



*Gaithersburg*

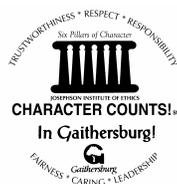
*A CHARACTER COUNTS! CITY*

# City of Gaithersburg, Maryland

## **ADOPTED BUDGET** FOR FISCAL YEAR 2009

### **A FINANCIAL PLAN AND PROGRAM OF MUNICIPAL SERVICE**

July 1, 2008 to June 30, 2009





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June 2, 2008

The Honorable Mayor and City Council  
Citizens of Gaithersburg

I am pleased to submit the adopted City Budget for Fiscal Year 2009. The priorities of this Budget place emphasis on the delivery of excellent community services, including public safety, and on capital budget initiatives that add to the quality of life for our residents. As always, we attempt to align our activities as directed by the Strategic Plan. At their recent retreat, the Mayor and City Council reviewed the Plan and discussed the mission and core services of each City department. The guidance that was provided is reflected in the adopted budget.

For the 45th consecutive year, the City's budget can be funded without a tax rate increase. This remarkable record has been achieved through careful oversight of the budget process and our adherence to a "pay as you go" philosophy. The real property tax rate will remain at \$.212 per \$100 of assessed value. Additionally, the ad valorem tax on tangible personal property will remain at the rate of \$.53 per \$100 of assessed value. We feel that this budget allows us to keep an acceptable level of reserves, maintain a consistent tax rate, and avoid debt, while still providing a high level of core services and adding major Capital Improvement Projects.

Presenting a balanced budget was extremely challenging this year. Several new programs and requests for additional personnel, while having considerable merit, were not able to be included in the adopted budget as a result of slow revenue growth. Funding of the construction and subsequent staffing and operations of new facilities, including the adopted Senior Center and the new Gaithersburg Youth Center in Olde Towne, will present challenges for years to come. Another large capital project, the Gaithersburg Aquatic/Recreation Center, has had to be re-scheduled. While we did not reduce the fund balance of that project, no additional funds were able to be allocated in this adopted budget.

Additionally, the cost of certain basic City expenses including gasoline, raw materials such as salt, concrete and asphalt, and employee/retiree healthcare are rising much faster than the rate of inflation. We have ever-growing infrastructure maintenance needs that must be prioritized as well.

It is important to note that our real property tax rate is already the lowest of any major jurisdiction in Maryland. Our personal property tax rate, which applies to property owned by businesses (such as furniture, fixtures and equipment) is also lower than the rate charged by many other local municipalities.

## **OVERVIEW**

Revenue growth in “core” categories slowed somewhat in FY 2008 and we are projecting that trend to continue in FY 2009. We are forecasting modest revenue growth overall, but this is attributed almost entirely to real property tax assessments, speed camera citations, and a one-time recapture of federal CDBG funds (still pending approval).

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. The Capital Budget has been reduced substantially from the past year, but there are several major new projects in the planning stages.

The total adopted budget increased in FY 2009 to reflect the growth of expenses associated with City personnel and services, to provide reasonable contributions to the Capital Improvements Plan (CIP), and to fund new initiatives that have been prioritized by the Mayor and Council in the Strategic Plan. The City Operating Budget grew by \$3,448,494 and is currently \$42,102,525, an 8.9 percent increase over the previous year. The contribution to the Other Post-Employment Benefits (OPEB) Trust calculated by our actuaries is an additional \$910,000. The total City Budget, including Operating and Capital components and the transfer to the OPEB Trust, is \$52,340,470.

The City’s Capital Improvements Plan (CIP) decreased by \$2,256,259 to \$9,327,945 to reflect the limitations on available funds. This represents about a 19.5 percent decrease from FY 2008. While the FY 2009 CIP has been reduced, we must recognize the substantial challenges that will appear in the near future as a result of our aggressive capital plan.

As we do every year, we plan to utilize some reserve funds to accomplish our goals. We plan to use \$3,607,945 this year versus \$3,677,660 in FY 2008; about a two percent decrease.

## **REVENUES**

We are forecasting FY 2009 revenues to increase by \$1,770,950 to a total of \$48,732,525. As noted earlier most growth is found in three specific categories; Real Property Taxes, Fines and Forfeitures, and Grants from Federal Government. Of these, the increase in federal grant revenue is a one-time event that is pending approvals from Montgomery County and the federal Department of Housing and Urban Development.

The large majority of revenue categories are forecast to be effectively flat, but several will see some change. Categories that are expected to experience noticeable growth include Income Taxes, and Interest on Investments. A large decrease will be seen in Contributions as we received the expected payment from the Crown Farm development in the current fiscal year. Small increases and decreases are also anticipated in a number of development-related permit categories, but that overall activity is effectively unchanged.

An additional issue for FY 2009 is the potential establishment of a Hotel Tax on room charges assessed at hotels and motels within the City. Recent enabling legislation was passed at the State level that authorizes us to enact this new tax. At this time, we are not able to budget any revenue from this potential source as the required ordinance (which requires advertising, public hearing, etc.) is unlikely to be in force before we need to adopt the FY 2009 budget. Should we pass such a tax however, it has the potential to add several hundred thousand dollars in revenue next year. Since the revenue would not be budgeted, it would serve to offset shortages in other categories or would be added to our fund balance at the end of the year, where it could then be applied toward the FY 2010 budget.

## **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.

### **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. In order to maintain competitive wages across all departments, a 4.5% cost of living adjustment is being added to our wage scale as well as a 2% merit increase for eligible employees.

The FY 2009 City Budget allows for an increase of six new full-time positions. These include two new Police Officers, a Code Administration Officer in Planning and Code, an Equipment Operator and a Maintenance Worker in Public Works, Network and PC Support Specialist in Information Technology, and an Administrative Assistant position to support the City Attorney.

A full-time Site Inspector position was eliminated, and is being replaced by the Code Administration Officer noted above. Three existing Employment Agreement positions were eliminated from the adopted FY 2009 budget. These included a Civil Engineer in Public Works, a Sediment Control Inspector in Planning and Code, and a Recreation Program Coordinator. There was one mid-year authorization during FY 2008, the conversion of the City Attorney position from Employment Agreement to full-time.

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. We are anticipating an increase of approximately 10% next year. As health benefits have been reduced (through plan modifications, increased co-pays, etc.) several times in the past few years, we are attempting to “hold the line” on passing along increased costs to our employees in FY 2009.

### **Major Initiatives**

After a major effort to improve recruitment and retention of officers in 2008 (which included a mid-year salary adjustment), **Police Department** staff will continue to emphasize retention of existing officers and filling vacant and newly-authorized positions. Two new police officer positions have been adopted within the department for FY 2009, bringing the total number of sworn officers to fifty-four. These positions would be advertised in the fall of 2008, with expected hiring mid-year. As such, funding for salaries and benefits is provided for one-half of the year.

During 2008, an actuary was hired to determine the feasibility of offering a defined benefit (pension) plan to City officers (and possibly other City staff). The actuary recently completed the base calculations and we are currently studying the results. The Personnel Team has asked for additional information and we expect that this may become a work session topic later in the year. Additionally, adopted funding of \$50,000 has been placed in this budget to fund a study of the potential benefits, drawbacks, and budget implications of becoming a “stand alone” department.

The **Environmental Affairs** division will develop new commercial green building code requirements and the Water Resources Element of the Master Plan. Staff will also continue to expand upon programs related to stormwater management, stream improvement, climate protection and sustainability.

The **Department of Parks, Recreation and Culture** will be working on several high-profile construction projects including the new Gaithersburg Youth Center in Olde Towne, two “Skate Spots” (at Diamond Farms Park and Lakelands Park), and the addition of upgraded ball field netting at Kelley Park. A State of Maryland grant was secured for the Observatory Park, and the project design is expected to be completed. Construction would commence shortly thereafter.

Staff will also be heavily involved in coordinating the ad hoc committee charged with determining recreational trends for active older adults. This committee's charge and subsequent appointments are expected to be approved by the Mayor and City Council shortly and it will begin meeting this summer.

Staff of the **Planning and Code Administration** will continue to work on a number of significant development projects and land use proposals, including the redevelopment of the Broadstone Apartments, Crown Farm, the Watkins Mill Town Center and Spectrum at Watkins Mill. Department Planning staff continues to 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, the Fishman Building site, the "Y" site and the former Chris's restaurant site.

The **Information Technology** Department's budget reflects initiatives including the preparation of a comprehensive disaster recovery plan of the existing technical environment, and the initiation of several Public Works technology projects, including new Fleet and Fuel Management systems. IT staff will also work to upgrade existing portions of our communications capabilities, including the City's web presence and network infrastructure.

During FY 2008, **Economic Development** staff completed an application to the State of Maryland seeking designation of the Olde Towne Central Business District as an Enterprise Zone. In FY 2009, should the application ultimately be approved, staff will work to develop a promotional program to publicize the zone's benefits to the development community. This office will also continue working on the development proposals for two City-owned parcels in Olde Towne (the "Y" site and 315 East Diamond Avenue).

In FY 2008, the department of **Finance and Administration** implemented Government Accounting Standards Board (GASB) Rule 45, which was issued to provide more complete financial reporting regarding the financial obligations that governments incur in providing post-employment benefits other than pensions (OPEB). Post-employment healthcare benefits are part of the compensation package for our employees, and they represent a significant financial commitment. In FY 2009, department staff will work with our actuaries to determine the appropriate level of contributions for future years and will provide support to the trustees of the OPEB Trust.

A new and unique initiative being adopted by the **City Manager's Office** for FY 2009 is the establishment of a residency "stipend" for non-exempt (hourly) employees. We believe this program will provide multiple benefits to the City, as well as to the employee.

Planning and development of a number of capital projects, as well as maintenance of our growing infrastructure of roads, sidewalks, storm drains, parks and facilities will be the focus of the **Public Works Department**. To meet the growing demand for core services, this department will continue to look for ways to improve the efficiency through the use of innovative equipment, products and contracting. The department is also conscious of the need to provide services in an environmentally friendly manner.

### **CAPITAL IMPROVEMENT PROJECTS**

The FY 2009 Capital Improvements Plan (CIP) focuses on new facilities and maintenance of existing infrastructure, and proposes the addition of new accounts titled Police Station Improvements and Historic preservation at Crown Farm. Extension of the CIP through FY 2013 is presented for each activity in the budget (FY 2010 to FY 2013 figures are estimates used for planning purposes).

***Gaithersburg UpCounty Senior Center*** - During FY 2008 and FY 2009, staff will work with an ad hoc committee that will explore recreation trends for older adults. The committee's findings will assist in 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. A design contract is scheduled to be awarded subsequent to the committee's summary report.

Staff is working with a \$14 million total projected budget at this time. The current funding breakdown includes contributions from the City, the State of Maryland, and Montgomery County. A construction contract is planned to be awarded in FY 2011, with facility operations commencing in FY 2012. Reductions in anticipated revenues from the State or County could result in modification of the project schedule.

***Gaithersburg Youth Center in Olde Towne*** – This new facility, which will replace the existing Teen Center on East Diamond Avenue, will commence construction in FY 2009. Construction is expected to take approximately 14 months. Contracts for construction management and LEED certification services have been executed.

***Street Reconstruction & Street Resurfacing*** – The main project for FY 2009 in this activity is the reconstruction of Girard Street from East Diamond to the Roundabout at Victory Farm Drive. The project is estimated to cost \$800,000. Resurfacing in the Bridalwood subdivision is scheduled to be completed and the Upper Parking Lot at City Hall will be re-paved.

***Facilities Projects*** – Several City facilities are becoming over-crowded and inefficient as the number of employees has increased. Funding is provided in FY 2009 to support facilities planning and assessments to help us plan future expansions. A number of repair and maintenance projects are planned as well. These include Wells Robertson House code upgrades, replacement of two Public Works Shop doors, HVAC replacements at Casey Community Center and the Arts Barn, painting and carpet replacement at various city facilities.

***Gaithersburg Aquatic/Recreation Center*** – In FY 2007, a \$1,200,000 design contract for the facility was awarded to Sorg and Associates. The design work is ongoing and is scheduled to be completed to the permit document phase during calendar 2008. In January of 2008, at the annual retreat, the Mayor and City Council directed that the project should be delayed in order to prioritize other capital budget initiatives. Staff is currently working on a revised development plan. No funding is adopted for this account in FY 2009.

***Stormwater Management (SWM)*** – The major initiative adopted for FY 2009 is the construction of the dam rehabilitation and SWM retrofit project for the Lake Placid Dam. This project is currently budgeted at \$1,200,000. Additional projects include the design of a “green street” pilot project, construction of a riser structure at the Massbury Street outfall depression, construction of a storm drain in Olde Towne, construction of a stream stabilization project (in partnership with Asbury Village), and participation in a State of Maryland stream restoration project on Longdraft Branch.

***Technology Projects*** – FY 2009 will see an extremely ambitious technology project schedule. Adopted FY 2009 funding of \$817,000 (which includes \$117,000 in federal funds) will be used along with funds carried forward from the FY 2008 balance of this account. Major projects include website content management software, timekeeping software, an upgraded vehicle, work order and stockroom management system, as well as an enhanced backup network. Enhancement of the fiber network connecting City facilities is adopted and staff will undertake evaluation of the potential for public Internet access at select City sites. Projects relating specifically to the Police Department include crime analysis software and plotting hardware, a computerized citation system, a license plate scanning system, and portable and fixed Surveillance Camera systems.

***Other Projects of Interest*** – Some other projects of interest in the FY 2009 Capital Improvements Plan include \$250,000 for Historic District Improvements, \$225,000 for facility improvements at City Hall, \$250,000 for exterior improvements to the Police Station, and \$115,000 for Street Lighting projects.

Mayor and City Council  
Citizens of Gaithersburg  
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June 2, 2008

## **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 the Budget Team and all of our dedicated staff who assist in developing the budget, the citizens who participated in the City's Strategic Planning Process, Pre-Budget Work Session and Budget Public Forum, and to the Mayor and Council for their ongoing commitment to the City.

Sincerely,

James D. Arnoult  
Acting City Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Gaithersburg**

**Maryland**

For the Fiscal Year Beginning

**July 1, 2007**

President

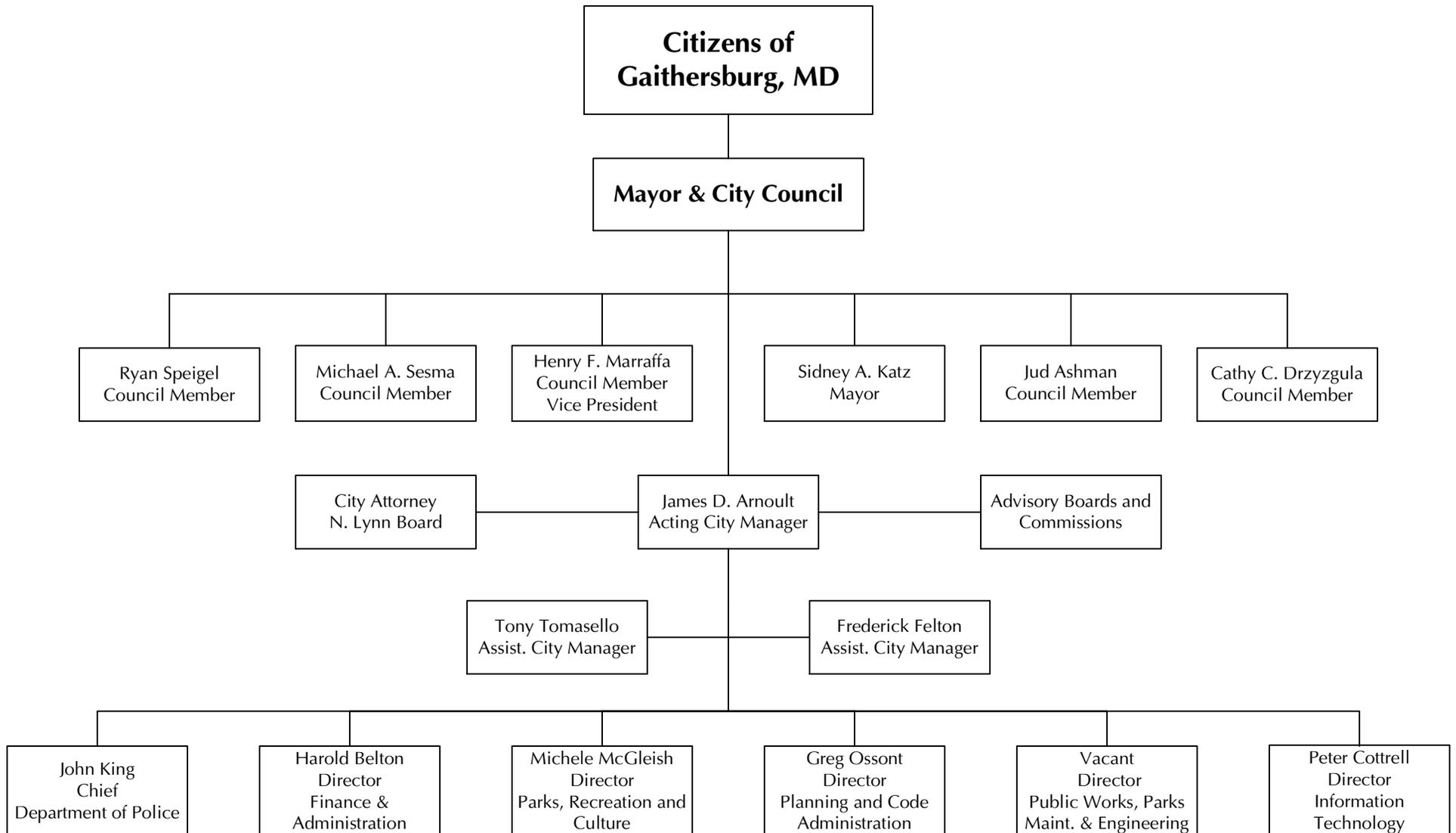
Executive Director

The Government Finance Officers 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, 2007.

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.

# 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.

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 2009**

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.

