



# Dorchester County, Maryland

## Adopted Budget Message

### Fiscal Year 2011-2012

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It is my duty to present the adopted Fiscal Year 2011-2012 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 adopted budget summary, this message is written to give the public a broad picture of the adopted FY 2012 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 \$55.9 million, a decrease of \$10.6 million or 15.9% compared to the prior year's adopted budget. Of the total adopted budget, the largest change is in the capital budget, which declines from \$10.1 million to \$0.6 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 adopted budget was the preservation of essential services the County provides and funds, not only for the 2012 budget, but for future budgets as well. The County's share of highway user revenues for 2012 and beyond continues to 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's adopted budget reflects a range of cost saving strategies, including workforce reductions, employee furloughs, replacement of capital and staff at critical needs level only, across the board reductions in departmental and agency costs, and an 8 cent property tax rate increase to partially replace the lost highway user revenues.

These measures have resulted in a adopted operating budget totaling \$53.3 million, which is \$1.3 million, or 2.4% below the FY2011 adopted operating budget.

The primary goals of this adopted budget were (1.) address the structural deficit caused by the reduction of highway user revenues, (2.) continued municipal property tax relief, (3.) restoration of funds withdrawn from the Reserve Fund, and (4.) maintenance of essential services. The adopted operating budget meets all of the above goals.

## Address the Structural Deficit

A structural deficit is defined as an imbalance when annual recurring expenditures exceed annual recurring revenues. Beginning in Fiscal 2008, when the State began reducing the County's share of highway user revenues, the County has struggled with a structural deficit which has grown to exceed \$4.0 million. During these years, the County instituted multiple cost saving strategies designed to reduce our recurring expenditures. Past strategies have included employee furloughs, staff reduction through attrition, efficiency initiatives, across the board reductions to departments and agencies, and withdrawals from our Reserve Fund. Those strategies, while significant, were designed to last until the highway user revenues were restored. Unfortunately, the reduction of highway user revenues has been made permanent by the State, which continues to address its own structural deficit. Consequently, our plan to address the structural deficit must transition away from strategies of a temporary nature to those of a sustainable nature. Our adopted budget reflects sustainable change in both expenditure reductions and revenue increases.

The adopted budget includes over \$2.5 million in recurring expenditures reductions. Employee furloughs will continue, further reductions to departments and agencies, and staff reduction by early retirement and layoff are included. All reductions are designed to minimize impact to services the County provides to residents.

The final step in our strategy is the adopted real property tax rate of \$0.976 per \$100 of assessed value, which is 8 cents higher than 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 \$ 2.0 million of tax relief in Fiscal 2012. The rate increase will generate \$2.6 million in additional tax revenue. The average real property tax bill will increase \$120. Despite this change the County's adopted 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 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 tax differential will decrease the County real property tax rate by \$0.039 within the City of Cambridge and the Town of Hurlock.

## Restoration of Funds Withdrawn From the 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. The adopted budget includes a contribution to the Reserve Fund totaling \$0.98 million.

The following table compares the adopted 2012 operating expenditures budget with the 2011 budget:

Operating Budget Expenditures	Adopted 2011	Adopted 2012	\$ Change	% Change
<b>General Fund:</b>				
General Government	4,436,342	4,296,114	-140,228	-3.2%
Public Safety	10,551,225	10,283,492	-267,733	-2.5%
Social Services	434,421	130,633	-303,788	-69.9%
Public Works	3,910,951	3,346,761	-564,190	-14.4%
Miscellaneous-Employee Benefits	4,299,994	4,240,040	-59,954	-1.4%
Miscellaneous-Capital PAYGO	118,052	510,500	+392,448	+432.4%
Miscellaneous-Reserve, Contingency, GASB45	371,950	986,068	+614,118	+165.1%
Miscellaneous-Other	466,164	558,729	+92,565	+19.9%
Recreation & Parks	530,033	467,156	-62,877	-11.9%
Natural Resources	394,149	367,656	-26,493	-6.7%
Economic Development	503,138	461,158	-41,980	-8.3%
Debt Service	4,155,917	4,397,518	+241,601	+5.8%
Education	18,666,091	17,784,362	-881,729	-4.7%
Health	1,035,000	983,250	-51,750	-5.0%
Operating Budget – General Fund	49,873,427	48,695,374	-1,178,053	-2.4%
Special Revenue Funds	724,454	723,161	-1,293	-0.2%
Enterprise Funds	3,760,341	3,558,478	-201,863	-5.4%
Fiduciary Funds	297,545	371,000	+73,455	+24.7%
<b>Operating Budget - All Funds</b>	<b>54,655,767</b>	<b>53,348,013</b>	<b>-1,307,754</b>	<b>-2.4%</b>

#### 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. This category reflects departmental and agency reductions offset by the shifting of the cost for performance property assessments from the State of Maryland to Dorchester County, totaling \$0.3 million.

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 departmental and agency reductions.

Social services expenditures decline significantly due to the elimination of all general fund support for Youth Services, as well as reductions to a variety of smaller agencies.

Public works expenditures include the Highway Division and Engineering Division. This category reflects departmental reductions.

Miscellaneous-Employee Benefits declines due to workforce reductions, including early retirement and staff layoffs.

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. This category continues to be far

below historical levels, but grows in the adopted budget as the County utilizes capital funding returned from the Board of Education for a variety of new capital projects.

Miscellaneous-Reserve, Contingency, GASB45 budget reflects a contribution to the Reserve Fund of \$986,068. The County’s adopted budget includes no contingency account funding, with the normal funding having been allocated as part of the contribution to the Reserve Fund.

Debt service expenditures include existing and planned debt service on capital projects approved in prior fiscal years. New to the 2012 budget are principal and interest on debt incurred for the construction of infrastructure at the Technology Park.

Education expenditures include adopted appropriations to the Board of Education (\$16.5 million, down \$907,657 or 5.2%) and Chesapeake College (\$1.3 million, up \$25,928 or 2.0%). Combined, these expenditures account for 36.5% of our adopted general fund operating budget.

The following table compares the adopted 2012 operating revenues budget with the 2011 budget:

Operating Budget Revenues	Adopted 2011	Adopted 2012	\$ Change	% Change
<b>General Fund:</b>				
Property Taxes	29,938,117	31,029,064	+1,090,947	+3.6%
Income Taxes	8,600,000	8,600,000	+0	+0%
Other Taxes	2,269,386	2,336,886	+67,500	+3.0%
Licenses and Permits	219,025	197,320	-21,705	-9.9%
Federal, State, and Local	3,214,735	3,092,711	-122,024	-3.8%
Service Charges	2,340,741	2,180,851	-159,890	-6.8%
All Other	3,291,423	1,258,542	-2,032,881	-61.8%
<b>Operating Budget – General Fund</b>	<b>49,873,427</b>	<b>48,695,374</b>	<b>-1,178,053</b>	<b>-2.4%</b>
Special Revenue Funds	724,454	723,161	-1,293	-0.2%
Enterprise Funds	3,760,341	3,558,478	-201,863	-5.4%
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<b>Operating Budget - All Funds</b>	<b>54,655,767</b>	<b>53,348,013</b>	<b>-1,307,754</b>	<b>-2.4%</b>

Significant Changes in Operating Budget Revenues

Within property taxes category, three main factors are contributing to increase of \$1.1 million or 3.6%, the decline in real property assessable base, the adopted rate real property tax rate increase, and the implementation of the senior tax credit. The real property assessable base is estimated to decline by \$293.5 million or 8.6%. Absent a tax rate increase, real property tax revenues would have declined \$1.4 million. The adopted 8 cent real property tax rate increase generates \$2.6 million in additional tax revenues. The senior tax credit, a five percent credit, is for property owners 70 years of age or older, who are eligible for the State of Maryland homeowners tax credit, and is estimated to provide \$150,000 in tax relief.

The all other revenue category in the adopted budget is significantly below the adopted prior year budget because it does not include any withdrawal from the Reserve Fund (\$3.0 million in FY11). The adopted budget does reflect the use of \$0.3 in fund balance from a prior year (\$0 in FY11) and \$0.7 million in lapsed capital appropriations (\$0 in FY11).

**The Capital Budget**

The adopted capital budget totals \$0.6 million, a decrease of \$9.4 million or 93.6% over the previous years adopted capital budget. The following table summarizes the capital budget by category and department.

Category	Department	Amount
Public Safety	911 Emergency Communications	\$33,000
Public Works	Airport	\$70,000
Public Works	Highways & Street	\$407,500
Transfer Tax Fund	Security & Maintenance	\$138,923
<b>Total Budget</b>		<b>\$649,423</b>

**Capital Budget Sources of Funding**

General Fund	Pay As You Go (PAYGO)	\$510,500
Transfer Tax Fund	Pay As You Go (PAYGO)	\$138,923
<b>Total Sources of Funding</b>		<b>\$649,423</b>

The sole major project in the adopted capital budget is \$0.4 million for blacktopping County roads.

**The Grant Budget**

The adopted grant budget totals \$2.0 million, an increase of \$87,493 or 4.6%. 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
<b>Circuit Court:</b>				
Family Services	\$0	\$156,491	\$0	\$156,491
<b>Finance:</b>				
Grants Administration	\$0	\$0	\$37,981	\$37,981
<b>Planning &amp; Zoning:</b>				
Critical Areas	\$14,000	\$0	\$21,269	\$35,269
<b>LMB-Child and Family Services:</b>				
Governor’s Office for Children	\$0	\$1,169,849	\$22,000	\$1,191,849
<b>Sheriff’s Office:</b>				
GOCCP Portable Radios LETR	\$32,886	\$0	\$0	\$32,886
GOCCP Warrant Reduction				
VOWR	\$13,135	\$0	\$0	\$13,135
Marijuana Eradication	\$1,706	\$0	\$0	\$1,706
Alcohol/Drug Highway Safety	\$4,100	\$0	\$0	\$4,100
Body Armor	\$14,631	\$0	\$0	\$14,631
Strategies Against Underage Drinking	\$16,388	\$0	\$0	\$16,388
Radar Units & Police Vehicles	\$73,933	\$0	\$0	\$73,933
GOCCP E-Citation LETC	\$2,329	\$0	\$0	\$2,329
Ripken Badges for Baseball	\$0	\$11,604	\$0	\$11,604
Health Dept. School Zone Enforcement	\$0	\$9,971	\$0	\$9,971
MVOC Polaroid Camera	\$0	\$9,592	\$0	\$9,592
School Bus Safety Enforcement	\$0	\$20,000	\$0	\$20,000
Protective Order Entry	\$0	\$1,057	\$0	\$1,057

Sex Offender	\$0	\$9,870	\$0	\$9,870
<b>Tourism:</b>				
Tourism Marketing Tier II Grant	\$0	\$65,000	\$0	\$65,000
MHAA Operating Grant	\$0	\$95,000	\$5,000	\$100,000
<b>Total</b>	<b>\$173,108</b>	<b>\$1,723,434</b>	<b>\$86,250</b>	<b>\$1,982,792</b>

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