

A Quick Guide to the FY 11 Recommended Budget

Department of Management and Budget

Introduction

The combined Recommended Operating and Capital Budget books are 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 Recommended Budget is the Department of Management and Budget's recommendation to the Commissioners of expenditures that are consistent with the Commissioners' goals and fundable within projected revenues. The Commissioners will make changes to Management and Budget's recommendation after considering agency appeals and public input.

Management and Budget will meet with the Commissioners again in April to develop the Commissioners' Proposed 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 7:30 PM on May 5, 2010. Budget adoption is scheduled in Room 311 of the County Office Building on May 24, 2010. The Recommended Budget and the Proposed Budget will be 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 recommended 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. The County is projecting the reduction in Highway User Revenue to be a permanent cut in funding.

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 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 recommendations have been made 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, Mount Airy Middle School, Market Street Extended, Hampstead Waste Water Treatment Plant, Krimgold Park, Obrecht Road, and Land Bank.

The Operating Budget

Revenues

- The FY 11 Recommended Budget is down \$5.5M or 1.6% from the FY 10 Budget. Other than Real Property Tax increasing by \$8.5M, 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.
- Real Property Tax growth is approximately 4.6%. This is a significant drop from 10.5% 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 \$0.5M 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 number of transactions and the value per transaction. The number of home sales began to drop in FY 06 and continued into FY 09. However, recent data from the end of FY 09 and the first half of FY 10 is showing a 10% increase. The value per transaction leveled off in FY 07, began to drop in FY 08, and decreased even further into FY 09. Prices are continuing to drop in FY 10, but the pace has slowed. With the number of units sold increasing and the days on the market dropping by 5%, 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 decreases \$2.8M due to funding at MOE.
- 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 \$0.2M, or 6.8%, primarily due to the elimination of an Emergency Management Specialist and three Emergency Communications Specialists.
- Sheriff's Office increases \$0.3M, or 2.7%, due to the addition of nine Deputies to replace nine Resident Troopers. Even though this budget is going up, the total savings from this change in law enforcement will save the County nearly \$400,000 annually beginning in FY 12.
- Public Safety Other decreases \$1.0M, or 6.1%, due to eliminating nine Resident Troopers and replacing them with nine Sheriff Deputies.

Public Works Summary

- Public Works decreases \$0.6M, or 5.1%, 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.

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 are 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 are shifted to the Housing grant.
- Citizen Services Other decreases \$0.2M, or 2.8%, due to the County no longer providing direct funding to the State Department of Social Services. However, legal services administered by the County Attorney's Office and reimbursed by the State, will continue to be provided to DSS clients.

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 \$0.6M, or 3.9%, 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 \$2.3M, or 8.8%, 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.
- Technology Services increases \$0.1M, or 2.0%, due to purchasing mobile data terminals for the nine new deputies who will replace nine resident troopers.
- 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 \$0.3M, or 10.3%, 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.
- 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.

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.