

The FY 09 Proposed Budget

The Quickest Guide

Department of Management and Budget

- We began this process with slim margins in our Operating Plan and little flexibility.
- Changes at the State squeezed that flexibility.
- Changes in the economy and costs add even more pressure.

Where is the money going?

Total New \$	\$24.6
Public Schools - Operating	11.5
Debt Service - County	2.6
Fleet Management	1.7
Health and Fringe Benefits	1.5
Public Schools - OPEB	1.5
Economic Development	1.0
Facilities	0.8
Carroll County Public Library	0.6
Carroll Community College	0.5
Sheriff's Services	0.5
Transfer to OPEB	0.5
Reserve for contingency	1.2

A Really Quick Guide to the FY 09 Proposed Budget Department of Management and Budget

- We began this process with slim margins in our Operating Plan and little flexibility.
- Changes at the State squeezed that flexibility.
- Changes in the economy and costs add even more pressure.

Where is the money going?

Total New \$	\$24.6
Public Schools – Operating	11.5
Debt Service – County	2.6
Fleet Management	1.7
Health and Fringe Benefits	1.5
Public Schools – OPEB	1.5
Economic Development	1.0
Facilities	0.8
Carroll County Public Library	0.6
Carroll Community College	0.5
Sheriff's Services	0.5
Transfer to OPEB	0.5
Reserve for contingency	1.2

The emphasis of the past few years has been on one-time revenues and one-time costs. A hot housing market fueled a surge in real estate revenues that was unprecedented in the County. With a belief that these revenues were not sustainable, the Commissioners implemented a series of aggressive capital budgets that included new schools, libraries, parks, senior centers and college classrooms.

For years the Commissioners have used a six-year Operating Plan to ensure that on-going costs could be supported from on-going revenues. This year is no different, as the Operating Plan is balanced through Fiscal Year 14. The difference this year is several factors are simultaneously reducing the ability to fund current obligations let alone new spending initiatives.

The Operating Plan was already stretched due to planned operating impacts related to the aggressive capital budgets. Those operating impacts begin to show up in FY 09 with the opening of several buildings, most notably Ebb Valley Elementary School and Finksburg Library. Those two projects alone will cost nearly \$4 million. Even more projects are set to open in FY 10 and beyond; new costs will only continue to grow.

Even with the funding commitments to all of the capital projects, there was still flexibility in the Operating Plan to address the unexpected. Unfortunately, the unexpected was a trio of State cuts, revenue shortfalls and rising costs.

In the fall a special session of the General Assembly was called to address the State's budget deficit. New legislation resulted in about \$8 million of local impact to the County, primarily through State funding of schools and changes to Income Tax. The regular session of the General Assembly was expected to cut millions more, and when the State's revenue projections were revised downward, millions more had to be cut. Fortunately, unlike the cuts made during the special session, the County was relatively unscathed by the cuts made during the regular session.

The State was not alone in reducing its revenue projections. The County's forecasts were also revised downward. While the revenue projection for FY 09 is largely equal to last year's projection for FY 09, the make-up of that projection is far different. Annual or on-going revenues are about \$9M below what was projected last year. It is these annual revenues that make possible the funding of on-going commitments.

There are a few reasons for this revenue shortfall. First, the housing market slowdown is worse than originally thought, and that most directly affects our Recordation Tax. Second, the housing problems have spilled over to the overall economy, and that most directly affects our Income Tax. Finally, Income Tax was hit again by the State's decision to increase the amount of personal exemptions.

The last of the unexpected was the rapid increase in fuel costs. Last year, the County was paying a little over \$2 a gallon for gas and diesel. The FY 09 projection is for \$4 a gallon. This change has added more than a \$1 million to our Fleet budget.

Even under the best of circumstances, the Commissioners must balance resources against provision of services and facilities, and make many difficult decisions. There is no scenario where all needs would 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 address our current as well as our planned commitments in a rapidly changing environment.

A Quick Guide to the FY 09 Proposed Budget

Department of Management and Budget

Introduction

The combined Proposed 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.

Management and Budget will meet with the Commissioners again in May to develop the Commissioners' Adopted 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 13, 2008. Budget adoption is scheduled for 2:30PM on May 27, 2008 in Room 311 of the County Office Building. The Recommended and Proposed Budgets are available online at <http://ccgovernment.carr.org/ccg/budget>.

Core Messages

- We began this process with slim margins in our Operating Plan and little flexibility.
- Changes at the State squeezed that flexibility.
- Changes in the economy and costs add even more pressure.

The Operating Budget

Revenues (19-32)

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 growth is expected to be down, and Recordation is projected to fall well below the FY 08 budget.

- The FY 09 Proposed Budget grows \$24.6 million or 7.5% from the FY 08 Budget; however, most of this increase is due to \$19 million of property tax returning from the CIP. Without that property tax returning, the FY 09 Budget would grow by only \$5.6 million or 1.6%.
- 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 23%, the net growth of Real Property Tax in both the Operating and Capital Budgets is under 8%. This difference is due to the amount of one-time Property Tax directly appropriated to the

Capital Budget. This amount decreased from \$19 million in FY 08 to \$0 in FY 09. Without that Property Tax returning, the Real Property Tax would grow by \$12.1 million or 7.9%.

- The Homestead Tax Credit, which is included in Operating Real Property Tax, is expected to increase by nearly \$11 million.
- Income Tax is up by \$4 million over FY 08, but the rate of growth is below expectations. The State’s decision to increase the personal exemption amount and an overall economic slowdown combined for a growth rate of less than 4%. In a typical year Income Tax grows by 6%.
- Recordation is down \$5.5 million. The number of home sales has been dropping for a few years, and FY 08 is shaping up to be the worst year seen in quite a few years. What may be more troubling is prices are now starting to drop. Our original belief was that the housing market would start to recover in FY 08. We now believe the market will bottom out over the course of FY 08 and FY 09 with no recovery until FY 10.
- Interest is down nearly \$3 million. The Federal Reserve cut interest rates six times over the past six months. Interest rates have fallen over that time from 5.25% to 2.25%. That drop in interest rates, combined with a reduction in our portfolio due to the spending down of Property Tax dollars directly appropriated to the Capital Budget over the past few years, results in interest revenue falling below FY 06 levels.
- The change in the prior year surplus is a decrease of more than \$2 million.

Expenditures (41-243)

Where is the money going?

Total New \$	\$24.6
Public Schools - Operating	11.5
Debt Service - County	2.6
Fleet Management	1.7
Health and Fringe Benefits	1.5
Public Schools - OPEB	1.5
Economic Development	1.0
Facilities	0.8
Carroll County Public Library	0.6
Carroll Community College	0.5
Sheriff’s Services	0.5
Transfer to OPEB	0.5
Reserve for contingency	1.2

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

- The largest percent increase, 26.4%, is in Economic Development (65) primarily due to infrastructure costs of two new business parks. An additional \$1 million is funded in both FY 09 and FY 10 from an expected \$2 million of budget savings in FY 08.

- Other notable increases are for Board of Elections (112) at 25.8% primarily due to another new voting system mandated by the State; General Services (73), which includes Fleet and Facilities, at 18.1% primarily due to higher energy and fuel costs; Citizen Services (171), at 10.9% primarily due the Long Term Treatment Facility; Sheriff Services (139) at 7.2% primarily due to three new positions; and, the Carroll County Public Library (208) at 8.0% primarily due to the opening of the Finksburg Library.
- The largest dollar change, \$11.5 million, is for Public Schools (200). The increase includes operating impacts of \$3.3 million, primarily for Ebb Valley Elementary School.

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

- Economic Development Infrastructure and Grants (68) increases \$1 million or 33.3% due to infrastructure costs of two new business parks. An additional \$1 million is funded in both FY 09 and FY 10 from an expected \$2 million of budget savings in FY 08.
- Board of Elections (112) increases \$0.15 million or 25.8% due to the state mandated purchase of a new optical scan voting system.
- Facilities (77) increases \$0.8 million or 10.9% primarily due to the operating impacts of four new buildings and increases in the cost of gas and electric.
- Fleet Management (78) increases \$1.7 million or 32.1% primarily due to fuel costs and a new replacement grader.
- Health and Fringe Benefits (85) increases \$1.5 million or 8.5% primarily due to medical and prescription cost increases.

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

- The Circuit Court Masters (127) increases \$0.1 million or 21.2% primarily due to the addition of a Judicial Assistant and a Legal Assistant.
- The Detention Center (140) increases \$0.3 million or 4.7%.
- The Sheriff (141) increases \$0.5 million or 10.6% primarily due to the addition of two Court Security Officers and one Warrants Administrative position.
- Resident Trooper (154) program increases \$0.4 million or 7.7% primarily due to increase in indirect costs.
- Law Enforcement (151), a new budget that was established due to the uncertainty over the police issue, is budgeted at \$0.2 million. This budget includes funding for the addition of three certified law enforcement officers to maintain the ratio of 1.3 officers per 1000 residents.
- VESA (155) increases \$0.4 million or 7.4%.

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

- Public Works (159) increases \$0.4 million or 3.6%.
- Roads Operations (165) increases \$0.2 million or 3.0%.

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

- Citizen Services (171) increases \$0.85 million or 10.9%.
- The Long-term Treatment Facility (191) increases \$0.4M or 50.1% due to the current service agreement for operating the County's Long Term Treatment Facility.
- Health Department (188) increases \$0.3 million or 10.2%; however, the underlying increase is 5.0%. In FY 08 the Maryland State Department and Mental Health and Hygiene assumed all costs associated with retiree's hospital insurance for that year only. In FY 09 the obligation for these costs returns to the County.

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

- The School operating appropriation (200) increases \$11.5 million or 7.7%. This includes planned growth of 5.5% plus operating impacts of \$3.0 million for Ebb Valley Elementary School and \$0.3 million for Manchester Valley High School.
- Debt Service (201) decreases \$0.4 million or (4.0%).
- OPEB (202) increases by \$1.5 million. The Board of Education designated half of their FY 07 surplus to its trust fund for future benefit costs for retired employees.

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

- The Community College (207) increases \$0.5 million or 7.6% to maintain one-third of total costs.
- The Library (208) increases \$0.6 million or 8.0% primarily due to the new Finksburg branch set to open in the fall of 2008.

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

- Debt Service (240) increases \$2.6 million or 12.1% due to planned bonding for capital projects in FY 09.
- Interfund Transfers (242) decreases \$2.2 million or (13.5%) primarily due to reducing the transfer to the Capital Fund, decrease to LOSAP, and increase in the transfer to OPEB.

Solid Waste Enterprise Fund (249) – Summary of appropriations

- Solid Waste Enterprise Fund increases \$1.4 million or 13.7% primarily due to an expected increase in transfer fees of \$17 per ton. Approximately 92% of the municipal waste received at Northern Landfill is transferred to a landfill in Virginia for disposal by Waste Management, Inc. The new contract will be effective December 1, 2008.

Water and Sewer Enterprise Fund (261) – Summary of appropriations

- Water and Sewer Enterprise Fund increases \$0.5 million or 5.9% primarily due to a 9% increase in the price of water purchased from the City of Baltimore, and an increase in operating costs related to the new Freedom Water Treatment Plant that opens in the Spring of 2009.

Grant Fund Summary (281) – Summary of anticipated grant funding

- Overall, every 9.1¢ of County match/contribution brings in \$1 of grant funding.

OPEB Fund Summary (329) – Summary of appropriations

- The OPEB Fund increases \$2.1 million or 43.3% to set aside assets to meet future liability under new GASB guidelines. Included is \$1.5 million for the Board of Education.

LOSAP (Length of Service Award Program) (331)

- LOSAP Trust Fund decreases \$1,000,000 or (100%). No contribution made in FY 09.

Special Revenue Fund (332)

- Cable Franchise Fee revenue is transferred from the Special Revenue Fund to the General Fund and is appropriated to 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.