



Dorchester County, Maryland

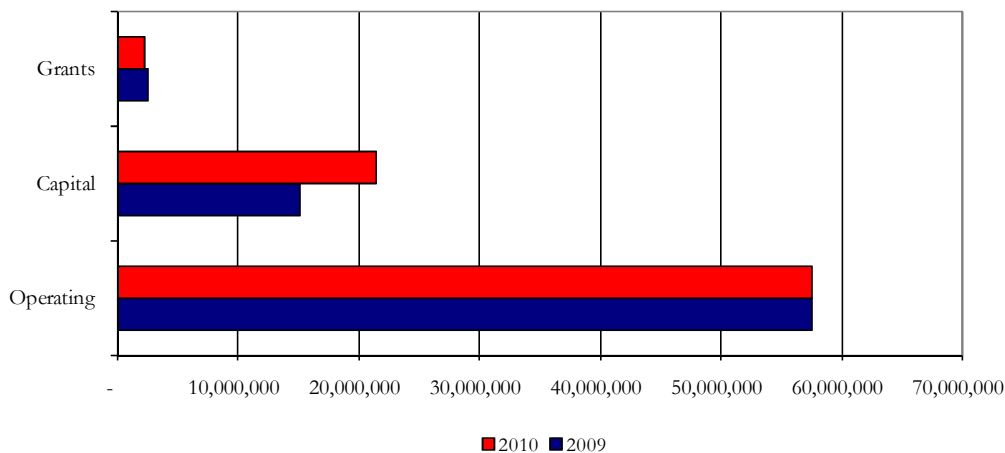
Adopted Budget Message

Fiscal Year 2009-2010

I am pleased to present the adopted Fiscal Year 2009-2010 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 FY 2010 budget.

The primary purpose of the County's budget and budgetary process is to develop, adopt, and implement a fiscally sound and sustainable plan for accomplishing goals for the upcoming year; consistent with the long-term vision of the County. The budget must meet the principal 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 adopted spending plan strike the best balance among those objectives.

The adopted budget totals \$81.5 million, a increase of \$5.9 million or 7.8% 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 increase is in the capital budget.



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

The Operating Budget

Dorchester County, like many local jurisdictions around the state, is facing difficult economic circumstances. Combined with severe reductions in State aid, the top priority of this adopted budget was the preservation of essential services the County provides and funds, not only for the 2010 budget, but for future budgets as well. The recession locally has manifested as a combination of historically high unemployment (11.2% for March 2009) and a 34% drop in recordation tax. The County's share of highway user revenues for 2010 and

2011 are projected to decrease a total of \$3.4 million, or 53%, as the State uses these funds to address their structural deficit.

To address these circumstances, the County Council implemented a range of cost saving strategies in our current budget, including a hiring freeze, combined with a targeted 5% reduction in 2010 departmental operational costs. Current year revenue surpluses and 2010 cost savings are to be set-aside in the Reserve Fund to offset the loss of State aid during 2010 and 2011.

These measures have resulted in an adopted operating budget totaling \$57.6 million, which is virtually unchanged from the FY2009 adopted operating budget.

The primary goals of this adopted budget were (1.) no tax rate increase, (2.) continued municipal property tax relief, (3.) strategic use of Reserve Fund, (4.) maintain funding for the County's post-employment benefit as defined by Governmental Accounting Standards Board Statement 45, and (5.) maintenance of essential services. The adopted operating budget meets all of the above goals.

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. Taxpayers will continue to benefit from the 5% county homestead credit, which is estimated to grow by \$0.8 million, or 24%, to the adopted level of \$4.3 million. 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 \$0.042 within the City of Cambridge and the Town of Hurlock.

Reserve Fund

It is essential that governments maintain adequate levels of reserves to mitigate current and future risks (e.g., revenue shortfalls and unanticipated emergency expenditures) and to ensure stable tax rates. Bond rating agencies carefully monitor fund balance levels, among other criteria, to evaluate a government's continued creditworthiness and bond rating. The County has adopted a fiscal stability policy that requires the balance in our Strategic Reserve Fund to, at minimum, equal 5% of our budgeted general fund revenues. Stabilization policies such as this are generally recognized as a best practice within governmental financial management. The adopted operating budget contains funding sufficient to exceed that minimum while positioning the County to withstand cuts to State aid.

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", known as GASB 45, requires all state and local governments to report retiree health benefits on an accrual basis. This significant accounting change is being addressed in the adopted budget by setting aside \$1.0 million in a trust dedicated for this purpose. With this strong commitment, the County has nearly funded its estimated annual required contribution. This funding will also help the County's bond rating in future debt issuances, thereby lowering our interest costs for future capital needs.

The following table compares the adopted 2010 operating expenditures budget with the current budget:

Operating Budget Expenditures	Adopted 2009	Adopted 2010	\$ Change	% Change
General Fund:				
General Government	\$4,616,854	\$4,397,018	-\$219,836	-4.8%
Public Safety	\$11,135,093	\$11,120,923	-\$14,170	-0.1%
Social Services	\$493,244	\$503,942	\$10,698	2.2%
Public Works	\$4,765,839	\$4,396,651	-\$369,188	-7.7%
Miscellaneous-Employee Benefits	\$3,791,099	\$4,090,440	\$299,341	7.9%
Miscellaneous-Capital PAYGO	\$2,028,433	\$1,623,240	-\$405,193	-20.0%
Miscellaneous-Reserve, Contingency, GASB45	\$1,598,898	\$2,201,042	\$602,144	37.7%
Miscellaneous-Other	\$464,500	\$465,658	\$1,158	0.3%
Recreation & Parks	\$622,587	\$556,984	-\$65,603	-10.5%
Natural Resources	\$449,587	\$409,932	-\$39,655	-8.8%
Economic Development	\$603,387	\$621,423	\$18,036	3.0%
Debt Service	\$2,867,963	\$3,314,293	\$446,330	15.6%
Education	\$18,673,333	\$18,281,935	-\$391,398	-2.1%
Health	\$1,035,000	\$1,035,000	\$0	0.0%
Operating Budget – General Fund	\$53,145,817	\$53,018,481	-\$127,336	-0.2%
Special Revenue Funds	\$781,520	\$736,678	-\$44,842	-5.7%
Enterprise Funds	\$3,681,755	\$3,857,214	\$175,459	4.8%
Operating Budget - All Funds	\$57,609,092	\$57,612,373	\$3,281	0.1%

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 reflect the targeted cost reductions for 2010.

Public safety expenditures include the Sheriff’s Office, Volunteer Fire Company appropriations, Emergency Medical Services (ALS), 911 Emergency Communications, Emergency Management, and Animal Control. This category reflects the smallest overall percentage decrease within County government, emphasizing the importance which the County Council places on protecting its citizens and their property.

Public works expenditures include the Highway Division and Engineering Division. Operational funding for roads maintenance has historically been derived from the County’s share of highway user revenues. State cuts to this allocation for the current and following two years were of such a magnitude that basic maintenance could not be sustained without use of the County’s Reserve Fund. Despite this use, this category continues to reflect a substantial decrease.

Miscellaneous-Employee Benefits increase is primarily due to a 13% increase in employee health 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 available for use as capital PAYGO expenditures. The adopted budget reflects a strategic reduction in capital PAYGO below the funding available from prior years fund balance, with the balance added to the Reserve Fund.

Miscellaneous-Reserve, Contingency, GASB45 reflects a net increase of \$0.56 million due to an increased Reserve Fund contribution of \$0.76 million and a reduced GASB45 contribution of \$0.2 million. The adopted budget includes a contribution of \$1.0 million towards our annual requirement.

Debt service expenditures include existing and planned debt service on capital projects approved in prior fiscal years. New to the 2010 budget are principal and interest on debt incurred for the June 2006 road storm damage, the replacement of North Dorchester Middle School, and design of the new School of Technology.

Education expenditures include adopted appropriations to the Board of Education (\$17.0 million, down \$0.4 million or 2.5%) and Chesapeake College (\$1.2 million, up \$47,085 or 3.9%). Combined, these expenditures account for 35% of our adopted general fund operating budget.

The following table compares the adopted 2010 operating revenues budget with the current budget:

Operating Budget Revenues	Adopted 2009	Adopted 2010	\$ Change	% Change
General Fund:				
Property Taxes	\$27,269,547	\$29,228,392	\$1,958,845	7.2%
Income Taxes	\$10,248,498	\$9,700,000	-\$548,498	-5.4%
Other Taxes	\$3,208,000	\$2,269,386	-938,614	-29.3%
Licenses and Permits	\$276,350	\$219,025	-\$57,325	-20.7%
Federal, State, and Local	\$7,216,359	\$4,914,735	-\$2,301,624	-31.9%
Service Charges	\$2,535,452	\$2,282,741	-\$252,711	-10.0%
All Other	\$2,391,611	\$4,404,202	\$2,012,591	84.2%
Operating Budget – General Fund	\$53,145,817	\$53,018,481	-\$127,336	-0.2%
Special Revenue Funds	\$781,520	\$736,678	-\$44,842	-5.7%
Enterprise Funds	\$3,681,755	\$3,857,214	\$175,459	4.8%
Operating Budget - All Funds	\$57,609,092	\$57,612,373	\$3,281	0.1%

Significant Changes in Operating Budget Revenues

Net assessable base growth of \$313 million or 10.1% 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 \$4.3 million in tax relief to county homeowners. The economic recession affects both recordation taxes, included within the Other Taxes category, projected to decline by \$0.9 million or 34%, and licensing and permit fees projected to decline by 20.7%. Service Charges includes a complete elimination of State funding for housing inmates locally estimated at \$0.3 million. All Other category includes the planned withdrawal from the County’s Reserve Fund to offset reductions in State aid.

The Capital Budget

The adopted capital budget totals \$21.5 million, an increase of \$6.2 million or 40.8% over the previous year’s adopted capital budget. The following table summarizes the capital budget by category and department.

Category	Department	Amount
General Government	Planning & Zoning	\$3,950
General Government	Information Technology	\$53,000
Public Safety	911 Communications	\$6,300
Public Safety	Corrections	\$160,000
Public Safety	Sheriff’s Office	\$95,343
Public Works	Airport	\$2,190,714
Public Works	Engineering	\$20,000
Public Works	Solid Waste	\$646,000
Education	Board of Education	\$17,842,298
Education	Chesapeake College	\$445,450
Recreation & Parks	Recreation & Parks	\$70,000
Total Budget		\$21,533,055

Capital Budget Sources of Funding

Operating Budget Transfer	Pay As You Go (PAYGO)	\$1,623,240
Debt	Bond Issuance	\$14,127,298
Excise Tax Fund Balance	Pay As You Go (PAYGO)	\$3,000,000
State Aid	Pay As You Go (PAYGO)	\$158,557
Federal Aid	Pay As You Go (PAYGO)	\$1,977,960
Landfill Fund Balance	Pay As You Go (PAYGO)	\$646,000
Total Sources of Funding		\$21,533,055

Major projects in the adopted capital budget include \$17.1 million for the construction of the School of Technology, \$2.1 million for a railway relocation project at the Cambridge-Dorchester Airport, \$625,000 for replacement of a landfill compactor, \$465,000 for continuation of school computer lease program, and \$445,450 for the County’s share of renovations on the Kent Humanities Building at Chesapeake College.

The Grant Budget

The adopted grant budget totals \$2.3 million, a decrease of \$0.4 million or 13.4%. Anticipated grant funded programs are noted below by department, grant name, and funding source.

Department and Grant Name	Federal Share	State Share	County/Other Share	Total
Circuit Court:				
Family Services	\$0	\$215,971	\$0	\$215,971
Planning & Zoning:				
Critical Areas	\$33,000	\$0	\$6,000	\$39,000

Grant Budget (continued) Department and Grant Name	Federal Share	State Share	County/Other Share	Total
LMB-Child and Family				
Services:				
Governor's Office for Children	\$0	\$1,406,838	\$0	\$1,406,838
Highways				
Waterway Improvement Projects	\$0	\$350,000	\$0	\$350,000
Recreation & Parks:				
Program Open Space Projects	\$0	\$63,000	\$7,000	\$70,000
Governor's Office for Children	\$0	\$53,500	\$0	\$53,500
Tourism:				
Tourism Marketing Tier II Grant	\$0	\$40,000	\$0	\$40,000
MHAA Operating Grant	\$0	\$95,000	\$5,000	\$100,000
MHAA Capital Grant	\$0	\$20,000	\$20,000	\$40,000
Total	\$33,000	\$2,244,309	\$38,000	\$2,315,309

As we enter the public hearing phase of this budget, let me close this message with prayers for Dorchester families that have lost homes and jobs. This adopted budget strikes a critical balance between preserving essential services for County residents while minimizing the tax burden on those same residents. Despite the cuts in State aid, and the economic recession, the County will continue to invest in our future, efficiently manage our resources, and provide a high level of services to county taxpayers.

Respectfully submitted,

Jane Baynard
County Manager