

Dorchester County, Maryland

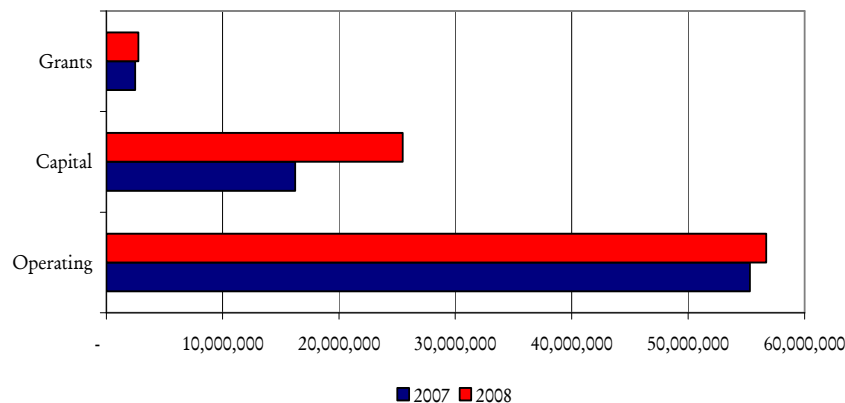
Adopted Budget Message

Fiscal Year 2007-2008

I am pleased to present the adopted Fiscal Year 2007-2008 annual budget for Dorchester County. The budget is balanced and has been prepared in accordance with the County Charter and County Council's guidelines, objectives, and fiscal policies. In conjunction with the budget summary, this message is written to give the public a broad picture of the FY 2007-2008 budget.

The primary purpose of the County's budget and budgetary process is to develop, adopt, and implement a plan for accomplishing goals for the upcoming year; consistent with the long-term vision of the County. The budget must meet the overriding objectives of maintaining a responsive local government, comparatively low property taxes, high service levels, and a strong financial position. I am confident that the actions contained in this spending plan meet all of those objectives.

The adopted budget totals \$84.9 million, an increase of \$10.9 million or 14.7% compared to the current year's adopted budget. As shown in the graphic below, of the three budget types, operating, capital and grants, the primary increase is in the capital budget, followed by a small increase in the operating budget.



Following is a summary of the more significant changes by budget type and service area.

The Operating Budget

The adopted operating budget totals \$56.7 million, an increase of \$1.4 million or 2.5%.

The key goals of the budget process were (1.) no tax rate increases, (2.) municipal property tax relief, (3.) competitive salaries (4.) minimal, if any, growth in services due to fiscal uncertainty, (5.) continued compliance with our Reserve Fund fiscal policy, and (6.) funding towards the County's post-employment benefit as defined by Governmental Accounting Standards Board Statement 45. The adopted operating budget meets all of the above goals.

No Tax Rate Increase

The County Council adopted a real property tax rate of \$0.896 per \$100 of assessed value, which is unchanged from the previous fiscal year. Property taxes are the main source of funding for the majority of services directly provided by County government and its related agencies. Though the County's assessment values have been growing, our local government has proactively lowered the tax rate in 2 of the past 3 fiscal years, while selectively growing the budget according to our residents needs. The County's tax rate for FY 2008 will maintain our position among Maryland counties with the lowest tax rates.

Municipal Property Tax Relief

The adopted budget includes new tax relief targeted towards municipalities who provide services duplicative of services provided by the County. This relief, known as a tax differential, is in the form of a decreased county property tax rate within the municipal limits. The County will decrease its property tax rate by \$0.025 in the City of Cambridge, and \$0.004 in the Town of Hurlock.

Competitive Salaries

The challenge of delivering County services in all fields cannot be met without qualified and dedicated staff. Yet we cannot continue to deliver outstanding customer service without the ability to competitively recruit new hires as well as retain our existing staff. That is why the Council felt strongly that we must maintain our staff compensation at regionally competitive levels. Accordingly, the adopted budget includes as a cost of living adjustment (COLA) and step increment.

Minimal, if any, Growth in Services Due to Fiscal Uncertainty

The General Fund operating budget will grow by only 1.2%, from \$51.5 million to \$52.2 million. This minimal increase is represented by growth in economic development, employee retirement, GASB 45, public safety, and recreation & parks and partially offset by reductions in public works, debt service, and capital budget pay-as-you-go funding.

Reserve Fund

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Credit rating agencies carefully monitor fund balance levels to evaluate a government's continued creditworthiness and bond rating. Consequently, the County's fiscal policy on stabilization funds is a best practice in budgeting because we are fiscally prepared for economic downturns and/or emergencies, as well doing all that we can to lower our costs of borrowing. The County's Strategic Reserve Fund balance is targeted to equal 5% of General Fund Operating Revenues. The adopted operating budget contains funding sufficient to meet this goal.

GASB 45

The Governmental Accounting Standards Board Statement of Accounting Standard No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" will require Dorchester County to report its retiree health benefits on an accrual basis beginning in Fiscal Year 2009. This significant accounting change is being proactively addressed in the adopted budget by setting aside \$1 million in a trust dedicated for this purpose. Even with this strong commitment, the County is still short of its estimated annual required contribution by approximately \$0.8 million.

The following table compares the adopted 2008 operating expenditures budget with the previous budget:

Operating Budget Expenditures	Adopted 2007	Adopted 2008	\$ Change	% Change
General Fund:				
General Government	\$4,367,653	\$4,628,471	\$260,818	5.97%
Public Safety	\$9,330,007	\$10,258,734	\$928,727	9.95%
Social Services	\$418,884	\$440,845	\$21,961	5.24%
Public Works	\$5,355,758	\$4,731,451	(\$624,307)	-11.66%
Miscellaneous-Employee Benefits	\$2,841,661	\$3,367,360	\$525,699	18.50%
Miscellaneous-Capital PAYGO	\$4,711,873	\$3,096,267	(\$1,615,606)	-34.29%
Miscellaneous-Reserve, Contingency, GASB45	\$409,868	\$1,396,599	\$986,731	240.74%
Miscellaneous-Other	\$533,637	\$511,766	(\$21,871)	-4.10%
Recreation & Parks	\$499,072	\$571,004	\$71,932	14.41%
Natural Resources	\$419,859	\$443,212	\$23,353	5.56%
Economic Development	\$547,543	\$682,114	\$134,571	24.58%
Debt Service	\$3,812,895	\$3,385,279	(\$427,616)	-11.21%
Education	\$17,335,042	\$17,607,158	\$272,116	1.57%
Health	\$952,000	\$1,035,000	\$83,000	8.72%
Operating Budget – General Fund	\$51,535,752	\$52,155,260	\$619,508	1.20%
Special Revenue Funds	\$726,795	\$863,703	\$136,908	18.84%
Enterprise Funds	\$3,051,230	\$3,695,393	\$644,163	21.11%
Operating Budget - All Funds	\$55,313,777	\$56,714,356	\$1,400,579	2.53%

Significant Changes in Operating Budget Expenditures

General government expenditures include the Council’s Office, Circuit Court, Orphan’s Court, State’s Attorney’s Office, Elections, Finance, Human Resources, Information Technology, Other General Government, Planning & Zoning, Library, and Building Maintenance. The primary increases within General Government are increases in property insurance, adding one District Court clerk in the State’s Attorney’s Office, adding one custodian in building maintenance, and the COLA and step increment.

Public safety expenditures include the Sheriff’s Office, Volunteer Fire Company appropriations, Emergency Medical Services (ALS), 911 Emergency Communications, Emergency Management, and Animal Control. The primary increases within this category are adding the Sex Offender Registry position and one patrol deputy in the Sheriff’s Office, and the COLA and step increment.

Public works expenditures include the Highway Division and Engineering Division. The primary decrease within this category are reductions made possible by meeting our goals for reserves for highway & snow emergencies.

Miscellaneous-Employee Benefits increase is primarily due to a retirement rate increase adopted by the Maryland State Retirement Agency, of which the County is a participating member.

Miscellaneous-Capital PAYGO, or pay-as-you-go, is a best practice budgeting strategy where current operating funding is used instead of debt proceeds to meet capital needs. The County’s fiscal policy on the use of non-recurring revenues requires us to use one-time, non-recurring revenue sources for one-time, non-recurring expenditures. Pursuant to that policy, the fund balance remaining from prior fiscal years is used for capital

PAYGO expenditures. The adopted budget reflects a reduction in capital PAYGO due to the decreased fund balance brought forward from a prior fiscal year.

Miscellaneous-Reserve, Contingency, GASB45 reflects a large increase due to the County's contribution towards its GASB 45 liability. The adopted budget includes a contribution of \$1.0 million towards our annual requirement. While the County is not required to make this commitment in the current fiscal year, early implementation is recommended by the Governmental Accounting Standards Board, and this will help the County's bond rating in future debt issuances, thereby lowering our interest costs.

Recreation & Parks is increasing primarily from the addition of one program coordinator, and to a lesser extent, the COLA and step increment.

Economic Development is increasing primarily from the addition of one manager for business expansion and retention, and to a lesser extent, the COLA and step increment.

Education expenditures include appropriations to the Board of Education (\$16.6 million) and Chesapeake College (\$1.0 million). Combined, these expenditures account for 34% of our general fund operating budget. Changes include new funding of \$224,856 for schools and \$47,260 for higher education.

The following table compares the adopted 2008 operating revenues budget with the previous budget:

Operating Budget Revenues	Adopted 2007	Adopted 2008	\$ Change	% Change
General Fund:				
Property Taxes	\$21,893,457	\$24,362,882	\$2,469,425	11.28%
Income Taxes	\$10,700,000	\$9,600,000	(\$1,100,000)	-10.28%
Other Taxes	\$4,438,000	\$4,465,359	\$27,359	0.62%
Licenses and Permits	\$350,565	\$326,100	(\$24,465)	-6.98%
Federal, State, and Local	\$7,047,174	\$7,665,525	\$618,361	8.77%
Service Charges	\$2,069,638	\$2,717,379	\$647,741	31.30%
All Other	\$5,036,918	\$3,018,015	(\$2,018,903)	-40.08%
Operating Budget - General Fund	\$51,535,752	\$52,155,260	\$619,508	1.20%
Special Revenue Funds	\$726,795	\$863,703	\$136,908	18.84%
Enterprise Funds	\$3,051,230	\$3,695,393	\$644,163	21.11%
Operating Budget - All Funds	\$55,313,777	\$56,714,356	\$1,400,579	2.53%

Significant Changes in Operating Budget Revenues

Assessable base growth of \$387 million or 17.08% is driving the growth in property tax revenue, somewhat offset by the increase in the homestead credit approved by the County in Fiscal 2007. Job losses are part of the \$1.1 million decline in income taxes. Service Charges includes estimated growth in EMS billing, federal inmate housing, pipe sales, and road construction agreements. All Other category is decreasing primarily due to a decline in prior year fund balance being re-appropriated into the proposed budget.

The Capital Budget

The adopted capital budget totals \$25.5 million, an increase of \$9.2 million or 56.8% over the previous year's adopted capital budget. The following tables summarize the capital budget by function and source of funding:

Function	Amount
General Government	419,938
Public Safety	2,124,933
Social Services	29,000
Public Works	1,355,000
Education	5,731,924
Recreation & Parks	41,500
Economic Development	123,315
Transfer Tax Fund	1,346,859
Excise Tax Fund	2,700,000
Airport Fund	5,726,800
Landfill Fund	5,864,000
Total Budget	\$25,463,269

Sources of Funding	Amount
General Fund PAYGO	3,096,267
Landfill Fund PAYGO	5,864,000
Transfer Tax Fund PAYGO	1,346,859
Excise Tax Fund PAYGO	2,700,000
Debt	6,428,143
Federal Aid	5,688,000
State Aid	340,000
Total Funding	\$25,463,269

Major projects in the proposed capital budget include \$6.6 million for replacement of North Dorchester Middle School, \$5.6 million for extension of airport runway 16/34 (phase II), \$5.6 million for new cell design and construction at the landfill, \$2.5 million for replacement of the School of Technology, \$1.4 million for the construction of a new EMS station, \$0.5 million for the repair of Bestpitch Ferry Bridge, \$250,000 for non-systemic school projects, and \$250,000 for replacement of tri-axle trucks in highways.

The Grant Budget

The adopted grant budget totals \$2.8 million, an increase of \$0.3 million or 11.4%. Anticipated grant funded programs are noted below by department, grant name, and funding source.

Department and Grant Name	Federal Share	State Share	Other Share	Total
<u>Circuit Court:</u>				
Family Services	\$0	\$201,389	\$3,500	\$204,889
<u>State's Attorney:</u>				
MACRO	\$0	\$36,469	\$0	\$36,469

Department and Grant Name	Federal Share	State Share	Other Share	Total
<u>Planning & Zoning:</u>				
Critical Areas	\$50,000	\$0	\$0	\$50,000
<u>Sheriff's Office:</u>				
Marijuana Eradication	\$1,000	\$0	\$0	\$1,000
Protective Vests	\$10,000	\$0	\$0	\$10,000
<u>LMB-Child and Family Services:</u>				
Local Management Board	\$0	\$1,781,611	\$0	\$1,781,611
<u>Highways:</u>				
Waterway Improvement Projects	\$0	\$190,000	\$0	\$190,000
<u>Recreation & Parks:</u>				
Program Open Space	\$0	\$296,100	\$32,900	\$329,000
<u>Tourism:</u>				
Tourism Marketing Tier II Grant	\$0	\$45,000	\$0	\$45,000
MHAA Implementation Grant	\$0	\$10,000	\$10,000	\$20,000
MHAA Operating Grant	\$0	\$75,000	\$5,000	\$80,000
SHA Scenic Byways	\$0	\$0	\$14,000	\$14,000
Total	\$61,000	\$2,635,569	\$65,400	\$2,761,969

We believe this adopted budget reflects our firm commitment to Dorchester County's future. With well-defined direction and continued efficient management of our resources, we are optimistic that Dorchester County has a promising future with opportunities to offer a growing community. We present the Fiscal Year 2007-2008 Adopted Budget with the hope of a bright and prosperous year for the County.

Respectfully submitted,

Jane Baynard
County Manager