

The Town of Mount Airy Fiscal Year 2022 Proposed Budget

Budget Summary – Highlights and Changes

The budgets for Fiscal Year 2022 total \$14.2 million dollars, which includes the General Fund Operating and Capital Budgets, and the Water & Sewer Fund Operating and Capital Budgets. All budgets balance as required by Town Code.

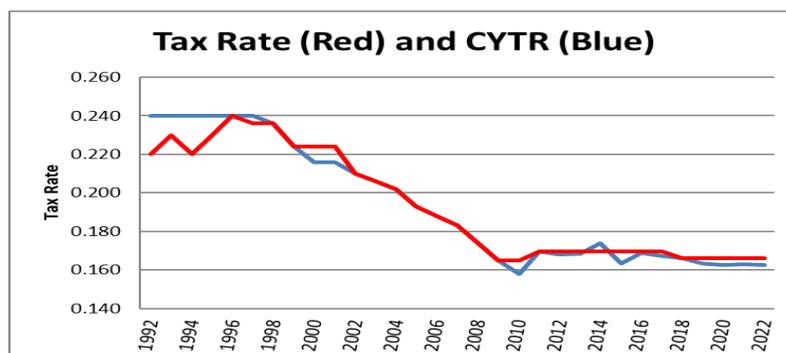
The General Fund and Water & Sewer Fund Operating Budgets have revenues sufficient to cover all operating expenses with money left over to help fund capital expenses and projects.

As we navigate the COVID-19 pandemic we are closely monitoring information that becomes available regarding how COVID-19 restrictions, shutdowns, and unemployment will affect local government revenues. Unfortunately, much is unknown and at best we are receiving educated guesses. Mount Airy is a unique Town and although we do expect to see some reductions to revenue, we do not think the effect will be significant. We have reduced revenue estimates for Ordinary Business Taxes, Income Taxes, Traders Licenses, and Admission & Amusement Taxes in the proposed budget for FY 2022.

The Tax Rate: The proposed real estate tax rate is .1662 per hundred dollars of assessed value, which is the same tax rate used since Fiscal Year 2018.

The Constant Yield Tax Rate (CYTR) for Fiscal Year 2022 is .1625. This rate is determined each year by the State of Maryland Department of Assessments and Taxation for the upcoming fiscal year beginning July 1st. The CYTR is the tax rate that will provide the same amount of revenue the Town received the previous fiscal year. If the CYTR is used as the Town's tax rate the Town does not receive the additional tax revenue that would normally come with new homes that have been built and occupied and properties that have been sold at values above their previous assessment values. Maryland requires that a proposed tax rate that is above the CYTR must be advertised as a tax increase, even if it is the same tax rate used the previous fiscal year.

The chart below shows the Town's adopted tax rate in red and the CYTR in blue over the last 28 years. The tax rate steadily decreased for many years from 1998 to 2010. The 90's and early 2000's were years that coincided with the Town's "building boom" and neighborhoods like Twin Ridge, Summit Ridge and Nottingham joined the community. As more homes contributed to the tax base the CYTR decreased and as you can see by the chart below the Town used the CYTR as the adopted tax rate from 2002 through 2009. This benefited all taxpayers who enjoyed a decrease in their annual municipal tax rate each year for nearly a decade. Additional homes, however, result in additional costs for providing services, thus the tax rate was held steady at .1695 in Fiscal Year 2011 through Fiscal Year 2017. The tax rate used in Fiscal Year 2018 was the CYTR at .1662; this rate remained in place for Fiscal Year 2019, 2020, 2021 and is also the proposed rate for Fiscal Year 2022.



Homestead Tax Cap: A zero cap will remain in effect for Fiscal Year 2022, as it has been since Fiscal Year 2000. This means that homeowner/occupied properties receive a credit on the municipal portion of their tax bill for any increases in assessed value on their homes since FY 2000, or home purchases since then, as long as they have completed a Homestead Tax Credit Application and it has been approved by the State of Maryland Department of Assessments and Taxation. These credits to homeowners totaled more than \$372,000 in Fiscal Year 2021.

Use of Reserves: The Town is fortunate to have significant funds that have been set aside for future expenses and projects; we call those funds “reserves”. Some of the reserves are earmarked for a specific department’s use. The proposed budget for Fiscal Year 2022 calls for the use of \$3,199,892 in reserves to be used to fund capital projects; \$2,647,951 for General Fund projects, and \$551,941 for Water & Sewer Projects. As in the past, money will not actually be withdrawn from the reserve accounts unless it is needed to “pay the bills”.

Revenues & Expenditures: The following charts show the proportion of revenue and expenses for the Town’s operating funds.

Grants: A highlight of recent budgets has been the many grants that Town employees are applying for and receiving for the Town's projects. This year's budget proposal includes \$500,000 for Roads projects, and \$1,436,377 for Park projects. These grants are in addition to annual grants that employees pursue on behalf of the Town for Highway User Funds, Police Protection, and the WWTP grant for Enhanced Nutrient Removal.

Personnel Changes:

1. A vacancy in General Government was created after the Human Resource director accepted a promotion to Town Clerk just prior to the start of FY 2020. Due to many factors beyond our control, mostly the COVID-19 pandemic, the vacancy was not filled in FY 2021, but we hope to hire a replacement in FY 2022.
2. The current Payroll Clerk/General Fund Accounts Payable Clerk has been training to assume the duties of the Senior Accounting Clerk upon her retirement in early FY 2023. A replacement for the Payroll/General Fund Accounting Clerk will be hired in February or March of 2022. The new employee will be trained so that the current employee can work along side the Senior Accounting Clerk during budget prep for FY 2023, End of Fiscal Year Work, the Audit, and the Annual Financial Reporting.
3. A 1.3% Cost of Living Adjustment (COLA) is proposed to apply to employee's wages in FY 2022.

Long Term Debt - Principle on Bond and Notes: The Water & Sewer Fund makes payments on two loans; the Infrastructure Bonds of 2002 Refinanced, and the Infrastructure Bonds of 2012.

The General Fund does not have any long-term debt.

The American Rescue Plan Act: The Town expects to receive \$7.9 Million in "Coronavirus State and Local Fiscal Recovery Funds" that are meant to mitigate the fiscal impact of the COVID-19 pandemic. \$3.95 Million will be received in FY 2022 and the remaining \$3.95 Million is expected to arrive the following fiscal year. This revenue has not been included in the proposed budget for FY 2022, because the use of the funds has not yet been determined. Our elected officials will carefully consider how this money will be used. The budget will be adjusted to reflect the revenue and expenditures in the form of a budget amendment once a determination is made.

In conclusion: As we prepare for the budget workshop, please feel free to ask a member of staff, the mayor, or the budget department, any questions you may have about any aspect of the proposed budget, or the budgeting process. We want to answer all your questions and make sure that additional details are supplied as needed.

Respectfully Submitted by,

Charlene Singleton, Senior Accounting Clerk & Customer Service Manager