



Town of Garrett Park

FY 2010

Operational & Capital Budget

Ordinance 2009-01

Introduced March 9nd, 2009

Amended & Adopted

April 13, 2009

Town of Garrett Park

FY 2010 Budget: Ordinance 2009-01

REVENUES

1000 - TAXES & FEES:

FY 2010 REAL ESTATE TAX collections are projected to be level with estimated FY 2009 collections of \$440,000. There is a slight (1%) drop of \$2,250,000 in the Town's net assessable tax base to \$229,280,389, resulting in a Constant Yield Tax Rate of 19.2 cents. A significantly greater reduction in the tax base is expected in FY 2011.

PERSONAL PROPERTY TAXES are expected to decline slightly due to a drop off in taxes paid by businesses owned and operated out of homes by residents. We expect taxes on utilities' property and on businesses in Penn Place to remain the same.

LOCAL INCOME TAX receipts are projected to decline to \$150,000, a 50% reduction from FY 2008 receipts, and a 25% reduction from FY 2009 projections. This is an "educated guess" as there are two variables which are difficult to quantify: the effect of the current recession on residents' income tax payments; and the actions the state may take to reduce the local share of income tax receipts in order to balance the state budget.

LICENSES & PERMITS We anticipate a reduction in building permit fees.

2000 - INTERGOVERNMENTAL REVENUES:

HIGHWAY USER FUND receipts for FY 2010 were originally projected by the state to be \$54,456, but are now anticipated to be \$35,000. Recent legislative action to fund the deficit in the state budget has cut approximately 30% from these funds.

OTHER STATE GRANTS: The recent Cambria Park Project will use up approximately \$36,000 of the Town's Program Open Space funds, leaving \$20,000 available for further projects. However, as no proposals are ready for grant application at this time, none of this potential funding is anticipated in the budget.

MONTGOMERY COUNTY REVENUE SHARING is now projected to be \$35,000. The County Executive has promised to try to level-fund Revenue Sharing, but a 30% adjustment down seems prudent, given the County's own financial challenges. The Historic Preservation Committee has applied for a County Historic Preservation Grant of \$2,250 as a 50% match for developing an interactive page on the website to enhance the historic house walking tour brochure that was developed last year.

3000 - SERVICE CHARGES:

MUNICIPAL REFUSE FEES are reduced by \$15,200 (11%) due to a decrease in the fuel adjustment charge. Our contractor has agreed to keep all other charges the same for FY 2010.

Town of Garrett Park

5000- MISCELLANEOUS REVENUES:

INVESTMENT EARNINGS are to be expected to be much reduced as our invested funds balance will be significantly lower than in FY 2009, and interest rates have fallen almost to Zero.

RENTS & CONCESSIONS: The increase in Rents and Concessions reflects the contracted increase for the Black Market Bistro. New leases for other tenants need to be negotiated before October. Also, activity at the Town Hall has continued at a high level, so we expect to see Town Hall revenue of at least \$20,000.

CONTRIBUTIONS & DONATIONS: For each of the past five years the Town has received a grant of \$20,000 to support the Town's archives and related educational and public records preservation projects. Due to the current decline in the stock market the grantor, the Cove Charitable Trust of Boston, has been forced to reduce this grant to \$10,000.

RESERVES & CONTINGENCIES

25000 - Transfer to Operating Reserve: This proposed budget places an additional \$50,000 into the Operating Reserve. This will increase the reserve's balance to \$175,000, 20% of the operating budget. Funds may be withdrawn from the Operating Reserve by Ordinance only, and are held in the Town's interest-bearing account in the Montgomery County Pooled Investment Fund. Actively managed by the County's Finance Department, the Pooled Investment Fund holds the County's reserves as well as funds from other municipalities.

Operating Contingency: The budget proposes an Operating Contingency of \$30,000. Funds may be transferred from Contingency to other lines in the budget by Council resolution.

Capital Contingency: This is reduced to Zero in this budget. However, when the books are closed for FY 2009 there is expected to be "Free Cash," that comprises funds held in the treasury that have not been appropriated. These funds are available to the Council for additional appropriations, some of which may be applied to the CAPITAL PROGRAM.

TRANSFERS

FY 2009 Surplus: An estimated FY 2009 budget surplus of \$39,175 will help offset a cash flow deficit resulting from the expenditure of \$53,000 of prior years' capital appropriations. It is proposed to apply \$37,125 from available funds in the treasury ("free cash") to the FY 2010 budget, resulting in a total draw on the Town's "Free Cash" of \$90,125. Current projections put the total "Free Cash" available at the end of FY 2009 to be \$289,407, so a balance of just under \$200,000 is projected for the start of FY 2010.

Town of Garrett Park

EXPENDITURES

10000 PERSONNEL:

SALARIES This line reflects the 7% second year increase provided for in the current 3-year contract with the Town Administrator, as well as a 5% increase for the Maintenance Superintendant and Town staff. It is anticipated that the FY 2011 and FY 2012 budgets may require a renegotiation of the Town Administrator's contract due to the need to limit or forego any salary increases in those years. Given that the Town's staffs' salary range is in the lower end of prevailing wages for similar positions in Montgomery County, it seems reasonable to provide for these increases in FY 2010 when the Town's financial position remains fairly robust.

OVERTIME Due to increased staffing and increased capability, especially in snow removal, it has been possible to cut the need for overtime.

BENEFITS are projected to increase by 3%, primarily driven by an estimated 7% increase in health insurance costs. The Town's self-insurance program continues to provide for excellent cost containment.

PAYROLL TAXES, PENSION CONTRIBUTION, and WORKERS COMPENSATION INSURANCE increases are directly tied to salary increases.

11000 TOWN ADMINISTRATION:

ELECTED & APPOINTED OFFICIALS This line is substantially increased, due to the addition of \$4,500 for the Historic Preservation Committee's project, to be 50% offset by a County grant, and \$2,500 to establish a budget for the Land Use Task Force.

ARCHIVES & PUBLIC RECORDS The reduction of \$6,800 is an adjustment to the decline in grant funds.

PROFESSIONAL FEES There is a dramatic drop of \$179,000.

12000 SPONSORSHIPS, SUBSCRIPTIONS, DUES:

MEMBERSHIP DUES These are the Town's annual dues to the Maryland Municipal League (MML). An increase of \$500 is projected.

SPONSORSHIPS We are increasing the Town's support for the Citizens Association from \$950 to \$1,500 to help defray increase publishing costs for the *Bugle*. Also, the Town has pledged \$5,000 to the Garrett Park Elementary School Educational Foundation in support of funding an enlarged stage in the new school building.

13000 BUILDINGS & GROUNDS: Mainly on-going repairs and maintenance adjusted for increased wear & tear.

Town of Garrett Park

14000 TOWN SERVICES:

ROADS & SIDEWALKS Funding in this line is increased \$3,375 (5%) primarily to provide for re-painting road markings and replacing and repairing missing and damaged signage.

MUNICIPAL REFUSE This line is reduced \$15,200, primarily due to a reduction in the fuel surcharge the Town had been paying its contractor, Montgomery County Sanitation and Recycling. The contractor has agreed to no increase in service charges in FY 2010.

ARBORETUM This has been level funded. The Capital Budget has \$5,000 for new trees.

PARKS funding is increased \$2,725 (70%) to make up for underfunding in recent years.

16000 EQUIPMENT REPAIR & MAINTENANCE: This account is level-funded for FY 2010. The only possible problem would be a significant increase in the price of gasoline, but most projections see only modest increases until demand for oil increases with a global economic recovery, which is not expected to begin until late in 2010 or early 2011.

17000 PUBLICATION EXPENSES: This is the account for the Town's website maintenance and development contract with the website's designer.

18000 CONFERENCES, MEETINGS, TRAINING: This line is increased by \$1,400 to cover MML events, special events the Town might host, and staff training. It does not support attendance at major conferences.

19000 OPERATING CONTINGENCY: This is maintained at \$30,000.

23000 TRANSFERS TO CAPITAL: This is set at \$55,000 for FY 2010. The one new project anticipated is the extension of the North Kenilworth Drain.

25000 TRANSFERS TO OPERATING RESERVE: This transfer is set at \$50,000, bringing the total OPERATING RESERVE to \$175,000, 20% of the operating budget.

TOTAL EXPENDITURES: Total FY 2010 Operating & Capital budget is \$982,675, a reduction of 13% from the FY 2009 budget.

TOWN OF GARRETT PARK

Ordinance 2009-01
 Introduced: 03/09/2009
 Amended and Adopted: 04/13/2009

FY 2010 Budget

RECEIPTS	FY 2008 ACTUAL 06/30/08	FY 2009 BUDGETED Ord. 2008-08	FY 2009 PROJECTED 06/30/09	FY 2010 ADOPTED Ord 2009-01	FY 2010 AMENDMENTS to be Considered 04/13/09	FY 2010 AS INTRODUCED 03/09/09	FY09 Budget to FY10 Budget Increase (Decrease)	%	
1000 - Taxes & Fees	723,092	649,975	656,800	613,600	(10,000)	623,600	(36,375)	-6%	
1100 -- Local Property Taxes	408,262	435,800	443,000	450,500	0	450,500	14,700	3%	
1110 -- Real Property Taxes	397,330	425,000	440,000	440,000	0	440,000	15,000	4%	State Constant Yield Tax Rate Certification projects a tax base of \$229,280,389 for FY 2010, a reduction of \$2.3 million, for an FY 2010 tax rate of 19.2 cents
1120 -- Personal Property Taxes	8,790	9,800	750	9,500	0	9,500	(300)	-3%	Taxable Property Decline
1170 -- Penalties & Interest	1,836	500	1,750	750	0	750	250	50%	Hard Times Effect
1180 -- Homestead Tax Credit	306	500	500	250	0	250	(250)	-50%	
1200 -- Local Income Taxes	301,137	200,000	200,000	150,000	(10,000)	160,000	(50,000)	-25%	40% Less than FY08 receipts 25% Less than FY09 receipts
1300 -- Other Local Taxes	0	0	0	0	0	0	0		
1400 -- Licenses and Permits	13,693	14,175	13,800	13,100	0	13,100	(1,075)	-8%	Economic Slowdown
2000 - Intergovernmental Rev.	106,269	151,650	130,900	72,300	(22,750)	95,050	(84,350)	-52%	
2200 -- From State of Maryland	56,095	100,750	80,000	35,000	(15,000)	50,000	(65,750)	-65%	One time POS grant in FY09
2300 -- From Montgomery Co.	50,174	50,900	50,900	37,300	(7,750)	45,050	(18,600)	-27%	30% Reduction in Revenue Sharing & HPC Grant
3000 - Services Charges	135,241	142,500	142,400	127,350	(5,200)	132,550	(15,150)	-11%	
3100 -- Gen. Government Charge	618	500	400	550	0	550	50	10%	
3200 -- Municipal Refuse Fees	134,623	142,000	142,000	126,800	(5,200)	132,000	(15,200)	-11%	Fuel Adjustment Reduction
4000 - Fines & Forfeitures	0	0	0	0	0	0	0		

RECEIPTS	FY 2008	FY 2009	FY 2009	FY 2010	FY 2010	FY 2010	Budget to Budget		
	ACTUAL 06/30/08	BUDGETED Ord. 2008-08	PROJECTED 06/30/09	ADOPTED Ord 2009-01	AMENDMENTS to be Considered 04/13/09	AS INTRODUCED 03/09/09	Increase (Decrease)	%	
5000 - Miscellaneous Receipts	161,340	139,700	145,160	132,300	850	131,450	(7,000)	-5%	
5100 -- Investment Earnings	26,849	6,200	7,200	2,000	(1,000)	3,000	(4,200)	-68%	Lower Rates, Balances
5200 -- Rents and Concessions	114,255	113,400	117,760	120,200	2,250	117,950	6,800	6%	
5210 -- Town Hall Rents	20,053	18,100	19,350	20,000	0	20,000	1,900	10%	Building remains active
5220 -- Penn Place Rents	92,602	93,540	96,650	98,275	2,275	96,000	4,735	5%	New Lease Agreements
5230 -- Swimming Pool Assoc.	1,600	1,760	1,760	1,925	(25)	1,950	165	9%	Annual increase
5300 -- Contributions Donations	20,000	20,000	20,000	10,000	0	10,000	(10,000)	-50%	Cove Trust Losses
5500 -- Sale of Property	236	100	200	100	(100)	200	100	0%	
5900 -- Miscellaneous - Other	0	0	0	0	(300)	300	300	0%	
Annual Operating Receipts:	1,125,942	1,083,825	1,075,260	945,550	(37,100)	982,650	(142,875)	-13%	(129,710)
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9000 - Transfers In(Out)	171,852	0	(39,175)	37,125	17,825	19,300	0		Apply projected FY 2009 budget surplus and "free cash" available in the Town's Treasury
Total Receipts:	1,297,794	1,083,825	1,036,085	982,675	(19,275)	1,001,950	(142,875)	-9%	
Net:	0	0	0	0	0	0	0		

Current projected EOY "Free Cash": 289,407

TOWN OF GARRETT PARK

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Ordinance 2009-01
Introduced: 03/09/2009
Amended and Adopted: 04/13/2009

EXPENDITURES	FY 2008	FY 2009	FY 2009	FY 2010	FY 2010	FY 2010	Budget to Budget		Comments
	ACTUAL 06/30/08	BUDGETED Ord. 2008-08	PROJECTED 06/30/09	ADOPTED Ord. 2009-01	AMENDMENTS to be Considered 04/13/09	AS INTRODUCED Ord. 2009-01	Increase (Decrease)	%	
10000 - Personnel	\$298,577	\$336,600	\$331,500	\$352,850	(\$150)	\$353,000	\$16,250	5%	
10100 -- Salaries	\$215,287	\$233,500	\$233,500	\$246,700	\$0	\$246,700	\$13,200	6%	T.A. Contract 7%, Others COLA 5%
10200 -- Overtime	\$1,140	\$3,200	\$2,000	\$2,500	\$0	\$2,500	(\$700)	-22%	
10300 -- Benefits	\$61,641	\$73,500	\$70,500	\$75,650	(\$150)	\$75,800	\$2,150	3%	Savings in self-insurance
10400 -- Payroll Taxes, Etc.	\$20,510	\$26,400	\$25,500	\$28,000	\$0	\$28,000	\$1,600	6%	Linked to Wages
11000 - Town Administration	\$127,062	\$270,175	\$265,185	\$95,600	\$3,300	\$92,300	(\$174,575)	-65%	
11100 -- Elected & Appointed Officials	\$1,439	\$2,700	\$4,300	\$9,500	\$6,750	\$2,750	\$6,800	252%	New HPC Project Land Use Task Force
11200 -- Elections	\$970	\$1,500	\$2,050	\$1,500	\$250	\$1,250	\$0	0%	No referendum in FY'09
11300 -- Archives & Public Records	\$23,170	\$20,675	\$20,675	\$15,000	(\$5,000)	\$20,000	(\$5,675)	-27%	Reduced to partially offset smaller grant
11400 -- General Administrative Expense	\$18,737	\$19,000	\$21,450	\$20,600	(\$200)	\$20,800	\$1,600	8%	Office supplies increase Computer expense increase
11700 -- Professional Fees	\$71,355	\$215,500	\$207,000	\$37,500	\$2,000	\$35,500	(\$178,000)	-83%	Legal fees return to normal
11800 -- Insurance	\$8,671	\$9,800	\$8,360	\$10,250	\$0	\$10,250	\$450	5%	
11900 -- Town Administration - Other	\$2,720	\$1,000	\$1,350	\$1,250	(\$500)	\$1,750	\$250	25%	
12000 - Dues, Sponsorships & Subs.	\$4,000	\$3,700	\$4,500	\$10,500	\$0	\$10,500	\$6,800	184%	
12100 -- Membership Dues	\$2,870	\$3,000	\$3,300	\$3,500	\$0	\$3,500	\$500	17%	Annual MML Increase
12200 -- Sponsorships	\$950	\$500	\$1,000	\$6,800	\$0	\$6,800	\$6,300	1260%	GPCA Increase to \$1,500 GPES Grant of \$5,000
12300 -- Subscriptions	\$180	\$200	\$200	\$200	\$0	\$200	\$0	0%	
13000 - Buildings & Grounds	\$88,617	\$83,550	\$80,575	\$83,725	(\$2,275)	\$86,000	\$175	0%	
13200 -- Penn Place	\$70,623	\$69,400	\$69,400	\$72,500	\$0	\$72,500	\$3,100	4%	Maintenance & Repairs
13300 -- Town Hall	\$17,011	\$13,700	\$10,725	\$10,975	(\$2,025)	\$13,000	(\$2,725)	-20%	
13400 -- Maintenance Facility	\$982	\$450	\$450	\$250	(\$250)	\$500	(\$200)	-44%	

TOWN OF GARRETT PARK
FY 2010 Budget

Ordinance 2009-01
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Amended and Adopted: 04/13/2009

EXPENDITURES	FY 2008	FY 2009	FY 2009	FY 2010	FY 2010	FY 2010	Budget to Budget		Comments
	ACTUAL	BUDGETED	PROJECTED	Amended	AMENDMENTS	AS INTRODUCED	Increase (Decrease)	%	
	06/30/08	Ord. 2008-08	06/30/09	Ord. 2009-01	to be Considered 04/13/09	Ord. 2009-01			
14000 - Town Services	\$231,701	\$232,450	\$231,475	\$223,400	(\$8,400)	\$231,800	(\$9,050)	-4%	
14100 -- Roads & Sidewalks	\$61,760	\$61,575	\$61,975	\$64,950	\$450	\$64,500	\$3,375	5%	Signage & markings needed
14200 -- Stormwater Drainage	\$35	\$500	\$500	\$550	\$0	\$550	\$50	10%	
14300 -- Municipal Refuse	\$135,968	\$142,000	\$134,500	\$126,800	(\$5,200)	\$132,000	(\$15,200)	-11%	Reduction in Fuel Adjustment
14400 -- Arboretum	\$25,905	\$21,600	\$29,100	\$21,600	(\$3,400)	\$25,000	\$0	0%	Increased pruning
14500 -- Fees	\$2,357	\$2,900	\$2,650	\$2,900	(\$100)	\$3,000	\$0	0%	Better accounting of credits
14600 -- Parks	\$5,676	\$3,875	\$2,750	\$6,600	(\$150)	\$6,750	\$2,725	70%	Underfunded for last few years
16000 - Equip. Maintenance & Repair	\$13,082	\$14,500	\$12,400	\$14,500	(\$1,500)	\$16,000	\$0	0%	
17000 - Publication Expenses	\$262	\$1,250	\$1,250	\$1,000	(\$250)	\$1,250	(\$250)	-20%	Website
18000 - Conferences, Meetings, Training	\$4,122	\$1,100	\$1,100	\$2,500	\$0	\$2,500	\$1,400	127%	Increase in training - no MML conf.
19000 - Contingency	\$0	\$30,000	\$0	\$30,000	\$0	\$30,000	\$0	0%	3.4% of operating budget
20000 - Interest, Depreciation, Debt	\$60,702	\$60,600	\$60,600	\$60,600	\$0	\$60,600	\$0	0%	No change
21000 - Taxes, Bad Debt	\$2,242	\$6,050	\$3,650	\$3,000	\$0	\$3,000	(\$3,050)	-50%	Over-estimated in FY09
Total Operating Expense:	\$830,367	\$1,039,975	\$992,235	\$877,675	(\$9,275)	\$886,950	(\$162,300)	-16%	

**TOWN OF GARRETT PARK
FY 2010 Budget**

Ordinance 2009-01
Introduced: 03/09/2009
Amended and Adopted: 04/13/2009

EXPENDITURES	FY 2008	FY 2009	FY 2009	FY 2010	FY 2010	FY 2010	Budget to Budget		Comments
	ACTUAL 06/30/08	BUDGETED Ord. 2008-08	PROJECTED 06/30/09	Amended Ord. 2009-01	AMENDMENTS to be Considered 04/13/09	AS INTRODUCED Ord. 2009-01	Increase (Decrease)	%	
23000 - Transfer to Capital Project Fund*	467,426	\$43,850	\$96,850	\$55,000	\$0	\$55,000	\$11,150	25%	See Capital Budget & Program
25000 - Transfer to Operating Reserve	0	\$0	\$0	\$50,000	(\$10,000)	\$60,000	\$50,000		Increases Operating Reserve to \$175,000
Expenses: Budgeted & Actual:	\$1,297,794	\$1,083,825	\$1,089,085	\$982,675	(\$19,275)	\$1,001,950	(\$101,150)	-9.3%	

Estimated EOY *First Dollar* Medical Self-insurance reserve: \$20,000

Total FY 2010 Operating & Capital Reserves and Contingencies: \$205,000

Total Estimated Reserves & Contingencies 07/01/09: \$225,000

21% of Total Budget

23% of Total Budget

* **Note:** Entire capital appropriation is charged at the beginning of the year.

Capital expenditures are charged to more than one year's capital budget, so may exceed a given year's budgeted amount.

TOWN OF GARRETT PARK
FY 2010 Budget

Ordinance 2009-01
Introduced: 03/09/2009
Amended and Adopted: 04/13/2009

TOWN OF GARRETT PARK
FY 2010 Capital Budget & Program

Ordinance 2009-01
 Introduced: 03/09/2009
 Amended and Adopted:
 04/13/2009

Capital Budget

Account	FY 2010		Total Capital Appropriations 07/01/09
	Estimated Prior Year Appropriations 06/30/09	FY 2010 Capital Budget Ord. 2009-01	
23000 - CAPITAL BUDGET	\$3,950	\$55,000	\$58,950
23100 - Capital Purchases	\$0	\$0	\$0
23200 - Capital Construction	\$3,950	\$50,000	\$53,950
23210 - Construction: Facilities	\$1,200	\$20,000	\$21,200
23220 - Construction: Streets & Curbs	\$2,750	\$5,000	\$7,750
23230 - Construction: Utilities	\$0	\$0	\$0
23240 - Construction: Sidewalks	\$0	\$0	\$0
23250 - Construction: Storm Drains	\$0	\$15,000	\$15,000
23260 - Construction: Parks & Grounds	\$0	\$10,000	\$10,000
23290 - Construction: Other	\$0	\$0	\$0
23300 - Arboretum Capital Expense	\$0	\$5,000	\$5,000
23800 - Capital Planning Expense	\$0	\$0	\$0
23900 - Capital Budget Contingency	\$0	\$0	\$0

Capital Program

Project	FY 2010		Total Capital Appropriations 07/01/09
	Capital Program 07/01/09	Capital Expense for Period 07/01/09	
CAPITAL PROGRAM	\$58,950	\$0	\$58,950
Capital Purchases	\$0	\$0	\$0
Capital Construction	\$53,950	\$0	\$53,950
North Kenilworth Drain Repairs (FY09)	\$15,000	\$0	\$15,000
Parks & Recreation - Playground Equipment (FY10)	\$5,000	\$0	\$5,000
Penn Place Bathrooms (FY10)	\$5,000	\$0	\$5,000
Street Rehab. (CIP FY10)	\$7,750	\$0	\$7,750
Town Hall (CIP, p17)(FY09&FY10)	\$16,200	\$0	\$16,200
Yeandle Park (FY10)	\$5,000	\$0	\$5,000
Arboretum Capital Expense	\$5,000	\$0	\$5,000
Capital Planning (FY05 & FY06)	\$0	\$0	\$0
Capital Contingency (FY06)	\$0	\$0	\$0

COMMENTARY ON TOWN FINANCES

Given the current recession and the continuing news regarding declining federal, state, county, and Town revenues, it is to be expected that residents will be concerned about the current and future status of Town finances. A little history: when I arrived in September of 2002 the Town had committed to the reconstruction of Penn Place, a substantial rehabilitation of Weymouth Street and Kenilworth Avenue, the new Town street lights, and a significant contribution to cost of the reconstruction of Strathmore Avenue. This resulted in the planned drawing down of Town reserves to essentially Zero over a period of 1-2 years, depending on the length of time it took to complete these projects. Also, at that time these reserves were held as "Free Cash" in the Town treasury which was invested in the Montgomery County Pooled Investment Fund,

What is "Free Cash?"

"Free Cash" comprises un-obligated funds in the Town's treasury, funds against which no appropriation (obligation) has been made. For example: If the Town has \$250,000 in cash in the bank on July 1st, receives \$700,000 in revenues, budgets and spends \$750,000 through the fiscal year, and has \$50,000 in prior years' capital appropriations yet unspent at the end of the fiscal year on June 30th, there will be \$150,000 of "Free Cash" remaining in the treasury ($\$250,000 + \$700,000 - \$750,000 - \$50,000 = \$150,000$). These funds, or any portion thereof, may be incorporated in the Town budget at any time by ordinance, whereby they become encumbered (obligated), or can be left as they are ("Free Cash"). In either case, they are assets of the Town.

Some of you will recall the concerns about this drawdown of reserves expressed in discussions regarding adjustments to the FY 2003 budget and the adoption of the FY 2004 budgets. At that time, the Mayor and Council pointed out that both budgets anticipated positive cash flows, and that if future budgets were crafted in the same manner, the Town's reserves would be quickly rebuilt. A policy of appropriating an operational reserve was adopted at that time, as well.

Is there any difference between "Free Cash" and an appropriated reserve?

Yes, a big difference. At the end of any fiscal year "Free Cash" may vary depending on that year's cash flow. An appropriated reserve must always be fully funded at the end of any fiscal year, so that if in one year \$50,000 is appropriated to the operating reserve and in the next year a further \$25,000 is similarly appropriated, at the end of that second fiscal year the Town's treasury must contain \$75,000 in actual cash or other secure, liquid investments, which fund this reserve. As a matter of practice, the Town's funds are currently managed to insure that the operating reserve and all other restricted funds (Penn Place tenant deposits, any restricted donations, etc.) are fully funded in the treasury at all times throughout the year. This is possible because of the "Free Cash" balance that the Town maintains, which can be drawn on for budgeted operating and capital expenditures that come due ahead of the receipt of budgeted revenues, which is typically the case in the months of July through September.

As of March 31st, 2009 the Town had \$580,400 cash on hand, held in the Town's checking accounts and the Montgomery County Pooled Investment Fund. We project a further \$133,700 in revenue and \$243,500 in expenditure through June 30th. Currently, there are \$144,600 in restricted funds, comprising \$125,000 in the operating reserve, \$15,000 in the Yeandle Park Fund, and \$4,600 in Penn Place tenant security deposits. Also, we have payables of \$4,400 and an anticipated unbudgeted expense for tree removal of \$4,500. There is also \$27,000 in prior year capital appropriations outstanding. This leaves a projected "Free Cash" balance at the end of the fiscal year of \$289,400.

So, in the intervening years from September 2002, the Town has been able to provide residents with continually improving levels of service on a day-to-day basis, make substantial capital, investments, establish a \$125,000 operating reserve, cut the Town's property tax rate by 5%, and still generate a surplus of over one-quarter of a million dollars. In the FY 2010 budget, the operating reserve is raised to \$175,000, so the combined cash reserves of the Town available will be in the neighborhood of \$320,000. Add in the budgeted operating contingency of \$30,000 and you have \$350,000, or 36% of the total adopted FY 2010 budget.

While the FY 2009 budget is projected to have a surplus of \$39,100, there will be a negative cash flow of \$53,000, due to the paying of prior years capital appropriations. The FY 2010 budget anticipates drawing \$37,100 from "Free Cash," a total draw of \$90,125 against accumulated "Free Cash" (already accounted for in the analysis above). This is a result of the recession's impact on the Town's cash flow. The FY 2010 budget is conservative, projecting a 13% reduction in revenues and a 16% reduction in operating expenditures. It is designed to produce a neutral to positive cash flow so that as we face what we project to be the most difficult years of FY 2011 and FY 2012, we will certainly have adequate reserves to support the current level of services provided to residents. We also expect to have adequate resources for modest capital expenditures - maintenance and minor improvements to Town facilities and infrastructure - and the capacity to provide matching funds for any grant opportunities that may come our way through federal and state stimulus programs.

All in all, we believe that the Town is in sound financial condition, and should emerge from these hard times in excellent shape, ready to take advantage of the improving economic situation that will arrive in the next two to five years.

As always, if you have questions or concerns about the budget or any other Town issue, please call the Town Office at 301 933-7488 or email us at garrett-park@comcast.net.

Ted Pratt
Town Administrator/Clerk-Treasurer.