

Dorchester County, Maryland

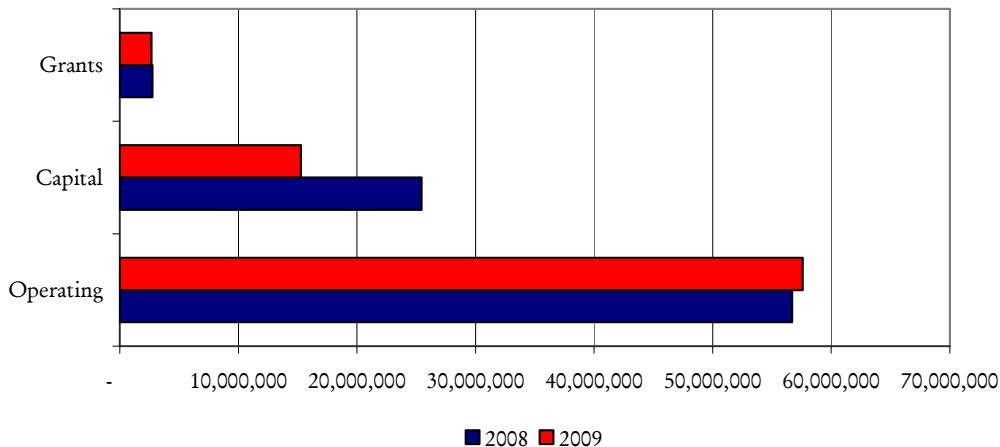
Adopted Budget Message

Fiscal Year 2008-2009

I am pleased to present the adopted Fiscal Year 2008-2009 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 adopted budget summary, this message is written to give the public a broad picture of the adopted FY09 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 recommendations contained in this approved spending plan meet all of those objectives.

The adopted budget totals \$75.6 million, a decrease of \$9.4 million or -11.02% compared to the prior year's adopted budget. As shown in the graphic below, of the three budget types, operating, capital and grants, the primary decrease 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 \$57.6 million, an increase of \$0.9 million or 1.6%.

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

award program. The adopted operating budget meets all of the above goals except one; the one not included is the fireman length of service award program. The current economy is simply not strong enough at this time to incorporate this very worthwhile endeavor.

No Tax Rate Increase

Dorchester County approved 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 4 fiscal years, while selectively growing the budget according to our residents needs. The County's adopted tax rate for the upcoming year will maintain our position among Maryland counties with the lowest tax rates.

Municipal Property Tax Relief

The adopted budget continues 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 proposes to decrease its property tax rate by \$0.046 in the City of Cambridge and the Town of Hurlock.

Employee Compensation

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 only.

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

The General Fund operating budget will grow by only 1.9%, from \$52.2 million to \$53.1 million. This minimal increase is represented primarily by growth in public safety and education, the two core components of local government services, and partially offset by reductions in 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 \$1.2 million in a trust dedicated for this purpose. With this strong commitment, the County has nearly funded its estimated annual required contribution.

The following table compares the adopted 2009 operating expenditures budget with the current budget:

Operating Budget Expenditures	Adopted 2008	Adopted 2009	\$ Change	% Change
General Fund:				
General Government	\$4,628,471	\$4,616,854	(\$11,617)	-0.3%
Public Safety	\$10,258,734	\$11,135,093	\$876,359	8.5%
Social Services	\$440,845	\$493,244	\$52,399	11.9%
Public Works	\$4,731,451	\$4,765,839	\$34,388	0.7%
Miscellaneous-Employee Benefits	\$3,367,360	\$3,791,099	\$423,739	12.6%
Miscellaneous-Capital PAYGO	\$3,096,267	\$2,028,433	(\$1,067,834)	-34.5%
Miscellaneous-Reserve, Contingency, GASB45	\$1,396,599	\$1,598,898	\$202,299	14.5%
Miscellaneous-Other	\$511,766	\$464,500	(\$47,266)	-9.2%
Recreation & Parks	\$571,004	\$622,587	51,583	9.0%
Natural Resources	\$443,212	\$449,587	6,375	1.4%
Economic Development	\$682,114	\$603,387	(\$78,727)	-11.5%
Debt Service	\$3,385,279	\$2,867,963	(\$517,316)	-15.3%
Education	\$17,607,158	\$18,673,333	\$1,066,175	6.0%
Health	\$1,035,000	\$1,035,000	\$0	0.0%
Operating Budget – General Fund	\$52,155,260	\$53,145,817	\$990,557	1.9%
Special Revenue Funds	\$863,703	\$781,520	(\$82,183)	-9.5%
Enterprise Funds	\$3,695,393	\$3,681,755	(13,638)	-0.4%
Operating Budget - All Funds	\$56,714,356	\$57,609,092	\$894,736	1.6%

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, Treasurer’s Office, Finance, Human Resources, Information Technology, Other General Government, Planning & Zoning, Library, and Building Maintenance. General government expenditures will decline slightly in the upcoming year.

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 increased funding towards emergency medical services provided by the City of Cambridge and the addition of four new dispatchers in 911 Communications.

Public works expenditures include the Highway Division and Engineering Division. This category is to minimally increase.

Miscellaneous-Employee Benefits increase is primarily due to the increased costs of the Law Enforcement Officers Pension System, which is a retirement plan the Sheriff’s Office participates in, as well as increased costs of workers’ compensation insurance.

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 \$1.2 million towards our annual requirement. This funding will help the County's bond rating in future debt issuances, thereby lowering our interest costs.

Education expenditures include appropriations to the Board of Education (\$17.5 million) and Chesapeake College (\$1.2 million). Combined, these expenditures account for 35% of our adopted general fund operating budget. Approved changes include new funding of \$903,614 for schools and \$162,561 for higher education.

The following table compares the adopted 2009 operating revenues budget with the current budget:

Operating Budget Revenues	Adopted 2008	Adopted 2009	\$ Change	% Change
General Fund:				
Property Taxes	\$24,362,882	\$27,269,547	\$2,906,665	11.9%
Income Taxes	\$9,600,000	\$10,248,498	\$648,498	6.8%
Other Taxes	\$4,465,359	\$3,208,000	(\$1,257,359)	-28.2%
Licenses and Permits	\$326,100	\$276,350	(\$49,750)	-15.3%
Federal, State, and Local	\$7,665,525	\$7,216,359	(\$449,166)	-5.9%
Service Charges	\$2,717,379	\$2,535,452	(\$181,927)	-6.7%
All Other	\$3,018,015	\$2,391,611	(\$626,404)	-20.8%
Operating Budget – General Fund	\$52,155,260	\$53,145,817	\$990,557	1.9%
Special Revenue Funds	\$863,703	\$781,520	(\$82,183)	-9.5%
Enterprise Funds	\$3,695,393	\$3,681,755	(\$13,638)	-0.4%
Operating Budget - All Funds	\$56,714,356	\$57,609,092	\$894,736	1.6%

Significant Changes in Operating Budget Revenues

Net assessable base growth of \$288 million or 10.8% is driving the growth in property tax revenue, somewhat offset by the increase in the homestead credit approved by the County in Fiscal 2007, which is estimated to provide \$3.5 million in tax relief to county homeowners. Recordation taxes, which is included in the Other Taxes category, is projected to decline by \$1.2 million or 31% due to the ongoing sub-prime mortgage crisis. Service Charges includes an estimated decline in federal inmate housing of \$0.3 million or 28%. All Other category is decreasing primarily due to a decline in prior year fund balance being re-appropriated into the adopted budget.

The Capital Budget

The adopted capital budget totals \$15.3 million, a decrease of \$10.2 million or 39.9% under the previous year's adopted capital budget. The following table summarizes the capital budget by category and department.

Category	Department	Amount
General Government	Circuit Court	\$4,828
General Government	State's Attorney's Office	\$6,793
General Government	Technology	\$104,500
General Government	Planning & Zoning	\$5,395
Public Safety	911 Communications	\$159,750
Public Safety	Corrections	\$50,000
Public Safety	Emergency Medical Services	\$175,000
Public Safety	Sheriff's Office	\$156,339
Public Works	Highway	\$165,000
Public Works	Engineering	\$5,760,604
Public Works	Landfill	\$1,225,000
Education	Board of Education	\$3,788,209
Recreation & Parks	Recreation & Parks	\$7,600
Economic Development	Economic Development	\$3,682,500
Economic Development	Tourism	\$4,650
Total Budget		\$15,296,168

Capital Budget Sources of Funding

Operating Budget Transfer	Pay As You Go (PAYGO)	\$2,028,433
Debt	Bond Issuance	\$7,656,834
State Aid	Pay As You Go (PAYGO)	\$6,250
Federal Aid	Pay As You Go (PAYGO)	\$3,208,000
Transfer Taxes	Pay As You Go (PAYGO)	\$554,828
Excise Taxes	Pay As You Go (PAYGO)	\$616,823
Landfill Fund Balance	Pay As You Go (PAYGO)	\$1,225,000
Total Sources of Funding		\$15,296,168

Major projects in the adopted capital budget include \$3.6 million replacement of Bestpitch Ferry Bridge, \$2.7 million for continuation of replacement of North Dorchester Middle School, \$2.6 million for infrastructure at the Technology Park, \$1.7 million for FEMA storm damage projects, \$1.1 million for phase 1 construction of a business incubator, and \$1.0 million for landfill gas collection system.

The Grant Budget

The adopted grant budget totals \$2.7 million, an increase of \$0.1 million or 3.0%. Anticipated grant funded programs are noted below by department, grant name, and funding source.

<u>Department and Grant Name</u>	<u>Federal Share</u>	<u>State Share</u>	<u>Other Share</u>	<u>Total</u>
<u>Circuit Court:</u>				
Drug Court Coordinator	\$0	\$92,430	\$0	\$92,430
Family Services	\$0	\$198,796	\$0	\$198,796
<u>Planning & Zoning:</u>				
Critical Areas	\$44,174	\$0	\$0	\$44,174
<u>LMB-Child and Family Services:</u>				
Local Management Board	\$0	\$1,802,395	\$0	\$1,802,395
<u>Highways:</u>				
Waterway Improvement Projects	\$0	\$250,000	\$0	\$250,000
<u>Recreation & Parks:</u>				
Program Open Space	\$0	\$134,100	\$14,900	\$149,000
<u>Tourism:</u>				
Tourism Marketing Tier II Grant	\$0	\$45,000	\$0	\$45,000
MHAA Operating Grant	\$0	\$80,000	\$15,000	\$95,000
Total	\$44,174	\$2,602,721	\$29,900	\$2,676,795

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 confident that Dorchester County will maintain our high level of services to our constituency despite a slow economic recovery.

Respectfully submitted,

Jane Baynard
County Manager