

# Overview of the FY 17 Budget and FY 17-22 Operating Plan

March 17, 2016

# Core Messages

- We still haven't left the recession behind.
- Revenue growth remains modest and uncertain.
- Pressure on services and infrastructure continues to grow.

# Board Goals

- The Recommended Budget builds on existing plans and direction.
- Even now, any Board direction we get will help us to prepare for the Proposed Budget work sessions.

# Goals For Today

- We are here to set the stage for your budget discussions and decisions to come.
- We won't be making any decisions today.
- This is a good time to discuss ideas about the process.

# State Budget

FY 17

# FY 17 State Budget

- The Governor's budget is dependent on legislation.
- There is too much uncertainty to build all of it into the Recommended Budget.
- We should know more by the Proposed Sessions, but important decisions could be made by the State the evening before you begin deliberations.

What Does it Mean at Home?

State Budget Impact in Carroll County

# Impact in Carroll County

- Aid to Local Government (without retirement)
  - CCPS – a decrease of \$1.2M or 0.9%
    - Does not include one-time \$4M
  - CCC – \$275,000 or 3.5%
  - CCPL – \$27,700 or 3%
  - Health Department – \$122,900 or 8.4%



# Impact in Carroll County

## – Towns

- HUR

- Formula \$19,000 or 4.9% increase
- \$1.2M grant

## – Commissioners

- HUR

- Formula \$54,000 or 4.9% increase
- \$1.1M grant

- Police Aid – Small decrease

- POS – A reduction in the planned reduction

Where Are We?

**Where Will We End FY 16?**

# FY 16 Revenue Projection

FY 16 Budget	\$380.0M
FY 16 Projection	388.4M
Change	\$8.4M

# FY 16 Year-End Projection

Revenues	\$8.4M
Reserve for Contingency	3.6M
Net Expenditures	1.3M
Year-End Balance	13.3M
Carryover to FY 18	(3.5M)
Projected FY 16 Unassigned	\$9.8M

# FY 17-22 Revenue

# The Top Revenues

In millions	FY 16 Budget	FY 16 Projected	FY 17 Projection
Real Property	\$182.1	\$182.6	\$184.5
Income Tax	130.8	136.8	139.7
Recordation	12.6	13.6	13.5
Railroad & Utilities	6.6	6.9	6.9
Business Property	6.4	8.3	8.2
Interest	1.7	0.9	1.8
Total	\$340.2	\$349.1	\$354.6

# Budget To Budget

In Millions	FY 16 Budget	FY 17 Recommended	Change
Revenue	\$380.0	\$385.0	\$5.0

In Millions	FY 16 Budget	FY 17 Recommended	Change
Revenue	\$380.0	\$385.0	\$5.0
Less: Surplus	(10.2)	(5.6)	4.6
Less one-time: W/C & Cable Balance	(4.2)	(0.2)	4.0
Plus: Stormwater Fund – Debt Service	0.0	1.0	1.0
Net Revenue	\$365.6	\$380.2	\$14.6



# Revenue Changes from Adopted Plan

In millions	FY 17	FY 18	FY 19	FY 20	FY 21
Real Property Tax	(\$0.3M)	(\$2.1M)	(\$3.2M)	(\$3.1M)	(\$3.1M)
Stormwater Fund	(1.0)	(1.3)	(1.7)	(2.1)	(2.3)
Ag Pres	(0.2)	(0.2)	(0.3)	(0.3)	(0.9)
Net Real Property Tax	(\$1.5M)	(\$3.6M)	(\$5.2M)	(\$5.5M)	(\$6.3M)

# Revenue Changes from Adopted Plan

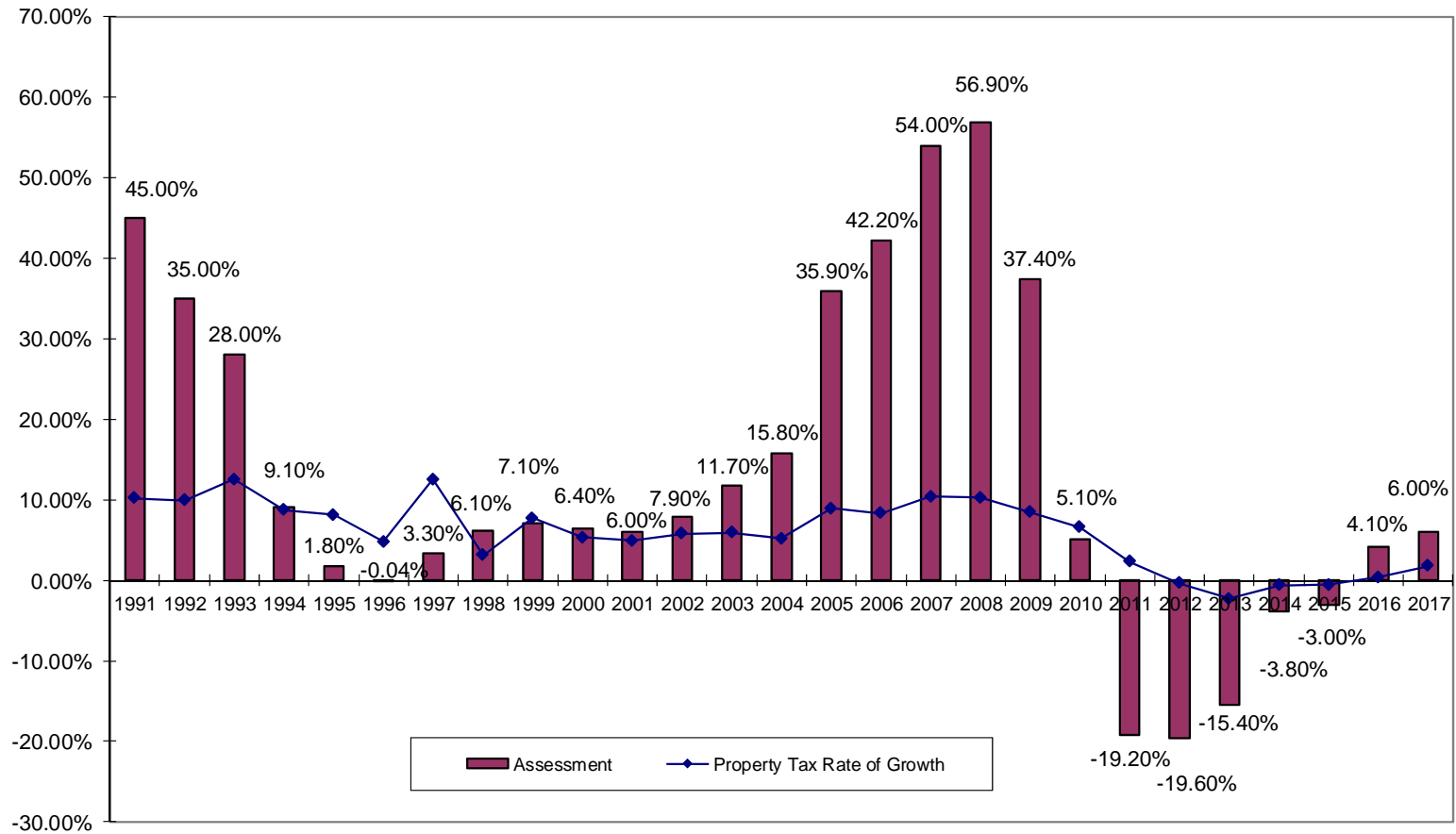
In millions	FY 17	FY 18	FY 19	FY 20	FY 21
Net Real Property	(\$1.5M)	(\$3.6M)	(\$5.2M)	(\$5.5M)	(\$6.3M)
RR&PU	0.4	0.5	0.6	0.7	0.8
Business	1.8	1.8	1.8	1.8	1.8
Total Property Tax	\$0.7M	(\$1.3M)	(\$2.8M)	(\$3.0M)	(\$3.7M)

# Revenue Changes from Adopted Plan

In millions	FY 17	FY 18	FY 19	FY 20	FY 21
Property Tax	\$0.7M	(\$1.4M)	(\$2.8M)	(\$3.0M)	(\$3.7M)
Income Tax	3.3	3.8	3.6	3.4	3.2
Recordation	0.0	(0.3)	0.3	0.9	1.6
Interest	(2.0)	(3.4)	(2.7)	(2.0)	(1.6)
Other	(0.8)	(0.7)	(0.6)	(0.6)	(0.9)
Total Annual Revenues	\$1.2M	(\$2.0M)	(\$2.2M)	(\$1.3M)	(\$1.4M)

# Property Tax

# Reassessment History



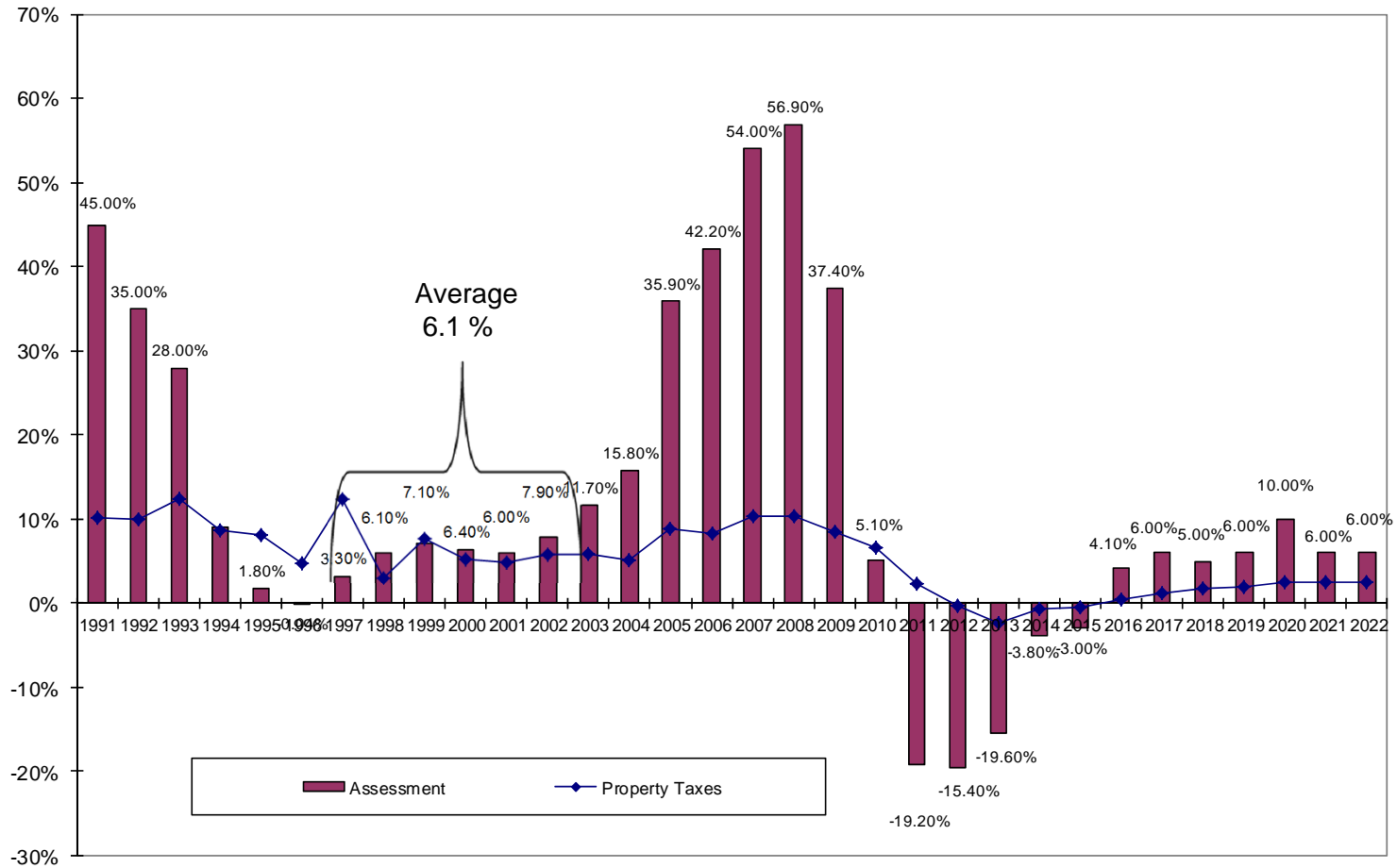
# Reassessments

	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>
<b>Group 1 – South Carroll</b>	<b>2.00%</b>	2.00%	2.00%	<b>3.33%</b>	3.33%	3.33%
<b>Group 2 – North Carroll</b>	0.00%	<b>1.67%</b>	1.67%	1.67%	<b>2.00%</b>	2.00%
<b>Group 3 – Westminster Taneytown</b>	1.38%	1.38%	<b>2.00%</b>	2.00%	2.00%	<b>2.00%</b>
<b>Annual Growth</b>	<b>1.20%</b>	<b>1.73%</b>	<b>1.89%</b>	<b>2.45%</b>	<b>2.56%</b>	<b>2.56%</b>

# Assessments

	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>
<b>Annual growth from reassessments</b>	<b>1.20%</b>	<b>1.73%</b>	<b>1.89%</b>	<b>2.45%</b>	<b>2.56%</b>	<b>2.56%</b>
<b>Annual growth including new construction</b>	<b>1.40%</b>	<b>1.96%</b>	<b>2.48%</b>	<b>3.20%</b>	<b>3.14%</b>	<b>3.11%</b>

# Reassessment History and Projections





# Total Property Tax

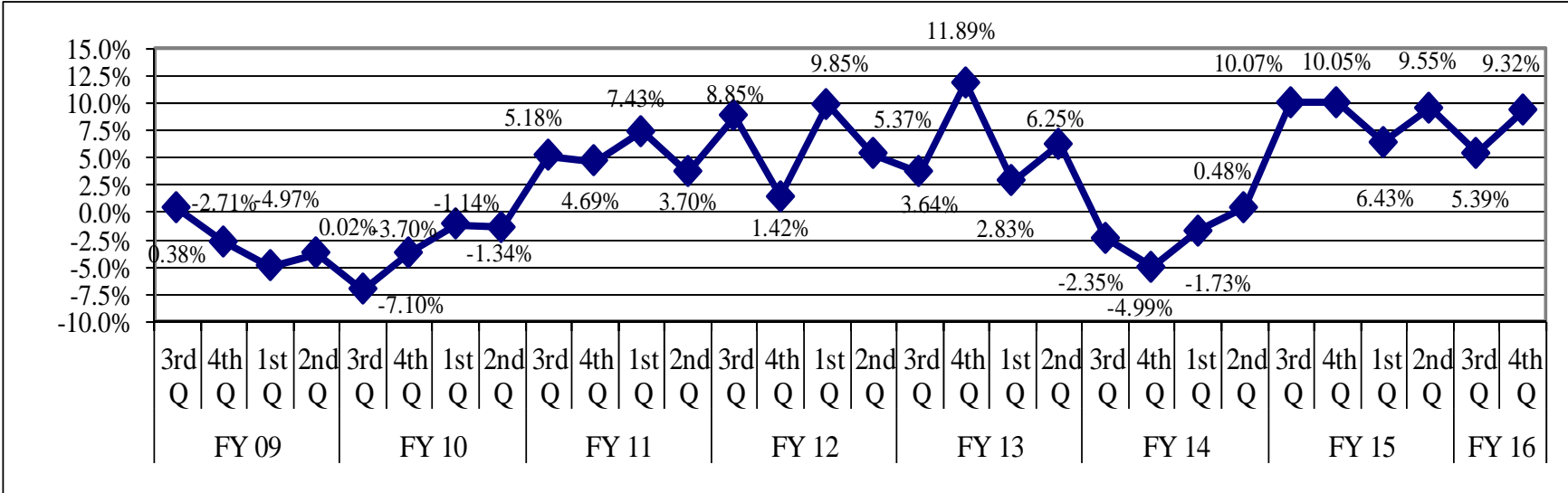
- FY 15 actual \$193.1M
- FY 16 forecast \$197.9M or 2.5%
- FY 17 forecast \$199.5M or 0.8%
- FY 17 forecast \$200.6M or 1.5% without appropriation to Stormwater Fund for debt service

# Total Property Tax

	FY 17	FY 18	FY 19	FY 20	FY 21
FY 16-21 Plan	\$198.8	\$202.2	\$207.9	\$213.8	\$220.5
FY 17-21 Forecast	\$199.5	\$200.8	\$205.1	\$210.8	\$216.8
Change	\$0.8	(\$1.4)	(\$2.8)	(\$3.0)	(\$3.7)

# Income Tax

# Income Tax Distributions



# Income Tax

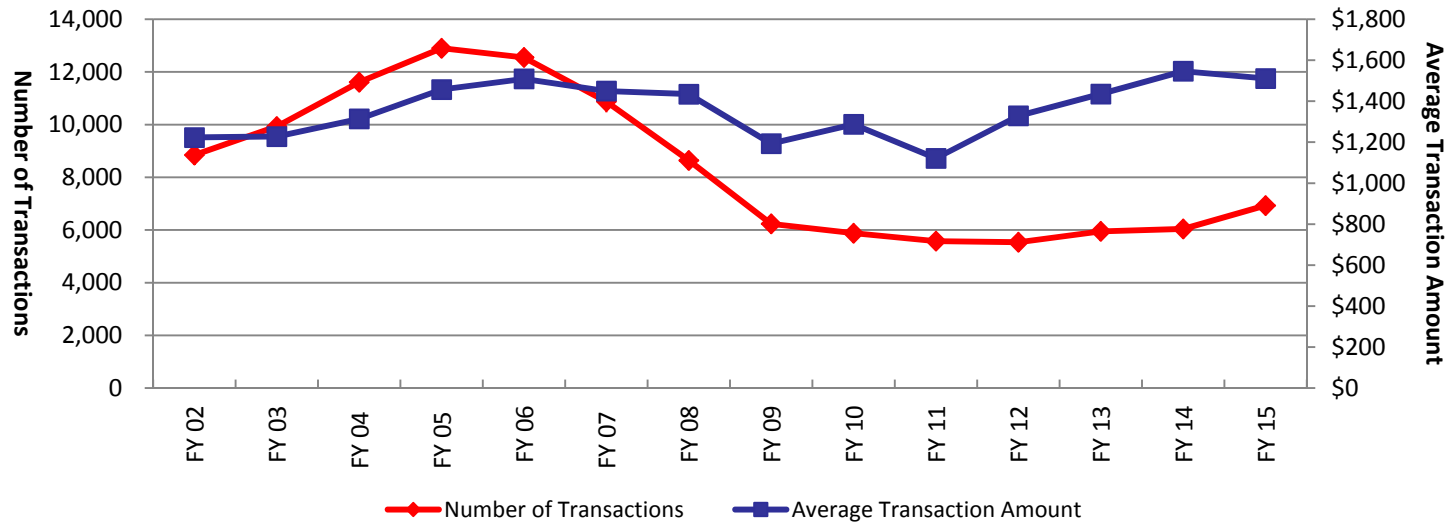
- FY 15 actual \$126.7M
- FY 16 forecast \$136.8M or 8.0%
  - 5.6% growth without change in % going to BOE Capital
- FY 17 forecast \$139.7M or 2.1%

# Income Tax

	FY 17	FY 18	FY 19	FY 20	FY 21
FY 16-21 Plan	\$136.4	\$141.7	\$147.7	\$153.0	\$160.3
FY 17-21 Forecast	\$139.7	\$145.5	\$151.3	\$156.4	\$163.5
Change	\$3.3	\$3.8	\$3.6	\$3.4	\$3.2

# Recordation Tax

# Recordation Activity





# Recordation

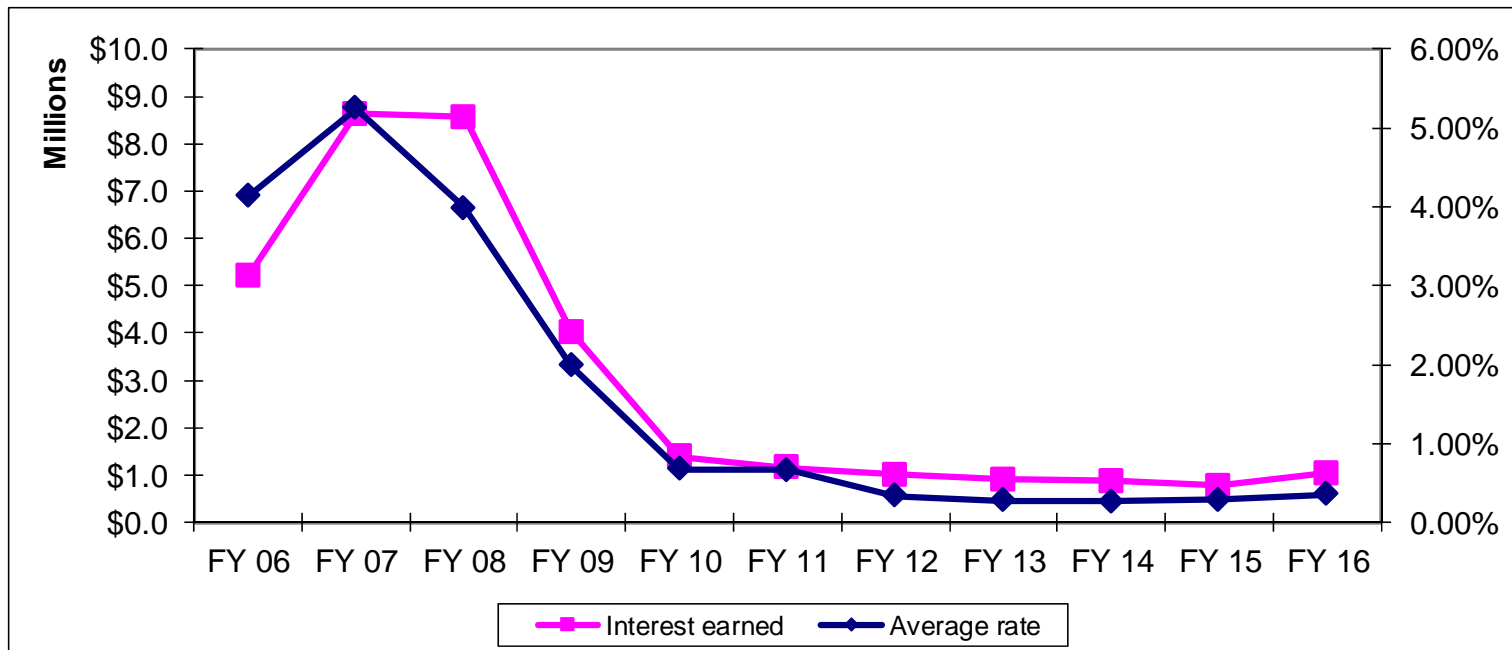
- FY 15 actual \$11.9M
- FY 16 forecast \$13.6M or 14.3%
- FY 17 forecast \$13.5M

# Recordation Tax

	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
FY 16-21 Plan	\$12.6	\$13.5	\$14.5	\$14.5	\$14.5	\$14.5
FY 16-21 Forecast	13.6	13.5	14.2	14.8	15.4	16.1
Change	\$1.0	\$0.0	(\$0.3)	\$0.3	\$0.9	\$1.6

# Interest Income

# Interest



# Interest Income

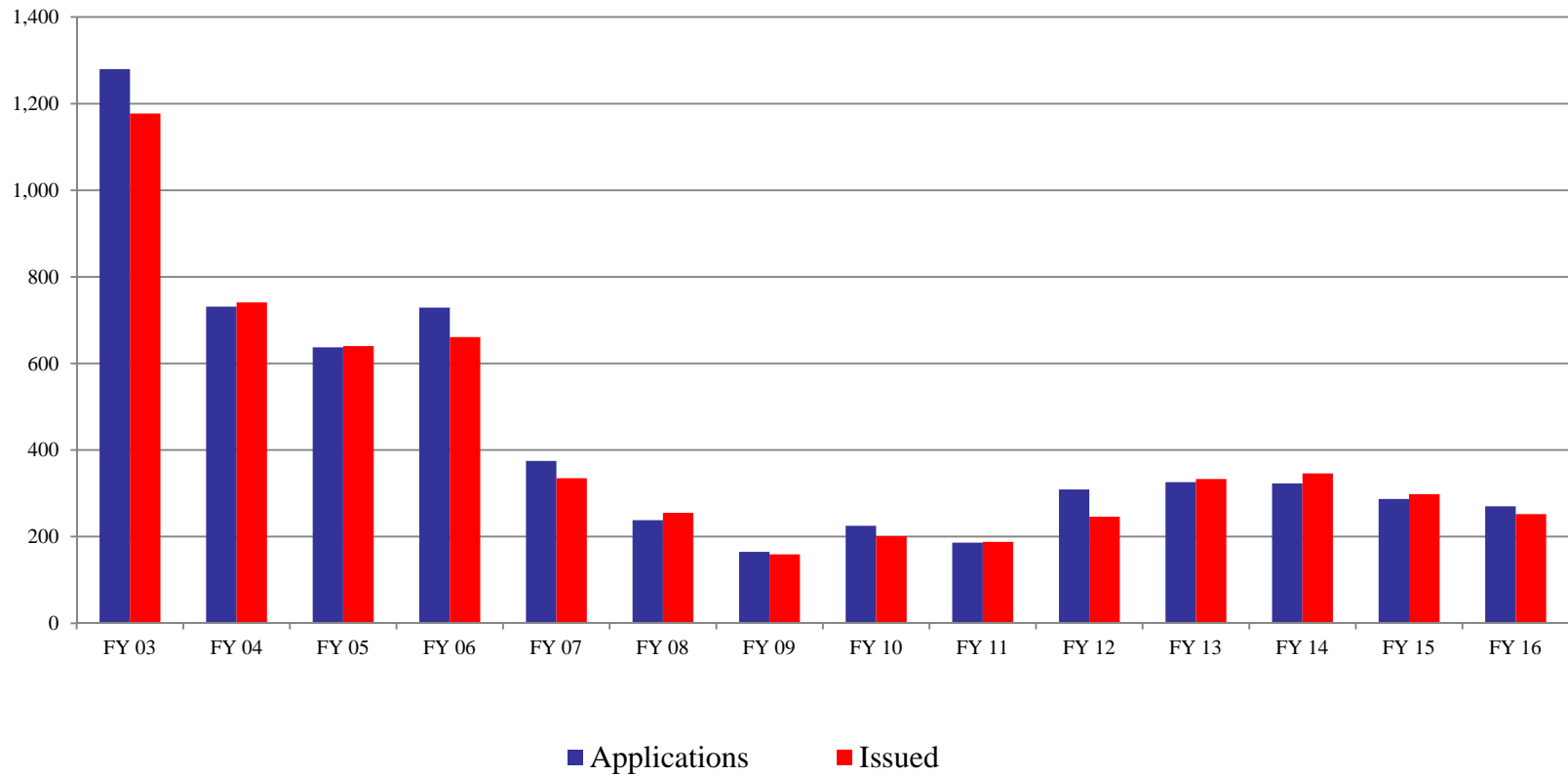
- FY 15 actual \$0.8M
- FY 16 forecast \$0.8M
- FY 17 forecast \$1.8M

# Interest Income

	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
FY 16-21 Plan	\$1.7	\$3.8	\$6.1	\$6.2	\$6.4	\$6.6
FY 16-21 Forecast	0.8	1.8	2.7	3.5	4.5	5.5
Change	(\$0.9)	(\$2.0)	(\$3.4)	(\$2.7)	(\$1.9)	(\$1.1)

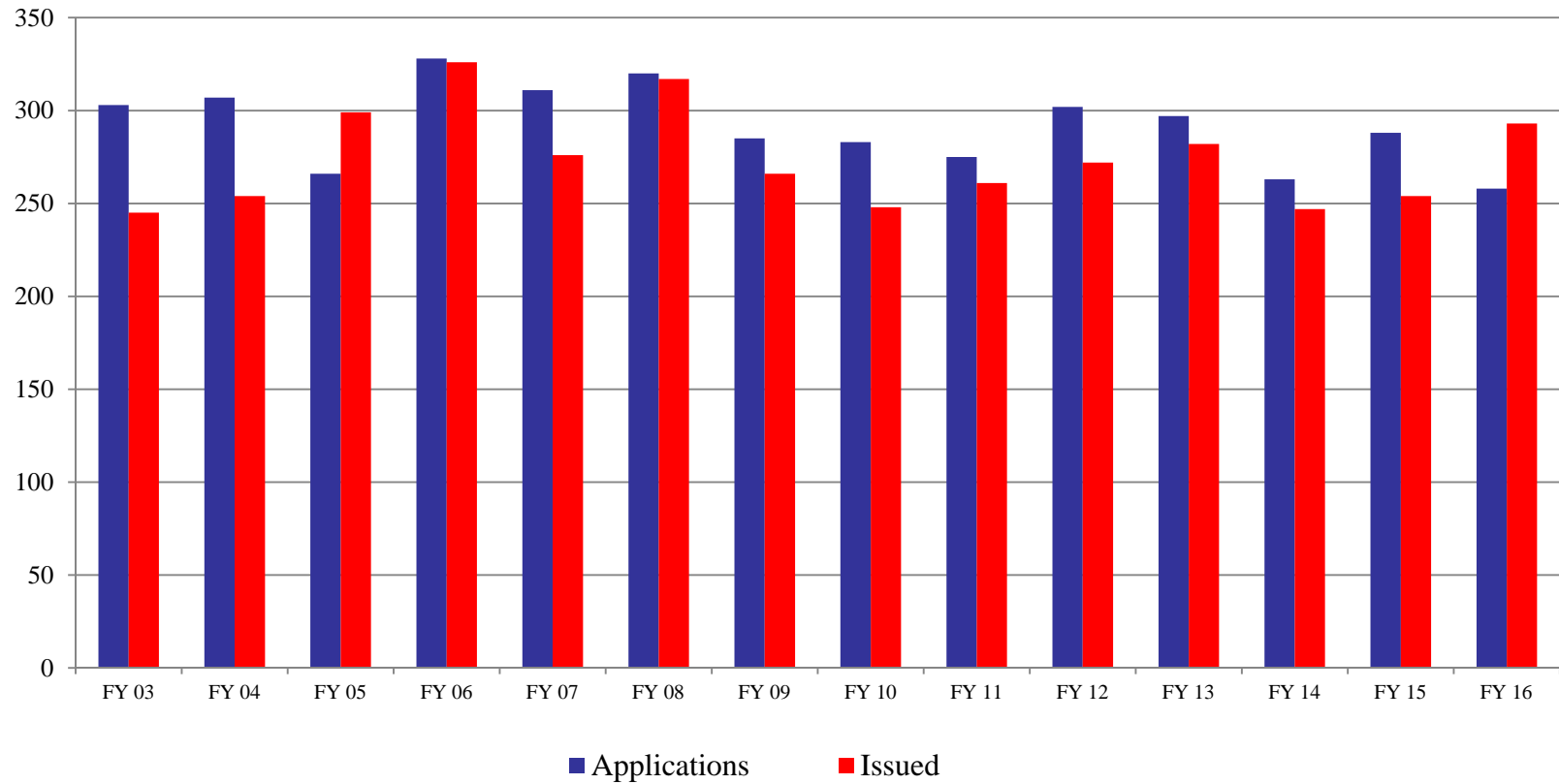
# Building Permits

# Residential Permit Activity





# Commercial/Industrial Permit Activity



# Building Permits

- FY 15 actual \$545,200
- FY 16 forecast \$549,000
- FY 17 forecast \$549,000

# Why Not More?

- Blip or start of a trend?
- Business personal property
- Recordation
  - Three large transactions
- Income tax
  - Uncertainty
  - Reconciling distributions
  - Distribution ratios

# FY 17-22 Operating Plan

# Op Plan Assumptions

- BOE – Specific dollar amounts as included in FY 16-21 Adopted Plan
- Health costs
  - FY 17 \$0.5M lower than FY 16
  - FY 18-22 Assumed growth reduced from 9%
- Salary
  - General FY 17 2.5%, FY 18-22 3.0%
  - Sheriff 4%

# Op Plan Assumptions

- General – FY 17 2.5%, FY 18-22 3.0%
- Teacher pension – 5%/year
- Detention Center – 4%/year
- Intergovernmental – 2%/year
- Debt Service – Tied to planned bonds in the CIP

# Op Plan Assumptions

- Reserve – 1% of revenue
- Non-profit service providers – varying growth rates set by Commissioners in FY 16-21 Op Plan
- Ag Pres
  - 2.25% of real property
  - FY 17 last year of drawing down balance
- Pension – Based on percent of salaries

# Op Plan Assumptions

- Board of Elections – 5%/year, but...
- Reserve for Positions - \$200K additional every year
- Risk – 5%/year
- Various other specific assumptions



# Op Plan Drivers

- Increased from Adopted Plan
  - 800 MHz Maintenance Agreement \$0.7M
  - IT maintenance agreements \$0.2M

# Op Plan Drivers

- Decreased from Adopted Plan
  - Health (\$1.8M)
  - Child Support Match for States Attorney (\$0.3M)
  - Fleet Management – Fuel (\$0.6M)

# Op Plan Drivers

- Decreased from the Plan
  - Transfer to Capital due to reappropriations of funding in the Capital Budget (\$0.4M)
  - Teacher Pension (\$0.3M)
  - Removal of rent in State's Attorney Office (\$0.15M)
  - Contracting inmate beds (\$0.15M)

# Changes From Op Plan

In millions	FY 17	FY 18	FY 19	FY 20	FY 21
Health	(\$2.2M)	(\$2.4M)	(\$3.0M)	(\$3.5M)	(\$4.0M)
Debt Service	(\$1.1)	(\$2.0)	(\$2.6)	(\$2.7)	(\$2.9)
Fleet (Fuel)	(\$0.6)	(\$0.4)	(\$0.3)	(\$0.3)	(\$0.4)
Sheriff's Office Salary base/plan	(\$0.2)	(\$0.3)	(\$0.5)	(\$0.7)	(\$0.8)
Rent/CSA/Beds	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)
Teacher Pension	(\$0.3)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)
Public Safety/911	\$0.7	\$0.7	\$1.0	\$0.8	\$0.8
Technology Services	\$0.2	\$0.3	\$0.5	\$0.5	\$0.5

# Debt Service Detail

In millions	FY 17	FY 18	FY 19	FY 20	FY 21
County	\$27.4	\$27.1	\$26.5	\$26.6	\$24.1
BOE	12.0	11.4	11.0	10.7	12.0
Ag Pres	1.8	1.8	3.1	1.8	1.9
Stormwater	1.0	1.4	1.8	2.1	2.4
Total Debt Service	\$42.2	\$41.7	\$42.4	\$41.2	\$40.4
FY 16-21 Planned	\$42.3	\$42.3	\$43.3	\$41.8	\$41.0
Difference	(\$0.1)	(\$0.6)	(\$0.9)	(\$0.6)	(\$0.6)

So Where Does That Leave Us?

# Op Plan Balances

<b>FY 16-21 Adopted</b> In millions	FY 17	FY 18	FY 19	FY 20	FY 21
Adopted Balance	\$0.0	\$0.0	\$0.3	\$1.6	\$5.2
%	0.0%	0.0%	0.0%	0.3%	1.2%

<b>Recommended</b> In millions	FY 17	FY 18	FY 19	FY 20	FY 21
Change in Revenues	\$1.3	(\$1.9)	(\$2.1)	(\$1.3)	(\$1.2)
Change in Expenditures	(\$4.1)	(\$5.3)	(\$6.2)	(\$7.1)	(\$7.6)
Recommended Balance	\$5.4	\$3.4	\$4.4	\$7.4	\$11.7
%	1.4%	0.9%	1.1%	1.8%	2.7%

# Unassigned Fund Balance

	FY 13	FY 14	FY 15
Annual	\$1.6M	\$5.3M	\$6.7M
Cumulative	\$1.6M	\$0.7M	\$7.4M



# Assigned Fund Balance

	FY 17
FY 13 Assigned	\$1.2M
FY 14 Assigned	1.0
FY 15 Assigned	3.4
Total Assigned	\$5.6M

What, Me Worry?

# Things On My Mind

- State
  - The Governor's budget requires legislative actions.
    - HUR
    - POS
    - Ag pres
  - Other legislative actions in this Session
    - Income tax changes
  - Impacts of future State budgets
    - Their plan isn't balanced.

# Things On My Mind

- CCPS
  - The funding gap
  - State funding
  - School closings
  - Teacher pensions
  - Career and Technology project(s)

# Things On My Mind

- CCPS
  - Roofs/HVAC's
  - Modernizations
  - Central Office move
  - Dedicated local income tax for the capital program

# Local Income Tax to BOE

	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>
Capital	7.1%	7.1%	7.6%	8.1%	9.1%	9.1%
Operating	2.0%	2.0%	1.5%	1.0%	0.0%	0.0%

# Highway User Revenue

- Grant
  - \$1.1M in FY 17 increasing over 8 years until it reaches the old formula level ~ \$12M
  - Formula \$1.1M funds pavement preservation program
  - Grant of \$1.1M budgeted in capital for storm drain replacements in FY 17 only
  - Uncertainty of future funding

# Highway User Revenue

- Grant
  - Options for future funding
    1. Fund additional one-time projects, such as storm drains
    2. Reduce bonds on road projects
    3. Reduce general fund transfer to the Capital Fund
    4. Increase General Fund revenues



# HUR Scenarios

In millions	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
<b>Additional Funding</b>	\$1.0	\$2.0	\$3.0	\$4.0	\$5.0	\$6.0
Reduce GF Transfer to Capital Fund		1.1	1.3	1.4	1.4	1.3
Reduce Bonds/DS savings		0.1	0.3	0.5	0.9	1.3
<b>Freed Funding</b>		<b>\$1.2</b>	<b>\$1.6</b>	<b>\$1.9</b>	<b>\$2.5</b>	<b>\$2.6</b>

# Things On My Mind

- Space issues
  - State's Attorney move
  - BOE Central Office move
  - Sheriff
  - Detention Center
    - Day Reporting Center
    - Minimum security facility
    - Eventual new facility

# Things On My Mind

- POS Funding
  - Recommended Capital Budget might have to change with State Budget
- Family and Children Services – Domestic Violence Safe House
  - \$60K additional funding in FY 16
  - Seeking additional on-going funding
- Solid Waste

# Things On My Mind

- ACA Cadillac Tax
- Reclassifications
- Minimum wage impacts on pay scales
- Technology needs and on-going impacts
- Infrastructure funding
- Reduced flexibility
- Water availability

# Things On My Mind

- Employee pay
- Aging workforce
- Non-profit service providers
- Unpaved roads
- Project management
- Grant funding

# Things On My Mind

- Land acquisition
- Pressure on services
- Environmental compliance
- LOSAP funding
- Community College and BOE OPEB
- Managing expectations

Where Do We Go From Here?

# Budget Calendar

- March
  - Recommended Sessions next week
- March/April
  - Agency Sessions
    - BCC/Agency discussions
    - Issues



# Budget Calendar

- April
  - Sine Die 4/11
  - Proposed Sessions 4/12-4/26
    - Set up and structure
    - Scenarios
    - ‘What ifs’ on the fly
  - Release of Proposed Budget 4/28
  - Five community budget meetings 4/28-5/10

# Budget Calendar

- May
  - Public Hearing 5/12
  - Adopted work sessions 5/19-5/24
  - Budget Adoption 5/26
- There isn't a lot of flexibility in the schedule