

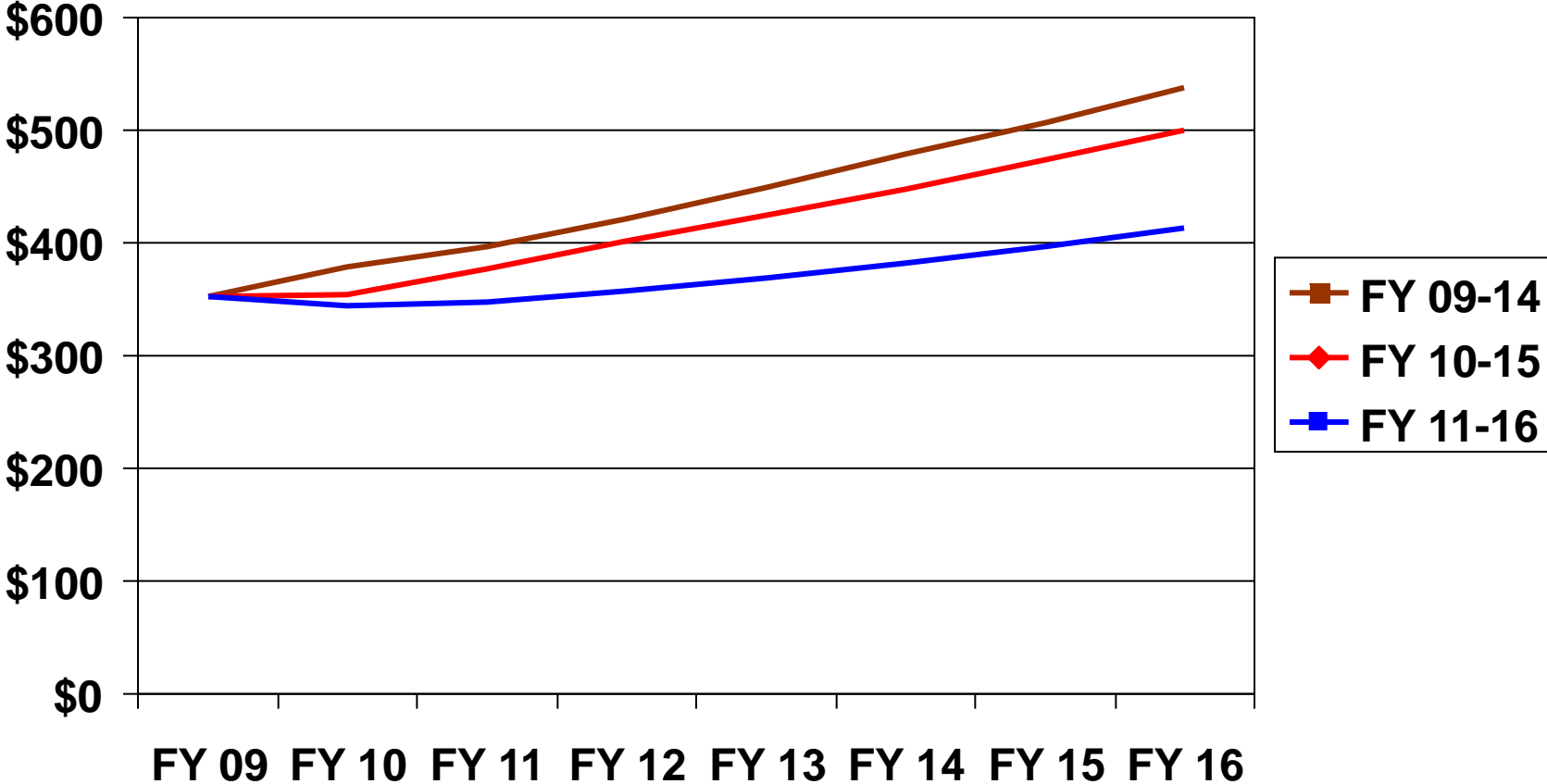
# Recommended FY 11 Budget and FY 11-16 Plans

Presentation to the  
Commissioners  
March 23, 2010

# Core Messages

- We are experiencing a downward shift in revenues.

# Downward Shift in Revenue



# Core Messages

- We are experiencing a downward shift in revenues.
- In addition to cuts we've already made, additional cuts in FY 11-16 funding of services, facilities and infrastructure will be necessary.
- There are still significant unknowns.

# From Tight to Impossible

In millions		FY 11	FY 12	FY 13	FY 14	FY 15
Adopted Balance		\$1.2	\$2.0	\$5.7	\$4.4	\$6.7
%		0.3%	0.5%	1.4%	1.0%	1.4%

In millions		FY 11	FY 12	FY 13	FY 14	FY 15
Revised Revenues		(\$27.4)	(\$38.5)	(\$47.8)	(\$59.9)	(\$70.1)
%		(7.9%)	(10.7%)	(12.9%)	(15.6%)	(17.6%)

# Recommended Plan

A plan we can all dislike

# Op Plan Balances

Revised	FY 11	FY 12	FY 13	FY 14	FY 15
Balance	(\$27.4)	(\$38.5)	(\$47.8)	(\$59.9)	(\$70.1)
% of Budget	(7.9%)	(10.7%)	(12.9%)	(15.6%)	(17.6%)

Recom.	FY 11	FY 12	FY 13	FY 14	FY 15
Balance	\$1.5	\$3.4	\$3.0	\$1.4	\$0.6
% of Budget	0.4%	0.9%	0.8%	0.4%	0.2%

# Breaking News

- Senate Budget & Taxation Committee vote:
  - HUR cuts to be permanent
  - Transition of school, college and library retirement costs beginning in FY 12

# Op Plan Balances

Recom.	FY 11	FY 12	FY 13	FY 14	FY 15
Balance	\$1.5	\$3.4	\$3.0	\$1.4	\$0.6
% of Budget	0.4%	0.9%	0.8%	0.4%	0.2%

After B&T	FY 11	FY 12	FY 13	FY 14	FY 15
Balance	\$1.5	\$1.9	(\$2.9)	(\$8.9)	(\$10.1)
% of Budget	0.4%	0.0%	0.1%	(2.3%)	(2.5%)

# Core Messages

- We are experiencing a downward shift in revenues.
- In addition to cuts we've already made, additional cuts in FY 11-16 funding of services, facilities and infrastructure will be necessary.
- There are still significant unknowns.

# A Little Background

And a few thoughts

# We Planned for a Slowdown...

- ...but not for this slowdown.
- During the good years we kept an eye on the future.
- In FY 09, we put aside funding against uncertainty.
- FY 10 was just a ½% increase over FY 09.

# FY 10 Mid-Year Changes

- Revenue continued to fall and the State made a series of cuts leading to a projected \$11M shortfall.
- The Commissioners approved \$15M of expenditure side changes.
  - Canceled Gravel Road capital projects
  - Reduced funding on several capital projects
  - Halted pavement preservation for one year
  - Extended hiring freeze
  - Earmarked Reserve funding
  - Other operations savings

# Everyone is Being Hurt

- Cost and demand for services continue to increase
- Stagnant or decreasing State funding
- Fund raising difficulties
- Flat or decreasing County funding

# Everyone is Being Hurt

- Not everyone is being impacted the same
- Everyone has had to adjust
- So far, no one has had to take actions comparable to the Commissioners'

# What You Will Hear

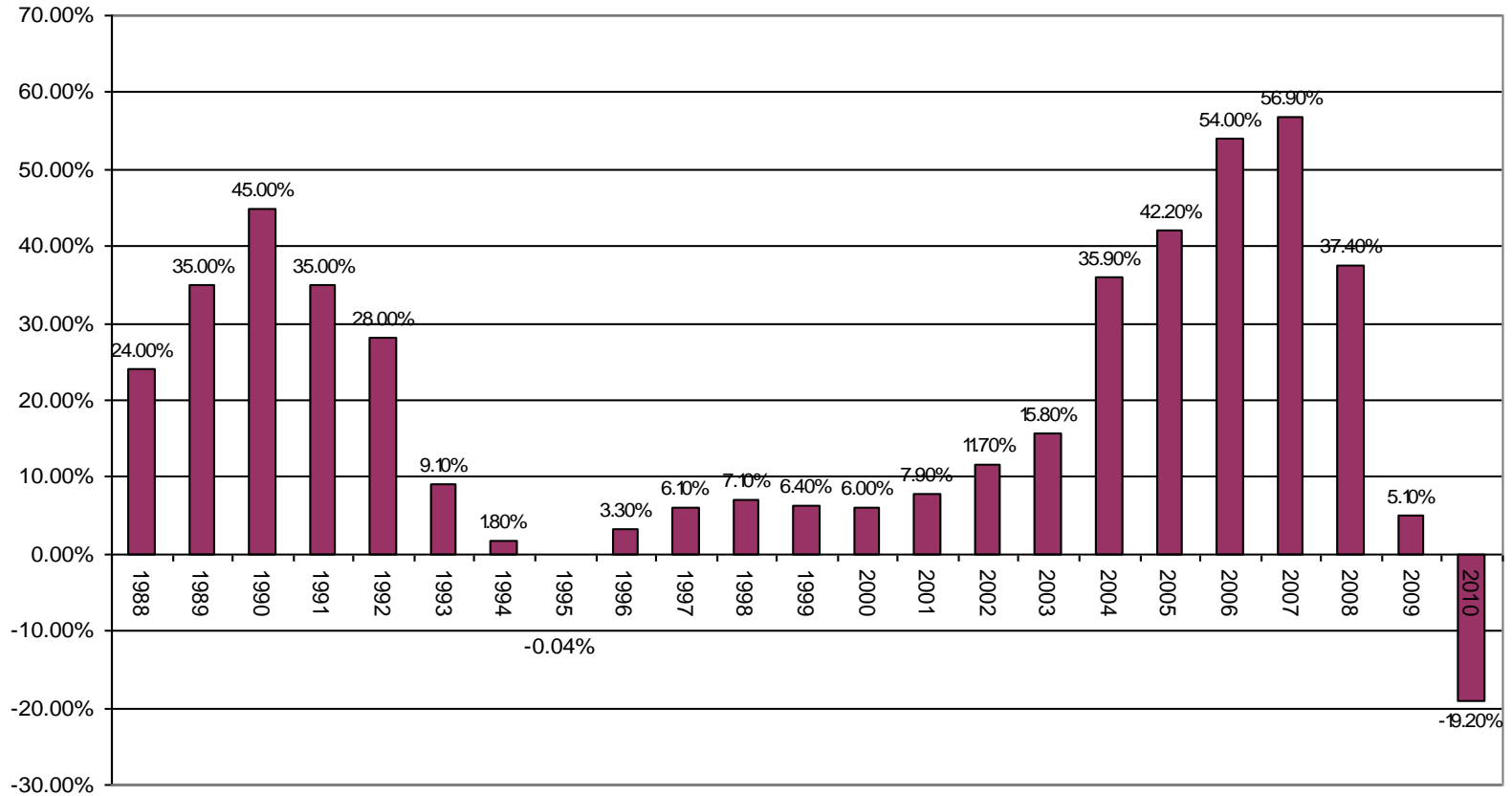
- Some change will strike people as being unfair.
- Everyone will say: “I understand you have to make cuts, but you can’t cut my budget. It is too important.”
- Those who are cut will say: “Why my budget and not someone else. How can you fund that and not this.”

# Little Growth in the Budget

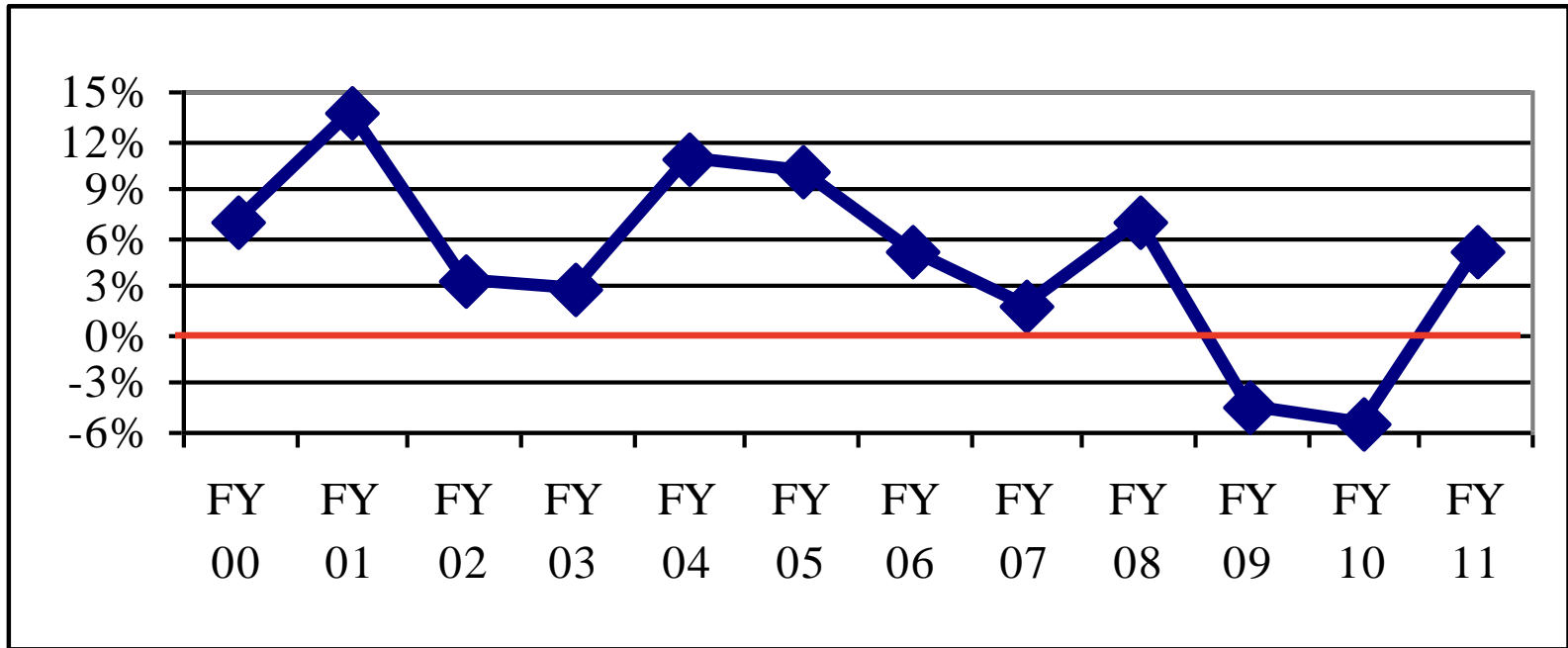
- FY 09 \$353.0M
- FY 10 \$354.5M
- FY 11 \$349.0M
- FY 12 \$360.4M

# A Little Revenue History

# Assessment History

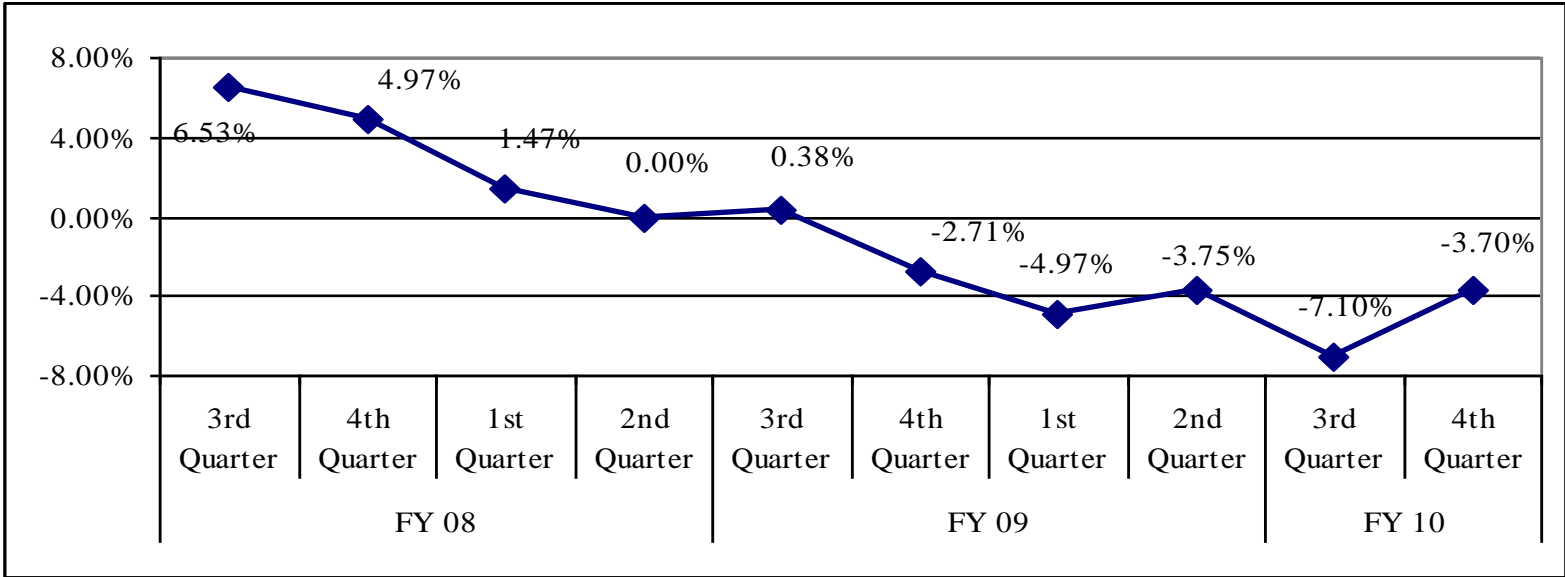


# Income Tax Growth Rates

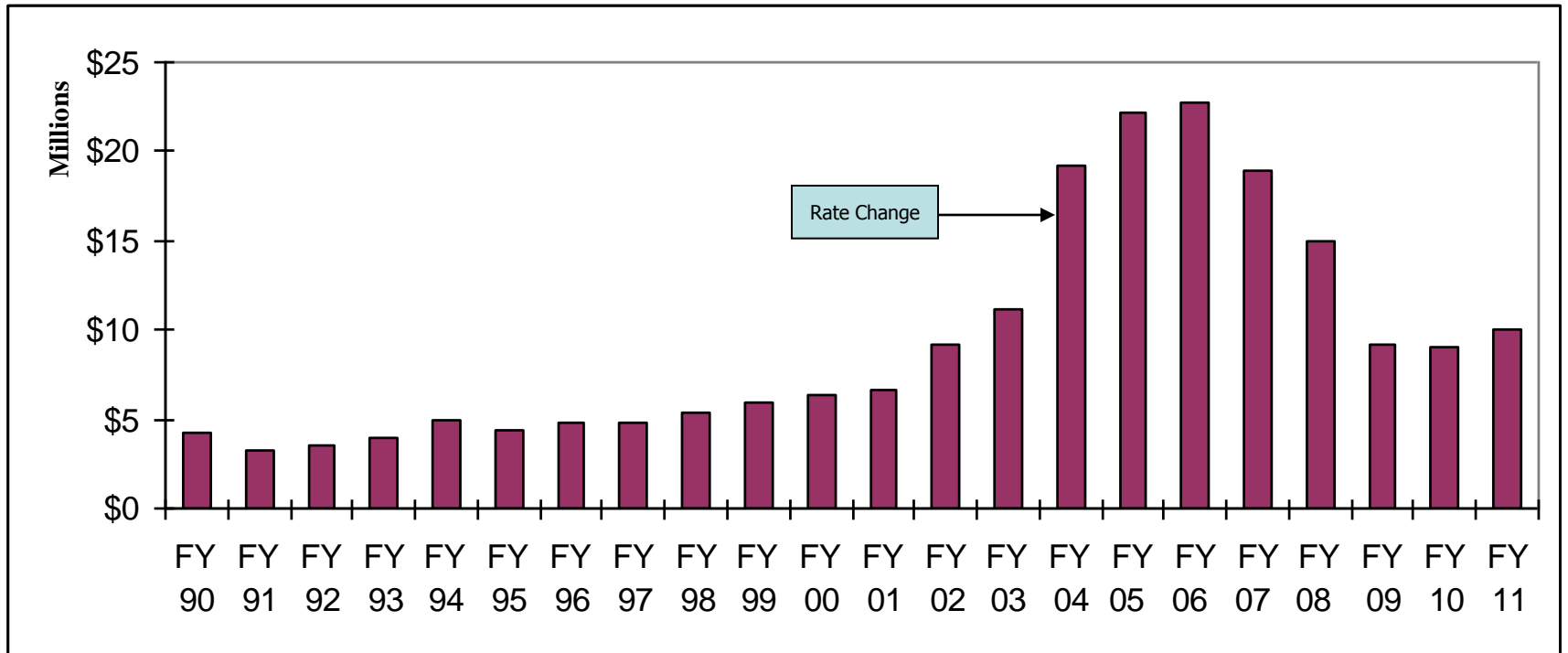


Adjusted for the FY 04-05 rate change

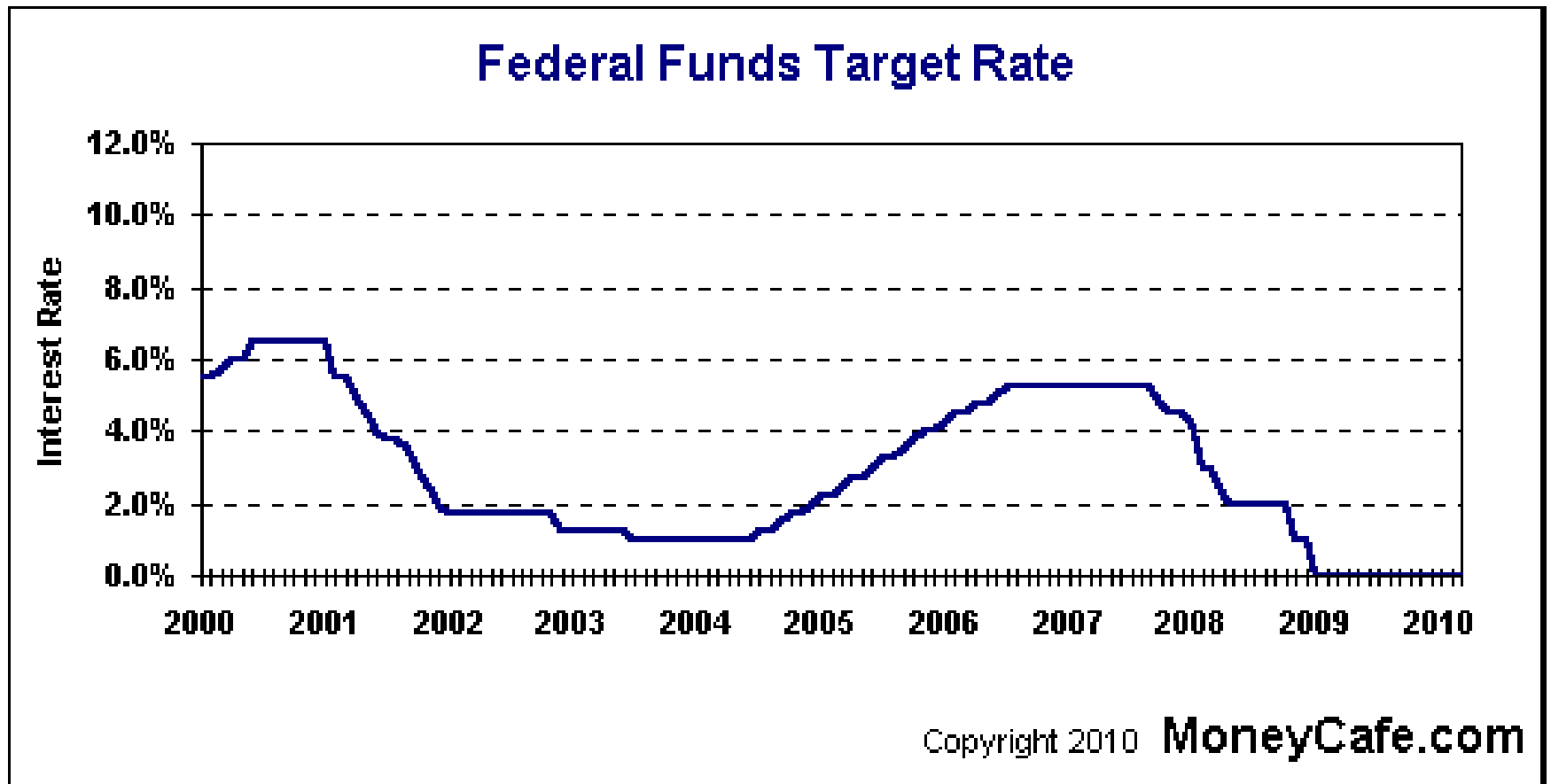
# Income Tax Quarterly Distributions Growth Rates



# Recordation Revenue



# Interest Rates



# FY 10 Revenues

We planned for revenues to weaken, but we didn't see this coming.

# FY 10 Revenue Forecast

- FY 10 Budget – \$354.5M
- FY 10 Forecast – \$344.6M
- Change – (\$9.9M)

# FY 10 - Forecast to Budget

Total Change	(\$9.9)
Property Tax	3.3
Income Tax	(7.0)
Highway Users	(3.9)
Investment Interest	(0.7)
Police Aid	(0.3)
Railroad and Utilities	(0.3)
Everything Else	(1.0)

# FY 11 Revenues

# FY 11 Forecast

- FY 09 Budget - \$353.0M
- FY 10 Budget - \$354.5M
- FY 11 Budget - \$349.0M
- Change from FY 10 – (\$5.5M) or (1.6%)

# FY 11 Compared to FY 10

<i>In Millions</i>	FY 10 Budget	FY 10 Project.	FY 11 Budget	FY 10 Budget to FY 11 Budget
Total Growth	\$354.5	\$344.6	\$349.0	(\$5.5)
Property Tax	183.6	186.8	192.0	8.4
Income Tax	104.0	97.0	102.0	(2.0)
Recordation	9.0	9.0	10.0	1.0
Interest	1.7	1.0	0.9	(0.8)
HUR	4.4	0.5	0.0	(4.4)
Everything Else	25.0	23.5	24.2	(0.8)
One-Time	26.8	26.8	19.9	(6.9)

# A Startling Slowdown

FY 11 revenues that are projected to be lower than FY 08 actuals:

- Income tax
- Recordation
- HUR
- Interest
- Permits

# Revenue – Looking Ahead and a Little Bit Back

- Property tax
  - South Carroll assessments dropped almost 20%
  - Next year will likely be another negative
  - Homestead Tax Credit winding down
  - Years of low growth
- Income tax
  - Recovery ahead?
  - FY 12 will be below FY 08
  - FY 13 we begin repaying the money the State took from us in FY 10

# Revenue – Looking Ahead and a Little Bit Back

- Recordation
  - We've probably hit bottom
  - Return to FY 08 level in FY 16
  - Will we ever return to the FY 06 high?
- HUR
  - State cuts all but \$500K in FY 10
  - State keeps FY 11 funding at the FY 10 level
  - Assume HUR never comes back
- Interest
  - Our average rate has been below 1% since last May
  - Our portfolio is below FY 08 level

# A Recommended Plan

# The Recommendation

- This is only possible because of the actions we've already taken
- Not an across-the-board cut, but there is an element of across-the-board
- Some targeted reductions and eliminations
- Reduced rates of growth
- The Six-Year Plan is balanced...barely

# Funding Eliminated

- More than 90 Commissioner positions
- State Department of Social Services
- Technology for the School System, College and Library
- No Transfer to Capital in FY 11

# Funding Eliminated

- Georgetown Boulevard
- Minimum Security Facility
- Rowe Road
- Gravel Roads
- Water Tanks and Dry Hydrants
- South Carroll Elementary School
- Relocateable Classrooms
- Kennel Expansion

# Funding Reduced

- CCPS at Maintenance of Effort (MOE)
- Agricultural Preservation
- Replace Nine Resident Troopers with nine Sheriff Deputies
- Land Bank
- Fund Hampstead WWTP from Economic Development Infrastructure

# Funding Reduced

- Salt Facilities
- Market Street
- Mount Airy MS Modernization
- Obrecht Road
- Krimgold Park

# Reduced Rates of Growth

- No salary increases FY 10-12
- Most budgets no growth or less FY 10-12
- CCPS
  - FY 11 - MOE
  - FY 12 - Flat
  - FY 13-16 - 3%

# Reduced Rates of Growth

- Community College
  - FY 11-12 Flat
  - FY 13-16 – 3%
- Library
  - FY 11-12 Flat
  - FY 13-16 - 3%
- VESA
  - FY 11-12 Flat
  - FY 13-16 - 3%

# Reduced Rates of Growth

- General growth assumption of 3% FY 13-16
- OPEB increases by \$250,000/year instead of \$500,000.
- Transfer to Capital limited in FY 12-16

# FY 11 Operating Budget

# FY 11 Budget Summary

- 83% of budgets are either flat or smaller than in FY 10
- 17 budgets increase
  - Nine Commissioner budgets
    - 5 are directly offset by a decrease in another budget
  - Eight others
    - 1 is directly offset by a decrease in another budget

# FY 11 Budget Increases

- Debt Service
- Sheriff
- Elections

# Commissioner Budget Increases

- Collections – Department decreases
- Planning Administration – Department decreases
- Resource Management – Department decreases
- Storm Emergencies – Department decreases
- Recreation – Department decreases
- Risk
- TV Production
- County Commissioners
- Technology Services

# Non-Commissioner Increases

- Circuit Court
- Volunteer Community Service
- Sheriff Services
- CCAIC
- Soil Conservation
- Debt Service
- Town Program
- Board of Elections

# Position Reductions

# Commissioner Position Reductions

- From late FY 09 through today:
  - 93 positions (headcount)
  - Approximately 88 FTEs
  - 12% of workforce

# Change in FTE From FY 09 to Adjusted FY 10

- Commissioners
  - General Fund (78.3)
  - Enterprise (7.5)
  - Grant (2.3)
- Constitutional Offices
  - General Fund (1.0)
  - Grant (1.25)

# FY 11 – New Positions

- 9 Deputies
- 2 Commissioners
- 2 Commissioner Assistants
- 3 Contractual Seasonal Traffic Control Workers (2 FTE) in Roads
- The new Deputies and Traffic Workers will result in net savings to the County

**Schools**

# FY 11 Operating – Schools

- \$164.9M – decrease of \$2.8M or 1.7%
- MOE – the same per pupil funding as FY 10 less non-recurring costs
- The last time we funded at MOE was FY 97.
- Loss of on-going capital funding for technology

# FY 11 School Funding Change

- County MOE (\$2.8M)
- State Foundation Funding (\$1.0M)
- Federal Funding (\$750K)
- Total \$4.6M or more

# Declining Federal Role

FY 2006	\$14.0M	5.3%
FY 2007	\$12.8M	4.5%
FY 2008	\$12.6M	4.1%
FY 2009	\$12.0M	3.7%
FY 2010	\$12.9M	3.9%
FY 2011	\$12.1M	3.7%

# School Debt Service

- \$12.1M - a decrease of \$0.1M or 0.9%
- Debt Service will rise in the next several years
  - Manchester Valley HS
  - Westminster HS HVAC
  - South Carroll HS Fine Arts Addition
  - Mount Airy MS Addition

# Community College and Public Library

# FY 11 Operating – CCC

- \$6.9M – no increase from FY 10
- State funding projected to decline by \$100K from a previously cut FY 10 level
- Enrollment continues to grow

# FY 11 Operating – CCPL

- \$7.6M – no increase from FY 10.
- State Funding is flat
- Circulation and visits continue to grow

# Law Enforcement and Corrections

# Nine Troopers to Deputies

- Resident Troopers - (\$1.0M)
- Sheriff
  - On-going - \$600K
  - One Time - \$400K
- Net change
  - First year – Break even
  - On-going – (\$400K/year)

# FY 11 Operating – RTP

- \$5.1M – a decrease of \$1.0 million or 16.8%
- Nine troopers are replaced with nine deputies in the Sheriff's budget.
- Thirty-Six Resident Troopers remain

# Sheriff Services

- \$5.4M – an increase of \$400K or 7.6%
- Nine new Deputies added to replace nine Resident Troopers
- One civilian position, a Police Service Assistant, eliminated in FY 10
- FY 10 enhancement to the law enforcement pension

# Detention Center

- \$6.5M – a decrease of \$100K or 1.1%
- FY 10 enhancement to correctional officer's pension

# FY 11 Operating – Courts and State's Attorney

- Both budgets are receiving small increases
  - Courts – additional bailiff hours
  - State's Attorney – utilities for CCAIC
- Neither budget has lost staff

# FY 11 Operating – VESA/EMS

- VESA
  - \$6.3M – no increase from FY 10
- EMS
  - \$3.7M – no increase from FY 10

# Commissioner Budgets

# FY 11 Operating – Public Works

- \$10.3M – a decrease of \$0.6M or 5.1%
- Net reduction of 18 FTEs or 12.4% since FY 09
- County to assume mowing operations
  - 2 contractual FTEs added in FY 11
  - Net savings of \$100K
- Salt Stocks Replenished
  - One-time increase of \$300K

# FY 11 Operating – Economic Development

- Infrastructure
  - \$3.0M – a decrease of \$0.6M or 16.7%
  - One time expenditures in FY 09-10 for new business parks in Eldersburg and Hampstead
  - Will fund Hampstead WWTP upgrades out of this project
- Administration/BERC/Tourism
  - \$1.0M, a decrease of \$0.1M or 6.3%
  - Reduction of 2.0 FTEs or 14% since FY 09

# FY 11 Operating – General Services

- \$15.8M – a decrease of \$0.6M or 13.8%
- Reduction of 14.6 FTEs or 19% since FY 09
- Facilities
  - Operating Impacts
    - CCC Building #4
    - South Carroll Senior Center
  - Reduced energy costs
- Fleet
  - Higher fuel prices
  - Nine new police cars

# FY 11 Operating – Other Commissioner Budgets

- Human Resources
  - \$0.7M, a decrease of \$0.1M or 13.4%
  - Reduction of 4.0 FTEs or 21% since FY 09
- Planning
  - \$2.4M, a decrease of \$0.3M or 10.3%
  - Reduction of 6.0 FTEs or 11% since FY 09
- Public Safety
  - \$3.1M, a decrease of \$0.2M or 6.8%
  - Reduction of 4.0 FTEs or 10% since FY 09

# FY 11 Operating – Other Commissioner Budgets

- Citizen Services
  - \$0.9M, a decrease of \$0.3M or 23.2%
  - Reduction of 5.3 FTEs or 20% since FY 09
- Comptroller
  - \$1.9M, a decrease of \$0.1M or 7.1%
  - Reduction of 2.2 FTEs or 6% since FY 09

# FY 11 Operating – Other Commissioner Budgets

- Management and Budget
  - \$4.7M – an increase of \$1.8M or 66.1%
  - Rebalancing the ISF in Risk
  - Reduction of 2.0 FTEs or 11% since FY 09
- Rec and Parks
  - \$1.8M – a decrease of \$0.1M or 6.6%
  - Reduction of 7.0 FTEs or 16% since FY 09
  - Reduction in programming and hours

# FY 11 Operating – Other Commissioner Budgets

- Farm Museum
  - \$0.7M – a decrease of \$0.1M or 11.0%
  - Reduction of 2.6 FTEs or 20% since FY 09
  - Reduction in programming
- County Attorney
  - \$1.1M, a decrease of \$0.1M or 5.6%
  - Reduction of 2.6 FTEs or 14% since FY 09

# FY 11 Operating – Debt Service

- \$27.3M – an increase of \$3.5M or 14.8%
  - \$2.0M for new bond debt issued
  - \$1.5M for IPAs
- Will rise in the next several years
  - College Classroom Building # Four
  - Water Development/Quality initiatives
  - Digital 911
  - IPA's

# FY 11 Operating – Health Costs

- \$9.0M – a decrease of \$3.4M or 27.7%
  - Rebalancing of the ISF
  - Retirement incentive shifted enrollment from active to retirees
  - Overall workforce reduction
  - Projected increase in medical costs
  - 13 new positions

# FY 11 Operating – OPEB

- \$7.3M – an increase of \$1.1M or 10.7%
  - Retirement incentive shifted enrollment from active to retirees
  - Medical cost growth
  - \$250K additional towards future liability
- 3<sup>rd</sup> year of plan to implement GASB 45

# FY 11 Operating – Retirement

- \$3.9M – an increase of \$200K or 5.2%
- Additional funding is provided for an enhanced law enforcement pension, including the nine new deputies

# Non-Profits

# FY 11 Operating – Non-Profits

- Held flat FY 10-12
- Many of the non-profits are provided space by the County

# The Operating Plan

FY 11-16

# Op Plan Balances

Recom.	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16
Balance	\$1.5	\$3.4	\$3.0	\$1.4	\$0.6	\$2.9
% of Budget	0.4%	0.9%	0.8%	0.4%	0.2%	0.7%

- Flat funding or less in FY 11 for most budgets
- Flat funding in FY 12 for most budgets
- 3% Growth in FY 13-16 for most budgets
- Assumes HUR doesn't return

# FY 12-16 – Positions

- 9 New Positions for FY 12-16
  - 7 Law Enforcement Positions
  - 2 Technology Services

# FY 12-16 Operating Impacts

- Debt service associated with IPA's
- Full-Day K Additions
- Mount Airy Middle School Addition
- Winchester Building Elevator
- Phone Replacement
- Krimgold Park
- Records Management
- Fleet Tire Changing (Net Savings)

# FY 11 Capital Budget

# FY 11 Capital Budgets

Fund	FY 10 Budget	FY 11 Recom	Change
Capital Fund	\$93.1M	\$52.4M	(\$40.7M)
Airport	68.7M	0.0M	(68.7M)
Solid Waste	0.3M	0.1M	(0.2M)
Utilities	1.8M	3.3M	1.5M
Total	\$163.9M	\$55.8M	(\$108.1M)

# Changes from Preliminary Recommended CIP

- Removed
  - Georgetown Boulevard
  - Minimum Security Facility and Detention Center Renovation
  - Hampstead WWTP
  - School/College/Library Technology
  - Rowe Road

# Changes from Preliminary Recommended CIP

- Reduced
  - Obrecht Road
  - Agricultural Land Preservation
  - Land Bank
  - Overlays
  - Homestead Renovations
  - Voting Machines
- Added
  - Records Management

# FY 11 Capital – Schools

- Additions
  - Robert Moton Full-Day K
  - Mount Airy MS
- Systemics
  - Roofs
  - HVAC
  - Parking
- Concerns about State Funding
- Relocateable Classrooms eliminated
- Technology Funding eliminated

# MAMS – Plan and Risks

- Plan
  - \$12M County
  - \$12-13M State
  - \$5M transfers
  - Reduce cost
- Risks
  - State might not come through
  - Loss of State funding for other projects
  - Costs could come in higher
  - Road Improvements

# FY 11 Capital – Conservation

- Agricultural Preservation - \$5.6M
- Rural Legacy - \$1.5M
- Water Quality - \$4.0M
  - Environmental Compliance
  - Patapsco Road Watershed
  - Stormwater ponds
  - NPDES
- Water Development - \$5.5M

# FY 11 Capital – Public Works

- Roads – \$11.3M
  - Overlays – \$4.7M
  - Neighborhood Overlays – \$2.0M
  - Low Volume Overlays – \$1.4M
  - Ridge Road – \$2.8 M
- Bridges – \$0.7M
  - Bixlers Church Road over Big Pipe Creek (Design)
  - Shepherds Mill over Little Pipe Creek (Design)
  - White Rock Road over Piney Run (Design)

# FY 11 Capital – Parks

- Limited new funding
  - Bennett Cerf revitalization
  - Piney Run paving
- Development of four new parks
  - Krimgold
  - Leister
  - Westminster
  - West Carroll
- Concerns about POS

# FY 11 Capital – General Government

- 911
- Technology
- Library Improvements – State Grant
- Winchester Elevator – School system to pay for with closed CIP Projects
- Voting Machines – the new new system has been deferred
- Tire Changing Station – operating savings
- Humane Society Infrastructure and Storage

# Concerns

As if it wasn't bad enough

# Concerns – The Economy

- Will there be a second recession?
- How long will the job recovery take?
- What will happen in the housing market?

# Concerns about the State

- State General Fund
  - FY 08 Actual - \$13.5B
  - FY 09 Budget - \$14.5B
  - FY 09 Actual - \$12.9B
  - FY 10 Budget - \$13.0B
  - FY 10 Projected - \$12.3B
  - FY 11 Projected - \$12.7B
- The Federal stimulus money creates some difficulties.

# Concerns – State Budget

- Cuts to Direct County Aid
  - Highway User
  - Program Open Space
  - Police Aid
- Cuts to Agencies the County Jointly Funds with the State
  - Schools
  - Library
  - Community College
  - Health Department

# Concerns about State Actions

- Cuts to Reimbursements
  - State Prisoners
  - Legal Services for DSS
  - Juvenile Masters
- Pass on Costs to the County
  - Teacher Retirement (Schools, College and Library)
  - Assessment Costs (Property Tax)

# Changing State Role

- The flow of taxes to Annapolis continues.
- The role of the State in funding local government services is diminishing.

# Summary

- Significant changes were necessary to balance the impact of the recession and State cuts.
  - Everyone is being hurt, but some more than others
  - Over 90 Commissioner positions have been eliminated in the past two years
  - No salary increases in FY 10-12
  - Schools funded at Maintenance of Effort
  - Nine Deputies to replace nine Resident Troopers
- The impact of State decisions could force additional changes.

# The Rest of the Process

- Agency meetings – to be scheduled
- Proposed work sessions – April 13-15
- Proposed Budget press conference - April 22
- Public Hearing on the Budget – May 5
- Budget Adoption – May 24