



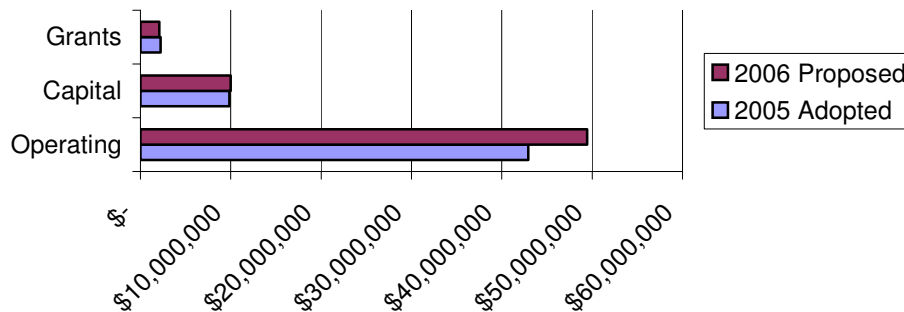
Dorchester County, Maryland

Adopted Budget Message

Fiscal Year 2005-2006

Drawing a coherent picture of a local government's fiscal status from the thousands of numbers found in its annual budget can be a challenge. Yet, given the control it influences over the personnel, materials and other resources that bring services to life, the details of a budget provide significant insight into the health of a government and the communities that it serves. That is certainly the case for Dorchester County's Fiscal Year 2005-06 budget. With that in mind, the goal of this Budget Message is to provide insight into the 2005-06 adopted budget.

The adopted budget totals \$61.6 million, an increase of \$6.6 million 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 operating budget.



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

The Operating Budget

The adopted operating budget totals \$49.5 million, an increase of \$6.5 million or 15.2%.

The key goals of the budget process were (1.) implement the county-wide advanced life support system recommended by the ALS Task Force, (2.) competitive salaries, especially in public safety, (3.) property tax relief, (4.) no new debt issuances, and (5.) compliance with our Reserve Fund fiscal policy. The adopted operating budget meets all of the above goals.

County-Wide Advanced Life Support

Investing in public safety to successfully meet the needs of our citizenry was a high priority in the adopted budget. The budget plan fully funds the recommendations of the ALS Task Force, specifically allowing for the hiring of full time paramedics and EMT's at three sites around the County, new funding for volunteer fire departments, capital costs associated with the transition from volunteer ALS to paid ALS, and increased funding to support Cambridge Emergency Medical Services (CEMS). The County will not assess an ALS User Fee or tax to support this service.

Competitive Salaries

But the challenge of the County's public safety needs cannot be met solely by improving the advanced life support system, we must be able to maintain the quality of our other public safety departments, specifically, the Sheriff's Office, Corrections, 911 Emergency Communications, Emergency Management, and Animal Control. Yet we cannot

continue to deliver outstanding customer service without the ability to competitively recruit new hires as well as retain our existing public safety staff. That is why the Council felt so strongly that we must increase our public safety compensation to regionally competitive levels

Property Tax Relief

The Council proposes three initiatives for property tax relief: (1.) lowering the real property tax rate by 1 cent, from \$0.93 per \$100 of assessed value to \$0.92, (2.) implementing a phase-out of the business personal property tax, and (3.) lowering the Homestead Property Tax credit ceiling from 10% to 5%. Due to assessment growth (the value of your house), the average residential real property tax bill in the current year has grown to \$874, an increase of \$65 or 8%. To offset this excessive growth, the Council proposes both a decreased tax rate in the upcoming fiscal year and a lower limit by which each tax bill can increase. Council will seek local legislation in the next fiscal year to implement the 5% Homestead Tax Credit. By phasing out the business personal property tax, county businesses will be able to more effectively compete with other businesses in the region and will be better positioned regionally to attract new business to the County.

No Debt Issuance

As the Capital Budget illustrates later in the message, the Council is proposing to meet the County’s capital needs without issuance of debt, effectively meeting its needs by greater use of operating dollars, also known as PAYGO, or pay as you go. Greater reliance on PAYGO has been identified as a best practice in budgeting by the Government Finance Officers Association.

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.

The following table compares the adopted 2006 operating expenditures budget with the current budget:

| Adopted Operating Budget Expenditures | Adopted 2005 | Adopted 2006 | \$ Increase | % Increase |
|---------------------------------------|---------------|---------------|--------------|------------|
| General Government | \$ 3,148,176 | \$ 3,997,645 | \$ 849,469 | 27% |
| Public Safety | \$ 6,462,190 | \$ 8,541,529 | \$ 2,079,339 | 32% |
| Social Services | \$ 284,952 | \$ 359,360 | \$ 74,408 | 26% |
| Public Works | \$ 3,484,495 | \$ 4,557,792 | \$ 1,073,297 | 31% |
| Miscellaneous-Employee Benefits | \$ 2,198,310 | \$ 2,422,136 | \$ 223,826 | 10% |
| Miscellaneous-Capital PAYGO | \$ 1,672,824 | \$ 2,520,504 | \$ 847,680 | 51% |
| Miscellaneous-Reserve & Contingency | \$ 285,749 | \$ 924,015 | \$ 638,266 | 223% |
| Miscellaneous-Other | \$ 203,177 | \$ 403,837 | \$ 200,660 | 99% |
| Recreation & Parks | \$ 376,802 | \$ 438,427 | \$ 61,625 | 16% |
| Natural Resources | \$ 344,239 | \$ 386,900 | \$ 42,661 | 12% |
| Economic Development | \$ 399,101 | \$ 432,845 | \$ 33,744 | 8% |
| Debt Service | \$ 4,006,255 | \$ 3,876,225 | \$ (130,030) | -3% |
| Education | \$ 16,193,108 | \$ 16,452,472 | \$ 259,364 | 2% |
| Health | \$ 916,456 | \$ 918,856 | \$ 2,400 | 0% |
| Special Revenue Funds | \$ 676,539 | \$ 753,367 | \$ 76,828 | 11% |
| Enterprise Funds | \$ 2,282,964 | \$ 2,468,550 | \$ 185,586 | 8% |
| Total All Funds | \$ 42,935,337 | \$ 49,454,460 | \$ 6,519,123 | 15% |

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. The primary increases within General Government are for adding one prosecuting attorney and one investigator for the State's Attorney's Office, and implementing a salary survey mid-year for all County employees.

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 the implementation of a county-wide paid advanced life support system, the regionally competitive salaries initiative for the Sheriff's Office, Detention Center and 911 Center, the addition of four new law enforcement positions within the Sheriff's Office to address increased demands for service, and the addition of annual maintenance costs for the new public safety radio communication system.

Public works expenditures include the Highway Department and Engineering Department. The primary increases within this category are due to the restoration of Highway User Revenues distributed to the County by the State of Maryland. These funds are the primary revenue source supporting all roads activities within the County. The adopted budget includes \$4.2 million in Highway User Revenues, which is a \$1.0 million increase over the current year and returns this department to historical levels. The additional funds are adopted to be spent primarily on an ambitious blacktopping program.

Miscellaneous-Employee Benefits increases are primarily due to the anticipated 7% increase in health insurance.

Education expenditures include appropriations to the Board of Education (\$15.4 million) and Chesapeake College (\$1.0 million). Combined, these expenditures account for 36% of our adopted general fund operating budget. Adopted new funding is \$202,713 for schools and \$56,651 for higher education.

The following table compares the adopted 2006 operating revenues budget with the current budget:

| Adopted Operating Budget Revenues | Adopted 2005 | Adopted 2006 | \$ Increase | % Increase |
|-----------------------------------|---------------|---------------|--------------|------------|
| Property Taxes | \$ 18,402,339 | \$ 20,094,183 | \$ 1,691,844 | 9% |
| Income Taxes | \$ 8,450,000 | \$ 9,000,000 | \$ 550,000 | 7% |
| Other Taxes | \$ 2,901,580 | \$ 4,442,751 | \$ 1,541,171 | 53% |
| Licenses and Permits | \$ 359,640 | \$ 392,600 | \$ 32,960 | 9% |
| Federal, State, and Local | \$ 5,841,355 | \$ 7,117,882 | \$ 1,276,527 | 22% |
| Service Charges | \$ 2,111,943 | \$ 2,098,559 | \$ (13,384) | -1% |
| All Other | \$ 1,908,977 | \$ 3,086,568 | \$ 1,177,591 | 62% |
| Special Revenue Funds | \$ 676,539 | \$ 753,367 | \$ 76,828 | 11% |
| Enterprise Funds | \$ 2,282,964 | \$ 2,468,550 | \$ 185,586 | 8% |
| Total All Funds | \$ 42,935,337 | \$ 49,454,460 | \$ 6,519,123 | 15% |

Significant Changes in Operating Budget Revenues

Assessable base growth of \$186 million or 10% is driving the growth in property tax revenue, albeit somewhat mitigated by the 1 cent rate reduction. Income tax growth attributed to higher tax withholdings. Increases in Other Taxes category due to expected \$1.4 million or 53% growth in recordation tax revenue. Restoration of historical levels for Highway User Revenues contributing to the increase in Federal, State, and Local category. All Other category increasing due to larger fund balance re-appropriated into adopted budget.

The Capital Budget

The adopted capital budget totals \$10.0 million, an increase of \$0.2 million or 1.9%.

Capital Budget by Category & Department

| Category | Department | Amount |
|----------------------|--------------------|----------------------|
| General Government | Circuit Court | \$ 10,543 |
| General Government | Council | \$ 7,000 |
| General Government | Finance/Treasury | \$ 35,850 |
| General Government | Maintenance | \$ 133,000 |
| General Government | Manager | \$ 4,900 |
| General Government | Planning & Zoning | \$ 31,778 |
| General Government | State's Attorney | \$ 17,133 |
| General Government | Technology | \$ 417,500 |
| Public Safety | 911 Communications | \$ 235,100 |
| Public Safety | Corrections | \$ 154,700 |
| Public Safety | Sheriff's Office | \$ 357,500 |
| Public Works | Airport | \$ 4,465,600 |
| Public Works | Highway | \$ 557,000 |
| Public Works | Landfill | \$ 3,040,000 |
| Social Services | Youth Services | \$ 31,700 |
| Education | Board of Education | \$ 423,570 |
| Education | Chesapeake College | \$ 22,000 |
| Recreation & Parks | Parks | \$ 87,130 |
| Economic Development | Economic Dev | \$ 1,500 |
| Economic Development | Tourism | \$ 2,000 |
| Total Budget | | <u>\$ 10,035,504</u> |

Capital Budget Sources of Funding

| | | |
|---------------------------|-----------------------|----------------------|
| Operating Budget Transfer | Pay As You Go (PAYGO) | \$ 2,540,504 |
| Debt | | \$ - |
| State Aid | Pay As You Go (PAYGO) | \$ 370,000 |
| Federal Aid | Pay As You Go (PAYGO) | \$ 4,085,000 |
| Landfill Fund Balance | Pay As You Go (PAYGO) | \$ 3,040,000 |
| Total Sources of Funding | | <u>\$ 10,035,504</u> |

Major projects in the adopted capital budget include \$115,000 in network improvements, \$290,000 in technology expenses dedicated to the Board of Education, \$70,000 for County Office Building roof replacement, \$261,000 in new and replacement vehicles for the Sheriff's Office, \$90,000 for laptops in Sheriff's Office vehicles, \$125,000 for electronic door control system in Corrections, \$150,000 for logging recorder in 911 Emergency Communications, \$477,000 in highway equipment, \$40,000 for Hurst Creek dredging project, \$237,300 for Judy Center renovation (schools), \$186,270 for Hurlock Elementary roof replacement, \$4.3 million in Airport expansion projects, \$120,000 for airport hangar repairs, \$540,000 for replacement landfill equipment, and \$2.5 million for design and construction of a new cell at the landfill.

The Grant Budget

The adopted grant budget totals \$2.1 million, a decrease of \$0.1 million or 5.6%. Anticipated grant funded programs are as noted below by department, grant name, and funding source.

| Department and Grant Name | Federal Share | State Share | County Share | Total |
|--|------------------|---------------------|------------------|---------------------|
| <u>Circuit Court:</u> | | | | |
| Family Services | \$ - | \$ 156,719 | \$ - | \$ 156,719 |
| <u>Planning & Zoning:</u> | | | | |
| Critical Areas | \$ 45,000 | \$ - | \$ - | \$ 45,000 |
| <u>Sheriff's Office:</u> | | | | |
| Protective Vests Grant | \$ 5,000 | \$ - | \$ - | \$ 5,000 |
| <u>Corrections:</u> | | | | |
| Community Service Grant | \$ - | \$ 10,000 | \$ - | \$ 10,000 |
| <u>LMB-Child and Family Services:</u> | | | | |
| LMB-After School Program Fund | \$ - | \$ 90,000 | \$ - | \$ 90,000 |
| LMB-Family Preservation | \$ - | \$ 115,000 | \$ - | \$ 115,000 |
| LMB-Youth Services (DJJ) | \$ - | \$ 73,341 | \$ - | \$ 73,341 |
| LMB-Administration | \$ - | \$ 150,000 | \$ - | \$ 150,000 |
| LMB-Services | \$ - | \$ 517,219 | \$ - | \$ 517,219 |
| LMB-POS Education Block | \$ - | \$ 52,552 | \$ - | \$ 52,552 |
| LMB-Wellness Centers | \$ - | \$ 546,000 | \$ - | \$ 546,000 |
| LMB-Community Outreach | \$ - | \$ 125,000 | \$ - | \$ 125,000 |
| <u>Recreation & Parks:</u> | | | | |
| Program Open Space | \$ - | \$ 58,500 | \$ 6,500 | \$ 65,000 |
| <u>Tourism:</u> | | | | |
| Tourism Marketing Tier II Grant | \$ - | \$ 34,000 | \$ - | \$ 34,000 |
| MHAA Capital Grant | \$ - | \$ 12,500 | \$ 10,000 | \$ 22,500 |
| MHAA Operating Grant | \$ - | \$ 65,000 | \$ 5,000 | \$ 70,000 |
| MEDAAF Grant | \$ - | \$ 10,000 | \$ 10,000 | \$ 20,000 |
| Total | \$ 50,000 | \$ 2,015,831 | \$ 31,500 | \$ 2,097,331 |

We believe this 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 2005-2006 Adopted Budget with the hope of a bright and prosperous year for the County.

Respectfully submitted,

Jane Baynard
County Manager