

A Quick Guide to the FY 11 Adopted Budget

Department of Management and Budget

Introduction

The combined Adopted Operating and Capital Budget books are nearly seven 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, Proposed, and Adopted Budget are available on-line at <http://ccgovernment.carr.org/ccg/budget>.

Core Messages

- We continue to experience a downward shift in revenues.
- In addition to cuts we've already made, significant new cuts to funding of services, facilities, and infrastructure are being proposed through the budget process.
- There are still significant unknowns, including additional actions the State may take to balance their budget.

The weakened economy and changes in the financial, credit, and housing markets continue to have a negative impact on Carroll County's revenue picture. With the exception of property taxes, most of our major revenues have declined. Income Tax, Interest, Recordation, and Highway User Revenue are all budgeted to not only be lower than the FY 10 budget, but lower than FY 08 actual collections. Although property tax revenue is not projected to decline, growth rates will slow due to negative reassessments in the South Carroll area. In FY 10, the State passed cuts to the County that included a significant reduction in Highway User Revenue, Prisoner Reimbursement, and State Aid for Police Protection. At the end of the session, the General Assembly changed the funding distribution formula for Highway User Revenue, making nearly all of the current year cuts permanent.

The FY 11 Budget process has proved to be extremely difficult due to the combined impacts of reduced local revenues and State budget cuts. The FY 11 General Fund Budget, at \$349M, is \$5.5M less than the FY 10 Adopted Budget and \$4M less than the FY 09 Adopted Budget. The continued downward shift in revenues in FY 10 led the Board of County Commissioners to approve \$15M of mid-year changes, including cancelling several existing capital projects, eliminating pavement preservation for one year, extending the hiring freeze, and earmarking reserve funding. In the most important change, 93 positions reporting to Commissioners, or 12% of their workforce, have been eliminated since FY 09.

In order to balance the FY 11 Budget and six-year Operating Plan, numerous actions are being taken, including funding the Board of Education at Maintenance of Effort, holding FY 11 and FY 12 operating budgets flat or reduced from the FY 10 Budget, eliminating or significantly reducing capital projects to reduce on-going debt service, and reducing future operating budget growth.

The FY 11-16 Capital Budget focuses primarily on maintaining existing facilities and infrastructure. Significant projects have been eliminated from the Community Investment Plan, including Georgetown Boulevard Extension, Minimum Security Facility, South Carroll Elementary School, Gravel Roads, Rowe Road, and Water Tanks and Dry Hydrants. Funding has been reduced from Agricultural Land Preservation, Market Street Extended, Krimgold Park, Hampstead Waste Water Treatment Plant (to be funded out of the Economic Development operating budget), Obrecht Road, and Land Bank.

The Operating Budget

Revenues

- The FY 11 Adopted Budget is down \$5.5M or 1.6% from the FY 10 Budget. Other than Property Tax increasing by \$8.2M, most other revenues are down.
- There are many revenue changes, but it is only necessary to talk about a handful of changes to understand the growth in the Budget.
 - Property Tax growth is approximately 4.1%. This is a significant drop from 9.9% growth in FY 10 and 7.5% in FY 09. After years of consistent growth in excess of 7%, limited by the Homestead tax credit, this predictable growth pattern has been cut by a sharp decrease in assessments. The most recent assessment for Group 1 dropped off 19.2%. This resulted in the amount of deferred revenue from the Homestead Tax Credit being cut in half. When Group 2 is reassessed next year, a large portion of the remaining deferred revenue will be eliminated. By the time Group 3 is reassessed the following year, most likely all of the deferred revenue will be gone.
 - Income Tax is down \$2.0M. The budget for FY 11 is slightly less than what we collected in FY 09 and more than \$5.0M less than what we collected in FY 08. Income tax has dropped in recent years due to a combination of factors, including rising unemployment, falling capital gains, and changes in personal exemption amounts at the State level.
 - Highway User Revenue is down by \$4.4M from the FY 11 budget, but it is actually down around \$12M from the State's statutory funding level. In an effort by the State to balance their budget, they are keeping all but \$0.3M of this revenue, which we have dedicated to road maintenance in the CIP.

- Interest is down by \$0.8M. Largely due to historically low interest rates, the County expects to earn approximately 0.5% on its investments in FY 11. This rate is significantly less than the 4.25% earned as recently as FY 08, and the 2.0% earned in FY 09. 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 any level seen in the last decade.
- Recordation is expected to be up by \$1.0M. This revenue is driven by activity in the housing market, particularly the value per transaction and the number of transactions. The value per transaction leveled off in FY 07, began to drop in FY 08, and decreased even further in CY 09. The belief has been this needs to happen in order to attract buyers back into the market. And recent data suggests it is having the desired impact. The number of new home sales for CY 09 shows a 10.7% increase over CY 08. With the number of units sold increasing and the days on the market dropping by 4.8% over the same period of time, there are positive signs of improvement in the housing market. The expectation is that this increased activity level should help to stabilize prices.
- The change in the prior year surplus is a decrease of more than \$6.7M. The FY 10 budget was based on the year end balance from FY 08 of \$14.9M. The FY 11 budget is based on the year end balance from FY 09 of \$8.1M

Expenditures

General Fund:

Carroll County Public Schools Summary

- Carroll County Public Schools Operating budget decreases \$2.8M due to funding at Maintenance of Effort.
- Debt service decreases due to a lower actual bond sale and a lower interest rate than was budgeted.

Public Safety & Corrections Summary

- Courts increases \$8,000, or 0.4%, primarily due to the increase in bailiff hours required for visiting judge and Master court coverage.
- Office of Public Safety decreases \$0.3M, or 8.9%, primarily due to the elimination of an Emergency Management Specialist and three Emergency Communications Specialists.
- Sheriff's Office decreases \$0.1M, or 1.2%, due to the elimination of a Police Service Assistant position and salary adjustments associated with employee turnover.
- The Volunteer Emergency Services Association (VESA) increased \$10,000 to fully fund the increase in the cost of physicals.

Public Works Summary

- Public Works decreases \$0.8M, or 7.4%, primarily due to the elimination of eighteen positions: a Land Acquisition Specialist, an Administrative Office Associate, two Construction Inspectors, a Public Works Inspector, five Road Equipment Operators, seven Road Maintenance Workers, and one contractual position.

Culture and Recreation Summary

- Recreation and Parks decreases \$0.1M, or 6.6%, due to the elimination of 2 Naturalists, an Environmental Education Specialist, and a General Services Assistant. Several contractual workers were also eliminated.
- Culture and Recreation Other decreases \$0.1M, or 10.0%, primarily due to the elimination of a Historian/Educator, a Marketing Assistant, and an Event Coordinator in the Farm Museum budget.

Conservation and Natural Resources Summary

- Soil Conservation increases \$4,800 or 1.4% due to the State's required rate increase for participating governmental units' contribution to the State employee pension system. County funding supports the salaries and benefits of six employees at the Soil Conservation District.

Citizen Services Summary

- Citizen Services decreases \$0.3M, or 23.2%, primarily due to positions being eliminated or transferred to the Grant Fund. The eliminated positions include the Bureau Chief of Aging, a Custodial Services Specialist, and two Office Associates. A portion of the salaries for the Deputy Director of Citizen Services, an Office Associate, an Administrative Assistant, and the CSP Analyst position have been shifted to the Housing grant.
- Citizen Services Other decreases \$0.2M, or 2.5%, due to a reduction in funding provided to Department of Social Services.

General Government Summary

- Comptroller decreases \$0.1M, or 7.1%, primarily due to the elimination of two positions, an Accounting Technician II in the Bureau of Accounting and an Office Associate III position Bureau of Purchasing, and a reduction in bond issuance expenses as the FY 11 bond sale is budgeted to be nearly 45.0% less than the FY 10 budgeted bond sale.
- County Attorney decreases \$0.1M, or 5.6%, due to the elimination of an Inspector and an Office Associate in the Board of License Commissioners' budget.
- Economic Development decreases \$0.7M, or 14.3%, primarily due to some one-time expenditures in the FY 09 and the FY 10 budgets for the development of two new business parks, one in the southern area of the County and the other in the northern area. Other significant changes include the elimination of a Fiscal Analyst position in Economic Development Administration and a Marketing Assistant in Tourism.

- General Services decreases \$0.9M, or 5.7%, primarily due to ten positions being eliminated, including a Senior Project Manager and a Building Construction Analyst in Building Construction, a Stock Clerk in Central Warehouse, and five Maintenance Technicians, a Custodian, and a Trades Specialist in Facilities.
- Human Resources decreases \$2.5M, or 9.5%, primarily due to the rebalancing of the Internal Services Fund, which will address a surplus in the Health Benefits Fund and a deficit in the Risk Fund. Other significant changes include the elimination of a Human Resources Associate position in Human Resources Administration and two Office Associates in the Personnel Services.
- Management and Budget increases \$1.8M, or 64.0%, primarily due to rebalancing the Internal Service Fund. There is a surplus in the Health Benefits Fund and a deficit in the Risk Fund. Without this, the budget would be decreasing, primarily due to the elimination of the Budget Technician position in the Bureau of the Budget and the Compliance Specialist position in the Risk Management Office.
- Planning decreases \$0.2M, or 8.6%, due to the elimination of a Comprehensive Planning GIS Analyst, a Development Review Coordinator, Environmental Compliance Officer, and an Environmental Compliance Technician.
- General Government Other increases \$0.4M, or 20.9%, primarily due to the Board of Elections administering two elections this year and the change to five Commissioners.

Debt, Transfers and Reserves Summary

- Debt Service increases \$3.5M, or 14.8%, primarily due to the FY 10 bond sale being higher than expected and Agricultural Preservation. The County issues Installment Purchase Agreements (IPA) to qualifying land owners in exchange for selling their development rights. These IPA's create annual interest payments that are paid to the land owners, and these payments hit the debt service budget in the Operating Budget. In order to offset this expense, property tax dedicated to Agricultural Preservation in the Capital Budget is appropriated to the Operating Budget in an amount equal to the projected interest payments.
- Intergovernmental Transfers increases \$35K, or 1.3%, due to the Commissioner's decision to fully fund the Town-County program that shares County revenues with the municipalities.
- Inter-Fund Transfers decreases \$3.4M, or 43.6%, primarily due to a \$3.3 million decrease in the transfer to the Capital Fund. The transfer to the Capital Fund is partially reduced due to eliminating capital projects that were funded with General Fund dollars, such as technology replacement and relocateable classrooms. The transfer is also reduced as remaining capital projects that require a transfer from the General Fund are being funded with reallocated funds from prior budgets.
- Reserve for Contingency increases \$1.7M, or 36.9%, due to the Commissioners' decision to put an additional \$1.7 million into the Reserve, over and above the planned 1.25% of budget, as a precaution against additional State cuts and economic uncertainty.

Other Funds:

Utilities Enterprise Fund Summary

- Water and Sewer Enterprise Fund decreases \$0.5M, or 5.1%, primarily due to the elimination of four positions: an Office Associate, a Water and Sewer Engineer, and two Water Plant Operators.

Grant Fund Summary

- Overall, every \$.12 of County match/contribution brings in \$1.00 of grant funding.

OPEB Fund Summary

- The OPEB Fund increases \$1.0M, or 17.4%, due to an increase in retirees and their associated health benefits. \$750,000 of this increase is due to a number of active employees retiring as a result of the County's retirement incentive program. This increase is largely offset by a reduction in the Health and Fringe budget in the General Fund as most of the positions held by these retirees were eliminated.

Special Revenue Fund

- Hotel Rental Tax decreases \$0.1M, or 31.0%, due to the impact of the economy on travel and hotel use.
- Cable Franchise Fees increase \$1.1M, or 132.2%, to transfer funds to the Capital Fund for Carroll Community College Technology.