

# **The FY 08 Recommended Budget**

## **The Quickest Guide**

### **Department of Management and Budget**

Driven by a good economy and a hot housing market, the County and the State experienced strong revenue growth especially in FY 05 & FY 06; the strongest growth the County had experienced since the late 1980s. After more than a decade of squeezing budgets, services and facilities the Commissioners were presented with an unusual opportunity.

In an effort to “catch up to keep up” the Board of Commissioners focused that opportunity on the Capital Budget and facilities, adopting an aggressive plan of school construction, park development and agricultural preservation. The desire and intent to catch up on facilities remains in place, but rapidly rising construction and land costs over the last two years has limited how much of that catching up can be accomplished in FY 08 and beyond.

It has now become clear that revenue growth is not nearly as strong as it was several years ago and not even as strong as in FY 07, primarily due to a slowing housing market. Significant revenues have declined such as income tax, recordation and permits. The years of excess revenues prudently appropriated to one-time capital and facility projects are passing.

The Operating Budget generally maintains existing levels of service. Even with the recent strong revenues the Commissioners have been cautious about adding services. There is little expectation of local funding cuts in the State budget this year, but that could change in coming years. Though the State has also experienced strong revenues they continue to face a structural budget deficit.

For FY 08 several new funding needs have surfaced. There is a \$6.0 million transfer to the OPEB Fund to begin financing the future liability of retiree benefits. The new Drug Treatment Facility will open in FY 08 with nearly \$800K in on-going operating costs. An additional \$1.7 million for full-day kindergarten is in the plan. And to top it all off the Recommended Capital Budget is even more complex than in FY 07. Some of the choices pertaining to capital that will have to be made in the coming weeks will have a direct impact on the operating plan.

Even under the best of circumstances, the Commissioners must balance resources against provision of services and facilities. There is no scenario where all needs could ever be met. School and road needs alone are far greater than any ability the Commissioners have to fund them. Within the resources available, this Budget remains an attempt to attack the list of needs and continue the effort to catch up so we can keep up.

# A Really Quick Guide to the FY 08 Recommended Budget

## Department of Management and Budget

- Revenues, outside of property tax, have weakened.
- Rapidly rising costs have made the effort to “catch up to keep up” more difficult, but the focus remains on making the most of the resources that are available.
- The Commissioners need to remain cautious about taking on on-going commitments and to continue planning for the possibility that things will get more difficult.

Where is the money going?

Total New \$	\$22.2
Public Schools-operating	9.6
Transfer to OPEB	6.0
Health and Fringe Benefits	1.4
Drug Treatment Facility	0.8
Sheriff/Detention Center	0.7
Carroll Community College	0.5
Roads Operation	0.5
EMS 24/7 including Phase V	0.4
<b>Total</b>	<b>\$19.9</b>

# **A Quick Guide to the FY 08 Recommended Budget**

## **Department of Management and Budget**

### **Introduction**

The combined Recommended Operating and Capital Budget books are a bit more than 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, as well as a tool for understanding and locating information in the budget books.

The Recommended Budget is the Department of Management and Budget's recommendation to the Commissioners including expenditure recommendations that are consistent with the Commissioners' goals and fundable within projected revenues. The Commissioners will make changes to Management and Budget's recommendation after considering agency appeals and public input.

Management and Budget will meet with the Commissioners again in April to develop the Commissioners' Proposed Budget. The Proposed Budget will be available for public review and comment in late April. The Public Hearing on the Budget will be held in the Scott Center of Carroll Community College at 7:30PM on May 2, 2007. Budget adoption is scheduled for 10:00AM on May 22, 2007 in Room 300A of the County Office Building. The Recommended Budget is available online at <http://ccgovernment.carr.org/ccg/budget>.

### **Core Messages**

- Revenues are weakening.
- Rapidly rising costs have made the effort to "catch up to keep up" more difficult, but the focus remains on making the most of the resources that are available.
- The Commissioners need to remain cautious about taking on on-going commitments and to continue planning for the possibility that things will get more difficult.

### **The Operating Budget**

#### **Revenues (19-31)**

The strong revenue growth of recent years is coming to an end. Real Property tax continues to post strong gains, largely due to assessments catching-up to market prices. Income Tax and Recordation, which along with Real Property Tax account for nearly 80% of all revenues, are both projected to fall below the FY 07 budget.

- The FY 08 Recommended Budget grows \$29.2 million or 9.7% from the FY 07 Budget.

- There are many revenue changes, but it is only necessary to talk about a handful of changes to understand the growth in the Budget.
- Though growth in Operating Real Property Tax is approximately 26%. Real Property Tax revenue for both the Operating and Capital Budget is \$11%. This difference is due to the amount of Property Tax being directly appropriated to the CIP going from \$29 million in FY 07 to \$16 million in FY 08.
- The change in the Homestead Tax Credit, which is included in Operating Real Property Tax, is (\$11.2 million).
- Income Tax is down by \$2 million, FY 07 to FY 08. Changes in how the State estimates local income tax distributions caused an unexpected shortfall in FY 07 that is should continue into FY 08 and beyond. We are watching this carefully, as we do not know if FY 07 is a fluke year or the start of a new trend of lower distributions.
- Recordation is down \$1.6 million. The number of home sales dropped to pre-housing boom levels, but prices have merely flattened out. We will be watching developments in the housing market to see if the worst has passed or only begun.
- Building Permits are down \$0.5 million. An over-supplied housing market and the imposition of new water regulations from the Maryland Department of the Environment have slowed new housing construction,
- The change in the prior year surplus is a decrease of (\$0.7 million).

### **Expenditures (41-243)**

Where is the money going?

Total New \$	\$22.2
Public Schools-Operating	9.6
Transfer to OPEB	6.0
Health and Fringe Benefits	1.4
Drug Treatment Facility	0.8
Sheriff/Detention Center	0.7
Carroll Community College	0.5
Roads Operations	0.5
EMS 24/7 including phase V	0.4
Total	\$19.9

### **General Fund Appropriations (41) – Summary of appropriations by major categories.**

- The largest percent change, 15.42%, is in Debt, Transfers and Reserves primarily due to transfer to OPEB.
- Other notable increases are for Citizens Services at 13.01% primarily due to the Long Term Treatment Facility, Education Other, which includes Carroll Community College and the Carroll County Public Library, at 7.45%, Public Safety and Corrections at 7.28% and Public Schools at 6.39%.
- The largest dollar change, \$9.7 million, is for Public Schools. The \$9.7 million increase includes an increase of \$9.6 million for the Public schools operating budget and a \$0.1 million increase in debt service on school construction.

**General Government Summary (45-46)** – Summary of appropriations by department and bureau.

- General Government increases \$2.3 million or 4.85%.
- Board of Elections decreases \$0.2 million due to only one election occurring in FY 08, down from two in FY 07.
- Facilities increase \$0.1 million or 1.60% primarily due to the operating impact of the new Drug Treatment Facility and 6% increase in electricity.
- Fleet Management increases \$0.3 million or 4.84% primarily due to fuel costs for Westminster City Police and a new paint truck.
- Health and Fringe Benefits increases \$1.4 million or 8.65% primarily due to medical and prescription cost increases.
- Information and Technology Services increases \$0.5 million or 20.08% primarily due to the addition of operating expenses relating to CC Public Network, new software maintenance agreements and a new network security analyst position.

**Public Safety & Corrections Summary (121)** – Summary of appropriations by agency

- Public Safety increases \$2.3 million or 7.28%.
- The Circuit Court increases \$0.1 million or 8.52% primarily due to the addition of a staff attorney.
- The Detention Center increases \$0.4 million or 6.60% primarily due to the addition of two correctional officer positions.
- The Sheriff increases \$0.3 million or 7.63% primarily due to the addition of a Crime Scene technician and three new deputies to maintain the ratio of 1.3 officers per 1,000 residents
- EMS 24/7 increases \$0.4 million or 11.55% which includes Phase V.
- VESA increases \$0.3 million or 5.40%.

**Public Works Summary (159)** – Summary of appropriations by bureau

- Public Works increases \$0.6 million or 6.37%.
- Roads Operations increases \$0.5 million or 7.09% primarily due to contractual mowing and increased paving and patching costs.

**Citizen Services Summary (171)** – Summary of appropriations by agency.

- Citizen Services increases \$0.9 million or 13.01% primarily due to addition of Drug Treatment Facility.
- Aging increases \$0.1 million or 11.57% primarily due to the addition of four custodian positions.

**Public Schools Summary (199)** – Summary of appropriations for the School operating budget and debt service on school construction

- The School operating appropriation increases \$9.6 million or 6.73%. This includes planned growth of 5.5% plus an additional \$1.7 million for Full Day Kindergarten.
- The School Debt Service increases \$0.1 million or 1.28%.

**Education Other Summary (205)** – Summary of appropriations to the Community College Library and Cable Regulatory Commission/Community Media Center

- The Community College increases \$0.5 million or 8.43% to maintain one-third of total costs.
- The Library increases \$0.4 million or 5.22%.

**Debt, Transfers and Reserves Summary (239)** – Summary of appropriations to Debt Service, Intergovernmental Transfers, Interfund Transfers and the Reserve for Contingencies

- Debt Service increases \$0.4 million or 2.24% due to planned bonding for capital projects in FY 08.
- Interfund Transfers increases \$5.5 million or 53.44% primarily due to a new on-going transfer to OPEB.

**Solid Waste Enterprise Fund (249)** – Summary of appropriations

- Solid Waste Enterprise Fund increases \$0.3 million or 2.85% is primarily due to an increase in the leachate removal expense with the opening of cell 3.

**Water and Sewer Enterprise Fund (259)** – Summary of appropriations

- Water and Sewer Enterprise Fund increases \$1.1 million or 14.63% primarily due to an increase in estimated revenues, an increase in depreciation, the increased price of water from the City of Baltimore (beginning in April 2007 for three consecutive years water purchases will increase 9% per year), and increased contract payments to Maryland Environmental Services (MES) to operate the Freedom Wastewater Treatment Plant.

**Other Enterprise Funds Summary (269)** – Summary of appropriations by enterprise fund.

- The Firearms Enterprise Fund decreases 37.50% primarily due to the fire at the facility.
- Septage Enterprise Fund increases \$0.4 million or 85.06% primarily due to additional six million gallons of leachate being processed from Northern Landfill Cell #3.

**Grant Fund Summary (275)** – Summary of anticipated grant funding.

- Overall, every 8.4¢ of County match/contribution brings in \$1 of grant monies.

**OPEB Fund Summary (321)** – Summary of appropriations

- First year to set aside assets to meet future liability

**Pension Trust Fund (322)**

- The Pension Trust Fund decreases \$0.3 million based on actuarial report.

**Special Revenue Fund (323)**

- Cable Franchise Fee moves from the General Fund to the Special Revenue Fund and is used to fund the Cable Regulatory Commission, the Community Media Center, the Office of TV Production and a portion of TV production functions with the school system and the community college.
- Hotel Rental Tax fully funds the Tourism budget.
- No Impact Fees are budgeted to be spent

