

**Minutes of the County Commissioners of Worcester County, Maryland**

May 20, 2015

**Budget Work Session**

Madison J. Bunting, Jr., President  
Merrill W. Lockfaw, Jr., Vice President  
Anthony W. Bertino, Jr.  
James C. Church  
Theodore J. Elder  
Joseph M. Mitrecic  
Diana Purnell

The Commissioners met with Chief Administrative Officer Harold Higgins to discuss issues pertaining to the FY16 Requested Budget.

The Commissioners deliberated on the projected revenues and requested expenditures in the Committee Reviewed FY16 Operating Budget, which currently reflects estimated revenues of \$182,351,841 and expenditures of \$182,018,886, with no use of budget stabilization funds, \$1,501,884 in 2014 Bond Premium funds, and an increase of 8 cents to the property tax rate for a new property tax rate of \$0.85 per \$100 of assessment.

The Commissioners discussed the requested FY16 Board of Education (BOE) Budget of \$82,674,909 and the Committee Reviewed Budget of \$79,789,031, which includes a 2.5% salary increase beginning January 2016 for BOE and Bus Contractors. If the BOE salary increase is approved, the County budget also includes a Salary Package Adjustments for County employees, which includes a 2.5% salary increase beginning January 2016. Commissioner Mitrecic recused himself from the discussion on BOE salaries due to a possible conflict of interests, since his wife is employed by the BOE.

Commissioner Bertino stated that BOE and County employees do a great job, but because the County is facing a budget deficit, now is not the time to grant raises. In response to a question by Commissioner Bertino, Mr. Higgins explained that the minimum Maintenance of Effort (MOE) level funding for the BOE is \$75,973,472, which includes \$30,000 in recurring capital outlay. He recommended that the Commissioners fund the MOE and the additional cost due to the increased medical insurance premiums of \$793,000 for a total minimum allocation of \$76,766,472.

Commissioner Church stated that Worcester County is losing great teachers to surrounding counties and will keep losing them if the Commissioners fail to provide adequate funding for salary increases. He pointed out that the County employs four Certified Public Accountants (CPAs), all of whom worked together to develop a balanced budget that includes a half-year salary increase for BOE, Bus Contractors and County employees, and he urged his fellow Commissioners to support the proposed salary package.

Commissioner Elder stated that County teachers deserve a raise, but he questioned why

funds were not available in the current BOE budget to pay teachers what they deserve given that Worcester County already funds more per pupil than any County in the State of Maryland.

Commissioner Lockfaw stated that the County cannot afford to grant salary increases in FY16, and he could not support a tax increase to fund raises, as the local economy and lower paid residents cannot afford it.

Following much discussion and upon a motion by Commissioner Bertino, the Commissioners voted 5-1, with Commissioners Bertino, Bunting, Elder, Lockfaw and Purnell voting in favor of the motion and Commissioner Church voting in opposition, to adopt the MOE budget of \$75,973,472, which includes an increase of \$145,613 to cover the enrollment of 12 additional students, plus the increase of \$793,000 to cover the BOE's portion of the increase in health insurance costs for a total budget of \$76,766,472 for the BOE. Mr. Higgins stated that the County must also fund the teacher pension shift from the State, which totals an additional \$1,952,488, for grand total funding of \$78,718,960.

Commissioner Mitrecic returned to the meeting.

With regard to the general BOE budget request, upon a motion by Commissioner Bertino, the Commissioners voted 5-2, with Commissioners Church and Mitrecic voting in opposition to eliminate non-recurring funding of \$200,000 to Account No. 7120.092 Non-Recurring BOE Operating Technology, and to eliminate capital non-matching funds of \$280,000 for the BEKA lawsuit.

With regard to County Benefits and Insurance, upon a motion by Commissioner Bertino, the Commissioners voted unanimously to eliminate funding of \$281,921 to Account No. 7170.010 Benefits & Insurance Allowance for Step - Mid-Year, since no salary increase was approved for the BOE.

The Commissioners recessed for 10 minutes, while County staff developed revised budget projections based on recent actions taken by the Commissioners.

Mr. Higgins advised that recent actions taken by the Commissioners would reduce proposed expenditures from \$182,351,841 to \$181,052,068, which would result in surplus funds of \$1,299,773 and does not include the use of any budget stabilization funds.

The Commissioners reviewed and discussed Multi-Year Projections for FY16 to FY18.

The Commissioners recessed until 11:40 a.m. to allow staff to determine the amount of additional revenues that could be generated if the income tax rate is increased from 1.25% to either 1.5% or 1.75%; and if property tax rates were adjusted too.

The Commissioners resumed their work session and reviewed the additional revenues that could be generated based on incremental increases in the income tax and property tax rates. Mr. Higgins explained that each 1-cent increase in the property tax rate would add an estimated \$22.50 annually to a property owner's tax bill on a home valued at \$225,000 or \$180 annually if the property tax rate was increased by 8 cents. By comparison, an increase to the income tax rate from 1.25% to 1.75% would result in additional taxes of \$196 for a resident earning the median income of \$57,952 per year. The Commissioners discussed the pros and cons of a property tax rate increase or an income tax rate increase or some combination of the two.

A motion by Commissioner Bertino to increase only the property tax rate by 8 cents from \$0.77 to \$0.85 per \$100 of assessed value failed for lack of a second.

Following some discussion, a motion by Commissioner Elder to increase the property tax rate by \$0.06 for a new property tax rate of \$0.83 per \$100 of assessed value and an increase in the income tax from 1.25% to 1.75% failed for lack of a second.

Following additional discussion and upon a motion by Commissioner Lockfaw, the Commissioners voted 6-1, with Commissioner Bertino voting in opposition, to increase the property tax rate by 6.5 cents for a new property tax rate of \$0.835 per \$100 of assessed value and to increase the income tax rate from 1.25% to 1.75%.

Upon a motion by Commissioner Lockfaw, the Commissioners voted unanimously to cancel their final budget work session on May 26, 2015, as the FY16 County Operating Budget is balanced.

Commissioner Mitrecic asked the Commissioners to restore funding of \$65,000 to Other General Government - Account No. 6110.050 Supplies and Equipment Camera Equipment to purchase an audiovisual (A/V) system in the Commissioners meeting room to provide video access of meetings on the County website. Commissioner Mitrecic stated that this investment would allow all 51,620 County residents as well as the over 28,000 non-resident taxpayers to watch the meetings and be more engaged in County Government.

In response to a question by Commissioner Purnell, Mr. Higgins advised that the Commissioners could allocate funds within the Unassigned Fund Balance to purchase and install an audiovisual system at a later date if they wish. Commissioner Church stated that he could support such a system if the total cost was reduced to \$25,000 or \$30,000. Commissioner Bunting stated that he was gathering prices for a lower cost option. Commissioner Elder stated that he may be inclined to support the proposal if the cost was reduced. Commissioner Lockfaw stated that the timing was bad given the strong cuts made to other requested expenditures in the budget.

After some discussion, the Commissioners agreed to revisit this issue independent from the FY16 County Operating Budget.

The Commissioners answered questions from the press, after which they adjourned to meet again on June 2, 2015.

