

Town Hall Meeting for Citizen Input



February 13, 2018

Budget Process (aka -The Rules!)

- Pursuant to the Section 504 of the Charter, “Not later than April 1 of each year, the Executive shall prepare and submit a proposed budget to the Council for the ensuing fiscal year.”
- Budget must include a budget message, which shall explain the proposed expense, revenue, and capital budgets in terms of finances and work to be done. It shall outline proposed financial policies and describe important features of the budget.



Operating & Capital Budget - Key Dates and Schedules

- January 22, 2018 Due date for returning Operating Budget requests to Budget Manager
- February 13, 2018 County Executive - Public Hearing for Citizen Input – 2019 Budget – Elk Room 7PM
- February 15, 2018 Submit Proposed 2019 CIP and Capital Budget to Planning Commission
- February 15, 2018 Receipt of Cecil County Public Schools, Cecil College, and Cecil Public Library Budget Requests
- March 19, 2018 Planning Commission Meeting – 6:00 PM – Elk Room
- March 30, 2018 County Executive submits Proposed Budget and Capital Improvement Program to County Council not later than April 1
- May 22, 2018 Public Hearing on Annual Budget and Appropriations Ordinance of Cecil County at 7PM – Elkton High School
- June 5, 2018** **Formal Adoption of Annual Budget and Appropriations Ordinance of Cecil County**

Governor's Budget Highlights

- \$17.7 billion State operating budget – total budget is \$44.5 billion, a 2% increase over FY2018 (per January 17th release)
- Approximately \$1 billion in State cash reserves at the end of FY2019
- \$6.5 billion for K-12 education
- Fully funds Program Open Space for the first time since FY2008 (\$61,270,000)
- \$365 million for new school construction projects, representing more than one-third of the FY2019 State capital budget
- \$53.7 million included in capital grants to counties and municipalities for transportation aid, above the formulaic appropriation of highway user revenues - \$27.8 million to counties & \$20.4 million to municipalities with the balance going to Baltimore City (estimated)
- \$7.7 billion in aid to local governments, an increase of \$181 million over FY2018 (primary increase include \$137.7 million for K-12 education, \$20.6 million for natural resources, \$18 million in transportation)
- For the FOURTH year in a row - limits capital debt borrowing at \$995 million – which is \$80 million below the level proposed by the legislature

What does the Governor's Budget mean to Cecil County?



Governor's Budget affect on Cecil County

Cecil County Concerns:

- The State budget makes counties responsible for nearly all operating costs for the assessment and directional functions of the State Department of Assessment and taxation (SDAT) – 90 percent of the cost of operations is being shifted to the Counties:

FY2018 - \$451,680 (representing 50% share)

FY2019 - \$829,323 (increase of \$377,643 vs FY2018)

- Leaves unchanged local health department allocations
- Although Governor's Budget proposes small increases in Highway User Revenues to counties, SHA is projecting \$653,662 for FY2019, in comparison to Cecil County receiving **\$5,612,778 in FY2009**. Additional transportation grants have been introduced by the Governor, but the amount the County will receive will depend on the final budget approval by the legislative branch. In FY2018 the County received an additional \$300,000 in transportation grant funds.

Governor's Budget affect on Cecil County

Cecil County Concerns continued:

- The Disparity Grant received by County will increase based on our increase to the income tax rate passed in FY2018. (The disparity grant is a state wealth-based grant distributed according to a formula to counties with per-capita income-tax revenues of less than 75 percent of the state average.) By formula, the proposed budget allocates \$1,058,000 to Cecil County in FY2019.
- Due to the change in the Federal tax code, the State is reviewing the implications to State of Maryland tax payers. As income tax is the second largest revenue stream, changes to Maryland tax laws can have adverse affects on the County's revenue base.



State Assessable Base Overview

- State Department of Assessments performs valuations of real property using their guidelines and procedures
- Assessments are valid for three years – “tri-annual”
- The State’s 5.8% average growth for this assessment cycle vs. 2015 includes one third of all residential and commercial properties across the State. It is estimated that Cecil should see a 2.5% increase in real property assessable base for FY2019.



Slow Recovery of County's Assessable Base

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actual Revenue | 93,339,208 | 94,183,674 | 94,526,435 | 94,802,372 | 91,891,635 | 91,644,971 | 92,149,822 | 92,664,393 | 99,446,244 |
| Assessable Base (in \$1,000) | 9,929,703 | 10,289,924 | 10,054,934 | 9,569,231 | 9,275,425 | 9,250,527 | 9,301,486 | 9,346,822 | 9,549,284 |
| Total General Fund Exp Budget | 162,987,369 | 161,630,020 | 166,067,033 | 166,748,807 | 173,532,772 | 178,449,108 | 182,145,864 | 182,200,196 | 182,959,458 |

The County's real property assessable base has yet to recover to the values experienced 8 years ago. During that time the County tried to maintain fiscal restraint on general fund expenditures, even though revenues were not keeping up with the needs of the County. The rate change of FY2018 was the first step in allowing the County to pay current expenses with current revenues.

Actual Fund Balance

The goal of Dr. McCarthy's administration is to not use unassigned fund balance (the County's savings account) to balance the current year's budget!

Table III

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| GENERAL FUND | | | | | |
| Non-Spendable Fund Balance | \$ 6,400,689 | \$ 10,982,077 | \$ 13,335,406 | \$ 10,603,047 | \$ 10,215,102 |
| Unrestricted Fund Balance | | | | | |
| Committed Fund Balance | 16,363,777 | 17,548,538 | 14,683,298 | 16,196,482 | - |
| Assigned Fund Balance | 7,541,000 | 4,055,000 | 3,500,000 | 2,300,000 | 15,327,610 |
| Unassigned Fund Balance | <u>15,015,485</u> | <u>7,425,546</u> | <u>6,206,671</u> | <u>8,755,014</u> | <u>10,247,486</u> |
| Total General Fund | <u>\$45,320,951</u> | <u>\$40,011,161</u> | <u>\$37,725,375</u> | <u>\$37,854,543</u> | <u>\$35,790,198</u> |

Fund Balance

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that can be spent only for specific purposes because of the County Charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** – Amounts that can be used only for specific purposes determined by formal County Council legislative action.
- **Assigned** – Amounts that are allocated for a future use by the County Executive but are not spendable until a budget ordinance is passed by County Council.
- **Unassigned** – All amounts not included in other spendable classifications.

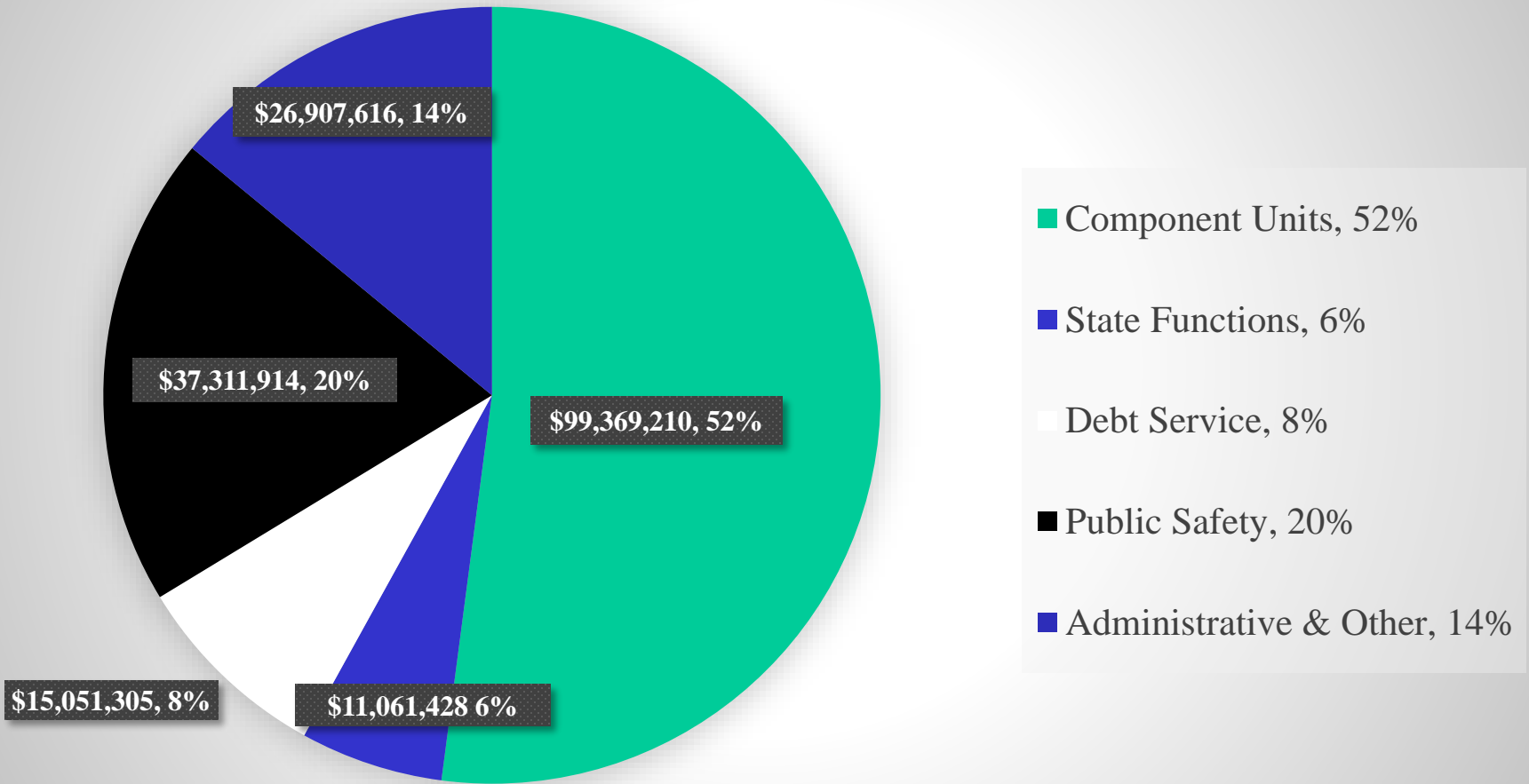


FY2018 Breakdown of County Expenses

- **Allocation to Components – 52%** or \$99,369,210 of the total General Fund expenditure budget, this includes Cecil County Public Schools, Cecil College and Cecil County Public Libraries.
- **Public Safety – 20%** or \$37,311,914 of the total General Fund expenditure budget, this includes the Sheriff’s Office, Detention Center, Department of Emergency Services, Permits and Inspections and Animal Services.
- **Debt Service – 8%** or \$15,051,305 of the total General Fund expenditure budget that includes both principal and interest.
- **State Functions– 6%** or \$11,061,428 of the total General Fund expenditure budget this includes Circuit Court, States’ Attorney’s Office, and Board of Elections.

FY2018 Breakdown of County Expenses

Expenditures % of Total FY2018 Approved Budget



The remaining 14% of the General Budget Expenditure Budget

ALL of the following functions share in the remaining budget of \$27,000,000:

- Office of the County Executive, Director of Administration, County Council and County Attorney
- Human Resources
- Finance & Purchasing
- Liquor Board
- Land Use & Development Services
- Utilities & Maintenance of all County owned facilities
- Public Works, which includes the Roads Division, Office of the Director, Development Services & Engineering & Construction budget is equal to **\$11,651,048 or 43%**
- Parks & Recreation
- Economic Development
- Department of Community Services



Budget Directives for 2019



The County Executive’s continued commitment is to move Cecil County forward through the priorities of the County’s Strategic Plan while adhering to sound fiscal management policies and practices. The strategic plan by the County Charter,

“shall be the principal planning document of the County to which all other planning documents shall adhere, including the Budget and the County’s comprehensive plan”.

Budget Directives for 2019

The following are the key priorities by the County's strategic plan and continue to be the directives of the County Executive for the
FY2019 Budget:

1. **Economic Development**: The County Executive has made clear that the FY2019 budget will continue to encourage economic growth by making the necessary changes to bring new business and jobs to Cecil County.
2. **Fiscal Stability**: The County Executive's message to the departments is one of balancing fiscal and operational efficiencies – now and in the future.
3. **Educational Strength**: The strategic plan prioritizes the advance of lifelong educational opportunities for all citizens. The County Executive will continue to support the adequate funding of education at all levels.
4. **Infrastructure**: The County Executive's budget supports installing critical infrastructure in the Route 40 corridor to allow for the opportunity of business growth.
5. **Safe, Healthy and Active Communities**: The County Executive continues to advance initiatives to fight the drug problems, fund the public safety needs of Law Enforcement and Emergency Services and support the total quality of life for all citizens.

Continuing Challenges

- Deliver the services Cecil County citizens expect and deserve while seeking more effective and efficient strategies.
- Build and retain a high quality workforce.
- Equip Public Safety departments with the most effective communication technology tools as these men and women strive to keep our County safe.
- Continue an aggressive infrastructure expansion within the growth corridor to maintain the County's economic development momentum, while balancing against the improvement of current infrastructure.
- Provide the necessary funding for our education institutions to ensure a high quality workforce and productive citizenry. Education is the number one prevention strategy to combat the misuse and abuse of drugs.

