

Cecil County Budget Process

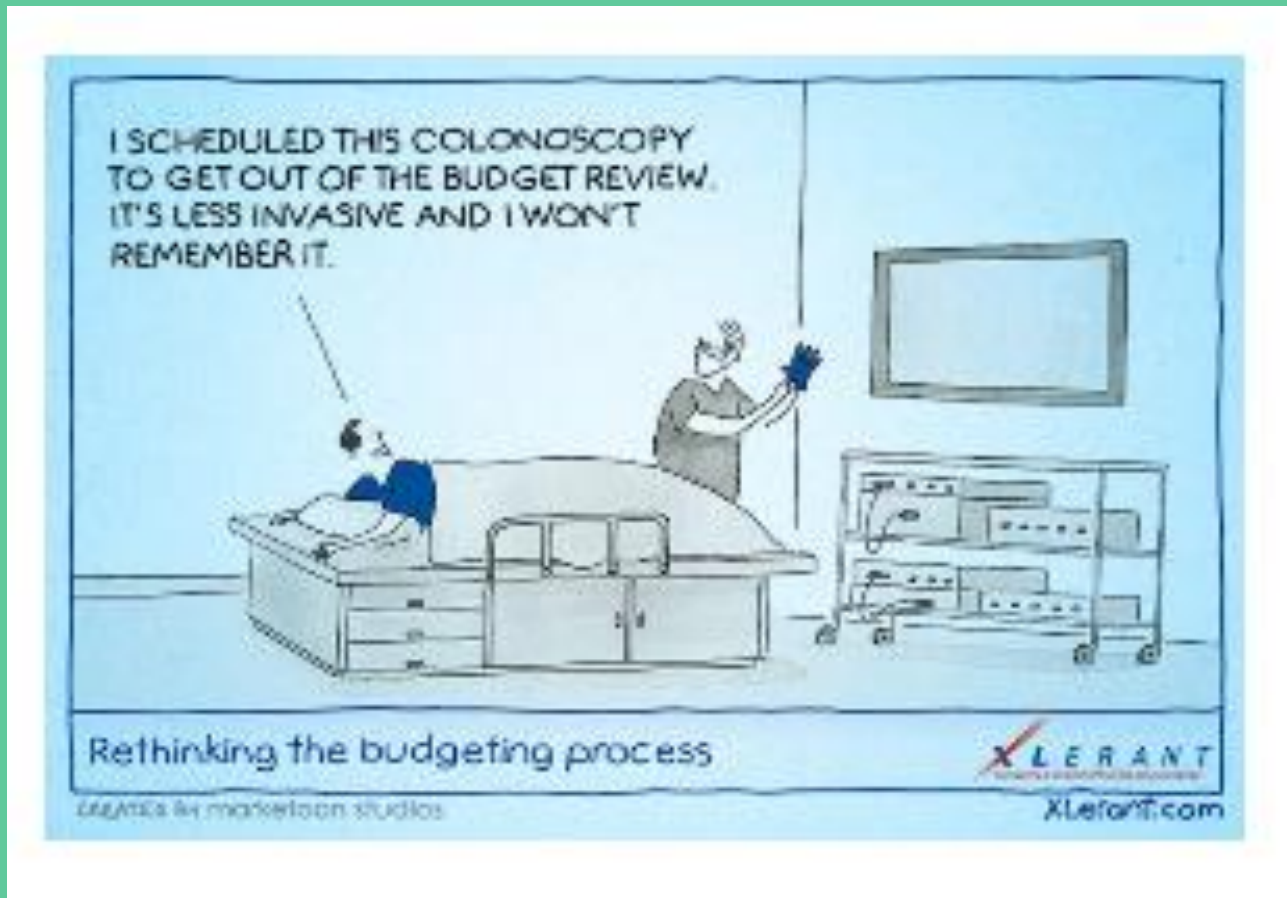
- Pursuant to the Section 504 of the Charter, "Not later than April 1 of each year, the Executive shall prepare and submit a proposed budget to the Council for the ensuing fiscal year."
- Budget must include a budget message, which shall explain the proposed expense, revenue, and capital budgets in terms 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 & Schedules

- December 21, 2018 Due date for returning Operating Budget requests to Budget Manager
- February 12, 2019 County Executive - Public Hearing for Citizen Input - 2020 Budget - Elk Room 6PM
- February 21, 2019 Submit Proposed 2020 CIP and Capital Budget to Planning Commission
- February 28, 2019 Receipt of Cecil County Public Schools, Cecil College, and Cecil Public Library Budget Requests
- March 18, 2019 Planning Commission Meeting - 6:00 PM - Elk Room
- March 29, 2019 County Executive submits Proposed Budget and Capital Improvement Program to County Council not later than April 1
- May 23, 2019 Public Hearing on Annual Budget & Appropriations Ordinance of Cecil County at 7PM - Elkton High School
- June 4, 2019 **Formal Adoption of Annual Budget and Appropriations Ordinance of Cecil County**

The Budget Process



The Budget Process



FY2020 Governor's Budget Highlights



Governor Larry Hogan

- Total proposed FY2020 budget is \$46.6 billion, and represents a \$1.8 billion (3.9%) increase over the revised fiscal 2019 spending plan.
- Proposed general fund spending increases \$1.6 billion (8.9%) to \$19.5 billion. This increase includes appropriations to the Rainy Day Fund.
- The FY2020 budget is aligned to put an additional \$105 million into reserves and will result in a total reserve amount of \$1.32 billion equals to slightly more than 7 percent of revenues.
- \$6.9 billion for K-12 education that exceeds levels required by state aid programs.
- FY2020 budget reserves \$200 million in state funding to implement the recommendations of the Kirwan Commission.
- Record funding for school construction of more than \$438 million.
- Increase in aid for transportation of \$24 million or 10 percent primarily driven by the Highway User Revenue formula.
- Second year of full funding for Program Open Space.
- ALL mandated State aid to local governments is funded giving more than one-third of the State's general fund budget to local governments.
- FY2020 budget includes \$56.5 million to encourage investment in Opportunity Zones.
- No tax increases or service reductions.

What does the Governor's Budget mean to YOU?



Governor's Budget → Cecil County

1. YOUR Highway Infrastructure

The proposed budget seeks to fund the Highway User Fund formula that is calculated based on locally maintained road mileage and vehicle registrations. In the most recent past the formula has not been fully funded. Cecil County received a combination of HUR and grant funding for Roads in FY2019 in the amount of \$1,306,419. The Governor's budget FY2020 will provide \$1,422,471 (increase of \$116,052) in HUR funding to Cecil County.

REMINDER:

The State virtually ceased to fund the Highway User Revenue 10 YEARS AGO... In comparison to our \$116,052 increase proposed by the Governor for FY2020, the allocation to Cecil County based on the HUR formula in FY2009 was \$5,612,778. The County's ability to maintain roads infrastructure was "easier" 10 years ago than it is today. The County has been left to maintain its own roads and at the same time funds diverted to fix Roads are not available for any other critical need of the County. (public safety, education, economic development)



Governor's Budget → Cecil County

2. YOUR Schools & Libraries

Cecil County Public Schools (CCPS) - School funding from the State is almost entirely based on formulas that are based on the number of students being served. Due to the declining enrollment numbers for CCPS, the State's required funding drops as well. The Governor's budget includes funds to be certain that CCPS is held harmless due to declining enrollment and funds their allocation close to what was received in the prior year.

Cecil College - Operational expense funding for community colleges in Maryland is calculated by a formula based on per FTE student count. The current student count at Cecil College continues to be flat and therefore the Governor's budget support for the College remains relatively unchanged.

Cecil County Public Library - Library funding from the State is based on population with some accommodations given to equalize small jurisdictions based on a per capita calculation. The population of Cecil County has only grown by a few hundred citizens over the past three years. Therefore, increased funding from the State has been minimal.

REMINDER:

The reoccurring theme amongst all three component units of the County is if their costs to operate increase even at a minimum inflationary rate, they are all looking at County revenues to support the needs of their organizations.

Governor's Budget → Cecil County

3. YOUR Local Health Department

The State provides funding through the Cecil County Health Department to fund a wide range of programs. State supported programs include preventative health services such as family planning, maternity and child care assistance, cancer control and AIDS education and outreach. The County's support of the health department picks up many of the additional programs needed but not funded by the State. An additional \$177,000 is allocated to Cecil County in FY2020.

4. YOUR Program Open Space

The State is fully funding Program Open Space for the second year, which to Cecil County, which means an additional \$17,000 (total \$792,000) for FY2020.

So if the State doesn't fund the service in total, where does the County get the rest of the funds needed to support the needs of it's citizens?



Property Taxes → State Assessable Base

- State Department of Assessments performs valuations of real property using their guidelines and procedures
- Assessments are valid for three years with an increase or decrease in the base divided over three years.
- The State's 9.1% average growth for this assessment cycle, includes one third of all residential and commercial properties across the State. It is estimated the area assessed in Cecil County will see a 9.0% increase that will be recognized over three years.

Slow Recovery of County's Assessable Base

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Actual Revenue	94,183,674	94,526,435	94,802,372	91,891,635	91,644,971	92,149,822	92,664,393	99,446,244	102,177,503
Assessable Base (in \$1,000)	10,289,924	10,054,934	9,569,231	9,275,425	9,250,527	9,301,486	9,346,822	9,549,284	9,811,552
Total General Fund Exp Budget	164,026,571	166,067,034	165,961,826	173,519,951	176,010,975	179,748,196	184,438,307	190,078,171	195,448,861

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.

FY2019 Total County Revenue Approved Budget

Property Tax	\$116,596,848
Income Tax	62,572,542
Other Revenue	<u>16,176,471</u>
Total Revenue	\$195,645,861

Education, public safety, and upkeep of roads and bridges, just to name a few, all have to share the same pot of money.

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
GENERAL FUND					
Non-Spendable Fund Balance	\$ 10,982,077	\$ 13,335,406	\$ 10,603,047	\$ 10,215,102	\$ 10,075,089
Unrestricted Fund Balance					
Committed Fund Balance	17,548,538	14,683,298	16,196,482	-	-
Assigned Fund Balance	4,055,000	3,500,000	2,300,000	15,327,610	23,788,045
Unassigned Fund Balance	<u>7,425,546</u>	<u>6,206,671</u>	<u>8,755,014</u>	<u>10,247,486</u>	<u>9,775,539</u>
Total General Fund	<u><u>\$ 40,011,161</u></u>	<u><u>\$ 37,725,375</u></u>	<u><u>\$ 37,854,543</u></u>	<u><u>\$ 35,790,198</u></u>	<u><u>\$ 43,638,673</u></u>

Notes:

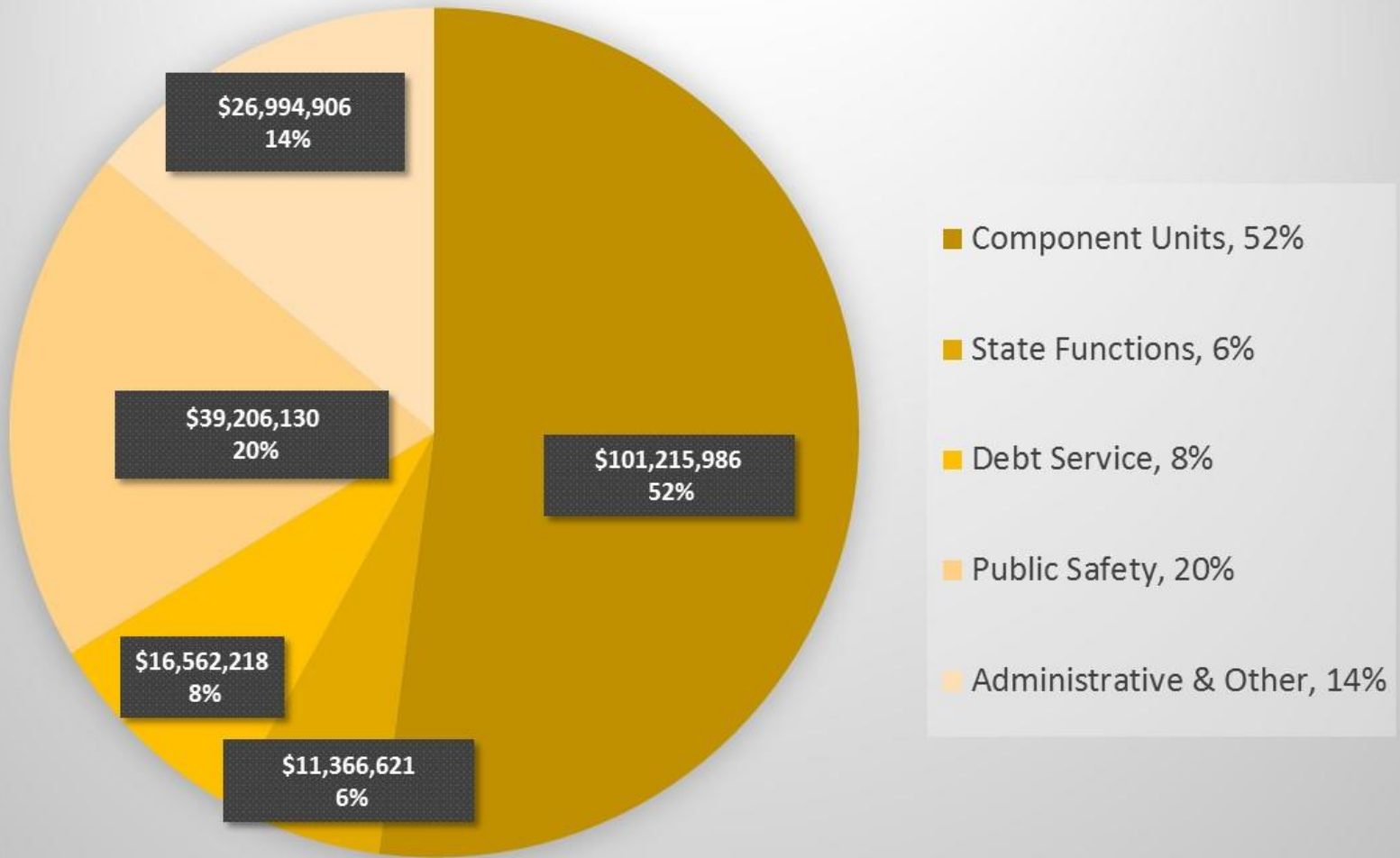
In FY2017, after management review the Contingency Reserve was changed from Committed Fund Balance to Assigned Fund Balance.

FY2019 Breakdown of County Expenses

- **Allocation to Components - 52%** or \$101,215,986 of the total General Fund expenditure budget, this includes Cecil County Public Schools, Cecil College and Cecil County Public Libraries.
- **Public Safety - 20%** or \$39,206,130 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 \$16,562,218 of the total General Fund expenditure budget that includes both principal and interest.
- **State Functions- 6%** or \$11,366,621 of the total General Fund expenditure budget this includes Circuit Court, States' Attorney's Office, and Board of Elections.

FY2019 Breakdown of County Expenses

Expenditures % of Total FY2019 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 **\$10,748,316 or 40%**
- Parks & Recreation
- Economic Development
- Department of Community Services



Budget Directives for 2020

The following continue to be the key priorities directed by the County's strategic plan and are the directives from the County Executive for the FY2020 Budget:

1. **Economic Development**: The County Executive continues to encourage economic growth by making the necessary changes to bring new business and jobs to Cecil County. The FY2020 budget will support this objective.
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.

The Challenges Continue...

- 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.

