

# Overview of the FY 16 Budget and FY 16-21 Operating Plan

March 12, 2015

# Core Messages

- Revenue growth remains modest and uncertain.
- Reduced flexibility is a concern.
- Pressure on services and infrastructure is growing.

# A Difficult Situation

- The new commissioners are walking into the middle of their first budget process.
- We are still dealing with the impact of the worst fiscal environment the County has ever faced.

# Board Goals

- We don't know what the Board goals are yet.
- The Recommended Budget will generally follow existing direction and plans.
- Even now, any Board direction we get will still 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 on the process.

Where Are We?

Revenue

# There is revenue growth, but...

- It is modest and slow.
- There is still uncertainty.
- We have little flexibility.



# FY 15 Revenue

Where Will We End This Year?

# FY 15 Revenue Projection

|                          |          |
|--------------------------|----------|
| FY 15 Budget             | \$368.5M |
| FY 15 Revised Projection | \$368.3M |
| Change                   | (\$0.2M) |

# FY 15 Year-End Projection

|                         |          |
|-------------------------|----------|
| Revenues                | (\$0.2M) |
| Reserve for Contingency | \$3.0M   |
| Net Expenditures        | \$0.4M   |
| Year-End Balance        | \$3.2M   |

FY 16 Revenue

What About Next Year?

# The Top 8 Revenues

| In millions          | FY 15 Budget | FY 15 Projected | FY 16 Projection |
|----------------------|--------------|-----------------|------------------|
| Real Property        | \$179.6      | \$179.3         | \$182.0          |
| Income Tax           | 122.4        | 122.4           | 128.0            |
| Recordation          | 11.8         | 11.5            | 12.6             |
| Railroad & Utilities | 6.5          | 6.7             | 6.6              |
| Business Property    | 6.2          | 6.3             | 6.4              |
| Interest             | 0.8          | 0.8             | 1.7              |
| 911                  | 1.0          | 1.0             | 1.0              |
| Building Permits     | 0.6          | 0.5             | 0.5              |
| Total                | \$328.9      | \$328.5         | \$338.8          |

# Revenue Changes from Adopted Plan

| In millions  | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 |
|--------------|-------|-------|-------|-------|-------|
| Property Tax | \$0.2 | \$0.0 | \$0.0 | \$0.1 | \$0.3 |
| Income Tax   | 0.0   | (0.6) | (1.0) | (1.1) | (1.1) |
| Record       | 0.0   | 0.5   | 0.0   | 0.0   | 0.0   |
| Interest     | (0.5) | (0.6) | (0.2) | (0.2) | (0.2) |

# Revenue Upside

- The housing market
  - Assessment growth
  - New construction
  - Home sales
- The economy
  - The job market
- Income tax
  - Historical growth
  - Recent W/H

# Revenue Downside

- Uncertainty
- Legislation
- Wynne case
- Well and septic limitations
- Water availability
- Town plans



So Where Does That Leave Us?

# Adopted Op Plan Balances

|                 |  | FY 16  | FY 17  | FY 18  | FY 19  | FY 20  |
|-----------------|--|--------|--------|--------|--------|--------|
| In millions     |  |        |        |        |        |        |
| Adopted Balance |  | \$0.0M | \$0.0M | \$0.4M | \$3.1M | \$4.2M |
| %               |  | 0.0%   | 0.0%   | 0.1%   | 0.8%   | 1.0%   |

# Recommended Op Plan Balances

| In millions            | FY 16    | FY 17    | FY 18    | FY 19    | FY 20    |
|------------------------|----------|----------|----------|----------|----------|
| Change in Revenues     | (\$0.9M) | (\$1.5M) | (\$2.4M) | (\$1.8M) | (\$2.4M) |
| Change in Expenditures | (1.0)    | (1.9)    | (2.0)    | (1.3)    | (2.4)    |
| Recommend Balance      | \$0.1M   | \$0.4M   | \$0.1M   | \$2.6M   | \$4.2M   |
| %                      | 0.0%     | 0.1%     | 0.0%     | 0.7%     | 1.0%     |

# Budget/Op Plan Drivers

- Increased from Adopted Plan
  - Transportation
  - State's Attorney rent
  - Detention Center rented beds
- Decreased from Adopted Plan
  - Medical
  - Debt service

# Op Plan Assumptions

- General – 2.5% FY 16 and FY 17
- General – 3.0% FY 18 through FY 21
- Health costs – 9% per year FY 17 through FY 21
- Teacher pension – 5%
- BOE – Specific dollar amounts as included in Adopted Plan

# Op Plan Assumptions

- Detention Center – 4%
- Health Department – 2%
- Risk – 5%
- Intergovernmental – 2%
- Debt Service – Tied to the CIP
- Board of Elections – 5%
- Ag Pres – FY 16 and FY 17 (\$2.0M)/year

# Op Plan Assumptions

- Pension – 4%
- OPEB – Stepped up funding of unfunded liability continues
- Reserve – 1% of revenue
- Non-profits – (7.3%) in FY 16, (3%) FY 17-21
- Various specific assumptions

# Unassigned Fund Balance

|            | FY 13  | FY 14  |
|------------|--------|--------|
| Annual     | \$1.6M | \$5.3M |
| Cumulative | \$1.6M | \$6.9M |



# Assigned Fund Balance

|                        | FY 16  | FY 17  |
|------------------------|--------|--------|
| FY 13 Surplus Assigned | \$0.9M | \$1.2M |
| FY 14 Surplus          | 4.2    |        |
| Total                  | \$5.1M | \$1.2M |

# State Budget

FY 16

# FY 16 State Budget

- The Governor's budget is very dependent on legislation.
- There is too much uncertainty to build 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?

Impact in Carroll County

# Impact in Carroll County

- Total Aid to Local Government (without retirement) – (\$5.5M) or (3.7%)
  - CCPS – (\$4.3M) or (3.2%)
  - CCC – (\$400,000) or (5.0%)
  - CCPL – \$27,000
  - Health Department – (\$27,400)
  - Towns
    - HUR – Flat
    - Police Aid – Flat

# Impact in Carroll County

- Commissioners
  - HUR – Flat
  - Police Aid – Flat
  - Teacher Pension \$1.0M

What, Me Worry?

# Things On My Mind

- State
  - The Governor's budget requires legislative actions.
  - Other legislative actions in this Session
  - Impacts of future State budgets
  - Cost shifts



# Things On My Mind

- Space
  - State's Attorney
  - Sheriff
  - Animal Control
  - Detention Center
    - Leasing space
    - Minimum security facility
    - Eventual new facility
  - Other

# Things On My Mind

- School infrastructure
- School funding
- Teacher pensions
- Infrastructure funding
- Reduced flexibility
- Water availability
- Heroin

# Things On My Mind

- Employee pay
- Aging workforce
- Non-profit service providers
- Gravel roads
- Project management
- State funding for Ag Pres

# Things On My Mind

- Program Open Space
- Systems replacement of collections, payroll, and HR
- Land acquisition
- Pressure on services
- Grant Funding
- Managing expectations

# Things On My Mind

- Tourism/hotel tax
- SDAT costs
- Minimum wage
- Environmental compliance
- LOSAP funding
- Community College and BOE OPEB
- Solid Waste

Where Do We Go From Here?

# Budget Calendar

- March
  - Recommended Sessions 3/19-3/24
- March/April
  - Agency Sessions 3/26-4/9
    - BCC/Agency discussions
    - Issues

# Budget Calendar

- April
  - Sine Die 4/13
  - Proposed Sessions 4/14-4/23
    - Set up and structure
    - Scenarios
    - ‘What ifs’ on the fly
  - Release of Proposed Budget 4/28
  - Community Budget meetings 4/28-5/5



# Budget Calendar

- May
  - Public Hearing 5/7
  - Adopted work sessions 5/14-5/21
  - Budget Adoption 5/26
- There isn't a lot of flexibility in the schedule



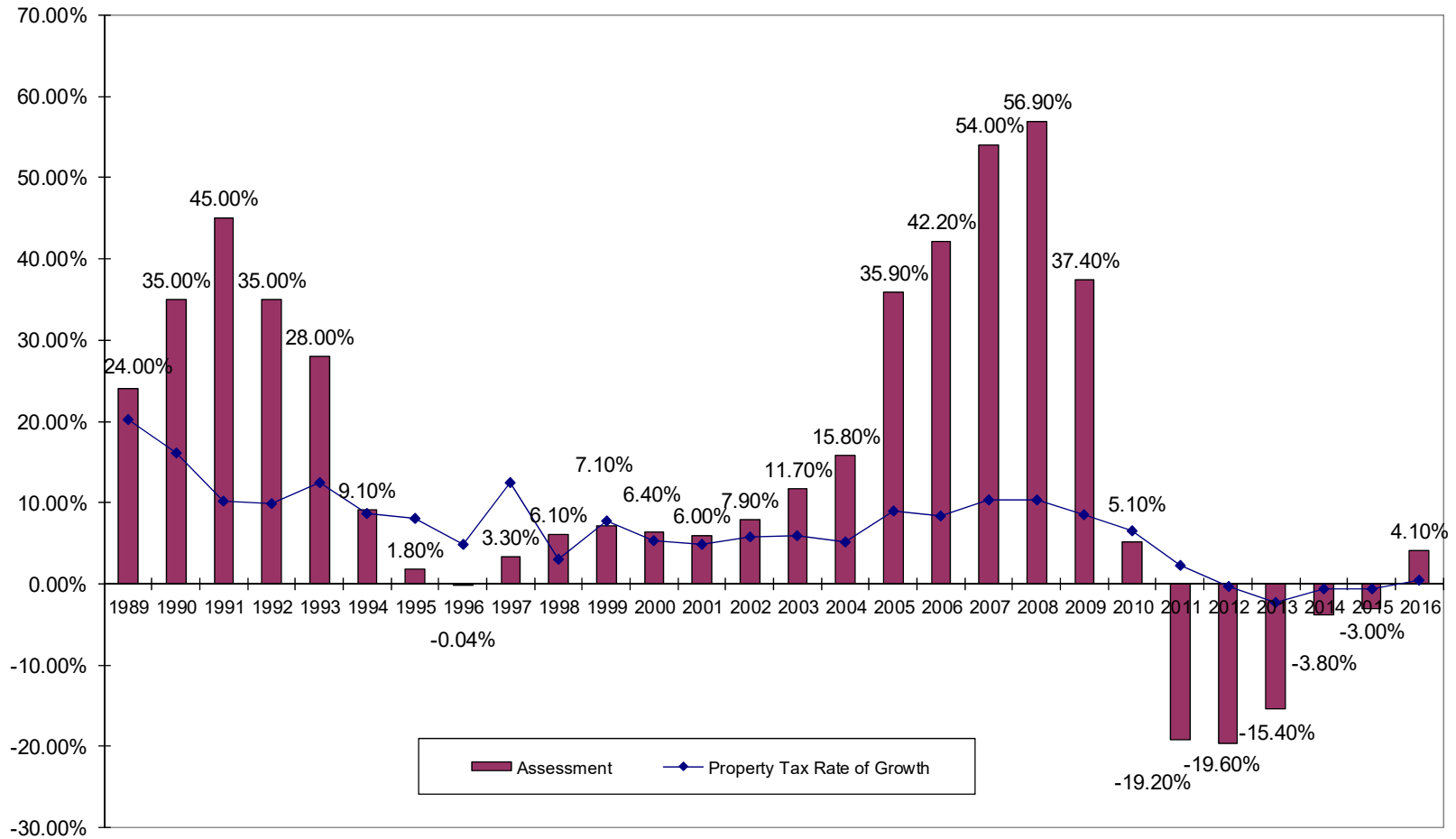
Garage

- Tax Reductions:
- Property Tax Real and Personal reductions:
- FY 12 - \$0.02/\$0.05
- FY 13 - \$0.01/0.025
- Personal
- FY 14 - \$0.03
- Income Tax
- .02%
- Debt Reductions
- FY 11-15 11.0%
- FY 11-21 projected approximately 18%

# One-Time Funding

- BOE
- LOSAP
- OPEB
- Reduce debt
- Tax rebate
- Accomplishing something more in capital
- Technology

# Reassessment History



# Reassessments

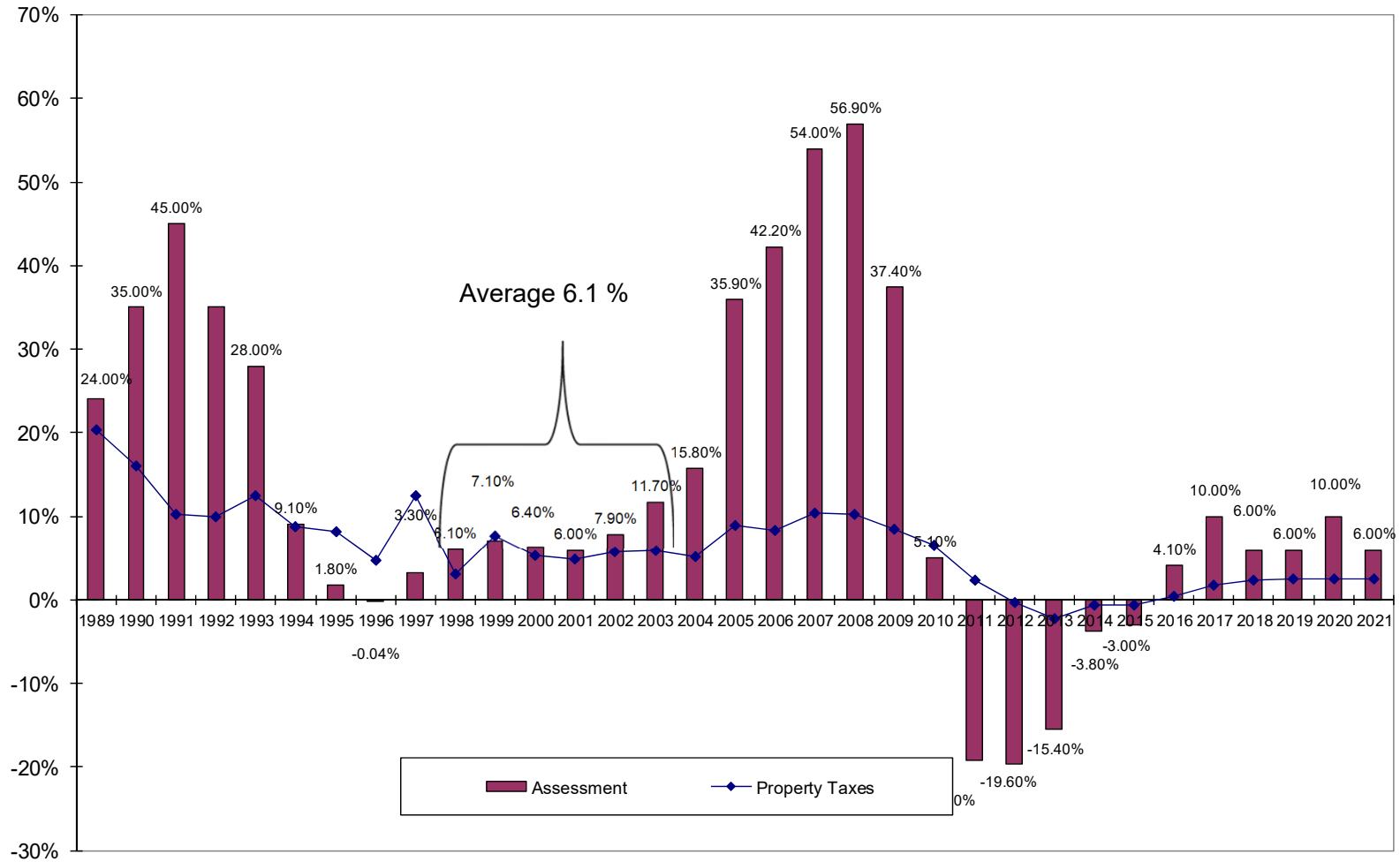
|  | <b>FY 16</b> | <b>FY 17</b> | <b>FY 18</b> | <b>FY 19</b> | <b>FY 20</b> | <b>FY 21</b> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Group 1 –<br/>South Carroll</b>             | 0.00%        | <b>3.33%</b> | 3.33%        | 3.33%        | <b>3.33%</b> | 3.33%        |
| <b>Group 2 –<br/>North Carroll</b>             | 0.00%        | 0.00%        | <b>2.00%</b> | 2.00%        | 2.00%        | <b>2.00%</b> |
| <b>Group 3 –<br/>Westminster<br/>Taneytown</b> | <b>1.38%</b> | 1.38%        | 1.38%        | <b>2.00%</b> | 2.00%        | 2.00%        |
| <b>Annual<br/>Growth</b>                       | <b>0.41%</b> | <b>1.76%</b> | <b>2.40%</b> | <b>2.56%</b> | <b>2.56%</b> | <b>2.56%</b> |

# Assessments

|   | <b>FY 16</b> | <b>FY 17</b> | <b>FY 18</b> | <b>FY 19</b> | <b>FY 20</b> | <b>FY 21</b> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Annual growth from reassessments</b>         | <b>0.41%</b> | <b>1.76%</b> | <b>2.40%</b> | <b>2.56%</b> | <b>2.56%</b> | <b>2.56%</b> |
| <b>Annual growth including new construction</b> | <b>1.78%</b> | <b>2.09%</b> | <b>2.86%</b> | <b>2.99%</b> | <b>3.09%</b> | <b>3.09%</b> |



# Reassessment History and Projections

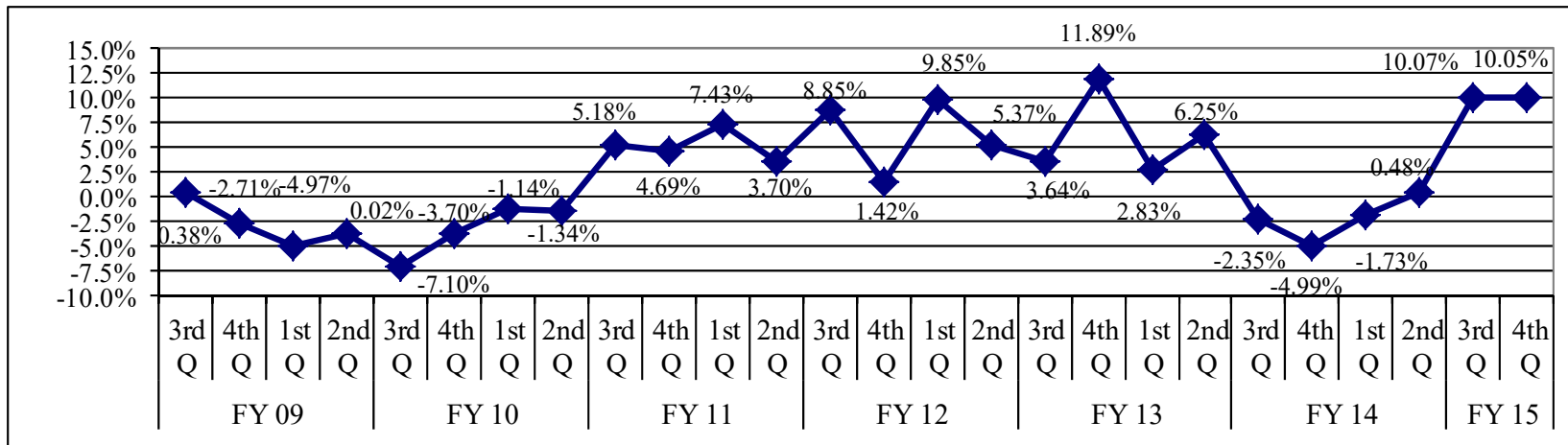


# Total Property Tax

- FY 14 actual \$195.9M
- FY 15 forecast \$192.4M or (1.8%)
- FY 16 forecast \$195.1M or 1.4%

# Income Tax

# Income Tax Distributions

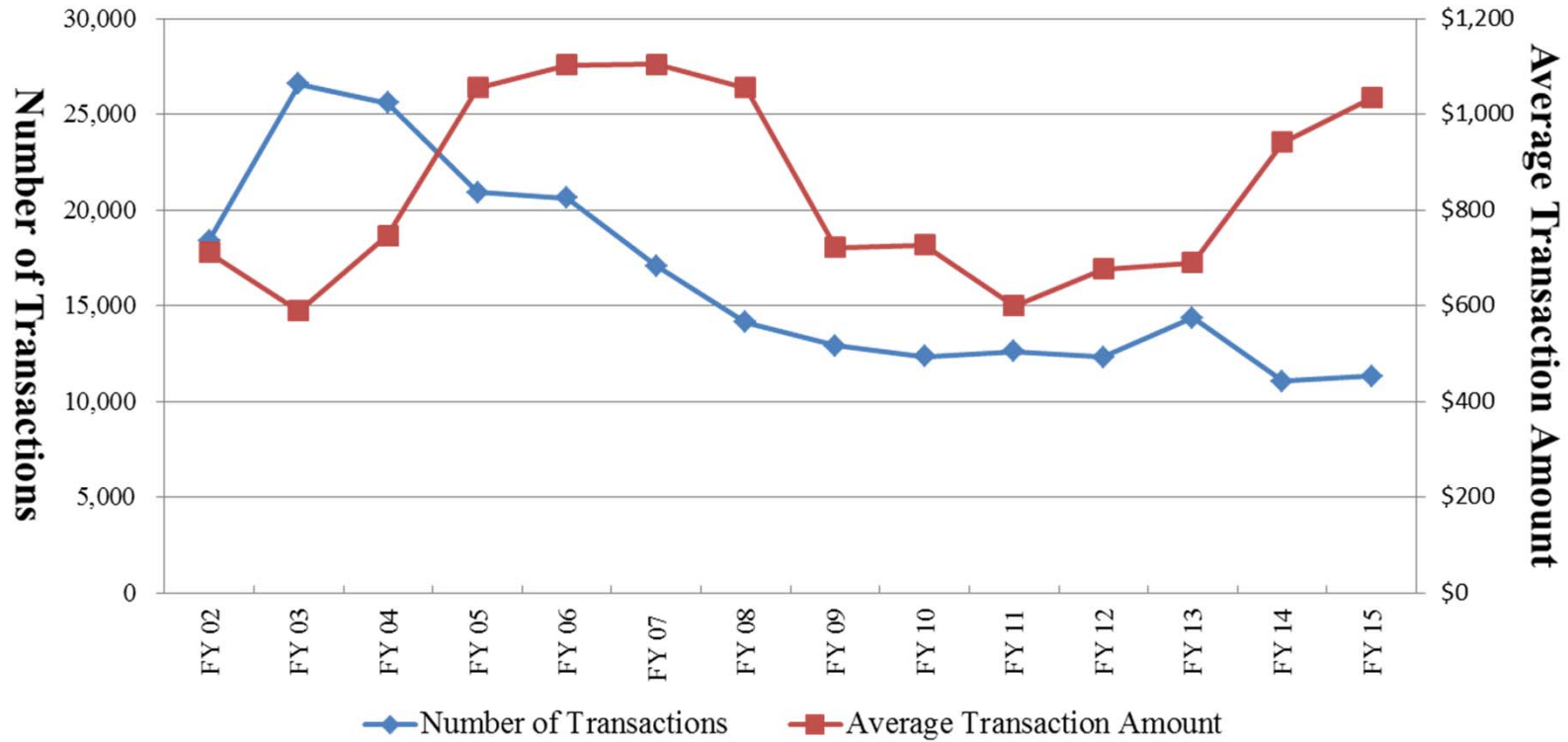


# Income Tax

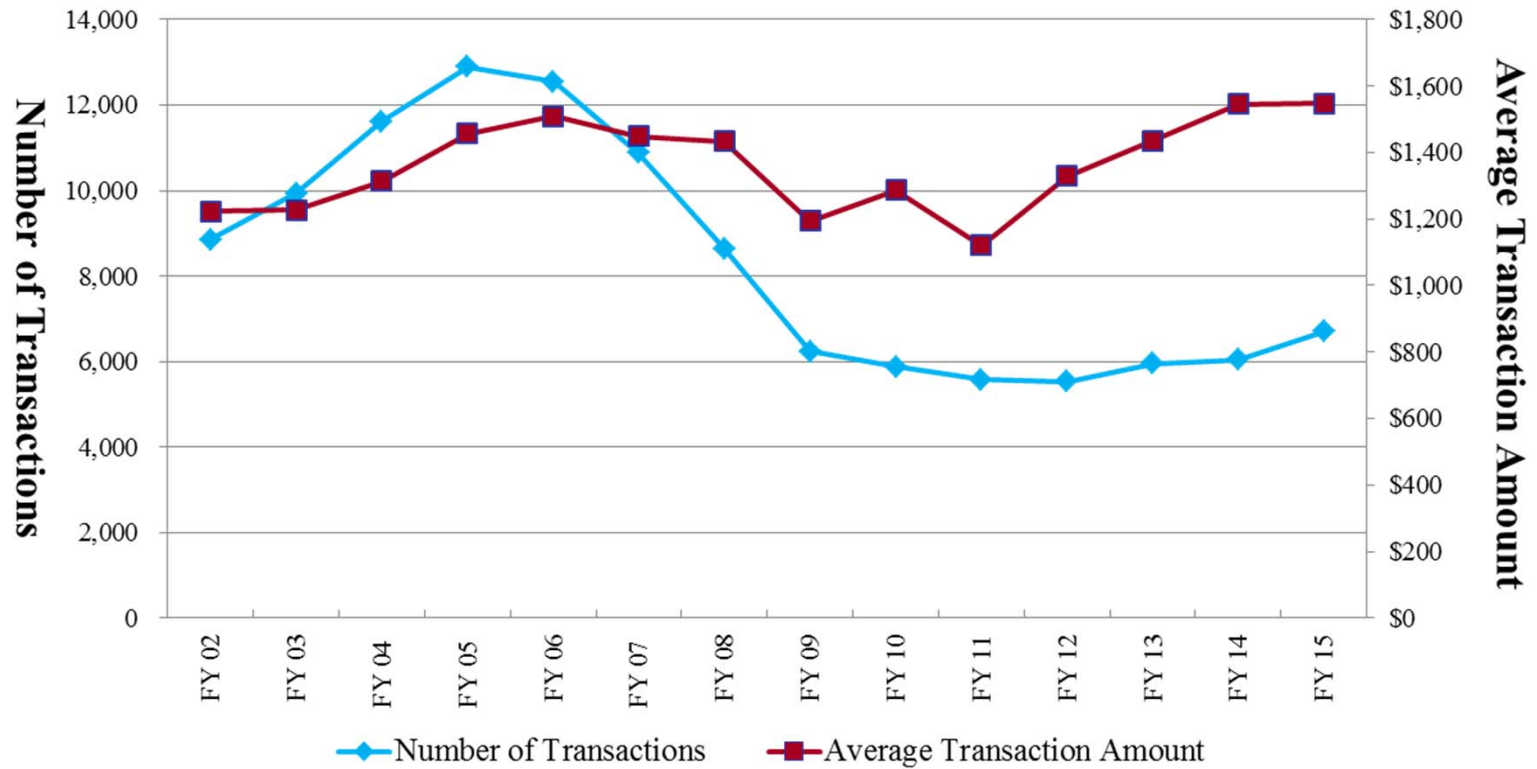
- FY 14 actual \$119.6M
- FY 15 forecast \$122.4M or 2.4%
- FY 16 forecast \$128.0M or 4.6%

# Recordation Tax

# Recordation Activity



# Recordation Activity - Original





# Recordation Tax

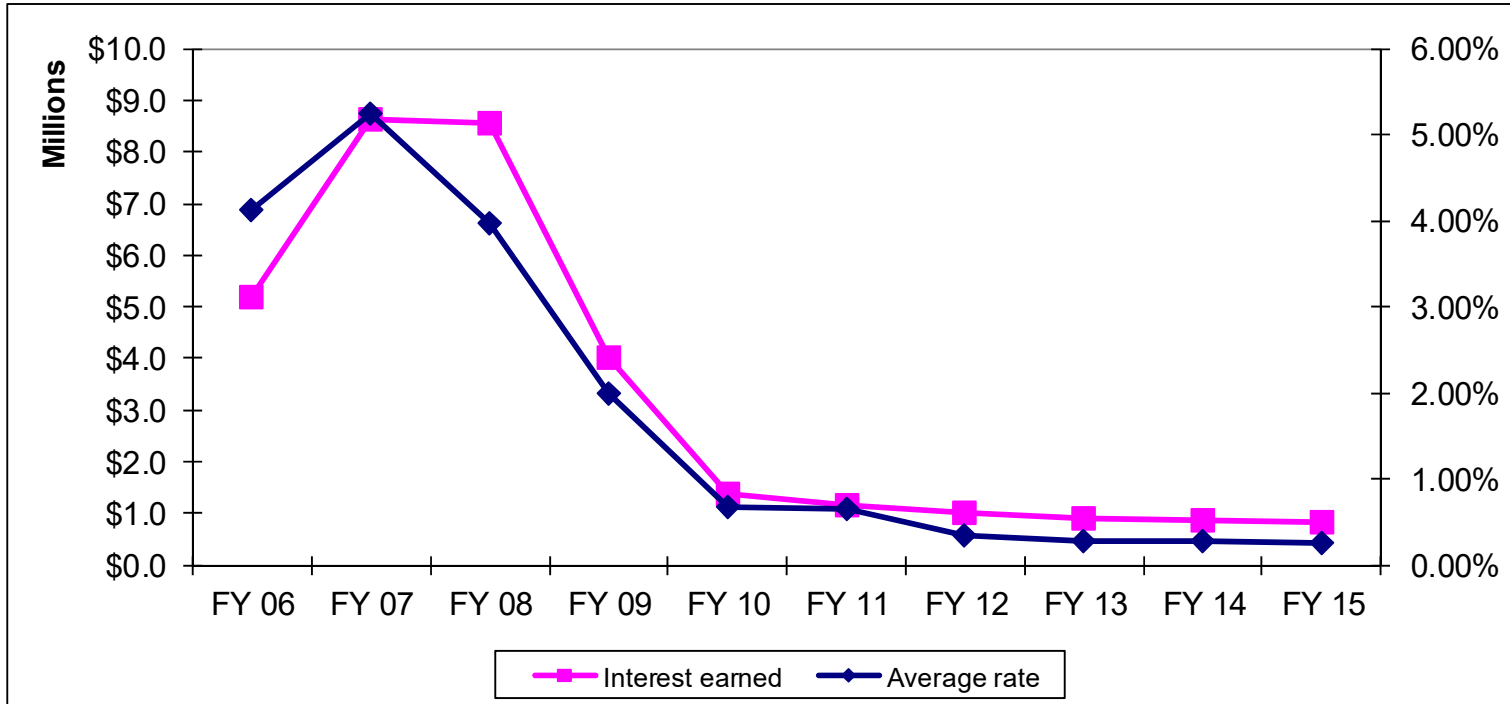
|                      | FY 15   | FY 16  | FY 17  | FY 18  | FY 19  | FY 20  |
|----------------------|---------|--------|--------|--------|--------|--------|
| FY 15-20<br>Plan     | \$11.8  | \$12.6 | \$13.0 | \$14.5 | \$14.5 | \$14.5 |
| FY 15-20<br>Forecast | 11.5    | 12.6   | 13.5   | 14.5   | 14.5   | 14.5   |
| Change               | (\$0.3) | \$0.0  | \$0.5  | \$0.0  | \$0.0  | \$0.0  |

# Recordation

- FY 14 actual \$10.6M
- FY 15 forecast \$11.5M or 9.2%
- FY 16 forecast \$12.6M or 9.6%

# Interest Income

# Interest

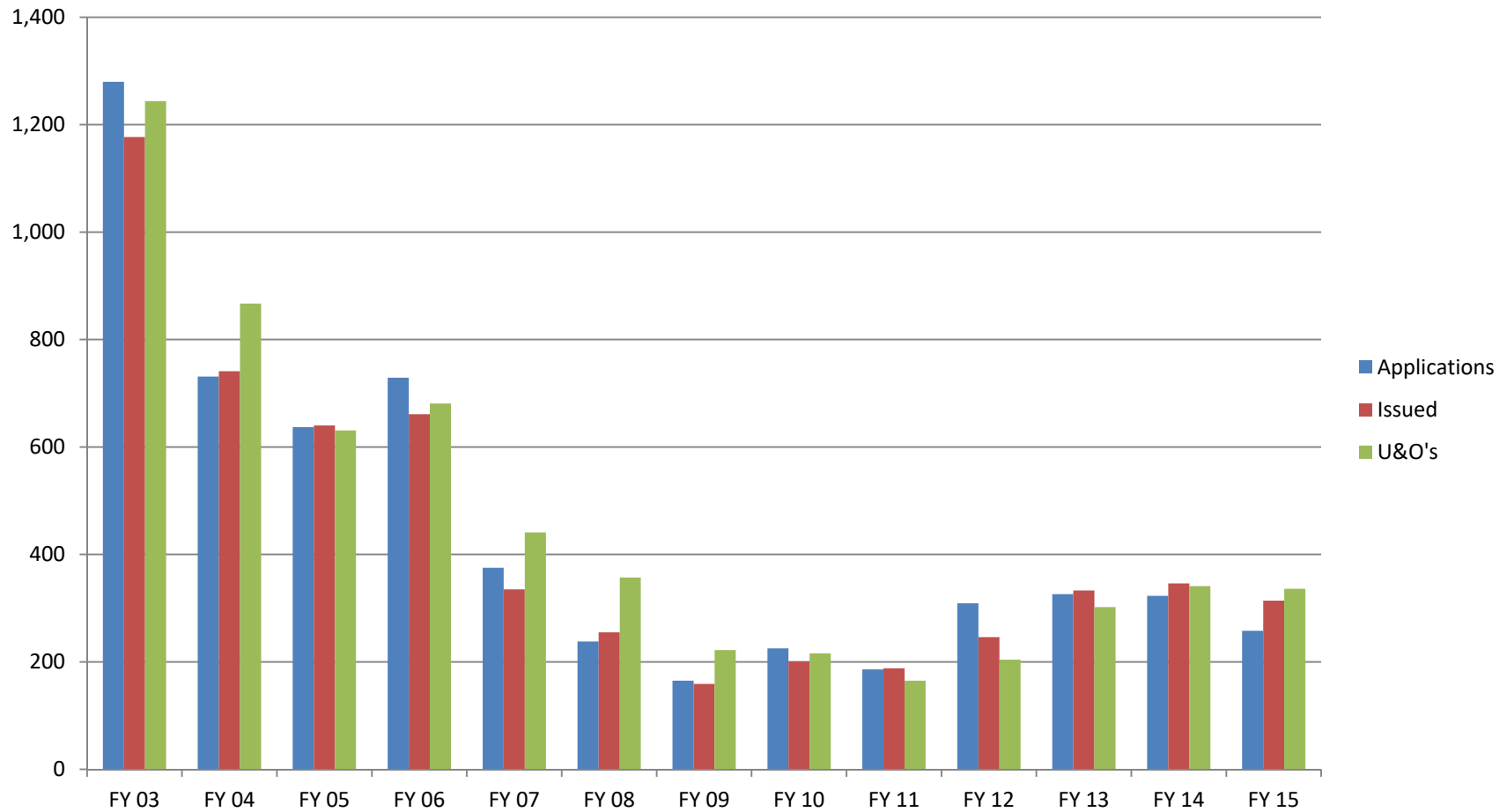


# Interest Income

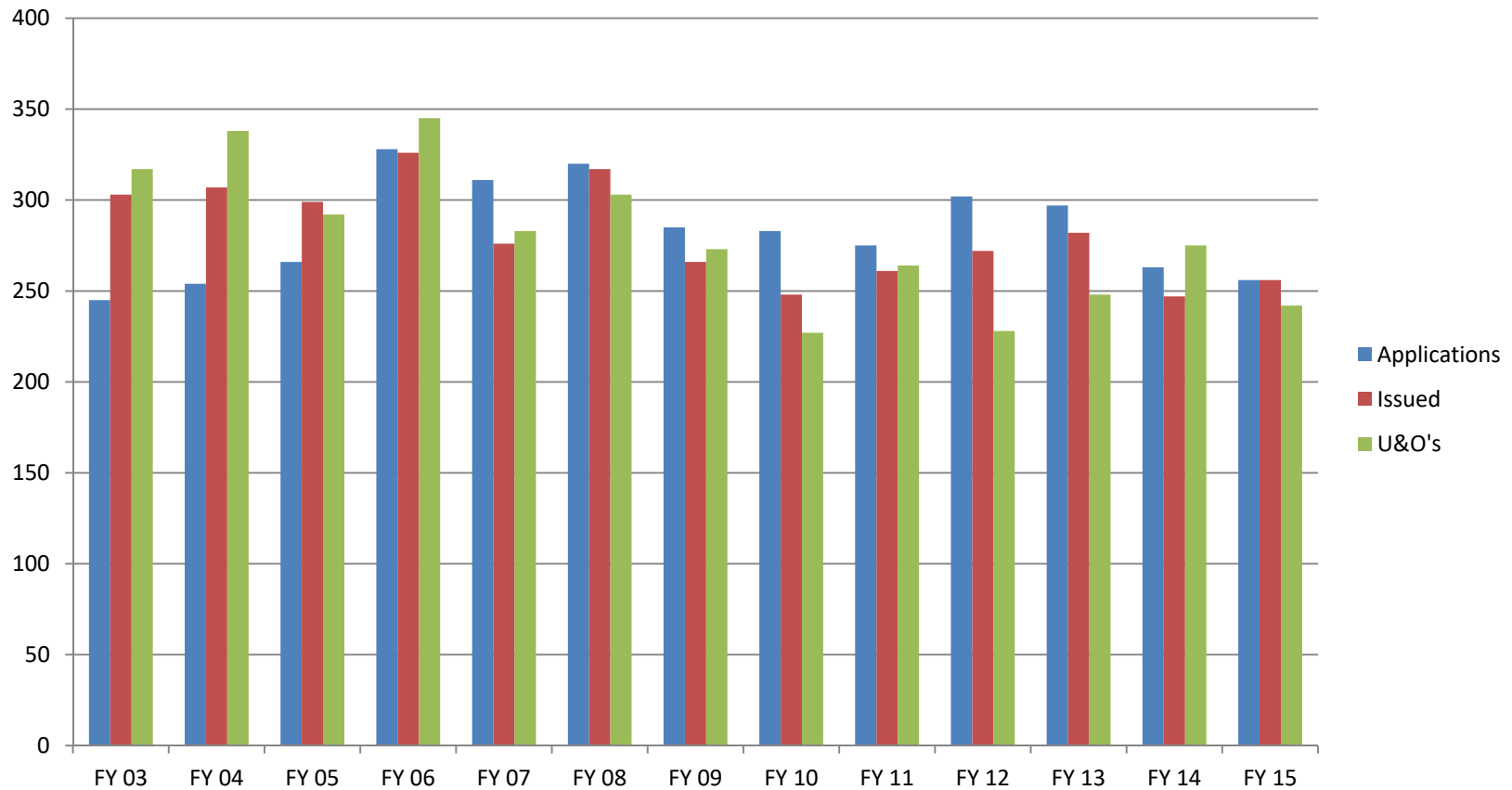
- FY 14 actual \$0.9M
- FY 15 forecast \$0.8M or (7.6%)
- FY 16 forecast \$1.7M or 116%

# Building Permits

# Residential Permit Activity



# Commercial/Industrial Permit Activity





# Building Permits

- FY 14 actual \$464,000
- FY 15 forecast \$508,000
- FY 16 forecast \$549,000 or 8.1%

# Aid to Local Government

| In millions  | County/<br>Towns | College | Schools | Library | Health  | Retirement | Total   |
|--------------|------------------|---------|---------|---------|---------|------------|---------|
| FY 06        | \$17.1           | \$5.6   | \$111.9 | \$0.8   | \$2.1   | \$13.0     | \$150.5 |
| FY 15        | \$5.1            | \$8.3   | \$133.8 | \$0.9   | \$1.5   | \$23.1     | \$172.7 |
| \$<br>Change | (\$12.0)         | \$2.7   | \$21.9  | \$0.1   | (\$0.6) | \$10.1     | \$22.2  |
| %<br>Change  | (70.2%)          | 48.2%   | 19.6%   | 12.5%   | (28.6%) | 77.7%      | 14.8%   |

# Revenue Changes

| In millions  | FY 16    | FY 17    | FY 18    | FY 19    | FY 20    |
|--------------|----------|----------|----------|----------|----------|
| Major Rev    | (\$0.3M) | (\$0.7M) | (\$1.2M) | (\$1.2M) | (\$1.0)  |
| BOE Transfer | (0.4)    | (0.6)    | (0.9)    | (1.5)    | (1.1)    |
| Other        | (0.2)    | (0.2)    | (0.3)    | 0.9      | (0.3)    |
| Total        | (\$0.9M) | (\$1.5M) | (\$2.4M) | (\$1.8M) | (\$2.4M) |