

Finance Department
Budget Public Hearing Minutes

Introduction of FY21 Budget
&
FY 2021 Resolution & Ordinance
Introduction

April 28, 2020

ATTENDANCE: Mayor Robert Ashby; Commissioner: Robert Taylor, Finance Director: Debra Laubach

REMOTE PARTICIPATION: Commissioners: Michelle Linkey, Tim Snelling, Town Administrator: Denise Breder

Meeting called to order at 6:30 p.m.

Mayor Robert Ashby called to order the Public Budget Hearing FY2021.

The Board approved the FY2021 Budget Public Hearing Agenda.

Finance Director: Debra Laubach presented the FY2021 Local Impact Budget as Follows:

Finance Director: Debra Laubach then presented the Town of Perryville's FY21 Budget.

Introduction

The Town of Perryville has an important responsibility to its citizens to carefully account for public funds, manage municipal resources wisely, manage growth, and plan the adequate funding of services desired by the public, including the provision and maintenance of public safety and public facilities.

The Town utilizes fund accounting for both budgetary and financial reporting. There are six funds: the General Fund, the Water Fund, the Sewer Fund, the Forest Conservation Trust Fund, the Capital Projects Fund and the Local Impact Fund. The Capital Projects Funds is budgeted whenever outside debt is to be incurred in a project. As there is no anticipation of new debt in FY21, this Fund was not budgeted. Local Impact Revenue and Expenditures are currently incorporated in the budgets of the General, Water & Sewer Funds and are not shown separately.

<u>Fund:</u>	<u>Amended Budget</u>		<u>Proposed Budget</u>	
	<u>Fiscal Year 2020**:</u>		<u>Fiscal Year 2021:</u>	<u>% Change</u>
General	\$ 8,042,739	\$	5,133,020	-36.18%
Water	4,380,888		1,728,021	-58.96%
Sewer	9,575,040		9,628,569	+ .56%
Forest	3,932		3,932	0.00%
TOTALS:	\$ 22,002,599	\$	16,493,542	+103.67%

*Please note that all funds represent balanced budgets

** Amended as of April 23, 2020.

General Fund

Governmental Fund Type – General Fund

The General Fund is the main operating fund and is used to account for the resources devoted to funding services traditionally associated with local government.

Governmental Fund Expenditures:

In FY 2021, there will be fifteen (15) active categories within the General Fund and their budgets are as follows:

<i>BUDGET SUMMARY</i>		
<i>Fiscal Year 2021</i>		
Mayor & Commissioners	\$ 86,078	1.7%
Administration	330,512	6.4%
Finance	168,934	3.3%
Accounting & Legal	53,000	1.0%
Planning & Zoning	270,587	5.3%
Economic Development	120,208	2.3%
General Services	437,232	8.6%
Engineer	36,891	.7%
Police	1,598,612	31.1%
Outreach	227,594	4.4%
Public Works	838,221	16.4%
Sanitation	301,640	5.9%
Parks & Recreation	299,671	5.8%
Rodgers Tavern	139,020	2.7%

Debt Services	224,820	4.4%
Total	\$5,133,020	100%

For the fiscal year ending June 30, 2021 (FY 2021), expenditures budgeted from governmental activities total \$5,133,020 of which Local Impact spending represent approximately only 9.2 % or \$472,000.

The largest expenditures of the general fund are as follows:

- Public Safety which includes Police and Outreach - (35.5%)
- General Government which includes M&C, Admin, Finance, Accounting & Legal, Economic Development, Engineer – (15.4%).
- General Government-General Services (8.6%)
- Public Works which includes highway, streets and sanitation - (22.3%)
- Parks and Recreations which includes Rodgers Tavern (8.5%)
- Planning and Zoning - (5.3%)
- Debt - (4.4%)

Some of the recurring General Fund expenses that will be incurred in FY 2021 are as follows:

- Salary and benefits for 45 Town employees (4 P/T) which excludes the eight (8) employees assigned to Water and Sewer Fund
- A salary adjustment-allocation to be determined by department heads based on merit - according to the recently implemented salary procedures. Additional salary increases awarded to licensed employees.
- \$301,640 budgeted for Town trash removal service. The Town entered into a three-year contract in FY2021 with Trash Tech for trash and recyclables removal. There is an option to renew for an additional three years.
- Interest of \$3,584 and Principal of \$20,000 on the 2004 Series B infrastructure bond. (Roads and Sidewalks)
- Interest of \$40,458, Bond Fee of \$778 and Principal of \$160,000 on the 2016 Series A infrastructure bond. (Police Dept.)

In FY 2021, we are continuing to budget for the Local Impact Grant due to the operation of the Hollywood Casino, Perryville. This money is being used for the following purposes:

- Infrastructure Improvements
- Facilities
- Public Safety
- Sanitation
- Economic & Community Development, Including Housing
- Other Public Services and Improvements

Further detail of the Local Impact budget as amended is appended to this presentation.

In FY 2021, 8.6 % of the General Fund budget is being used for the following Capital Outlay:

Town of Perryville – FY 2021 Capital Outlay General				
1400	General	GF	MD 222 Sideway Right of Way	34,426.00
1500	Police	GF	Leasing for (5) Police Vehicles	68,014.00
1600	DPW	GF	Leasing of 2 Heavy Duty Utility Trucks	32,000.00
1600	DPW	GF	Sidewalk & Street Improvements	213,000.00
1700	Parks	GF	Solar Light Installation	30,000.00
1700	Parks	GF	Outdoor Exercise Equip/Additional Electric	15,000.00
1800	Rodger's Tavern	GF	Archaeological Dig	39,750.00
1800	Rodger's Tavern	GF	Display Plaques with historical information	8,000.00
Total:				\$440,190.00

Governmental Fund Revenues:

The following FY 2021 budget revenue ordinance will be adopted at the Town Meeting on May 5, 2020:

- Set the Real Estate tax rate at \$0.3597 per \$100 of assessable real property with no increase of the rate over FY20.
- Providing for 2% discount upon payment in full of a Town real property bill and on the first semi-annual installment payment in the month of July.
- Set the Homestead property tax credit at 110%.
- Set the Personal Property tax rate of \$0.94 per \$100 of personal property assessment.

Overall, the General Fund has decreased by 36.18% over the current FY20 budget as amended. and has a surplus of \$38,188 which is included in the Mayor and Commissioners-Contingency account.

The anticipated budgeted revenue for FY 2021 is approximately \$5,133,020 (or 36.18%) less than the current amended FY 2020 budget. The difference is due mainly to appropriations that were included in FY 2020 to fund the following:

➤ Interfund loan between the General Fund and Sewer Fund to help finance the sewer expansion project. (\$2,132,880.)

➤ Trego Field- Construction of Little League Park and Storm Management in that area. Project was originally funded in FY19 but not completed. There were no more additional costs, however complete budget for Revenue and Expenditures were rolled over into FY20 (\$2,010,250.)

None of the revenues or expenditures associated with these projects were rolled over to FY21 as they both were completed in FY20.

For the fiscal year ending June 30, 2021 (FY 2021), revenues budgeted from governmental activities total \$5,133,020. Real Property and Personal Property Taxes represent the largest revenue source (61.8%), followed by the State and County shared revenue (9.3%), the Town's share of Local Impact Taxes (9.1%), the Town's share of local taxes collected by the state (9.0%), Interest (2.9%), Loan repayment from Sewer Fund (2.1%), and Grant revenue (1.1%). Other miscellaneous revenue makes up the balance (4.7%).

To date, we have received \$13,414,452 from the County for our share of the Local Impact Grant funds thru February 28, 2020 and an additional \$280,000 distribution directly from the State of Maryland (per state legislation) once the MGM National Harbor Casino had opened for a total received of \$13,694,452. The Local Impact funds have been spent according to the categories outlined through legislation.

Proprietary Fund Type – Water and Sewer Enterprise Fund

The Water and the Sewer Fund records revenues and expenses pertaining to the Town's management of the processing of water and solid waste. These funds are intended to be self-sustaining by service charge revenues that are invoiced on a quarterly basis.

Water Fund

In 2014 Resolution 2014-06 was approved by the Mayor and Commissioners allowing the Water and Sewer Rates to be increased by 4% a year for 3 consecutive years. Those rate increases were put into effect, but unfortunately the rate increases were not enough to keep up with the increases in costs, and the Water Fund fell below its minimum Fund Balance. The water fund took a "loan" from the sewer fund of \$600,000 to increase the unrestricted net position of the water fund, bringing the fund balance above the minimum required level. Payback of that loan began in 2018 with an initial payment of \$10,000. At the end of FY18, the Mayor and Commissioners decided to forgive the remaining loan balance and convert it into a capital investment. This was done with the approval of the Town's auditors.

The Board had agreed to have a Water / Sewer Rate Study done in FY 2017. That rate study was done; the consultant reviewed the Town's operating and capital costs in order to develop a financial plan and rates for both the Water and Sewer systems. The water rates increased 13% in FY 2018, 9% in FY 2019 and was further increased 9% in FY 2020.

The Town is currently having a new Water/Sewer Rate Study done. At this time, no additional rate increase has been budgeted.

Water Fund Expenditures:

The Water Expenditures budget is as follows:

BUDGET SUMMARY		
Fiscal Year 2021		
Water Operating	\$ 952,371	55.1%
Water Debt Service	496,924	28.7%
Water Capital Outlay	179,000	10.4%
Water Contingency	99,726	5.8%
Total	1,728,021	100%

For the fiscal year ending June 30, 2021 (FY 2021), expenditures budgeted for the Water Fund total \$1,728,021 of which Local Impact spending represents approximately 16.2% or \$280,000. In FY20, the Water Fund appropriated \$2,600,000 as a Loan to the Sewer Fund to help finance the sewer expansion improvements budgeted in for that year. Loan repayments from the Sewer Fund for this loan are budgeted revenue in FY21.

Some of the recurring expenses that will be incurred in FY 2021 are as follows:

- Salary and benefits for 3 Town employees and 50% of the WTP/WWTP superintendent and 2 WTP/WWTP operators.
- A salary increase (allocation to be determined by department head based on merit - according to the recently implemented salary procedures) and increases for licenses.
- Interest of \$28,501 and Principal of \$410,436 on the bond issue for the Water Plant Upgrades and annual bond administration fees of \$21,111.
- Interest of \$3.476 and Principal of \$33.400 on the bond issue, DHCD 02A-8.
- \$280,000 of the Local Impact funds is requested to pay down the debt for the Water Plant Upgrades.

In FY 2021, 10.3 % of the Water Fund budget is being used for the following Capital Outlay:

Town of Perryville – FY 2021 Capital Outlay Water				
2000	Water	WF	Distribution Pump	14,000.00
2000	Water	WF	Reserve to Replace Membranes	85,000.00
2100	Water Dist.	WF	Replace Meters for AMR Process	60,000.00
2100	Water Dist.	WF	Replace Water main valves	6,000.00
2100	Water Dist.	WF	Water Meters at Owens Condo	14,000.00
Total				\$179,000.00

Water Fund Revenues:

Overall, the Water Fund decreased by 58.9% and has a surplus of \$99,726 which is included in the Water-Contingency account.

The anticipated budgeted revenue for FY 2021 is approximately \$2,652,867 (or 58.9%) less than the current amended FY 2020 budget. The difference is mainly comprised of FY20 budgeted Connection Fees to be paid by a resort hotel that is being developed in the Chesapeake Outlook area.

For the fiscal year ending June 30, 2021 (FY 2021), revenues budgeted for the Water Fund total \$1,728,021. Water service charges represent the largest revenue source (66.9%), the Town's share of the Local Impact fund (16.2%), the loan repayment from the Sewer Dept. (7.5%) and finally rental / lease income (7.2%). Other miscellaneous revenue makes up the balance (2.2%).

Sewer Fund

In 2014 Resolution 2014-06 was approved by the Mayor and Commissioners allowing the Water and Sewer Rates to be increased by 4% a year for 3 consecutive years. Those rate increases were put into effect, but unfortunately the rate increases were not enough to keep up with the increases in costs.

The Board had agreed to have a Water / Sewer Rate Study done in FY 2017. That rate study was done; the consultant reviewed the Town's operating and capital costs in order to develop a financial plan and rates for both the Water and Sewer systems. The sewer rates increased 8% in FY 2018, 8% in FY 2019 and were further increased 8% in FY 2020.

The Town is currently having a new Water/Sewer Rate Study done. At this time, no additional rate increase has been budgeted.

Sewer Fund Expenditures:

The Sewer Expenditures budget is as follows:

<i>BUDGET SUMMARY</i>		
<i>Fiscal Year 2021</i>		
Sewer Operating	1,273,577	13.2%
Sewer Capital Outlay	7,661,884	79.6%
Sewer Debt Service	652,827	6.8%
Sewer Contingency	40,281	.4%
Total	9,628,569	100%

For the fiscal year ending June 30, 2021 (FY 2021), expenditures budgeted for the Sewer Fund total \$9,628,569, of which Local Impact spending only represented approximately 6.99% or \$673,000.

Some of the recurring expenses that will be incurred in FY 2021 are as follows:

- Salary and benefits for 2 Town employees and 50% of the WTP/WWTP superintendent and 2 WTP/WWTP operators.
- A salary adjustment (allocation to be determined by department heads based on merit - according to the recently implemented salary procedures) and increases for licenses.
- Interest of \$32,332 and Principal of \$316,726 for the BNR/ENR Waste Water Plant Upgrades and annual bond administration fees of \$16,526.
- Interest of \$8,455 and Principal of \$42,144 for the FMHA 1984 Bonds.
- Loan repayment to the General Fund of \$106,644, all principal-no interest.
- Loan repayment to the Water Fund of \$130,000, all principal-no interest
- \$325,000 of the Local Impact funds is requested to pay down the debt for the Waste Water Plant Upgrades.

In FY 2021, 79.6% of the Sewer Fund budget is being used for the following Capital Outlay:

Town of Perryville – FY 2021 Capital Outlay Sewer				
3000	Sewer	SF	Denitrification System Improvement	980,000
3100	WP Stations	SF	Expansion Sewer Line- future develop	6,681,884
Total				\$7,661,884

Sewer Fund Revenues:

Overall, the Sewer Fund increased by .56% and has a surplus of \$40,281 (which is included in the Sewer-Contingency account).

The anticipated budgeted revenue for FY 2021 is approximately \$9,628,569 (or .56%) more than the current amended FY 2020 budget. The revenue included \$6,681,884 for the Sewer expansion project of Chesapeake Outlook. These funds were rolled over from FY20. In addition, the Town received a \$1,000,000 grant from Maryland for improvements to its denitrification process. The Town received \$20,000 of this grant in FY20. The balance is being budgeted as FY21 Revenue.

For the fiscal year ending June 30, 2021 (FY 2021), revenues budgeted for the Sewer Fund total \$9,628,569. The largest revenue source was from a "Decrease to Retained Earnings" of \$6,681,884 (69.4%). Grants make up \$980,000, (10.2%) In addition, Sewer service charges represent \$876,000 (9.1%) of the total revenue. Local Impact Taxes are \$673,000 (6.9%) of the revenues. The VA sewer revenue is \$380,000, (3.9%), Other miscellaneous revenue makes up the balance (.5%).

Forest Conservation Fund

Fiduciary Fund Type- An expendable trust fund, the activity in this fund is limited to the receipt, temporary investment, and remittance of resources related to a forest conservation program. The current balance in this fund is \$3,932. \$4,635 was spent in FY 2012 to plant trees near the Public Works facility.

Mayor Ashby requested roll call discussion.

Commissioner Linkey – no questions or comments

Commissioner Snelling – no questions or comments

Commissioner Taylor – no questions or comments

Mayor Ashby – Clarification on language that the vehicles are not leased, they are financed. Ms. Laubach replied that the vehicles are lease – purchase. Ms. Breder stated a lease-purchase is a type of financing.

Commissioner Linkey added that residents do not pay extra for trash pickup and the Mayor and Commissioners receive no compensation.

Mayor Ashby asked for public comment.

Ms. Bellmyer asked that we review the outlay or Impact Money in relation to police salary. Ms. Laubach and Mr. Breder replied that the \$10,000 previously intended for Community Promotion is now going to police salary.

Mr. Rusnak asked what the \$6.5 million expansion is and how will it impact the citizens of Perryville.

Ms. Breder replied that the Town is building additional capacity in the sewer system, primarily on the North side of Town. The Town is increasing the size of sewer mains and lines and making improvements to 3 pumping stations to increase the capacity of the sewer system. The project will not move forward until \$5 million is received from 1 developer. The rest of the cost will be covered by loans from the General Fund and the Water Fund to the Sewer Fund. . However, as new development occurs, the connection fees received from the new development will offset the debt service. This new development would never be able to occur without the Town making the investment in the infrastructure.

Mr. Rusnak confirmed that the answer was adequate and he had no further questions or comments.

Mayor Ashby asked for a motion.

Commissioner Taylor made a motion to adjourn the Public Hearing and to go into a Special Meeting. Commissioner Snelling seconded the motion.

Mayor Ashby asked for a roll-call vote. Commissioner Linkey - Aye, Commissioner Snelling - Aye, Commissioner Taylor – Aye and Mayor Ashby – Aye.