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**WORCESTER COUNTY SETS REAL PROPERTY TAX RATE AT \$.835  
AND LOCAL INCOME TAX AT 1.75%**

June 2, the Worcester County Commissioners approved the FY 2015/2016 Operating Budget of \$182,450,109 in appropriations for the coming fiscal year. This reflects an increase of \$4,468,976 or 2.5% more than the FY15 budget while reducing the **requested** expenditures of \$189.8 million by \$7.4 million.

Since FY09, the County's assessable base has declined \$5.3 Billion dollars or 26%. Multiple years of restructuring, involving cuts to all county departments, maintenance of effort funding for the Board of Education and a lackluster economic recovery, along with the combination of cuts in State funding and absorption of previous State responsibilities have now left the County with no choice but to raise taxes.

We feel it is our duty to advise you, the taxpayer, of the full extent of State cuts and transferred funding responsibilities:

- **Dedicated Highway User Revenues** reduced from \$4,416,781 in FY09 to \$241,128 in FY10 and has been slightly increased to \$497,452 in FY16. To pave roads, the County must allocate funds from our General Operating budget; \$1 million is included in FY16.
- The State reduced reimbursement to the County for expenses incurred by housing **State Prisoners** at the local jail from \$419,619 in FY09 to \$50,000 in FY10-FY16.
- **State Park Receipts**, roughly \$399,000 in revenue annually were eliminated FY10-FY14.
- **Teacher Pensions** of \$1.271 million transferred to the County in FY13 cost the County \$1.95 million in FY16; in FY17 this will become part of the Maintenance of Effort formula.
- **Local State Department of Assessment and Taxation** operating costs transferred to the County in FY12 in the amount of \$978,315 has continued annually, FY16 includes \$647,986.

The planned use of budget stabilization funds to supplement County revenues as we recover from the recession has been re-evaluated based upon our current multi-year revenue projections. As a result, we have determined that the useful life of these funds must be extended. The stable but flat economic growth projection and property tax estimates, along with the tax increases, will result in the need for these budget stabilization funds through FY2018 and beyond to supplement other revenues and satisfy projected increases in expenditures.

The Commissioners would like to thank County departments and agencies for maintaining and or reducing operating expenses in their FY 16 Budget. While deserved, the Commissioners were unable to include funds for a Cost of Living increase, step increment or longevity pay in salary accounts for County employees and the Board of Education.

Consequently, Worcester County leaders made some hard decisions to develop a balanced FY16 budget, a budget that protects vital taxpayer services and funds the BOE above the Maintenance of Effort level. This fiscally conservative budget maintains funding for valuable public services residents can count on, such as public safety, education, infrastructure and existing social service programs.

**Anticipated General Fund Revenues**

- Based on the Real Property tax rate of \$.835 **NET** property taxes increased by \$9,109,247.
  - The Homestead Credit cap remains unchanged at 3% and is estimated to be \$1,248,609 for the County's qualified principal resident homeowners effective July 1, 2015
- Local Income Tax rate will increase from 1.25% to 1.75% beginning January 1, 2016. Revenues are anticipated to increase by \$2,200,000 over the current year based on actual receipts
- Other Local Taxes, a **decrease** of \$250,000 due to an increase of \$250,000 in Transfer Tax and a **decrease** in Recordation Tax of \$500,000 based on current year estimates

- State Shared revenues increased \$5,917 due to a slight increase in Highway User Taxes.
- Distribution from Liquor Control Department **decreased** \$186,629 based on anticipated revenue reductions
- Federal grants project an overall increase of \$148,330. This account category includes an additional \$127,800 in Homeland Security Grants and \$20,492 for the Emergency Shelter Grant
- State Grants increased \$593,524; the primary increase is due to additional funds of \$366,154 for the State Aid for Bridges, the State reinstatement of the County's share of State Park receipts with decreases to grants for Tourism, Waterway Improvements and Program Open Space
- Licenses and Permits increased \$126,550 due to increased estimates for occupational and environmental permits for \$49,500 and increased estimates of \$50,000 for liquor licenses at the current fees
- Charges for Services **decreased** by \$307,635 mainly due to decreases for Jail use fees
- Interest on Investments **decreased** \$75,000 due to lower outstanding note balances and rates of return below 1%
- Transfers in:
  - Other Funds **decreased** by \$499,352 based on the transfer in of bond premium proceeds. Funds will be used for 2014 Bond interest expense payments & various bond related expenses.
  - Casino/Local Impact Grant Funds shows an increase of \$2,700 for the debt payment for the Worcester Career and Technical High School in FY16.
  - Transfers In of existing Budget Stabilization funds **decreased** by \$6,393,201 due to the use of increased revenues from property and income taxes. This will extend the useful life of the budget stabilization fund to future years to cover revenue shortfalls

### Major Approved General Fund Expenditures

#### County Departments and Agencies:

Budget decreases are outlined as follows:

- Recreation Department **decreased** by \$544,763 due to reduced Program Open Space funds from prior year upon completion of the addition to the Recreation Center.
- Tourism Department **decreased** \$262,944
  - **Decreased** by \$180,000 due to transfer of non-profit budgets to Recreation and Culture
  - **Decreased** by \$51,206 in Tourism State Grant
- Grants to Towns **decreased** by \$112,000 for pass through fire grants to Municipalities and Ocean Pines Association based on credit runs.
- Debt Service **decreased** by \$1,792,919 due to the anticipated retirement of existing debt and refunding activity

Included in the budget was funding for:

- Elections Office increased \$129,858 mainly due to the new statewide voting system mandated by the State to be implemented during the 2016 election cycle.
- Other General Government increased \$364,089
  - Increased by \$129,500 mainly due to one-time SANS Server core storage and server system auditing software
  - Increase by \$30,000 in consulting for tax differential study
  - Decreased by \$50,824 for the Shore Transit Capital match request
  - Increased by \$34,786 for the transfer of State responsibility for the State Department of Assessment operating expense

- Increased by \$200,000 for a replacement phone system for the Government Center
- Sheriff's Department increased \$245,900
  - Increased by \$38,194 for new computers for office staff and road patrol
  - Increased by \$165,405 for 5 replacement patrol vehicles
  - Increased by \$31,000 for building improvements to dog kennels for safety and weather protection
- County Jail increased \$154,683
  - Increased by \$162,683 in salaries for 4 new Correctional Officers for inmate coverage and regulating agencies
  - Increased by \$22,672 for the inmate medical contract
  - Increased by \$14,000 to replace a 20 year old mower and computers
  - Decreased by \$42,235 for radios purchased in the current year
- Volunteer Fire and Ambulance increased \$360,620
  - Fire Company Grants remain level funded at \$225,000 due to the additional one-time grant and decreased property assessments applied to existing formulas
  - Ambulance Grants increased \$270,476 due to increases for the funding formulas
- Roads Division increased \$1,904,594
  - Increase by \$1,000,000 for blacktop materials
  - Increased by \$457,692 to replace 2 bridges which will be reimbursed 80% by the State
  - Increased by \$247,664 for dump trucks with snow plows
  - Increased by \$266,578 for heavy equipment including mower, pipe flusher and milling head
- Parks increased \$409,340
  - Increased by \$402,704 for Park improvements of which State Program Open Space funds reimburse 80% to the County
- Insurance & Benefits increased \$573,406
  - Increased primarily due to higher rates for medical insurance and prescription drug costs.
  - Other Post Employment Benefit is budgeted level with FY2015
- Interfund increased \$1,486,583 as a result of the remaining revenue surplus with the completion of expenditures by departments and agencies. In order to provide a balanced budget, the surplus will be transferred to Fund Balance. This transfer of \$1,486,583 will increase the budget stabilization fund for a balanced FY2016 budget.

**Board of Education**

- The County allocation for the Board of Education's operating budget is \$79,171,634, an increase of \$1,203,578 over the current year adopted budget as shown below. School Construction debt is paid by the County on behalf of the Board of Education. It is not reflected in the Board's budget; however, it is included in the County's operating budget. The Board's approved Operating budget is \$79,171,634 plus debt service of \$10,927,474 which totals \$90,099,108 or 49.4% of the County's total estimated revenue.

	FY2016 Approved Budget	FY2015 Approved Budget	Dollar Variance +/- FY2015
County Appropriation	\$76,766,472	\$75,827,859	+938,613
Non-Recurring Technology & School Construction	0	0	0
County Appropriation -Retirement Expense for Non Teachers	452,674	492,294	-39,620

County Appropriation – County Share of Teacher Pension	1,952,488	1,647,903	+304,585
Sub-Total County Appropriation	<u>\$79,171,634</u>	<u>\$77,968,056</u>	<u>+1,203,578</u>
State and Other Funding Sources	19,577,630	19,487,262	+90,368
Sub-Total Unrestricted Budget	<u>\$98,749,264</u>	<u>\$97,455,318</u>	<u>+1,293,946</u>
Restricted: State and Federal Programs	5,642,301	5,648,119	-5,818
Restricted: State funded Teachers Retirement & Pensions	6,522,281	6,789,822	-267,541
Total	<u>\$110,913,846</u>	<u>\$109,893,259</u>	<u>+1,020,587</u>

Board of Education budget increases:

- An increase of \$145,613 for additional enrollment of 12 students will fund the maintenance of effort level for FY2016 at the per pupil funding rate of \$12,134.40
- An increase of \$793,000 is included for health insurance cost escalation
- Starting Teacher pay would remain at \$42,433

The total FY2016 Worcester County Education funding per student based on the estimated student population of 6,654 equates to \$16,483 per student. The following does not include Restricted Program funds of \$12,164,582 from the State and Federal agencies.

County Funding	\$79,171,634*	}	\$109,676,738 or \$16,483 per student
State & Other	\$19,577,630		
School Debt	\$10,927,474		

\*1,952,488 Teacher Pension Shift is included for per student estimate