

Financial Factors

Balanced Budget Actions

- ❑ Due to reduced revenue projections by both the County and the State, the County has enacted the following restrictions to preserve flexibility and improve our fiscal position.
 - ❑ All employees on initial probation will have their probation extended for up to six additional months.
 - ❑ Travel for training and conferences will generally be restricted to the Mid-Atlantic region.
 - ❑ Open positions will remain unfilled, subject to individual review.
 - ❑ Take-home vehicles will be restricted to in-county use only. An evaluation of in-county use of take home vehicles also is under way.
 - ❑ All allied agencies receiving county funds were urged to consider a similar course of action.

Operating Revenues

Property Tax

- ❑ Property tax revenue remains strong despite changes in the housing market.
- ❑ The underlying growth rate for FY 09 is 7.9%, which is mainly attributable to reassessments. The actual growth rate from FY 08 is 24%, mainly due to the return of property tax revenue from the Capital Budget.
- ❑ In FY 06 the Commissioners lowered the Homestead Tax credit from 110% to 107%, which provided tax relief and reduced revenue volatility. This credit will provide nearly \$35 million in tax relief in FY 09.

Local Income Tax

- ❑ In the 2007 Special Session the State increased the personal exemption by \$800. This change was projected to cost the County as a whole \$2.7 million with \$2.5 million of that to directly hit Carroll County Government. The impact of this change is expected to take a few years beginning in FY 08 as changes to withholding and estimated payments as well as tax filings work their way through the system.
- ❑ Income tax is budgeted to grow 3.8% in FY 09 over the FY 08 budget and 0.7% over FY 08 actuals. This low growth rate is due to changes made by the State, overall slowing in the economy, and weakness in withholding and estimated payments in FY 08 that was largely masked by higher than expected reconciling payments owed from previous tax years.

Recordation Tax

- ❑ The County planned for a revenue decrease, but the extent of the drop exceeded our expectations. In FY 09, Recordation is budgeted at \$15 million; however, due to changes in the housing market our latest forecast is \$12 million.
- ❑ Recordation in FY 09 is projected to be almost half of what it was a few years ago. In FY 06 collections nearly reached \$23 million.

Operating Revenues continued

Highway User Revenue

- ❑ In the 2007 Special Session the State reduced revenue by an estimated \$400 thousand by changing the formula for the Highway User Revenue (HUR) to discount the value of trade-ins from the vehicle titling tax. That change combined with falling gas and vehicle sales is projected to cause HUR in FY 09 to be more than \$1 million below FY 07 actuals.

Interest

- ❑ Investment interest is projected to be \$4 million in FY 09, which is more than 50% less than the FY 08 actual of \$8.5 million. This reduction is largely due to falling interest rates that are not expected to rebound this fiscal year. Last year the County earned an average of nearly 4% on its portfolio. This year the expectation is 2%. The portfolio is also expected to drop this year as property tax that was diverted from the Operating Budget to the Capital Budget is spent.

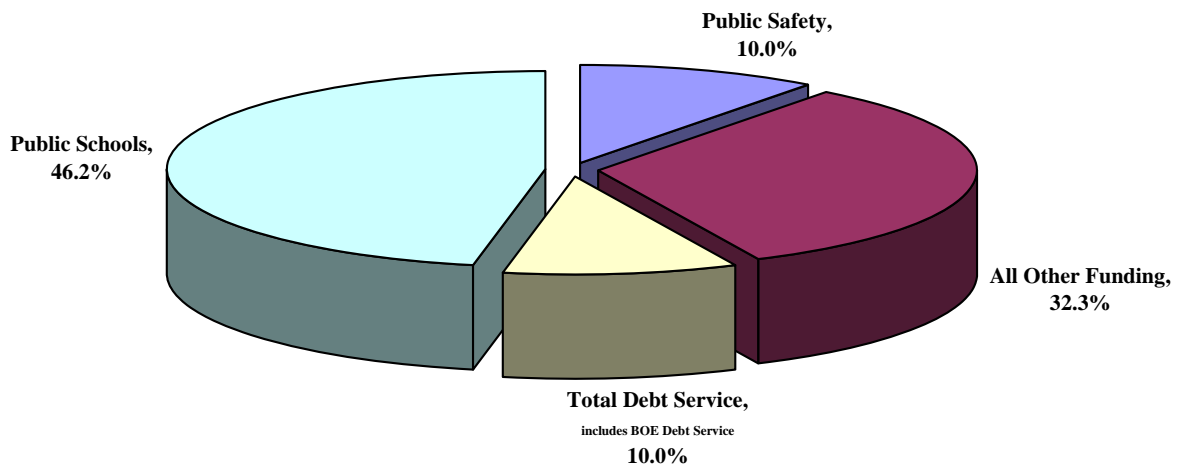
Six-Year Revenue Projections

- ❑ Changing FY 09 revenue projections have also led to reductions in the current version of the County's six-year revenue forecast. The FY 10-15 Operating Plan will be built around these lower revenue projections.
- ❑ Property Tax growth rates were reduced in the out years due to concerns over flat reassessments and limited new construction.
- ❑ Income tax growth rates were reduced in the out years due to concerns that the economy may be entering a recession that will linger for a few years.
- ❑ Recordation growth was reduced in the out years due to concerns the housing market recovery will be slower and longer than previously thought.

Operating Plan Expenditures

- ❑ The FY 09 to FY 14 Operating Plan was adopted, as it always is, with all six years balanced.
- ❑ The FY 09 to FY 14 Operating Plan's emphasis is on funding the operating impacts of capital projects and maintaining existing services.
- ❑ Lowered revenue projections will require decisions in the upcoming budget process to bring the Operating Plan into balance.

FY 09 - FY 14 Operating Plan



Source: Carroll County, Maryland FY 09 Adopted Operating Budget Book

GENERAL FUND

- General Fund revenues increased by \$25,016,790 from \$283,298,058 in FY 07 to \$308,314,848 in FY 08. The primary reasons for the increase were increases in total property assessments, the return of \$6.4 million of one-time paygo funding in the CIP, and an increase in income tax of \$3.3 million.
- General Fund expenditures increased \$19,894,262 from \$286,359,088 in FY 07 to \$306,253,350 in FY 08.
- Other Financing Sources (Uses) decreased \$1,793,145 for these primary reasons:
 - The transfer to the Capital Fund increased by \$1,584,465.
 - Long term notes payable decreased by \$3,449,002 for Agricultural Preservation Installment Purchase Agreements issued during the year.
- The net change in fund balance is an increase of \$4,436,412 for FY 08.
- Property Taxes

During FY 05 the County implemented GASB Statement No. 44 “Economic Conditions Reporting: The Statistical Section”. When delinquent taxes are collected, they are applied to the year in which the levy occurred.

- As of fiscal year 2008 the percentage of Outstanding Delinquent taxes as a percent of total levy:

2004	– .03%
2005	– .03%
2006	– .05%
2007	– .08%
2008	– .55%

The total outstanding delinquent taxes for the years listed above are \$1,368,844.

GENERAL FUND continued

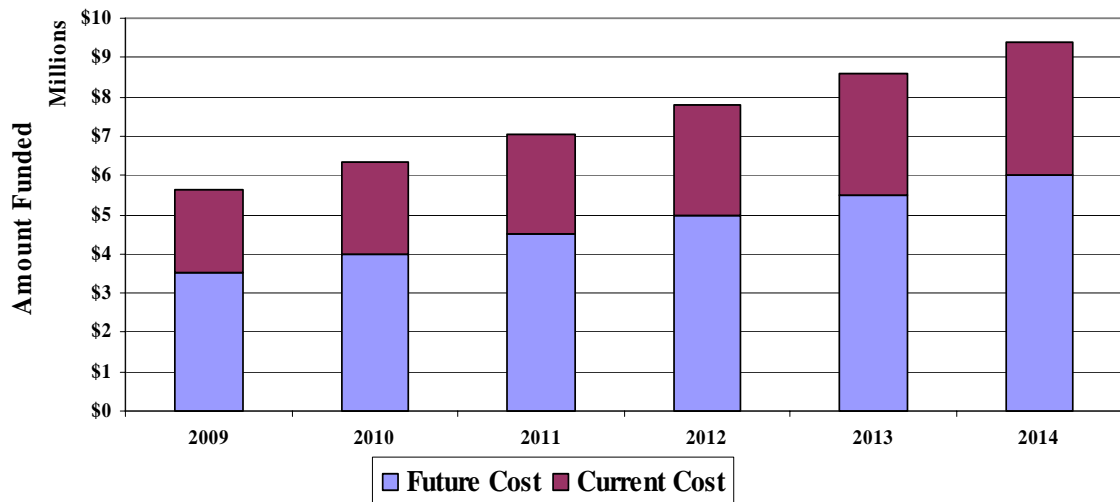
- ❑ Carroll County continues to maintain its excellence in financial reporting. We received our 23rd GFOA Certificate for Excellence in Financial Reporting for our FY 07 Comprehensive Annual Financial Report (CAFR).
- ❑ Carroll County received the GFOA's Distinguished Budget Presentation Award for our FY 08 Adopted Budget Document.
- ❑ To ensure our desire for full disclosure and reporting, the County continues with DAC (Digital Assurance Certification) to make our financial reporting and disclosures accessible at all times.
- ❑ Fund Balance
 - The County is committed to maintaining unreserved fund balance at 5% to 8% of general fund revenues:

2004 – 10.6%
2005 – 10.2%
2006 – 10.8%
2007 – 8.2%
2008 – 10.3%
 - In FY 92, The County established a Stabilization Fund as part of Fund Balance. The Fund increased from \$7,900,000 in FY 04 to \$9,500,000 in FY 05, to \$9,900,000 in FY 07 and to \$10,600,000 in FY 08. The goal is to keep the Fund at 3% of the following year's budget. The Fund is 3.2% of the FY 08 budget and 3.0% of the FY 09 budget.
 - In FY 00 the County established a Secondary Reserve Fund as part of Fund Balance. The goal is to maintain this Fund at about 1.5% of the following year's budget. The Fund increased from \$5,250,000 to \$6,750,000 in FY 08. The fund is 2.1% of the FY 08 budget and 1.9% of the FY 09 budget.
 - For FY 08 the unreserved/undesignated fund balance is \$14,858,762 or 4.8% of general fund revenues. Along with the Stabilization Fund of \$10,600,000 and the Secondary Reserve Fund of \$6,750,000, this provides \$32.2 million in unreserved fund balances, which equates to 10.3% of general fund revenues.

Other Post Employment Benefits (OPEB)

- ❑ In FY 09 \$5.6 million has been set aside for retiree health benefits. This amount includes \$2.1 million for the current year expense and \$3.5 million for future liabilities.
- ❑ The amount dedicated to future liabilities will grow each year reaching \$6.0 million by FY 14.
- ❑ Trust funds will be established for the component units of Carroll County Government including Carroll County Public Schools and Carroll Community College.
 - \$1.5 million of the Board of Education FY 07 surplus was applied to the BOE OPEB trust in FY 09.

Carroll County Government Retirement Healthcare



Source: Carroll County Adopted FY 09 Budget.

Fund Balance Appropriation

- ❑ Pursuant to the Code of Public Local Laws of Carroll County article 7, 3-62 (19), the actual unreserved/undesignated fund balance must be appropriated to the next budget following the completion of an independent financial audit of those funds.
- ❑ The chart below illustrates the three-year cycle of appropriating unreserved/undesignated fund balance. Highlighted is the actual fund balance (surplus) from FY 06. This surplus is designated in FY 07 for appropriation in FY 08. In FY 08, the FY 06 surplus is recognized as revenue and appropriated.

Fund Balance Appropriation Cycle				
	FY 06	FY 07	FY 08	FY 09
Actual Unreserved and Undesignated Fund Balance	\$13,542,642	\$7,302,102	\$14,858,762	N/A
Designated Fund Balance for Subsequent Year	\$12,891,533	\$13,542,642	\$7,302,102	\$14,858,762
Budgeted Revenue and Appropriation	\$22,597,900	\$12,891,533	\$13,542,642	\$11,302,102

Note: \$4 million of FY 08's anticipated surplus was used in FY 09

ENTERPRISE FUNDS

□ Bureau of Utilities

- The Bureau of Utilities made a positive change in net assets for FY 08 of \$2,340,635.
- Usage rates to maintain the operations for FY 08 were adopted and implemented in July 1, 2007. Usage rates for FY 09 have been adopted with an effective date of July 1, 2008.
- Area Connection charges and a Maintenance Fee are being collected that are designed to fully fund the system's capital program for most projects proposed to build-out of the system. Some additional projects will be funded by issuance of debt.
- A complete review of the water and sewer usage rates was conducted prior to the adoption of the fiscal year 2008 budget. The average water and sewer customer (20,000/gals per quarter) paid \$206 per quarter last year and \$219 per quarter after July 1, 2007. The increase of \$13 per quarter equates to a 6.4% increase.
- A complete review of the water and sewer usage rates was conducted prior to the adoption of the fiscal year 2009 budget resulting in increases to both the water and sewer rates. The average user will now pay \$223 for 20,000/gals per quarter of usage, a 1.9% increase over FY 08 rates.
- A complete review of the Area Connection charges was conducted prior to adoption of the fiscal year 2008 budget. Based on this review, the water and sewer area connection fees were not adjusted for FY 08 and remained \$8,222.00 and \$7,159.00 respectively.
- A complete review of the Area Connection Charges was conducted prior to adoption of the fiscal year 2009 budget. Based on this review, the water and sewer area connection fees were adjusted for FY 09. Effective July 1, 2008 water and sewer area connection fees are \$9,502 and \$7,753 respectively.

ENTERPRISE FUNDS continued

□ Solid Waste Management

- From FY 02 through FY 08, the County transferred \$2,645,000 annually from the General Fund to the Solid Waste Enterprise Fund. Approximately \$350,000 was to cover debt service payments on old landfills closed before an enterprise fund was established. The remaining amount was to cover “freebies” such as coupons to citizens allowing free hauling of waste to the landfill and free use by the State, County, and Board of Education. The County lowered the General Fund transfer by \$100,000 in FY 09.
- During the FY 09 budget process, a review of the rates was conducted and the tipping fee was increased from \$61.00 to \$76 per ton effective July 1, 2008. The commercial yard waste fee rate of \$15.00 per ton remains in effect.

□ Airport Facility

- This Fund showed a negative change in net assets of \$744,010 for FY 08, primarily due to the buyout of the remaining contract with the former Fixed Based Operator (FBO).

ENTERPRISE FUNDS continued

OTHER NON-MAJOR ENTERPRISE FUNDS

□ Septage Fund

- The Septage Fund showed a positive change in net assets of \$2,133 for FY 08 based on the year-end financial statements. Fees are collected based on the number of gallons reported by the haulers. The septage fee is \$.055 per gallon.

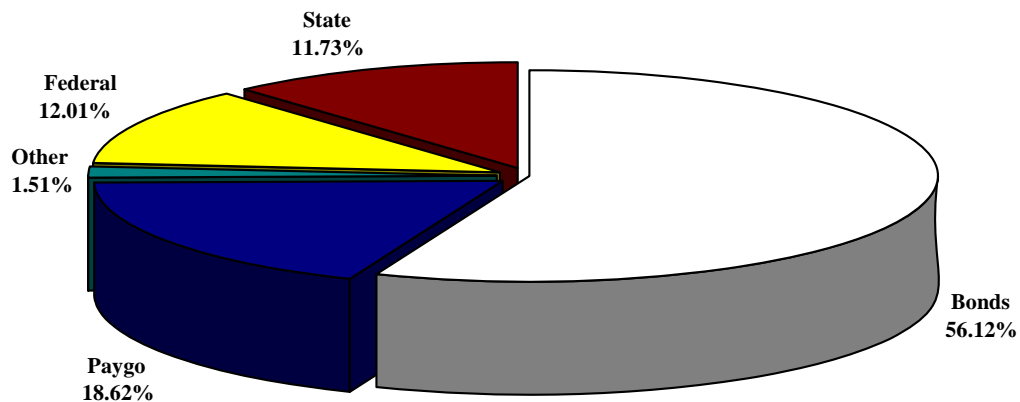
□ Firearms Facility

- During FY 08, the Fund had a positive change in net assets of \$225,676 based on the year end financial statements, primarily due to receiving insurance funds for the Firearms building which was damaged by fire in FY 07.

CIP Revenue

- ❑ In the FY 09-FY 14 Adopted Community Investment Plan, an average of \$6.1 million of real property tax is directly appropriated for capital purposes.
- ❑ During the last three years, the Commissioners diverted \$75 million in revenues from the Operating Budget to the Capital Budget. The opportunity to appropriate these ‘one-time’ funds was a direct result of a robust housing market.
- ❑ 9.1% of income tax is dedicated to the Capital Budget for paygo and debt service on school construction. An average of \$14.3 million a year is projected in the FY 09-FY 14 Community Investment Plan.

FY 09 - FY 14 Community Investment Plan Revenues



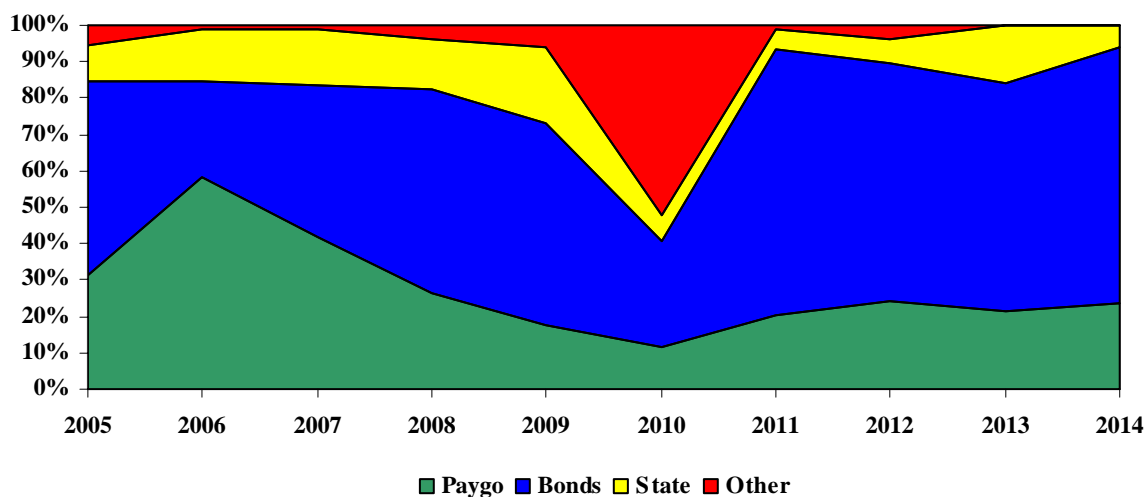
Source: Carroll County FY 09-FY 14 Adopted CIP

Note: Chart does not include income taxes transferred to the operating budget for debt service.

CIP Funding

- ❑ Capital funding sources consist of paygo, State participation, bonds, and others such as grants, Federal participation, and other contributions.
- ❑ For FY 09-14, paygo funding for the CIP will be 18.6%, an anticipated decrease from FY 00-08, when funding averaged 38.1% due to \$75 million in property tax revenue being appropriated directly to the CIP in FY 06-08.
- ❑ Carroll County has a long history of funding its CIP with significant paygo dollars. While for FY 09-FY 14 paygo funding percentage of the budget has dropped, by FY 12 that percentage is planned to increase to nearly 25.0%.
- ❑ For the last seven years the County maintained an aggressive approach to paying off bonds with terms of fifteen years level principal.

Capital Funding Sources



Source: Carroll County Adopted CIP

Notes: Beginning in 1997, a portion of the property tax is dedicated to capital projects.

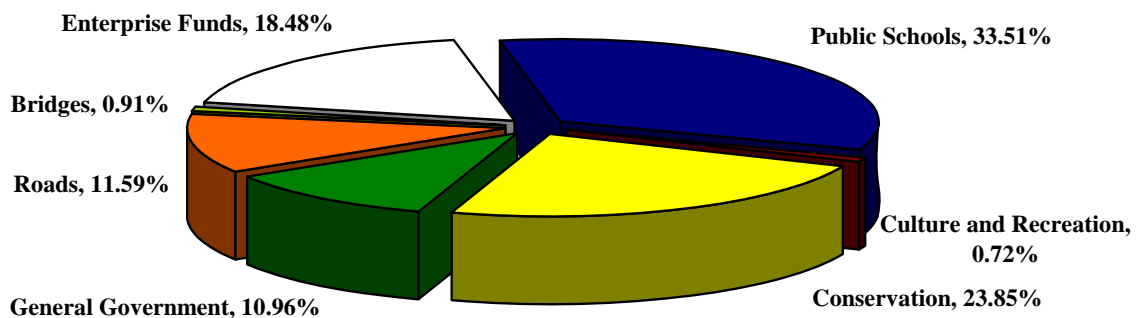
Beginning in 1997, a portion of the income tax is dedicated to capital projects and BOE debt service. Since 1998 that percentage of income tax dedicated to capital has been approximately 9.1%.

Does not include impact fees and income taxes transferred to the operating budget for debt service.

CIP Appropriations

- The 800MHz & 911 System has \$27.5 million in the CIP for maintaining the existing analog system as well as transitioning to a digital system.
- Funding of \$6.8 million for a Minimum Security Facility to alleviate overcrowding and extend the life of the existing detention center.
- To address water development issues in Carroll County, \$50.5 million is planned in the FY 09-14 CIP for the acquisition of land and engineering of two planned reservoir areas, Gillis Falls and Union Mills. Construction of the reservoirs is planned beyond the FY 09-14 CIP.
- Funding for the purchase of a quarry is in the plan to provide backup water supplies for the City of Westminster to support commercial/industrial development.
- The Commissioners continue their Agricultural Land Preservation efforts with \$55.6 million in the FY 09-14 CIP.

FY 09 - FY 14 Community Investment Plan Appropriations



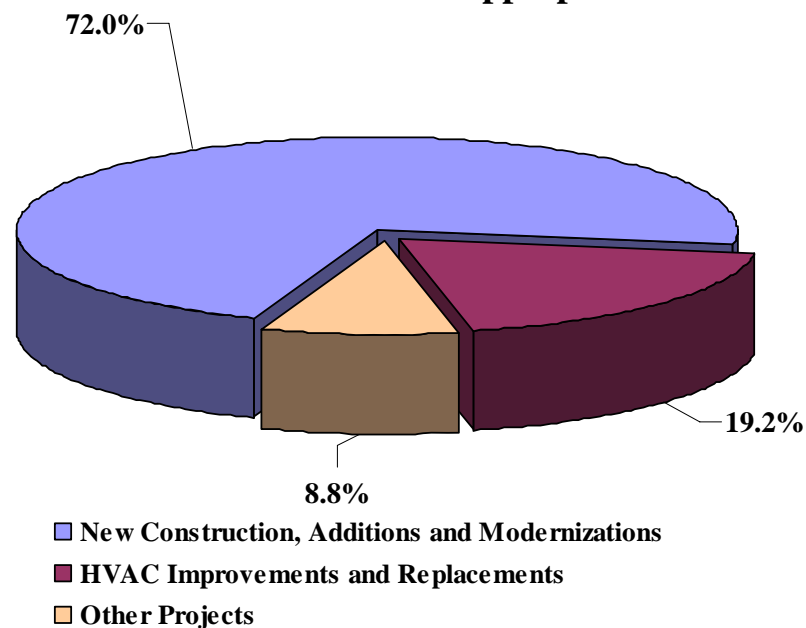
Source: Carroll County FY 09-FY 14 Adopted CIP

Notes: General Government includes Community College, County Facilities, Public Safety, Farm Museum, Senior Centers and the Public Libraries. Does not include income taxes transferred to the operating budget for debt service.

Public Schools CIP Appropriations

- Nearly \$140 million in new construction and additions are in the FY 09-FY 14 CIP, including three new schools, Manchester Valley High School, and South Carroll area elementary and middle schools, and a Fine Arts addition for South Carroll High School. After these projects are complete Carroll County will have no significant capacity concerns.
- Funding is regularly committed to extend the lives of our school buildings. The FY 09-14 CIP includes nearly \$37 million for HVAC systems and \$10 million for roofs.

FY 09 - FY 14 CIP Planned Appropriations



Source: Carroll County, Maryland FY 09-FY 14 Adopted CIP

Note: Does not include income taxes transferred to the operating budget for debt service.

Agricultural Preservation

- ❑ More than 50% of Carroll County is agricultural land.
- ❑ As of the end of FY 08, with 52,500 acres permanently preserved through easements, the County has reached over half of its goal of 100,000 acres preserved.
- ❑ 50,000 acres of permanent easements is approximately 5,550 residential lots that cannot be developed or add to the pressure on the County's infrastructure.
- ❑ The Agricultural Preservation Program is primarily funded by the Carroll County Government. The Commissioners funded an average of 65% during FY 07 – FY 08 with the remainder funded by the State. The funding sources and programs offered to landowners include the following:
 - County held easements
 - Installment Purchase Agreements
 - Maryland Agricultural Land Preservation Foundation (MALPF)
 - Little Pipe Creek Rural Legacy Program
 - Upper Patapsco Rural Legacy Program
- ❑ At the end of FY 08, the average cost per acre was \$6,870, or approximately 66% of Fair Market Value.

GOVERNMENT-WIDE STATEMENTS

The County implemented GASB Statements No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, and No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements establish uniform financial reporting standards for OPEB (Other Post Employment Benefits) Plans.

The County also implemented GASB Statement No. 50 “Pension Disclosures”. This statement moves information reported in the required supplementary information (RSI) section into the note disclosure for pensions which improves the understandability and usefulness of the information.