

# The FY 10 Proposed Budget

## The Quickest Guide

### Department of Management and Budget

- FY 10 is close to being a standstill budget.
- The State still has a problem, so we still have a problem.
- Our Plan cannot absorb more cuts.

Where is the money going?

Total New \$ Budget to Budget	\$1.5
Schools – Operating	7.0
Schools – Debt Service	1.9
Medical	1.2
Facilities	0.6
Pension	0.6
OPEB	0.6
Resident Trooper	0.5
Community College	0.4
Everything Else	(11.3)

## A Really Quick Guide to the FY 10 Proposed Budget Department of Management and Budget

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FY 10 represents the most challenging budget situation since the early 1990's. Three issues dominate this budget: the operating impacts of our capital projects, the economy and impact on County revenues, and the State budget.

The budget for FY 10 grows by only \$1.5 million or 0.5%. Increases were focused on the operating impacts of capital projects and costs that are difficult to control in the short term like medical and utility costs.

Both a new high school and a new classroom building at Carroll Community College open in FY 10 with new operating impacts of \$5.0 million and \$0.6 million, respectively. Of the approximately 100 budgets in the General Fund, 75% are either reduced or held flat. Of the remaining 25% that increased, half are entities independent of the Commissioners, such as the Board of Education and the Community College.

The recession that began more than a year ago visibly shows up in this budget. Total revenues are only increasing by only \$1.5 million or 0.5% over FY 09. Annual revenues are decreasing by \$3.8 million or 1.2%. Outside of property tax, our major revenues are in decline. Income tax, recordation, interest, highway user revenue and building permits are all proposed to be not only lower than the FY 09 budget, but lower than FY 08 actual collections.

The County's revenue situation was exacerbated by decisions at the State level to balance their budget. Cuts to highway user revenue and jail reimbursements further reduced County revenue by approximately \$6 million.

# **A Quick Guide to the FY 10 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.

The Public Hearing on the Budget is scheduled in the Scott Center of Carroll Community College at 7:30 PM on May 12, 2009. Management and Budget will meet with the Commissioners again in May to develop the Commissioners' Adopted Budget. Budget adoption is scheduled in Room 300A of the County Office Building at 11:00 AM on May 28, 2009. The Recommended Budget and the Proposed Budget will be available on-line at <http://ccgovernment.carr.org/ccg/budget>.

### **Core Messages**

- FY 10 is close to being a standstill budget.
- The State still has a problem, so we still have a problem.
- Our Plan cannot absorb more cuts.

### **The Operating Budget**

#### **Revenues**

The strong revenue growth of recent years has come to an end. Real Property tax continues to post strong gains, largely due to assessments catching-up to market prices; however, we expect significant drops in most of our major revenues. Most notable is that income tax, recordation, interest, highway user revenue and building permits are all projected to be not only lower than the FY 09 budget, but lower than FY 08 actual collections.

- The FY 10 Proposed Budget grows only \$1.5 million or 0.5% from the FY 09 Budget. This growth, however, is due to one-time revenues. Annual revenues are decreasing by \$3.8 million or 1.2% from the FY 09 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.
- Real property tax growth is approximately 10%. The State underestimated the FY 09 assessable base, resulting in a higher than actual growth rate. Compared to the adjusted FY 09 budget, growth is 7.5%. This growth is largely due to the Homestead Tax Credit,

which by capping residential property taxes by 7% a year effectively deferred revenue growth over many years. Without the Homestead, revenue would have spiked and then leveled off. With the Homestead revenues increase in a more gradual way over a longer period of time. In addition to deferred growth from residential properties, there is new growth from an expanding commercial and industrial tax base.

- The Homestead Tax Credit, which is included in operating real property tax, is expected to increase by nearly \$5 million.
- Income tax is down by \$4.0 million. This amount is \$3.0 million below the FY 08 actual and \$2.0 million below the FY 09 forecast. This lower amount is based on a combination of factors, including rising unemployment, falling capital gains, and expectation that recent changes enacted by the State regarding personal exemption amounts and State tax rates have resulted in counties being over distributed in FY 09.
- Recordation is down by \$6.0 million. This revenue is driven by activity in the housing market, particularly the number of transactions and the value per transaction. The number of home sales began to drop in FY 06 and has continued into FY 09. The value per transaction leveled off in FY 07, but began to drop in FY 08. In FY 09, this drop in value has accelerated. Our belief is the value will continue to drop in FY 10, but the number of transactions will slightly improve as cheaper home prices and falling interest rates begin to entice some buyers back into the market.
- Highway user revenue is down by \$6.6 million. This decrease is due largely to three main factors. Fuel sales dropped as the price per gallon approached \$4.00. Then auto sales slowed as the credit crunch gripped the nation. The final and largest reason for this decrease is due to the State's decision to withhold \$5.0 million in FY 10 to help balance their budget.
- Interest is down by \$3.3 million. Largely due to recent actions by the Federal Reserve, the County expects to earn approximately 1.0% on its investments in FY 10. This rate is significantly less than the 5.25% earned in FY 08 or the 3.0% estimated for the FY 09 budget. This 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 an increase of more than \$3.5million.

## Expenditures

Where is the money going?

Total New \$ Budget to Budget	\$1.5
Schools – Operating	7.0
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Medical	1.2
Facilities	0.6
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### **General Fund Appropriations** – Summary of appropriations by major categories

- The largest dollar change, \$7.0 million, is for Public Schools. The increase includes operating impacts of \$5.0 million for Manchester Valley High School.

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

- The School operating appropriation increases \$7.0 million or 4.4%. This includes \$2.0 million for core functions, primarily increased costs for health insurance and utilities, and operating impacts \$5.0 million for Manchester Valley High.
- Debt Service increases \$1.9 million or 18.6%. This increase is a result of the FY 09 bond sale and the projected bond sale in FY 10 related to the construction of Manchester Valley High, Westminster’s HVAC system, and South Carroll’s Fine Arts addition.
- OPEB decreases by \$1.5 million. In FY 09 the Board of Education designated \$1.5 million to its trust fund for future benefit costs for retired employees.

### **Public Safety & Corrections Summary** – Summary of appropriations by agency

- The Detention Center increases \$0.1 million or 1.2% due to increased costs for food and medical services.
- Victim Witness Assistance increases \$.03 million or 14.9% primarily due to the end of a grant and the subsequent transfer of a Prosecution Assistant position from the Grant Fund.
- Carroll County Advocacy and Investigation Center was reorganized. Administration for the CCAIC was transferred to State’s Attorney from Citizen Services.
- Resident Trooper program increases \$0.5 million or 9.7% primarily due to increase in indirect costs in FY 09 and an increase in retirement costs in FY 10.
- VESA increases by \$.04 million or 0.6% due to additional funding for increased costs for utilities and physicals.

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

- Carroll Community College increases \$0.4 million or 5.4% for the operating impacts of the new classroom building four scheduled to open in the fall of 2009.
- CC Public Library decreases \$0.1 million or (0.9%) primarily due to the Library Headquarters move into a County owned facility.

**Public Works Summary** – Summary of appropriations by bureau

- Roads Operations increases \$0.2 million or 2.8% due to rising prices of asphalt.
- Storm Emergencies increase \$0.2 million or 14.0% due to rising prices of salt.

**Citizen Services Summary** – Summary of appropriations by agency

- Carroll County Advocacy and Investigation Center was reorganized. Administration for the CCAIC was transferred to State's Attorney from Citizen Services.

**General Government Summary** – Summary of appropriations by department and bureau.

- Economic Development Infrastructure and Investment decreases \$0.4 million or (10.0%) due to a transfer of funds to the Londontown Boulevard Improvement capital project in the CIP.
- Facilities increases \$0.6 million or 7.4% primarily due to the operating impacts of four new buildings and increases in the cost of natural gas and electricity.
- Fleet Management decreases \$1.5 million or (21.1%) primarily due to lower fuel costs and a new replacement grader purchased in FY 09.
- Health and Fringe Benefits increases \$2.4 million or 12.1% due to pension costs, partially due to an enhanced retirement package for law enforcement, and a projected 10% increase for medical costs. Payroll taxes are now budgeted separately.
- Risk Management decreases \$0.2 million or (7.4%) primarily due to the reduction in workers compensation claims and decline in building insurance due to timing or cancellation of projects.
- Planning decreases \$0.2 million or (6.0%) primarily due to the elimination of two positions.
- Board of Elections decreases \$0.2 million or (29.7%) due to shifting the payments for the mandated new optical scan voting system from the operating budget to the capital and no elections occurring this fiscal year.

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

- Debt Service increases \$0.1 million or 0.5% due to planned bonding for capital projects in FY 10.
- Inter-fund Transfers decreases \$1.9 million or (19.7%) primarily due to reducing the transfer to the Capital Fund used for one-time technology projects for the school system.
- Reserve for Contingency – decreases \$5.4 million (54.2%) primarily due to the Board of County Commissioners' FY 09 decision to reserve additional funding to guard against a downturn in the economy, and potential Federal and State cuts.

**Solid Waste Enterprise Fund** – Summary of appropriations

- Solid Waste Enterprise Fund decreases \$1.0 million or (8.6%) primarily due to lower tonnage projections for FY 10. Lower in-bound tonnage reduces tipping fee revenues but also reduces the transfer fee. The transfer fee is the cost to transport and dispose in a Pennsylvania landfill.

**Utilities Enterprise Fund** – Summary of appropriations

- Water and Sewer Enterprise Fund increases \$0.5 million or 5.7% primarily due to additional operating impacts, debt service, and depreciation related to the new Freedom Water Treatment Plant that opens in the Spring of 2009, and due to an accounting standards change, the BOU is recognizing the future liability of other post employment benefits (OPEB).

**Airport Enterprise Fund** – Summary of appropriations

- Airport Enterprise Fund decreases \$2.1 million or (68.0%) due to the Airport no longer purchasing fuel for resale. The Fixed Based Operator now purchases the fuel for resale and the Airport receives a fuel flow fee for the fuel purchased.

**Grant Fund Summary** – Summary of anticipated grant funding

- Overall, every 12 ¢ of County match/contribution brings in \$1 of grant funding.

**OPEB Fund Summary** – Summary of appropriations

- The OPEB Fund increases \$0.6 million or 10.8% for current retiree health care costs and to set aside assets to meet future liability under new GASB guidelines. \$0.5 million of this increase is part of the County's plan to fund its Annual Required Contribution.

**Special Revenue Fund**

- 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.