



Dorchester County, Maryland

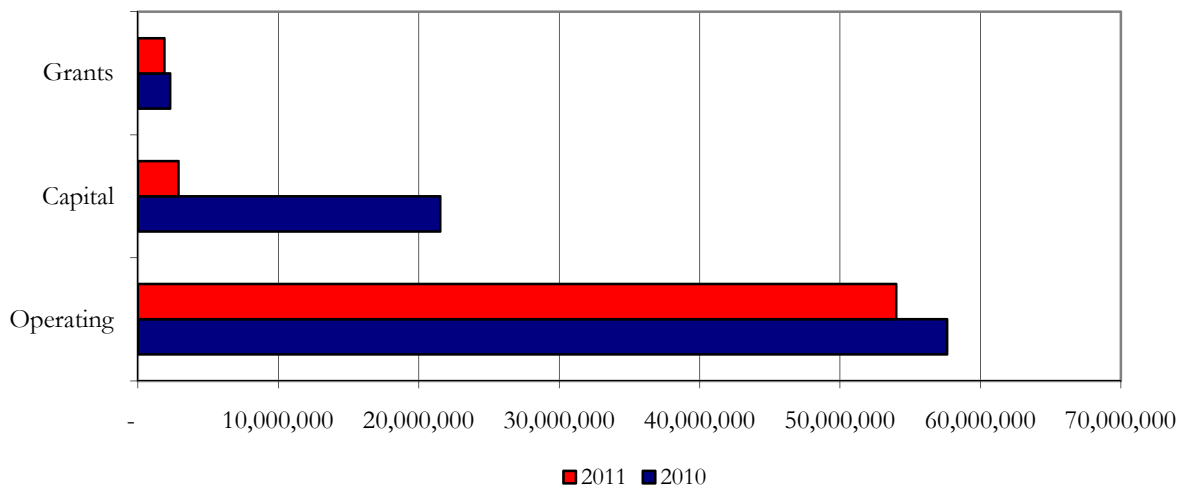
Proposed Budget Message

Fiscal Year 2010-2011

I am pleased to present the proposed Fiscal Year 2010-2011 annual budget for Dorchester County. The budget is balanced and has been prepared in accordance with the County Charter and County Council's guidelines and objectives. In conjunction with the proposed budget summary, this message is written to give the public a broad picture of the proposed FY 2011 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 proposed spending plan strike the best balance among those objectives.

The proposed budget totals \$58.8 million, a decrease of \$22.7 million or 27.8% compared to the prior year's adopted budget. As shown in the graphic below, of the three budget types, operating, capital and grants, all reflect decreases, with the most substantial declines in the budgets for capital (down \$18.6 million) and operating (down \$3.6 million).



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

The Operating Budget

Dorchester County, like most local jurisdictions around the state, continues to face difficult economic circumstances. Combined with severe reductions in State aid, the top priority of this proposed budget was the preservation of essential services the County provides and funds, not only for the 2011 budget, but for future budgets as well. The recession locally has manifested as a combination of historically high unemployment (12.9% for February 2010) and a 39% drop in income taxes. The County's share of highway

user revenues for 2012 and beyond reflect a 90% reduction of more than \$4 million, 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, employee furloughs, elimination of capital programs, and across the board reductions in departmental and agency costs.

These measures have resulted in a proposed operating budget totaling \$54.0 million, which is \$3.6 million, or 6.3% below the FY2010 adopted operating budget.

The primary goals of this proposed budget were (1.) no tax rate increase, (2.) continued municipal property tax relief, (3.) strategic use of Reserve Fund, (4.) improving efficiencies, and (5.) maintenance of essential services. The proposed operating budget meets all of the above goals.

No Tax Rate Increase

Dorchester County proposes 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 will provide an estimated \$3.5 million of tax relief in Fiscal 2011. The County's proposed tax rate for the upcoming year will maintain our position as one of the lowest average property tax bills among all Maryland counties.

Municipal Property Tax Relief

The proposed 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 \$0.039 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's fiscal policies require 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. Consistent with the design of this fund, the proposed operating budget does contain a strategic use of reserve funds to offset the temporary reduction in highway user revenues.

Improving Efficiencies

The Council continually seeks improvements in efficiencies for all aspects of its operations. The proposed budget reflects two efficiency initiatives that local taxpayers will benefit from, specifically 1) the operations of Cambridge Emergency Medical Services will be merged into the unified County-wide system; and 2) the County will collect municipal property taxes on behalf of the Town of Hurlock.

The following table compares the proposed 2011 operating expenditures budget with the current budget:

Operating Budget Expenditures	Adopted 2010	Proposed 2011	\$ Change	% Change
General Fund:				
General Government	4,397,018	4,458,765	61,747	+1.4%
Public Safety	11,120,923	10,521,708	(599,215)	-5.4%
Social Services	503,942	434,421	(69,521)	-13.8%
Public Works	4,396,651	3,916,089	(480,562)	-10.9%
Miscellaneous-Employee Benefits	4,090,440	4,299,994	209,554	+5.1%
Miscellaneous-Capital PAYGO	1,623,240	118,052	(1,505,188)	-92.7%
Miscellaneous-Reserve, Contingency, GASB45	2,201,042	371,950	(1,829,092)	-83.1%
Miscellaneous-Other	465,658	467,569	1,911	+0.4%
Recreation & Parks	556,984	530,033	(26,951)	-4.8%
Natural Resources	409,932	394,149	(15,783)	-3.9%
Economic Development	621,423	504,677	(116,746)	-18.8%
Debt Service	3,314,293	4,155,917	841,624	+25.4%
Education	18,281,935	18,311,363	29,428	+0.2%
Health	1,035,000	1,035,000	n/a	n/a
Operating Budget – General Fund	53,018,481	49,519,687	(3,498,794)	-6.6%
Special Revenue Funds	736,678	726,001	(10,677)	-1.5%
Enterprise Funds	3,857,214	3,761,746	(95,468)	-2.5%
Operating Budget - All Funds	57,612,373	54,007,434	(3,604,939)	-6.3%

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. General government expenditures reflect an increase due to an election and implementation of the early voting initiative, somewhat offset by targeted cost reductions in other departments.

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 also reflects targeted cost reductions for 2011.

Public works expenditures include the Highway Division and Engineering Division. Operational funding for roads maintenance has historically been derived almost exclusively from the County’s share of highway user revenues. State cuts to this allocation for 2011 are of such 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 26% increase in employee retirement benefit costs.

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. As the County copes with the economic downturn, most of the fund balance normally available for capital needs has been reallocated for operational purposes. Consequently, the proposed budget for capital PAYGO reflects a significant reduction due to this decision.

Miscellaneous-Reserve, Contingency, GASB45 reflects a net decrease of \$1.83 million due to the elimination of funding for other post-employment health benefits (GASB 45), and elimination of funding for the Reserve Fund.

Debt service expenditures include existing and planned debt service on capital projects approved in prior fiscal years. New to the 2011 budget are principal and interest on debt incurred for the replacement of North Dorchester Middle School, and the construction of the new Dorchester Career and Technology Center.

Education expenditures include proposed appropriations to the Board of Education (\$17.03 million, no change from 2010 funding) and Chesapeake College (\$1.28 million, up \$29,428 or 2.4%). Combined, these expenditures account for 37% of our proposed general fund operating budget.

The following table compares the proposed 2011 operating revenues budget with the current budget:

Operating Budget Revenues	Adopted 2010	Proposed 2011	\$ Change	% Change
General Fund:				
Property Taxes	29,228,392	29,938,117	709,725	+2.4%
Income Taxes	9,700,000	8,600,000	(1,100,000)	-11.3%
Other Taxes	2,269,386	2,269,386	no change	no change
Licenses and Permits	219,025	219,025	no change	no change
Federal, State, and Local	4,914,735	3,214,735	(1,700,000)	-34.6%
Service Charges	2,282,741	2,340,741	58,000	+2.5%
All Other	4,404,202	2,937,683	(1,466,519)	-33.3%
Operating Budget – General Fund	53,018,481	49,519,687	(3,498,794)	-6.6%
Special Revenue Funds	736,678	726,001	(10,677)	-1.5%
Enterprise Funds	3,857,214	3,761,746	(95,468)	-2.5%
Operating Budget - All Funds	57,612,373	54,007,434	(3,604,939)	-6.3%

Significant Changes in Operating Budget Revenues

Very low assessable base growth of \$33.7 million or 1%, combined with the declining homestead credit, contribute to the modest 2.4% growth in property tax revenues. County homeowners will receive \$3.5 of tax relief from the homestead tax credit in 2011. The economic decline continues to affect income taxes, which are projected to decline by \$1.1 million or 11.3%. Federal, State, and Local revenues reflect the final stage of the more than \$4 million temporary reduction in highway user revenues begun in 2009. All Other category includes the planned \$2.6 million withdrawal from the County’s Reserve Fund to partially offset reductions in highway user revenues, but this category declines due to no fund balance being re-appropriated for capital purposes.

The Capital Budget

The proposed capital budget totals \$2.9 million, a decrease of \$18.6 million or 86.6% over the previous years adopted capital budget. The following table summarizes the capital budget by category and department.

Category	Department	Amount
Public Works	Airport	\$2,842,080
Education	Chesapeake College	\$47,000
Total Budget		\$2,889,080

Capital Budget Sources of Funding

Operating Budget Transfer	Pay As You Go (PAYGO)	\$118,052
State Aid	Pay As You Go (PAYGO)	\$71,052
Federal Aid	Pay As You Go (PAYGO)	\$2,699,976
Total Sources of Funding		\$2,889,080

The two projects in the proposed capital budget are \$2.8 million for the apron project at the Cambridge-Dorchester Airport, and \$47,000 for the County’s share of renovations on the Kent Humanities Building at Chesapeake College.

The Grant Budget

The proposed grant budget totals \$1.9 million, a decrease of \$0.4 million or 18.1%. 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	\$14,000	\$0	\$25,000	\$39,000
LMB-Child and Family Services:				
Governor’s Office for Children	\$0	\$1,406,838	\$0	\$1,406,838
Recreation & Parks:				
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	\$14,000	\$1,831,309	\$50,000	\$1,895,309

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 proposed 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