



July 1, 2007

The Honorable Mayor and City Council
Citizens of Gaithersburg

I am pleased to submit the adopted City Budget for Fiscal Year 2008. This budget reflects our continual effort to refine and prioritize our activities as directed by the Strategic Plan, and the need to deliver the highest quality services to our residents. The Mayor and City Council revisit the plan annually and allocate the resources necessary to implement the majority of our Strategic Directions. In this way, we are able to prioritize the activities funded by the budget.

This budget continues our policy of maintaining a constant tax rate and our “pay as you go” philosophy relative to our City’s finances. For the 44th consecutive year, the City’s budget can be funded without a tax rate increase. We propose to maintain the real property tax rate at \$.212 per \$100 of assessed value. Additionally, the ad valorem tax on tangible personal property would remain at the rate of \$.53 per \$100 of assessed value.

This budget allows us to keep an acceptable level of reserves based upon the policy adopted by the Mayor and Council, maintain a consistent tax rate, and avoid debt. Additionally, we have several major Capital Improvement Projects in the design and planning stages. These include the Gaithersburg Aquatic/Recreation Center complex, the new Youth Center in Olde Towne, and a new Senior Center facility. The construction and subsequent operational costs of these facilities demand careful adherence to our financial plan.

OVERVIEW

Revenue growth in “core” categories will slow somewhat in FY 2008. We are forecasting revenue growth overall, but this must be attributed in part to one-time contributions resulting from development agreements that are restricted to certain capital projects. Real property tax revenues will again post solid gains; however, this will be offset somewhat by reductions in other categories such as Licenses and Permits, and State and Federal Grants.

The Operating Budget will see the most growth in personnel expenses as we bring on a number of new positions needed to provide key services. We are also seeing major increases in utility costs, primarily relating to electricity for facilities and street lighting. The Capital Budget will also grow but, as previously mentioned, this is the result of substantial outside contributions being utilized for specific projects.

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CITY MANAGER
David B. Humpton

The total adopted budget increased in FY 2008 to reflect the growth of expenses associated with City personnel and services and additions to the Capital Improvements Plan (CIP). Several new initiatives have also been prioritized by the Mayor and Council and are more fully described later in this letter. The City Operating Budget grew by \$3,805,726 and is proposed to be \$39,055,031, a 10.8 percent increase over the previous year. The total City Budget, including Operating and Capital components, is proposed to be \$50,639,235.

The City's Capital Improvements Plan (CIP) grew by \$1,069,149 to \$11,584,204. This represents a 10.2 percent increase over FY 2007. The CIP budget has tended to be somewhat cyclical, given our history of adding major facilities over time. The FY 2009 CIP will also be higher than normal but we may then see several years of lower levels as projects are fully funded and reimbursements from Federal, State and County contributions are recaptured.

As we do every year, we plan to utilize some reserve funds to accomplish our goals. We will use \$3,677,660 this year versus \$3,315,743 in FY 2007; about a 10.9 percent increase.

REVENUES

We are forecasting FY 2008 revenues (not including re-appropriation) to increase by 10.6 percent. It is important to note however, that virtually all revenue growth is found in two specific categories; Real Property Taxes and Miscellaneous Revenues (as a result of contributions from developers). Decreases are anticipated in a number of development-related permit categories, as well as grants from Federal, State and County government.

Real estate assessments will continue to grow for the next several years before an expected leveling off occurs. Most residential properties in the City are not yet assessed at their full market values due to caps on annual increases.

The slowdown in residential and commercial construction will have a major effect on License and Permit revenues as fewer new projects break ground. Total revenue from these sources is expected to be down by over 30 percent, almost a \$1,000,000 reduction. Most other revenue categories will remain fairly stable, with little net increase or decrease.

No revenue from the sale of fixed assets (specifically surplus land) is expected to be realized in FY 2008. It is possible that we may sell certain parcels of City-owned property in Olde Towne in FY 2009 or FY 2010, but it seems equally likely that we will utilize such properties as economic development incentives to implement the Olde Towne Master plan and increase the overall property tax base.

In FY 2008, our Grants Administration staff will apply for new grant funds to support many of our Strategic Directions through competitive Federal, State and other local agencies as well as through congressional budget appropriations. Recent congressional requests include \$175,000 for the Olde Towne Youth Center, \$125,000 for advanced police equipment and technology, and \$247,500 for two water quality management structures at Public Works.

In FY 2007 the City applied for new funding to support gang-prevention initiatives and expanded affordable housing services for graduates of Wells Robertson House and other low-income City residents. In addition, the City was awarded \$150,000 from the State of Maryland for design or construction of the Gaithersburg Regional Aquatic Center.

A key concern for future budget years is protecting the revenue sources that municipalities receive from the State of Maryland such as Highway User and Program Open Space funds, as the State considers options for addressing its structural deficit. The City should continue to seek new revenue sources such as the enabling legislation we proposed that would have permitted a municipal hotel/motel tax.

OPERATING BUDGET

The Operating Budget funds virtually all City activities other than the CIP. This includes funds to compensate employees fairly (including benefit costs and post-employment retirement plans), provide materials and supplies to operate all departments, purchase vehicles and equipment, and provide for contingencies and unexpected expenditures.

Proposed Personnel

Personnel is always the largest segment of the City Operating Budget and new position requests are only approved in support of important Strategic Direction objectives. The FY 2008 City Budget includes five new full-time positions including two new Police Officers, a Fire Inspector in Planning and Code, a Programmer Analyst in Information Technology, and a Project Manager in Public Works who will manage major contracts including landscaping initiatives, and maintain a City-wide tree inventory.

We have also determined that the vacant Project Manager position within the City Manager's Office should be upgraded. This position has been transferred to the Police Department budget and will become the City's Emergency Management Coordinator. Emergency management has become a much higher level issue in recent years and it is now apparent that we need a staff member dedicated to this function.

Mid-year in FY 2007, we received authorization from the Mayor and Council to add two full-time Police Officer positions. No existing positions were eliminated from the adopted FY 2008 budget.

Closely related to personnel are benefits costs. Like many other governments and private businesses, we are experiencing large rate increases for current employee and retiree healthcare costs. Staff is working to minimize these increases through plan modifications and establishment of a limited self-insurance fund for hospitalization.

Major Initiatives

Two new police officer positions were approved within the **Police Department**. Recruiting of these new officers will begin this summer. Expenses relating to vehicles, equipment and uniforms are also reflected in this budget and account for most of the operating budget increase. Department staff will be trained on the use of in-car cameras and will begin using photo-radar equipment. A pilot BEAT program or Directed Patrol Unit will be implemented to focus on crime in the Olde Towne area.

The **Environmental Affairs** division will be working on a number of new initiatives including an environmental assessment of the former Nike missile site on Muddy Branch Road, the development of residential and commercial green building requirements, planning and implementation of stormwater management and stream improvement projects, and an assessment of greenhouse gas emissions and climate protection strategies.

The **Parks, Recreation and Culture** budget reflects preparation for the planning and design of the new Gaithersburg Aquatic/Recreation Center and the new Youth Center in Olde Towne. Staff will also be working on implementation of projects related to the Cultural Arts Master Plan presented to the Mayor and Council in December of 2006, as well as development and implementation of a comprehensive bicycle and pedestrian master plan with the assistance of a consultant retained in FY 2007. Staff in this department will also be coordinating a mentor program for at-risk youths at local high schools.

In FY 2007, construction funding of \$140,000 was allocated for upgrades to the existing Senior Center facility. During FY 2008 and FY 2009, staff will complete pre-development activities relating to determining space requirements and evaluation of sites for a possible new facility, and to determine the availability of County and State funding for the project.

Staff of the **Planning and Code Administration** are currently working on a number of development projects and land use proposals, including Crown Farm, Casey East, and the Watkins Mill Town Center. Additionally, a planning charrette relating to the Kentlands Boulevard Commercial District is planned for September 2007.

Planning staff will work with Economic Development on proposals related to the ongoing implementation of the Olde Towne District Master Plan, including the Archstone project on East Diamond Avenue. This department will also undertake a study of the effectiveness of Ride-On bus service in serving residents in our town centers.

Staff in the **City Manager's Office** will be coordinating a comprehensive Citizen Survey to assess resident satisfaction with community amenities and the provision of government services. Preparations will be underway for the 2007 election as well.

A legislative program for the 2008 General Assembly will also be developed. Monitoring the progress of the Watkins Mill Interchange and advocating for other major transportation projects, including the Corridor Cities Transitway (CCT), will be important aspects of the program.

The City is currently participating in the County Executive's Municipal Revenue Sharing Task Force that is meeting to update the 1996 formula used to allocate Municipal Tax Duplication payments. Additionally, the Task Force will address some other revenue issues not included in Tax Duplication.

The **Information Technology** Department's budget reflects initiatives including the preparation of a comprehensive disaster recovery plan of the existing technical environment, completing major Police technology projects, including in-car video and an enhanced crime analysis function, and upgrading existing portions of our application infrastructure, including the City's web presence and desktop publishing environment.

Economic Development staff will continue working with the Staubach Company, our commercial real estate consultants, to solicit qualified development proposals for two City-owned parcels in Olde Towne (the "Y" site and 315 East Diamond Avenue).

This office is also oversees our affordable housing initiatives. This includes referral to new housing opportunities, matching residents with available County, State, Federal, and private resources relating to homeownership, and preparing to establish our initial Moderately Priced Dwelling Unit (MPDU) and Workforce Housing programs. During the budget work sessions, the Mayor and Council approved additional funding of \$300,000 within the Economic Development budget for a Homeownership Assistance Program to help residents displaced by redevelopment projects to purchase homes. Guidelines for this program will be developed later this year.

The department of **Finance and Administration** will be working on implementation of Government Accounting Standards Board (GASB) Rule 45, which addresses how local governments account for obligations related to post-employment benefits. The FY 2008 budget allocates \$401,000 (to be added to currently reserved funds) to this purpose. In future years, contributions to the newly-created Retiree Benefit Trust will be determined by an actuarial consultant.

Planning and development of a number of large capital projects, as well as maintenance of our growing City infrastructure of roads, sidewalks, parks and facilities will be the focus of the **Public Works, Parks Maintenance and Engineering Department**. A grinder that can remove asphalt in one-half the time of conventional methods will be purchased in FY 2008 to improve the speed at which we can repair streets.

CAPITAL IMPROVEMENT PROJECTS

The FY 2008 Capital Improvements Plan (CIP) focuses on new facilities, maintenance of existing infrastructure, and technology projects in several departments. As previously mentioned, substantial contributions will be provided through agreements relating to the Crown Point and Crown Farm developments. Extension of the CIP through FY 2012 is presented for each activity in the budget (FY 2009 to FY 2012 figures are estimates used for planning purposes).

Gaithersburg Aquatic/Recreation Center – The adopted FY 2008 CIP allocates \$6,000,000 in funding provided through contributions for recreational amenities negotiated in the Crown Woods (\$300,000) and Crown Farm (\$5,000,000) annexation agreements, and from \$700,000 in State of Maryland Program Open Space funding. Design of the facility is currently underway and a construction contract is scheduled to be awarded early in FY 2009. Substantial funding needed to complete the project will be programmed into the FY 2009 CIP.

Street Reconstruction – The main project for FY 2008 in this activity is the reconstruction of Washingtonian Boulevard. The project is estimated to cost \$1,000,000. \$700,000 is allocated to this account, with the remainder of the project budget to be taken from funds remaining in the account balance.

Street Resurfacing – The tentative schedule for FY 2008 includes projects in the Dorsey Estates, Audubon Square and Bridalwood Subdivisions. We included an allocation of \$750,000 for this CIP account.

Olde Towne Clock Tower/Plaza – FY 2008 funding of \$975,000 has been allocated to this project which provides for design and construction of a bell tower and plaza/park area at the corner of Diamond and Summit Avenues in Olde Towne Gaithersburg. The project is now expected to move forward in FY 2009. This schedule will allow the project to be constructed at the same time as the expected redevelopment of the City-owned property at 315 East Diamond Avenue.

Stormwater Management (SWM) – Funding of almost \$850,000 will support construction of water quality structures at the Public Works Facility, design and construction of remedial actions and a SWM retrofit for the Lake Placid Dam, construction of a SWM retrofit for the ponds at Park Summit, and dredging of the Watkins Mill Pond.

Sidewalks, Handicapped Ramps and Bike Pathways – FY 2008 funding of just over \$317,000 will support design and construction of a brick sidewalk from the Cannery to the old Fire House in Olde Towne. This project will receive partial reimbursement of \$95,000 through a grant from the State of Maryland.

Street Lighting – A number of street lighting modifications are planned for FY 2008. These include projects in Park Summit, Fernshire Farms, and Washingtonian Townes/Suffield Drive. Additionally, new lights are planned for the wooden poles along Hutton Street and along both Park Avenue and Russell Avenue.

Technology Projects – FY 2008 funding of \$370,000 will be used along with funds carried forward from the FY 2007 balance of this account. Major projects include website content management software, timekeeping software and an upgraded vehicle, work order and stockroom management system. Funding will also be used for facility access security improvements, critical server redundancy, crime analysis software, and for additional police in-car digital video recorders.

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Other Projects of Interest – Some other projects of interest in the FY 2008 Capital Improvements Plan include \$90,000 for Renovation/Improvements to Existing Parks, \$100,000 for facility improvements at City Hall, \$306,000 for Facilities Projects, and \$45,000 for repairs and maintenance at Casey Community Center.

CONCLUSION

Gaithersburg continues to enjoy a strong financial position. This reflects the efforts we expend in research, planning, development of partnerships, and control of expenses. The budget process continues throughout the year as priorities for each year's budget are set, evaluated, and revised almost continually.

I would especially like to express my appreciation to our dedicated staff, the citizen volunteers who work on our committees, the citizens who participated in the City's Strategic Planning Process and Budget Public Forum, and to the Mayor and Council for their ongoing commitment to the City.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Humpton', with a long horizontal line extending to the right.

David B. Humpton
City Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Gaithersburg
Maryland**

For the Fiscal Year Beginning

July 1, 2006

President

Executive Director

The Government Finance Officer Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Gaithersburg for its annual budget for the fiscal year beginning July 1, 2006.

In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



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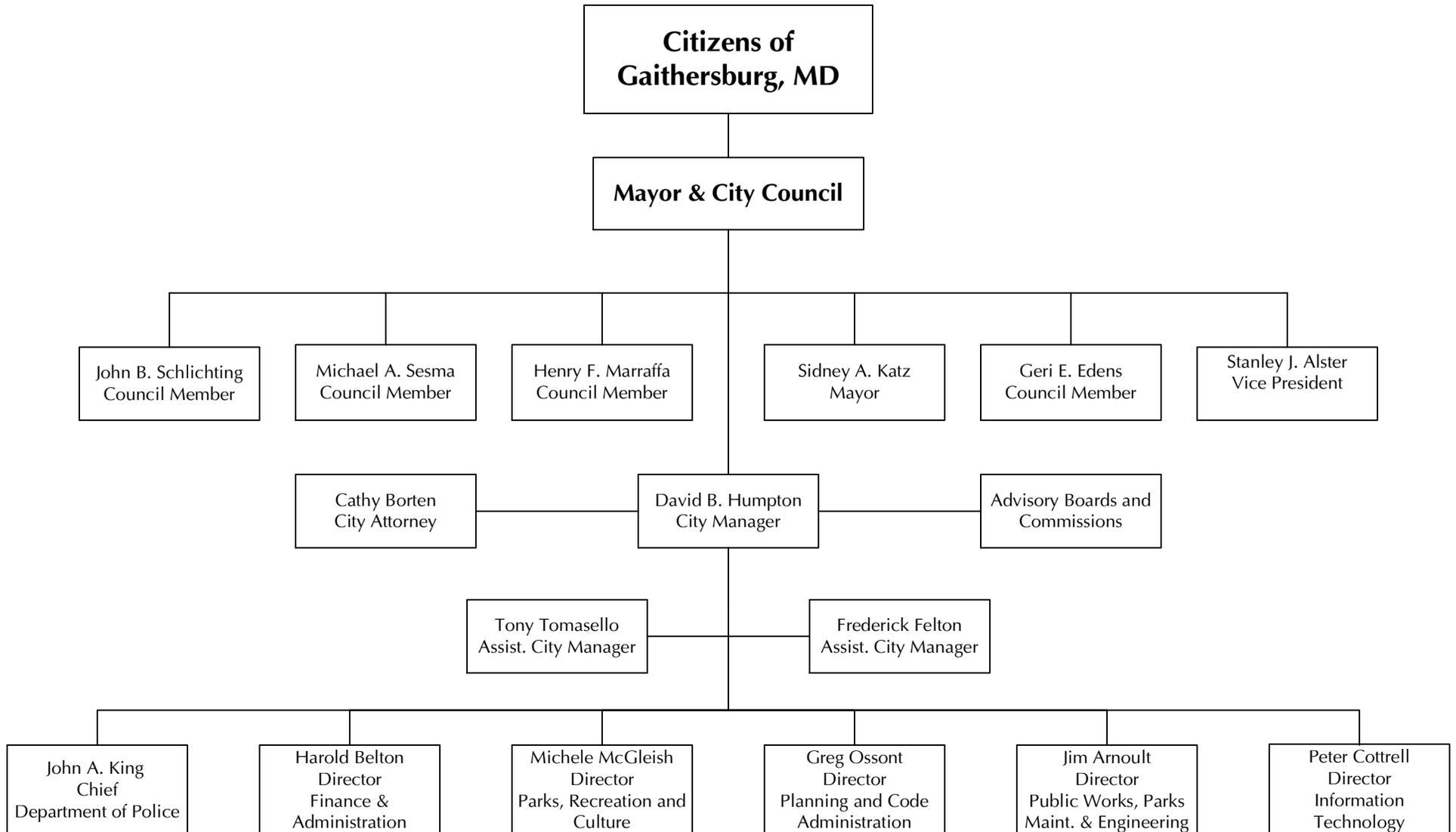
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CITY OF GAITHERSBURG, MARYLAND



Mission

The Gaithersburg City government exists to provide quality, cost effective, priority community services for its citizens. We are a CHARACTER COUNTS! City that serves as a catalyst for the involvement of residents, businesses, and organizations to ensure that Gaithersburg is a great place to live, work, learn, and play.

Vision

Gaithersburg will set the standard for other cities as a “special” place where people want to live, work, learn, and play. Gaithersburg will be a City that:

- Lives by the Six Pillars of CHARACTER COUNTS! (trustworthiness, respect, responsibility, fairness, caring and citizenship).
- Has retained the best qualities of a small town and respects its heritage while embracing the opportunities that new technologies provide.
- Has involved and supportive citizens and businesses reflecting the diversity of the community.
- Has a fiscally conservative, proactive government.
- Has safe, highly livable neighborhoods with a variety of housing types and styles served by diverse transportation options.
- Has a desirable business environment and diverse employment options.
- Has excellent learning opportunities that meet the needs of the community.
- Has attractive and beautifully maintained parks and public places.
- Has many leisure time activities that meet the needs of the community.
- Has a high quality, family-friendly environment for people of all ages and cultures.
- Has citizens with a strong sense of community and individual responsibility.
- Has a natural environment that is protected, respected, and enhanced.
- Has strong partnerships to meet the needs of the community.
- Has a community that encourages individual health and wellness.



STRATEGIC DIRECTIONS

FISCAL YEAR 2008

The City of Gaithersburg's Strategic Directions establish an overall approach to achieving the City's vision.

- Ensure that all planning and development considers and responds to the City's environmental, transportation, economic, social, and civic needs.
- Implement traffic and transportation management strategies to improve the safety, structure and function of streets, transit, bikeways and sidewalks within the City.
- Actively pursue Olde Towne Blueprint.
- Maintain and enhance priority City services.
- Pursue programs that preserve and improve current and future housing stock and mix (e.g., aging apartments).
- Maintain support of neighborhood Community Policing programs.
- Implement programs to enhance delivery of services that address the needs of the City's culturally diverse populations.
- Implement the Master Plan for parks, recreation, cultural and leisure time activities.
- Implement recommendations from ongoing evaluations of natural resources and encourage protection and enhancement of the environment (streams, parks, stormwater management, and other CIP projects).
- Actively pursue economic development programs and strategies.
- Continue communication activities and implement programs that promote citizen involvement.



GUIDING PRINCIPLES ***FISCAL YEAR 2008***

We are guided by the **Six Pillars of CHARACTER COUNTS!** as demonstrated by:

CUSTOMER FOCUS

We actively pursue the identification of citizen needs through citizen involvement to provide effective service to our community with efficiency, accountability, and a **CARING** attitude.

OPEN COMMUNICATION

We promote honest, open communication and easy access to information.

CREATIVITY

We strive to improve the quality and efficiency of City services through creative approaches and new, innovative, and cost effective technologies.

FISCAL RESPONSIBILITY

We provide quality services, of the best value, to effectively meet the needs of our community while maintaining a pay-as-you-go philosophy.

COOPERATION

We promote a spirit of **FAIRNESS, TRUSTWORTHINESS, RESPECT** and teamwork among our elected officials, City employees, residential and business communities, neighboring jurisdictions, and other governmental agencies.

COMMITMENT OF EXCELLENCE

We strive to achieve excellence in all we do.

CONTINUOUS IMPROVEMENT

We advocate good **CITIZENSHIP** and support the freedom to actively pursue suggestions, ideas, and creative approaches, leading to continuous improvement in everything we do.

