

The FY 06 Proposed Budget A Few Words and Even Fewer numbers

The Commissioners committed themselves to managing growth and providing adequate facilities. This FY 06 Proposed Budget makes significant progress toward catching up on adequate facilities so that we can begin to keep up in the future.

Adequate facilities in the Adequate Facilities Ordinance include schools, roads, fire and EMS, police, and water and sewer. Adequate facilities are also about infrastructure and services not specifically included in the Ordinance. Recreation and park facilities and services is an example that is growing in importance in Carroll.

This Proposed Budget directs significant funding to the Capital Budget to catch up on adequate facilities while retaining flexibility to manage through changes in the future. This approach can be clearly seen in a change from the Recommended Budget. The Recommended budget included a \$52 million increase in the Operating Budget. In the Proposed Budget, Operating only increases \$21.1 million because \$30.9 million is directly appropriated to the Capital Budget to better match the revenues to the uses.

We must be careful. History tells us that the bright revenue picture will change. And, the State still has a structural budget deficit that is likely to be made worse by actions at the Federal level. Resolution of the State's difficulties will impact the County's budget.

This opportunity should not be confused with an ability to address all needs or an expectation that the County could ever meet all needs, but this is an opportunity to attack the list of needs; to take a few things off the list – one big step in trying to catch up so we can keep up.

A Really Quick Guide to the FY 06 Proposed Budget

What was added for the Proposed Capital Budget?

North Carroll area high school	FY 07-08	\$49.6
South Carroll area middle school	FY 08-09	34.4
Southeast area elementary school	FY 09-10	18.7
Gravel roads – Albert Rill, Falls, John Pickett and Turkeyfoot	FY 06	7.0
Development of parks near Hampstead and Winfield	FY 06	1.5
Land acquisition and development of a new park in Northwest Carroll	FY 06	1.5
Middle school-sized gym to be attached to the new South Carroll senior center	FY 06	1.3
Relocation of the Emergency Services Training Center	FY 06-07	7.0

What was added for the Proposed Operating Budget?

BOE for full-day kindergarten	\$1,000,000
24/7 Detention Center medical coverage	133,900
Deputy including one-time start up costs	86,600
Partnership for a Healthier Carroll County	75,000
South Carroll gym	62,500
Access Carroll	25,000
Sheriff CALEA accreditation	23,560
VESA Nextels	13,520
Maryland Historical Society	500

Where is the money going in the Proposed Operating Budget?

Total New \$	\$21.1
Public Schools	8.8
Transfer to the Pension Fund	4.9
Debt Service	3.3
Sheriff/Detention Center	1.2
Community College	1.1
Library	0.7
	\$20.0

A Quick Guide to the FY 06 Proposed Budget

Introduction

The Commissioners offer this Proposed Budget for public comment. The combined Proposed Operating and Capital Budget books (available on April 25) are nearly six hundred pages long and contain a great deal of information. This Quick Guide is intended to serve as a summary of important information and changes.

The Public Hearing on the Budget will be held in the Scott Center of Carroll Community College at 7:30 on May 10, 2005. Budget adoption is scheduled for 10:00 on May 24, 2005 in Room 300A of the County Office Building.

The Operating Budget

Revenues (19-29)

We have not experienced strong simultaneous growth in our three largest revenues, real property, local income and recordation taxes, since the late 1980s. Just as it was in the late 1980s, revenue growth now is associated with rapidly rising home prices.

As signs of this revenue shift emerged in the last couple of years we reacted cautiously, not wanting to commit to on-going changes before it was clear that the revenue changes would be sustainable. Management and Budget will continue to recommend caution in on-going commitments.

- The FY 06 Recommended Budget grows \$21.1 million or 8.0% from the FY 05 Budget.
- \$30.9 million is directly appropriated to the Capital Budget to more closely match revenues to its use for capital projects.
- This is the largest growth we have seen since nearly 21% growth in FY 88.
- Approximately \$21 million of the change is a result of stronger than expected growth in the current year and in late FY 04 creating a higher base to begin FY 06.
- Approximately \$31 million of the change is a result of expected growth in FY 06.
- More than half of the growth in FY 06 is attributable to prior year surpluses, also a result of revenue growth.

Available revenue information leads us to believe that the revenue changes are sustainable; that we are at a new higher level. Why then is Management and Budget urging caution on on-going commitments?

- The revenue picture will change.
- Federal budget decisions are likely to have a negative impact on the State budget.
- The State has an existing structural budget deficit. State decisions to balance the budget will impact the County's budget.

The Revenue Picture Will Change

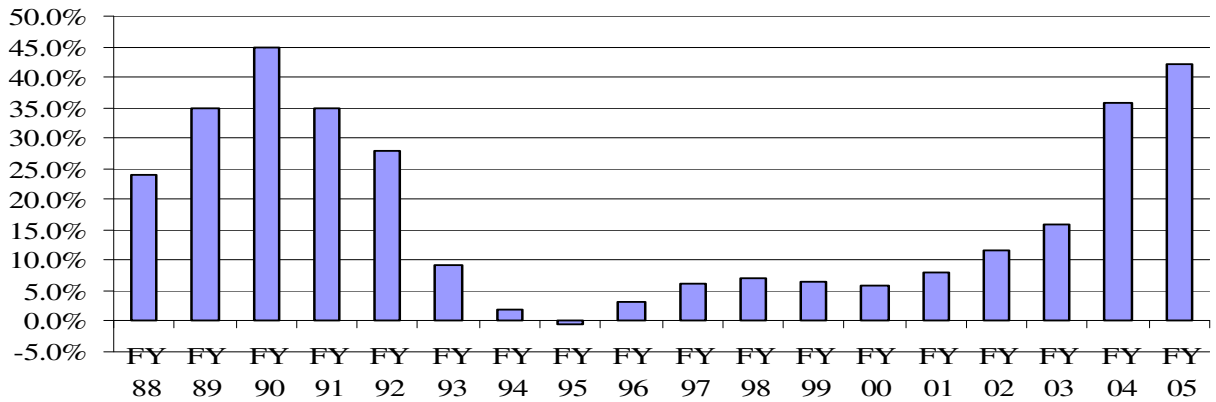
It appears that our strong revenue growth is closely tied to the hot housing market and rapidly rising prices. It is a near certainty that that will change. A worst case, but not impossible to imagine, scenario could dramatically affect revenues. What if:

- A lot of homes have been purchased with very low adjustable rate mortgages and
- Buyers stretched their incomes to afford expensive homes and
- Interest rates rise and
- Many new homeowners find that they can no longer afford their mortgages?

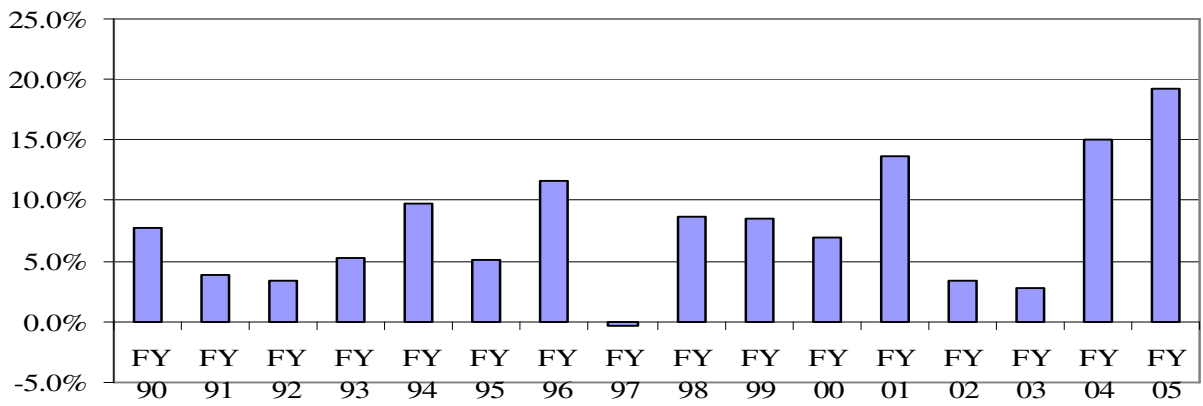
If this happened, we could experience foreclosures, difficulty selling homes, slowed building, flat or declining assessments and significant impact to property, income and recordation taxes, building permits and impact fees.

Even if we don't experience this dramatic change, we will experience slowed growth or declining revenue. In the last fifteen years we have experienced significant changes in each of our three largest revenues as illustrated in the graphs on the next page.

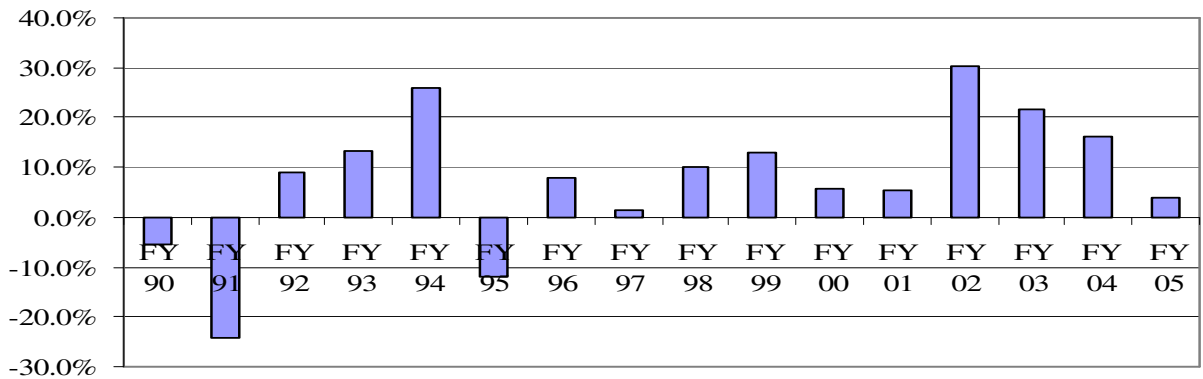
Reassessment History



Income Tax Growth History



Recordation Tax Growth History



Expenditures (39-237)

What was added for the Proposed Operating Budget?

BOE for full-day kindergarten	\$1,000,000
24/7 Detention Center medical coverage	133,900
Deputy including one-time start up costs	86,600
Partnership for a Healthier Carroll County	75,000
South Carroll gym	62,500
Access Carroll	25,000
Sheriff CALEA accreditation	23,560
VESA Nextels	13,520
Maryland Historical Society	500

Where is the money going in the Operating Budget?

Total New \$	\$21.1
Public Schools	8.8
Transfer to the Pension Fund	4.9
Debt Service	3.3
Sheriff/Detention Center	1.2
Community College	1.1
Library	0.7
	\$20.0

General Fund Appropriations (39) – Summary of appropriations by major categories.

- The largest percent change, 15.4%, is in the Miscellaneous category, which includes Debt Service, the Reserve for Contingencies, Intergovernmental Transfers and Interfund Transfers. The change is primarily due to a \$3.3 million increase in Debt Service.
- Other significant increases are for Public Safety at 7.8%, Public Schools at 7.1% and Public Works at 6.7%.
- The largest dollar change, \$9.1 million, is for Public Schools. The \$9.1 million increase includes an increase of \$8.8 million for the Public schools operating budget and a \$0.3 million increase in debt service on school construction.

General Government Summary (43-44) – Summary of appropriations by department and bureau.

- General Government increases \$1.9 million or 4.7%.
- Economic Development Administration increases 19.7%, Economic and Tourism Marketing decreases 100.0% and Tourism increases 15.0%. These changes are primarily a result of an administrative change eliminating the Marketing budget and moving the funds into the Administration and Tourism budgets.
- Facilities increases \$0.6 million or 10.3% primarily due to rising utilities costs and two new recommended positions toward the building of an additional crew.
- Production and Distribution increases 19.1% primarily due to the cost of voter registration mailings in connection with the change to five commissioners.

- The increase in Management and Budget Administration and the decrease in Budget are primarily due to the move of a position between those two budgets.
- Risk Management increases 12.5% primarily due to the cost of insurances and a contractual position for OSHA/MOSH compliance.
- The Board of Elections increases 32.6% primarily due to costs related to the new Federal and State mandated voting system and a new position. The new position will in part be devoted to the new system.

Public Safety Summary (117) – Summary of appropriations by agency.

- Public Safety increases \$2.1 million or 7.8%.
- The Circuit Court increases \$0.1 million or 8.6% primarily due to two (2) new recommended positions to allow the Administrative Judge to manage hearing and case assignment.
- The Detention Center increases \$0.7 million or 14.0%. Includes three (3) new recommended correctional officers for Work Release, one (1) correctional officer for court security, and an administrative position for Security Services. Inmate driven costs such as medical exams, drug testing and prescriptions are rising rapidly.
- The Sheriff increases \$0.5 million or 12.9% primarily due to the addition of seven (7) deputies to maintain the ratio of 1.3 officers per 1,000 citizens.
- The Volunteer Emergency Services Association (VESA) is funded through two budgets. The EMS 24/7 budget increases \$0.3 million or 13.8% primarily due to the addition of another paid EMS crew to continue the effort to ensure the availability of ambulance service around the clock. VESA increases \$0.1 million or 2.1%. Because the County recently created a self-funding Length of Service Awards Program (LOSAP) making an annual appropriation unnecessary, actual budget growth was 8.9%.

Public Works Summary (155) – Summary of appropriations by bureau.

- Public Works increases \$0.6 million or 6.7%
- Roads increases \$0.5 million or 7.8% primarily due to the rapidly rising cost of road maintenance materials.
- Storm Emergencies increases \$0.1 million primarily due to the cost of salt.

Citizen Services Summary (167) – Summary of appropriations by agency.

- The increase in the Citizen Service Administration budget is primarily due to the elimination of the Housing and Community Development budget and moving the two associated positions to the Administration budget where they will continue to perform their housing functions.
- Aging increases \$0.1 million or 16.2% primarily due to conversion of part-time managers at the senior centers to full-time.
- Human Services Programs (HSP) increases 10.2% primarily due to overnight staffing for the Intact Family Shelter.
- \$25,000 was added for Access Carroll.
- \$75,000 was added to continue funding the Partnership for a Healthier Carroll County for one year.

Public Schools Summary (195) – Summary of appropriations for the School operating budget and debt service on school construction.

- The School operating appropriation increases \$8.8 million or 7.1%.
- School debt service increases \$0.3 million or 3.5% primarily due to the construction of Parr’s Ridge Elementary School in Mt. Airy.

Education Other Summary (201) – Summary of appropriations to the Community College, Library and Cable Regulatory Commission/Community Media Center.

- The Cable Regulatory Commission increase is directly tied to the projected increase in cable franchise revenue.
- The Community College increases \$1.1 million or 25.0% primarily due to a changed funding relationship with the County. The Commissioners intend to fund one-third of the College’s total budget.
- The Library increases \$0.7 million primarily due to a new salary plan to address recruitment and retention problems.

Culture and Recreation Summary (207) – Summary of appropriations by agency and bureau.

- Hashawha increases 7.37% primarily due to increased costs of electricity and the beginning of a three-year plan to replace all of the cabin mattresses.
- Piney Run increases 7.01% primarily due to replacing the patrol boat and a four-year plan to replace revenue-generating boats.

Conservation and Natural Resources (225) – Summary of appropriations by agency and bureau.

- Resource Management increases \$0.1 million or 16.19% primarily due to a floodplain management position to address Federal regulations and a hydrologist position.

Miscellaneous Summary (233) – Summary of appropriations to Debt Service, Intergovernmental Transfers, Interfund Transfers and the Reserve for Contingencies.

- Debt Service increases \$3.3 million or 23.36% due bonds issued for capital projects and refunding of previous bond issues that increased debt service in the short-term, but will lead to savings over the life of the debt.
- Intergovernmental Transfers increases \$0.35 million or 16.55%. Intergovernmental Transfers includes some pass through funding, but is primarily the County’s revenue sharing program with the municipalities.
- Interfund Transfers increases \$1.9 million primarily due to a transfer to the Pension Fund to fully fund the liability.

Solid Waste Enterprise Fund (243) – Summary of appropriations by function.

- Solid Waste Enterprise Fund decreases \$0.1 million or (1.27%) primarily because of a recalculation of post-closure liability.

Water and Sewer Enterprise Fund (253) – Summary of appropriations by function.

- Water and Sewer Enterprise Fund increases \$0.8 million or 13.46% primarily because of an increase in the contract to run the Freedom Wastewater Treatment Plant, a

maintenance position at the Hampstead Wastewater Treatment Plant and two operator positions for the Freedom Water system.

Other Enterprise Funds Summary (263) – Summary of appropriations by enterprise fund.

- The Airport Enterprise Fund increases \$0.8 million or 76.85% primarily due to the increased cost of fuel sales. Increased revenues for fuel sales offset the increase.
- The Firearms Enterprise Fund increases 15.69% primarily due to a position and costs related to the opening of the pistol range.

Grant Fund Summary (269) – Summary of anticipated grant funding.

Pension Trust Fund (315)

- The Pension Trust Fund increases \$4.9 million due to fully funding the pension liability.

Special Revenue Fund (316)

- Agricultural Transfer Tax decreases \$300,000. Appropriations to the Agricultural Preservation capital project are based in part on revenues generated by sales of agricultural land.
- Impact Fees decrease \$3.0 million due to reduced impact fee collections and focusing the use of impact fees on paygo.