

Carroll County Government Fiscal Year 2010 Budget Message

The Fiscal Year 2010 budget process was more difficult than any since at least the early 1990's. We were challenged by the recession, the meltdown of the financial and credit markets and the local impact of State budget decisions. Though we had planned for a downturn in the economy and the trickle down effect of the State budget, like most of the country, we were not prepared for the speed and magnitude of change.

The end result is a nearly standstill budget with our Operating Budget growing by less than ½ percent. Three-quarters of our budgets will receive less funding or no growth in FY 10. Among the small number of budgets that will see anything more than very modest growth are Carroll County Public Schools, debt service on school construction, the Resident Trooper Program and Carroll Community College.

Balancing the Budget for FY 10 was challenge enough, but even in these circumstances we maintained our long-standing approach to planning for the County's fiscal health by not only balancing FY 10, but also building a balanced six-year plan. We always believe this approach is important, but in this environment it is crucial. We are likely to face continuing challenges. The economy does not appear to be headed for a quick recovery, Federal stimulus funding will mostly end before FY 12, and the State's continuing budget problems are likely to bring additional local impact.

Our decisions in the budget process were driven by a set of core values:

- We are committed to fiscal responsibility
- We strive to build economic development
- We support the preservation of our county's heritage
- We will pay for quality education
- We will act as stewards of our environment
- We will work to ensure a good quality of life for county residents

From the first overview sessions, through all the work sessions, and all the way to the final decisions, the budget process is open to the public. Meetings are broadcast live and rebroadcast on Cable Channel 24, and streamed live and archived on the County website.

Thank you for your interest in the budget. We hope that you will take the time to understand the budget and the choices that have been made.

**Julia W. Gouge
Dean L. Minnich
Michael D. Zimmer**

Fiscal Year 2010 Budget Summary

Looking back to this time last year, the FY 09 Budget was called one of transition. And now, one year later, clearly that was the case. For several years prior to FY 09, the County saw strong revenue growth coupled with significant increases in State aid to the school system. In FY 09, our revenue growth slowed significantly and State aid to the County, the school system, and other agencies slowed, was held flat, or was reduced. In FY 10, County revenues came to a standstill and State aid declined even further.

The FY 10 Budget is nearly a no growth budget. The Total Budget of \$562.3 million increases \$17.2 million or 3.2% over FY 09, but if not for nearly \$67 million of one-time capital funding from the Federal and State Aviation Administrations that can only be used for an Airport project the Total Budget would have declined nearly \$50 million or 9.2%. The Operating Budget of \$354.5 million increased just \$1.5 million or less than 0.5%. Annual on-going revenues declined by \$4 million or more than 1%. Other than property taxes, the County's major FY 10 revenues are budgeted not only below the FY 09 Budget but even below the actual collections of FY 08.

The driving factor has been the changed economy. The recession, the collapse of the financial and credit markets, the decline in the housing market, and the State's efforts to deal with these problems have strained our revenues. Income tax, the second largest revenue, is budgeted to be smaller than the prior year for the first time since 1997. Recordation, the third largest revenue, is budgeted at \$9 million, just 40% of the \$23 million collected in FY 06.

The State's response to these problems is also a significant factor in our revenue loss. Highway User Revenue was reduced by \$5 million and a \$1 million reimbursement for housing State prisoners was not funded for FY 10. In addition, the State has already acted on future reductions. Highway User Revenue will be reduced by \$3.5 million in FY 11 and after that the distribution formula will be changed resulting in a nearly \$1 million annual loss. The reimbursement for housing State prisoners will be converted into a grant program in FY 11, but at a level that will be insufficient to offset the actual costs to the County. In FY 13, the County will be required to begin replenishing an income tax reserve, funded with County dollars that the State diverted for their use in FY 09, at a cost of approximately \$1 million a year for ten years.

State cuts were not limited to County government. Carroll County Public Schools will receive \$2.5 million less in FY 10 than in FY 09. Funding to the Carroll County Public Library saw a slight decrease. The Community College funding increased, but only because funding was cut twice during FY 09. As with the County Government, all of these entities will also receive funding reductions in future years due to funding formula changes.

Declining revenue meant that expenditure plans had to change, but the County could not simply ignore its obligations. Operating impacts of capital projects, most notably the opening of the new Manchester Valley High School and the new Community College Classroom Building,

are funded in this budget. Some costs are difficult to control in the short-term leading to funding increases for rising medical, energy and asphalt costs. The County wasn't in a fiscal position to offset State funding cuts to local agencies, including many of our non-profits, but the Budget wasn't balanced by further local funding cuts to these same agencies.

With limited new revenue available, funding increases had to be offset in other areas. 75% of all the operating budgets were either reduced or held flat. Of the budgets that increased most of the additional funds went to budgets outside the Commissioner's direct control. The school system was easily the primary beneficiary of FY 10 County funding.

Restraint on funding salaries and positions was part of balancing the Budget. There were no salary increases. No cost of living, no merit, no longevity, no non-competitive promotions, no increases of any kind. No new positions were added in the FY 10 Budget. A hiring freeze began in September 2008 and remains in effect. Funding for fourteen positions was eliminated and another fifteen planned positions were eliminated from the Operating Plan.

Given the challenges of reduced revenues and increased costs, plans continue to focus on maintaining levels of service and funding on-going costs associated with newly constructed facilities. The FY 10-15 Operating and Community Investment Plans (CIP) focus efforts on the following priorities:

- Education – providing capacity and maintaining existing schools
- Water – providing water sources and improving water quality
- Managing growth
 - Expanding the County's economic base
 - Maintaining and expanding infrastructure
 - Preserving farmland through the Agricultural Land Preservation program
 - Providing adequate public safety

Education, including public schools, libraries, and the community college, continues to be the highest funding priority. \$195 million, well over half of the FY 10 Operating Budget, is dedicated to education. Though the Board of Education, Community College and Public Libraries receive funding from both the County and the State, the State does not provide any additional funding when a new facility is opened. The FY 10 budget includes nearly \$6 million of County funds for the operating impacts of a new high school and a new Community College classroom building.

By the end of the FY 10-15 CIP, the County will have addressed school capacity issues. The last two projects to address overcrowding are included in this CIP. An addition and modernization for Mount Airy Middle School is included in years FY 10-13 at a cost of more than \$38 million. Design funding is planned in FY 15 for a new elementary school in the south eastern part of the County with the balance of the funding to be outside the six-year plan.

In addition to capacity projects, the County continues to make progress in building additions to the elementary schools to accommodate the State requirement for full-day kindergarten. This CIP includes funding for five additions leaving only two schools needing

additions. The County is also continuing its efforts to maintain existing facilities with funding every year for roofs, HVAC systems, and paving. Finally, the County is providing annual funding for technology improvements with more than \$1 million for improvements in FY 10, including upgrading the school system's phone system to take advantage of the high speed fiber of the Carroll County Public Network.

As a result of a major effort begun in 2005, the Carroll County Planning and Zoning Commission is considering a draft of the "Pathways" comprehensive master plan, to establish guidelines for where and how Carroll will grow over the next twenty years. Some areas of focus in the Pathways Plan are:

- Economic development efforts and expanding the County's commercial/industrial base
- Targeting growth in and around municipalities where infrastructure exists to support increased growth
- Maintaining the rural character of the County by preserving existing farmland and agribusiness
- Developing new water sources to support growth

The comprehensive plan can be viewed at: <http://www.carrollpathways.org/>.

Efforts at growing the employment base relative to the residential base are a major part of the comprehensive planning process, and also a part of the budget process. The FY 10 Operating Budget includes an additional \$600,000 on top of the usual \$3 million allocated for training grants and infrastructure costs. The County is also funding two roads projects in the Eldersburg area, Georgetown and Londontown Boulevards, for the purpose of improving traffic circulation and opening up additional land for commercial and industrial development. Planned funding is included in FY 13 for the acquisition and improvement of a wastewater treatment plant in the Hampstead area that will serve a planned business park and future development projects.

The Agricultural Land Preservation program continues to be one of the Commissioners' top priorities. The County recently adopted a new strategy of using leveraged installment purchase agreements (IPAs) in a continued effort to reach a goal of preserving 100,000 acres. The Commissioners added funding in FY 10 and reduced funding in later years of the CIP in order to accelerate the purchase of land easements while there is still undeveloped land to be bought. Preserving farmland with permanent easements helps to maintain the rural character of Carroll County, enables agriculture to remain a viable industry, lowers the amount of residential development taking place outside of targeted growth areas, reduces the strain on our existing infrastructure, and helps to avoid major investments in new infrastructure, such as schools, roads, and water and wastewater facilities.

One of the most difficult challenges we face as a county is water; both availability and quality. To address the shortage of water, a number of initiatives are funded in the FY 10-15 CIP; including purchasing water recharge rights, and planning for the development of two new reservoirs. Maintaining or improving the quality of water is also a priority in the FY 10-15 CIP.

The County is engaged in numerous projects, including stream restorations and the rehabilitation of storm water management ponds.

Carroll County continues to be one the safest counties in Maryland and funding for public safety programs remains a top priority. The FY 10 Budget includes funding for an enhanced pension plan for the deputies in the Carroll County Sheriff's Office, which should assist in both the recruitment and retention of law enforcement officers.

A new twenty-year master plan for the Carroll County Regional Airport was recently completed. A significant piece of the plan is a proposed extension of the runway from 5,100' to 6,500'. The project includes a new runway, taxiway system, and an expanded apron to improve airport safety. An environmental assessment has been performed and a Finding of No Significant Impacts (FONSI) has been issued by the FAA. The Board of County Commissioners must vote on whether to move forward with the next phase of the project which includes permitting, wetland mitigation, and land acquisition. The estimated cost of the project is \$74 million, with \$70.4 million coming from the FAA, \$1.8 million from the Maryland Aviation Administration, and \$1.8 million from the Airport Enterprise Fund.

Even as changes in the economy challenge the County's ability to provide services, facilities and infrastructure, fiscal responsibility remains a focus. The County received an upgrade in our credit rating from Standard and Poor's and retained strong ratings with Moody's and Fitch. The pension liability is fully funded, reserve funds are at targeted levels and remain untapped to balance the Budget, debt continues to be retired at a fast pace, and contributions toward the Other Post Employment Benefits liability continue to grow. The six year Operating Plan, though squeezed by the impact of the recession, is balanced.

Recognizing that transparency is essential to establishing public trust, the Commissioners continue to make their actions available for review and participation by the public. The County has made available the following for improved information accessibility:

- a cable television station that airs and rebroadcasts most public meetings
- a monthly newsletter that lists every vote taken by the Commissioners
- a speaker's bureau available to meet with community groups to learn more about County government.
- a web site with an abundance of information including the detail of the Budget
- an archive of public meetings on the website
- automatic e-mails to provide updates on changes that appear on the website
- regular community meetings
- open community time with the Commissioners every other Thursday

All of the FY 10 budget sessions from the first Budget Overview to the Adopted Budget were open, available on the web and on the local government channel, allowing the citizens of Carroll County to be informed on the issues and giving them the opportunity to participate.

Difficult decisions were made during the budget process. The Commissioners' goal is to listen carefully to the citizens of Carroll County, evaluate the information brought to them,

consider their available resources, and make every effort to do what's best for Carroll County. Thank you for your interest in the budget. I hope that you will take the time to understand the budget and the choices that have been made.

Sincerely,

Ted Zaleski
Director, Management and Budget