

FY 2013 Proposed Budget



May 8, 2012

Budget Mission

To develop a fair and equitable budget that adequately utilizes projected resources to units and agencies that provide critical services to our citizens.



Issues Facing Governments

- Like other states, Maryland still suffers from the lingering effects of the worst national recession on record.
- Income taxes and sales taxes (main source of state revenue) fell by unprecedented levels as job losses mounted and consumers retrenched.
- Federal Recovery Act funding helped MD FY 2011 budget, State increased sales taxes on alcoholic beverages
- Expect Maryland structural deficits in future years to be \$375 M for FY 2014
- Unemployment rate improving in Cecil, currently 8.4 % for March 2012, 9.4% for March 2011 – assessments continue decline.

“Doomsday Budget”

- On the last day of the regular session, the Maryland Senate and House passed a budget bill but failed to pass the revenue or budget reconciliation bills.
- The budget bill included provisions implementing the so-called “doomsday budget” in the event that the other two bills were not approved.
- If no special session occurs and the General Assembly does not pass a sufficient revenue package, state services will be reduced by more than \$500 million in cuts starting July 1.
- Two of the items in the contingent cut list will not take effect. It included a \$71 million cut in the state’s main public school aid program and a \$5 million cut for public libraries. These amounts are constitutionally protected. They cannot be cut without the accompanying reconciliation legislation, which failed when time ran out on the legislative session.
- Local governments lost \$58 million in state aid, including funds for local police and libraries. This loss is equivalent to the proposed teacher retirement cost shift.
- Creates a bigger shortfall next year – around \$629 million dollars

“Doomsday Budget” – Special Session

- Teachers Retirement/Pension Cost Shift did not occur as of yet. County has made preparations for shift as a result of the Special Session, likely to occur shortly.
- Doomsday budget leaves the state with a much more precarious bottom line – a fund balance of just \$4 million dollars = 3/100 of one percent of the annual budget
- Any bad fiscal news during the budget year could require further cuts, or dipping into the state’s 5% Rainy Day fund.
- Under the doomsday scenario, the legislature will reconvene in 2013 facing a \$629 million projected shortfall for FY 2014. Under the conference committee plan, the projected shortfall would be around \$375 million.
- Governor announces that special session will convene May 14.

“Doomsday Budget” – Special Session

Based on conference committee discussions at the end of the session, it appears that the teacher pension shift incorporated into legislation to be considered during a special session would largely follow the House’s more aggressive shift schedule in the first year, with a move of 50% of the employer’s normal cost in FY 2013. The additional costs would then be phased-in over 3 years (65%, 85%, 100%). The following offsets, which were included in either the Budget Reconciliation and Financing Act of 2012 or the State and Local Revenue and Financing Act of 2012, would still be included as a part of the plan.

- Forgives repayment of \$367 million to income tax reserve fund

- Changes to personal exemptions generating \$31.5 million for local governments

- Closes the recordation tax loophole on Indemnity Deeds of Trusts (IDOT)

- Provides \$27.6 million to certain counties through the Teachers’

- Retirement Supplemental Grant

- Restores cuts to local police aid and inflationary increases for health departments

General Fund Budget Comparison

2013 Proposed General Fund Budget = \$169.14 million

2012 Approved General Fund Budget = \$163.23 million

Increase of \$5.9 million or 3.6%

Major Increases versus 2012

TEACHERS PENSION SHIFT OF COSTS	2,460,000
PAY AS YOU GO CAPITAL GENERAL	1,240,000
NEW POSITIONS WAGES DETENTION	762,365
ASPHALT OVERLAY - ROADS	744,500
PAY AS YOU GO CCPS	735,000
MACHINERY & EQUIPMENT - ROADS	641,000
PARKS AND RECR. - POS	537,066
PAY AS YOU GO CECIL COLLEGE	489,000
PAY AS YOU GO FUNDING LIBRARY	370,000
MACHINERY & EQUIPMENT - CCSO	232,000

General Fund Budget Assumptions

- Assumes tax rate equal to Constant Yield - \$0.9957
- Current tax rate is \$0.9401 – equals 5.59% increase
- Will be second year in a row equal to or below constant yield
- Assumes 2% increase in Income Tax Revenues over estimated 2012 actual receipts
- Assumes usage of \$3 million in fund balance to balance budget
- Will leave approximately \$9 million in unassigned fund balance
- Board adopted most of Citizen's Budget Advisory Committee recommendations

Constant Yield Concept

The **Constant Yield** concept is that, as assessments rise, the tax rate should drop to the point that the revenue derived from the property tax stays at a constant level from one year to the next, thus assuring a "constant yield" from this tax source. The **Constant Yield Tax Rate** is simply a property tax rate that, when applied to new assessments, will result in the taxing authority receiving the same revenue in the coming taxable year that was produced in the prior taxable year.

The **Constant Yield Tax Rate** is a State Law that exists solely for the benefit of the taxpayer. It represents a clear and direct opportunity for citizen input to influence the level of property taxation.

Constant Yield

- The constant yield tax rate is calculated by SDAT for each taxing authority in the State. It represents the real property tax rate for the coming year that will generate the same amount of revenue that was generated during the current tax year. As assessments decrease, the constant yield tax rate increases.
- Implicit in this concept is the idea that a tax rate at or below the existing tax rate is a tax increase if it is higher than the constant yield tax rate.

Citizens Budget Advisory Committee

- Created to assist in budget formation for FY 2012
- Each Commissioner proposed a member for committee
 - James Butkiewicz - Chair
 - Deborah Horn
 - Bill Johnson
 - Gary Benjamin
 - Michael Halter – repl. By Ted Patterson for FY2013

Citizens Budget Advisory Committee

- Hiring Freeze – not adopted, but BOCC reviews each request in public session – will continue to monitor
- Board of Education – recommended level funding – adopted
- Positions – recommended 3.125 FTE for Courthouse Security, 15 Correctional Officers for Detention Center – adopted
- Recommended IT Consolidation – adopted – BOCC also is Pursuing Maintenance Consolidation with CCSO/Detention

Most recommendations accepted
Board sincerely appreciates the efforts of the CBAC

Proposed General Fund Budget 2013

SUMMARY	FY 12	FY 13	FY 13	\$ Change from	% Chg.
REVENUES BY ACCOUNT	Budget	Requested	Proposed	Prior Year	PY
Property Taxes	\$ 101,326,773	\$ 103,485,620	\$ 103,485,620	\$ 2,158,847	2.1%
Income Taxes	44,836,172	49,603,347	47,933,674	3,097,502	6.9%
State Shared Taxes	1,113,847	671,429	671,429	(442,418)	-39.7%
Other Local Taxes	4,521,000	5,056,000	5,056,000	535,000	11.8%
Licenses and Permits	1,485,130	1,485,805	1,485,805	675	0.0%
Revenue from Other Agencies	4,770,765	5,216,178	4,526,020	(244,745)	-5.1%
Charges for Services	2,136,251	3,203,312	2,123,312	(12,939)	-0.6%
Fines and Forfeitures	161,000	65,500	65,500	(95,500)	-59.3%
Investment Earnings	875,000	480,000	480,000	(395,000)	-45.1%
Miscellaneous Revenue	364,408	255,282	251,183	(113,225)	-31.1%
Total Operating Revenues	\$ 161,590,346	\$ 169,522,473	\$ 166,078,543	\$ 4,488,197	2.8%
Fund Balance Appropriation	1,642,906	13,457,836	3,056,888	1,413,982	86.1%
TOTAL REVENUES	\$ 163,233,252	\$ 182,980,309	\$ 169,135,431	\$ 5,902,179	3.6%
EXPENDITURES BY FUNCTION					
General Government	\$ 13,483,333	\$ 16,109,727	\$ 15,906,312	\$ 2,422,979	18.0%
Public Safety	33,420,623	39,686,899	34,328,477	907,854	2.7%
Highways, Streets and Bridges	8,744,503	10,364,265	9,869,146	1,124,643	12.9%
Health and Welfare	5,101,228	5,208,267	5,132,444	31,216	0.6%
Recreation and Culture	957,521	1,404,566	1,396,464	438,943	45.8%
Education	75,267,220	78,464,929	75,226,550	(40,670)	-0.1%
Public Libraries	4,283,817	4,554,250	4,283,817	0	0.0%
Economic Development	898,327	937,196	943,398	45,071	5.0%
Agriculture	585,169	600,374	593,574	8,405	1.4%
Municipalities	715,624	697,502	697,502	(18,122)	-2.5%
Operating Transfers	19,775,887	24,952,334	20,757,747	981,860	5.0%
TOTAL EXPENDITURES	\$ 163,233,252	\$ 182,980,309	\$ 169,135,431	\$ 5,902,179	3.6%

FY 2013 General Fund Budget Comparison

	Budget	Increase	Growth %
FY 2013p	169,135,431	5,902,179	3.62%
FY 2012	163,233,252	71,268	0.04%
FY 2011	163,161,984	-1,792,113	-1.09%
FY 2010	164,954,097	91,816	0.06%
FY 2009	164,862,281	8,102,579	5.17%
FY 2008	156,759,702	3,815,578	2.49%
FY 2007	152,944,124	21,016,401	15.93%
FY 2006	131,927,723	15,640,022	13.45%
FY 2005	116,287,701	7,641,126	7.03%
FY 2004	108,646,575	4,506,963	4.33%
FY 2003	104,139,612		

FY 2013 General Fund Budget Comparison

Most significant reason for increase versus last year is accounting for \$2,460,000 in Teachers Pension Cost Shift to the County in General Government – Other in expenses – represents House plan

Also reflects cost associated with 15 new Correctional Officer FTE for Cecil County Detention Center – 25% Turnover new, 10 % existing. Total estimated cost = \$762,365

Budget also assumes \$1 million for Asphalt Overlay – increase over last year of \$744,500

Budget also assumes that General Fund will now account for Open Space funding for Parks and Recreation - +\$537,066

Increased level of pay as you go funding for Capital Projects - +\$2,834,000 versus 2012

Machinery & Equipment – full cost reflected in 2013 budget, last year reflected 1/3 of estimated due to possibility of financing proposal – ultimately rejected by BOCC.

Proposed Budget Items

County Wages, Benefits and Positions

1. 1% COLA for Collectively Bargained Units – 2 year agreements with IAFF & FOP
2. 1% COLA for All County Employees
3. No steps or reclassifications – reduced 5 FTE in Work Release
4. Reduction of Employee Health Care Cost - @ 10% shared Employer/Employee
5. Budget authorizes 15 Correctional Officer positions, 3.125 FTE Courthouse Security
6. Budget authorized IT, as well as Maintenance consolidations
7. Budget allows for costs for County Executive/Council transitions – minimal staff
8. Budget authorizes one FTE for Wastewater operations

Budget Initiatives – Cecil County Public Schools

- Over the past several years, the enrollment trend is characterized as declining or flat overall. Projections indicate a moderate increase over the next five years.
- Operating Budget level funded at \$67,156,014 for CCPS – exceeds maintenance of effort by \$481,342.
- Proposed wage package includes a step increase – approximately 3% - up to 48% of employees are eligible for step.
- Proposes to provide capital funding for school systemic projects – Rising Sun High, Rising Sun, Thomson Estates & Conowingo Elementary Schools –total project costs are estimated to be \$4.989 million – with \$2.645 from County, including \$259,000 from slots.
- Local support includes \$750,000 to address the wastewater treatment plant serving Bohemia Manor Middle and High Schools.

Budget Initiatives – Cecil College

- Proposed operating budget is \$ \$7,914,308, \$9,000 less than FY 2012
- Small Capital request is proposed at \$111,000, \$33,398 less than FY 2012 – replace stair treads in three stairwells, replace fire alarm control panel, two replacement vehicles (1994 van, 2000 truck) using State contract – excessive repair costs, body deterioration.
- Budget assumes tuition and fees revenue from credit courses to increase based on 2% enrollment growth, \$5 per credit hour tuition increase and other fees.
- Capital budget assumes funding for Engineering and Math building, as well as three systemic projects – HVAC, Instructional Technology, and Energy and Facility access.

Budget Initiatives – Cecil Library

- Proposed operating budget is \$ \$4,283,817, equal to FY 2012
- Capital budget assumes funding for the Rising Sun Branch Security Retrofit project, partnering with the Friends of the Library to accomplish this \$400,000 project (Friends are to contribute \$30K)
- Cecil County Public Library has been chosen as a finalist for recognition as the Maryland State Chamber of Commerce's non-profit business partner of the year.

Budget Initiatives – Cecil County Sheriff

- Fifteen Correctional Officers – Cecil County Detention Center
- Initiate formal Courthouse Security under authority of Sheriff – 3.125 FTE – Special Police – 125 hours per week
- Replace 10 patrol vehicles – have replaced 122 since 2002
- Expect to complete addition and renovation of Detention Center in November 2012.
- Budget assumes Maintenance and IT consolidations – expect to see long term cost avoidance and operating efficiencies to be reflected in future operating budgets – working out implementation plan, working with key players as we speak...

Budget Initiatives – Emergency Svcs./Volunteer Fire

- Budget requested 2 additional Paramedic positions
- Budget requested 28 FTE Medic positions to fully staff and outfit three 24/7 ambulance operations
- Board chose not to fund this particular proposal, but are working closely with the EMS Advisory Board and the Firemen's Association to develop a proposal that will improve response times countywide.
- Budget proposes to replace 4 existing EMS units.
- Budget proposes to replace one Engine/Ladder unit for Cecilton Volunteer Fire Company for FY 2013 – under the existing ordinance cost structure for Vehicle Replacement.

Budget Initiatives – Public Works

- Responsible for Roads, Water, Wastewater, Solid Waste, Engineering and Construction, Development Services, Weed Control
- Roads Admin. Shows increase due to change in accounting for Machinery and Equipment versus 2012 - +\$641,000
- \$1,000,000 in overlay programmed in FY 2013

	FY 12 Budget	FY 13 Proposed	Change Prior Year	% Chg. PY
<u>HIGHWAYS, STREETS, AND BRIDGES</u>				
Public Works - Office of the Director	\$ 440,354	\$ 451,382	\$ 11,028	2.5%
Public Works - Development Services	1,254,985	1,358,225	103,240	8.2%
Public Works - Engineering and Construction	877,063	850,555	(26,508)	-3.0%
Weed Control	69,132	50,659	(18,473)	-26.7%
Roads Administration	3,302,254	3,935,586	633,332	19.2%
Road Signs	88,350	88,350	0	0.0%
Road Lighting	65,942	73,355	7,413	11.2%
Road Maintenance	623,500	626,100	2,600	0.4%
Asphalt Overlay	255,500	1,000,000	744,500	291.4%
Surface Treatment	690,423	357,934	(332,489)	-48.2%
Guard Rails	37,000	37,000	0	0.0%
Drainage Improvements	8,000	8,000	0	0.0%
Roadway Striping	125,000	125,000	0	0.0%
Curb and Catch Basins	35,000	35,000	0	0.0%
Snow Removal	400,000	400,000	0	0.0%
Bridges and Viaducts	472,000	472,000	0	0.0%
Total Highways, Streets, and Bridges	\$ 8,744,503	\$ 9,869,146	\$ 1,124,643	12.9%

Budget Initiatives – Public Works - Roads

- Capital improvement program for Roads and Bridges proposes progress funding for 14 projects
- \$800,000 of funding to the projects from Slots funding

	FY 2013
CAPITAL COSTS	
<u>Governmental Projects</u>	
Rehabilitation of Bridge CE-0096 Bethel Church Road over Stony Run	100,000
Fair Hill Satellite Salt Storage Facility	200,000
Replacement of Small Structure XCE-2004 Fairview Rd. over Little Elk	425,000
Rehabilitation of Bridge CE-0026 Little Egypt Road over Christina River	265,000
Razor Strap Road Improvements Phases I & II	750,000
Red Toad Road Improvements	50,000
Replacement of Bridge CE-0072 Razor Strap Road over Stony Run	200,000
Replacement of Reservoir Road Culverts	285,000
Road Improvements at Waibel Road from Firetower Rd. to Dr. Jack Rd.	150,000
Replacement of Culverts on Oldfield Point Road	120,000
Oldfield Point Road Improvements	600,000
Replacement of Bridge CE-0017 Mechanics Valley Road over Little NE Crk	210,000
Racine School Road Improvements	150,000
Replacement of structure on Conowingo Lake Road XCE-3010	170,000
	3,675,000

Budget Initiatives – Public Works - Wastewater

- Capital improvement program for Roads and Bridges proposes progress funding for 6 projects – the largest and most significant is known as the North East River Advanced Wastewater Treatment Plant – aka Seneca Point – this project is intended to upgrade to an ENR level of treatment
- Budget initially assumed a total project cost of \$ 44.36 million dollars
- Continued discussions among Commissioners, project planners and staff have reduced total estimated costs of project to \$39.65 million dollars
- County has applied for WQSRF funding through State for \$9 million dollars in grant funding
- County is responsible for balance of funding, likely long term debt, with amortizations of up to 50 years to be paid through wastewater enterprise fund
- County will continue to look for ways to provide project cost savings while still providing ENR treatment per Maryland regulations

Concerning Future Budgets

- Due to declining assessments, it is likely that the tax rate will need to increase to meet the constant yield. The bottom is here...
- Continued focus on administration of pensions at the State level, and legitimate pension funding reform.
- Focus on cost impacts of WIP, PlanMaryland at local level
- County will continue to look for refunding opportunities to offer short and long term interest savings for its bond debt.
- County will look to restrict future borrowing by matching with expected cash flows to reduce total debt load.
- We will continue to look for ways to become more efficient, reducing costs to citizens, and provide necessary services.

FY 2013 Proposed Budget

County intends to adopt the Capital Improvement Program and the operating budget on May 22, 2012 at 2PM in the County Administration Building in public session.

- Public Comment