

Discussion of Fiscal Year 2021 Budget for the Village of Martin's Additions
Arthur Alexander, Treasurer
March 19, 2020

Fiscal year (FY) 2021 for the Village of Martin's Additions begins July 1, 2020. The Village charter requires that a budget be approved by May 15 authorizing Village expenditures over the following year. At this Council meeting and through May 7 when the final budget will be adopted, we offer residents an opportunity to review the proposals, discuss changes, and generate an informed response.

Revenues: The Village share of residents' state income taxes is the largest source of Village revenues, 80% of total projected revenues. This source of income peaked in FY2018 at \$812,000. Based on recent payments from the state, we have conservatively projected \$650,000 for the coming year.

The Village's income tax receipts follow the overall economy, particularly the stock market. Analysis of the past 14 years data suggests that Village revenues lag the stock market by about 12 months. If the current market decline continues, we can expect our income also to drop. Should that occur, we have in place a reserve account designed to cover more than a year's expenditures. Therefore, even a collapse of income tax revenues could be managed at current spending levels. Over the longer run, we would have to consider selectively cutting expenditures and raising the Village property tax, now the lowest in the state at .005 per hundred dollars of assessed value (\$50 on a house assessed at \$1 million). For FY2021, Village property tax rates will remain unchanged.

Expenditures: Several items in the FY 2021 budget will be substantially below FY 2020 levels. For example, we are currently undertaking several one-time projects to solidify our operations. The information system comprising computers, software, and online accounts has been cleaned up and updated. We are currently conducting reviews of our financial procedures. A project to review the Village's cyber security is about to get under way. Just because we are small does not mean that we are immune to cyber attack. Several municipalities in Maryland and around the country have been corrupted or held up by ransom-ware attacks; we want to make sure that our procedures minimize those risks. These one-time projects should be completed in the current fiscal year.

Expected income exceeds planned spending by \$64,600 for FY 2021.

Reserves: As noted above, our auditors recommended that we formally set aside reserves to cover ordinary expenses in case of an unplanned loss of revenues such as we experienced during the last recession. Consequently, we have introduced a "rainy day" fund of \$1,000,000, equal to approximately 120% of planned annual spending (not including capital expenditures). In addition, we have set aside reserves amounting to \$1,500,000 to cover the potential capital costs of future street paving, improvements to enhance residents' pedestrian experience, and other future capital needs.