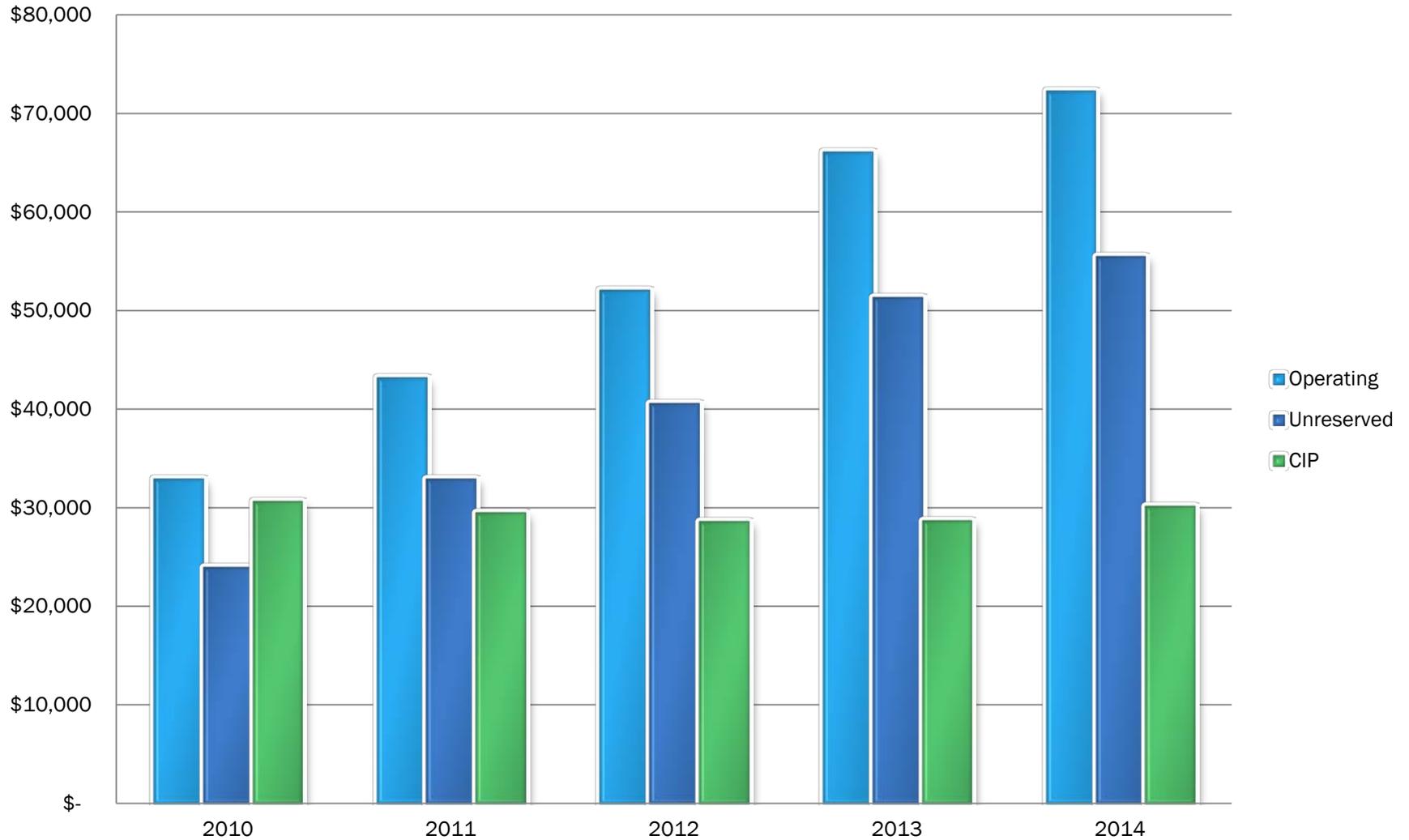
Fund Balances

- ❑ Operating (General Fund –Total)
 - Beginning Fund Balance at 07/01/2013 – \$66,179
 - Net Change to Fund Balance at 06/30/2014 - \$6,161
 - Ending Fund Balance at 06/30/2014 - \$72,340

- ❑ Unassigned
 - Beginning Fund Balance at 07/01/2013 – \$ 51,441
 - Net Change to Fund Balance at 06/30/2014 – \$4,099
 - Ending Fund Balance at 06/30/2014 - \$55,540

- ❑ CIP
 - Beginning Fund Balance at 07/01/2013 – \$28,742
 - Net Change to Fund Balance at 06/30/2014 – \$1,279
 - Ending Fund Balance at 06/30/2014 - \$30,021

Year End Operating, Unreserved and CIP Fund Balances (000s) 2010-2014



City Financial Position

- ❑ Gaithersburg's financial position remains remarkably strong
 - Low tax rate
 - Debt-free
 - "Unqualified" audit
- ❑ Revenue Indicators
 - New large-scale developments underway
 - New residents moving to the City
 - Existing real property assessments rising
 - Uncertain inter-governmental appropriations
 - Reduced speed camera revenues
- ❑ Certificate of Achievement for Excellence in Financial Reporting & Distinguished Budget Presentation from GFOA in 2014
- ❑ Substantial reserve balances have been established for upcoming capital projects and other budget enhancements
 - Ratio of available cash vs. project costs is becoming clearer
 - Important to forecast accurately and control scope of projects

Controlled Cash "Burn" 2015-2019

Projected Revenues

Projected Expenditures

Unassigned Fund balance

Graphed in thousands



FY 2016 Budget Issues

- ❑ Personnel Budget Growth
- ❑ Stewardship of Existing Facilities and Infrastructure
- ❑ “Balancing” the Budget
- ❑ Capital Improvements Plan

Personnel Budget Growth

- ❑ Post-recession, hiring resumed
- ❑ New residents, infrastructure and programs require additional staff
- ❑ A number of new positions were added in the current year – across several departments
- ❑ FY 2016 proposals expected to be focused on -
 - Managing the new stormwater programs
 - Enhancing revenue opportunities in Parks & Recreation
 - Improving review times in Planning & Code
 - Budget & Finance functions
- ❑ Minimum wage increases FY 2016 to FY 2018

Stewardship of Existing Facilities and Infrastructure

- ❑ The City has 17 primary facilities and numerous accessory structures/facilities
- ❑ Refocused approach on conducting Building Condition and Space Needs Assessments for primary facilities
- ❑ Increase in quantity and age of infrastructure assets
- ❑ The proposed CIP FY16-20 will again balance the available revenue and the facility and infrastructure needs
- ❑ For some large scale infrastructure maintenance needs such as stormwater facilities, major roads, and/or economic development opportunities, the City may desire to study alternative funding models

“Balancing” the Budget

- ❑ Periodic evaluation of the staffing and funding of City operating units & programs is appropriate
- ❑ Over time, priorities change and resources may be under- or over-allocated
 - It can be difficult to re-allocate staff into new areas
- ❑ A systematic approach can be helpful in planning and budgeting
 - Police sworn positions, non-profit grants, housing programs, etc.

Capital Improvements Plan

- ❑ Construction progress continues to be made on small to mid-sized projects and maintenance items
- ❑ In the past few years over \$30mm in projects have been added to address community needs and stewardship maintenance of existing facilities/assets
- ❑ The current CIP anticipates contributions of \$14.8mm in FY16 and \$26.9mm in the future years (FY17-19)
 - Current estimates suggest this will need to be increased by at least \$10mm to \$15mm and much of the additional funding will come from reserves (exclusive of stormwater projects)
- ❑ As part of the FY16 budget process Stormwater Management and Storm Drainage will be shown as a separate fund and CIP

Capital Improvements Plan (Con't.)

- Continuation of M&CC priorities of large-scale projects
 - Gaithersburg Police Station
 - Former Consumer Product Safety Commission Site
 - Quince Orchard Park/MedImmune
 - Parkland & Structures at Crown Project
 - Route 355 (Frederick Avenue) Initiatives
- Updates on each will be provided during the 3rd quarter of FY 2015

Mayor and City Council Annual Retreat

- ❑ Date/Time: Monday, February 23, 2015 at 6:30 p.m.
- ❑ Location: Kentlands Mansion
- ❑ Topics:
 - Strategic Plan Review
 - Adequate Public Facilities Ordinance
- ❑ Public comment will not be taken during the retreat

Introduction of FY 2016 Budget

- ❑ Date/Time: Monday, March 30, 2015 at 7:30 p.m.
- ❑ Location: Council Chambers, City Hall (31 S. Summit Avenue)
- ❑ Special meeting of the Mayor and City Council held solely to introduce the FY16 budget. (This is not the work session or public hearing.)