



FREDERICK COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

Jan H. Gardner
County Executive

Rick Harcum, Chief Administrative Officer

April 15, 2020

Fiscal Year 2021 Budget Message

Dear Frederick County Citizens:

I am pleased to present the Fiscal Year 2021 annual operating and capital budgets for Frederick County.

Preparing the annual county budget is one of the most important tasks I have as County Executive. The budget reflects our community's values and priorities and ensures that essential county services are provided to those who call Frederick County home.

Working together, across all county divisions, we balance the needs of our growing community with the need to be fiscally responsible. We pay our bills and are careful not to create bills we cannot afford. Unlike the federal government, we always adopt a balanced budget. Frederick County lives within its means and does not deficit spend.

The proposed budget includes no tax increases and is built on existing property tax and income tax rates.

Financial Highlights

This year, we are truly facing uncertain times as our community experiences the impacts of the coronavirus pandemic. During times of emergency, the demand for government services increases while revenues that support the budget are negatively impacted.

Yet, in spite of many unknowns, Frederick County remains in a strong financial position:

- We continue to be fiscally conservative in revenue projections and budget planning;
- We have strengthened and increased our reserve funds. Our commitment to funding our reserves and saving for a rainy day has been recognized by the rating agencies and contributed to our county's AAA bond rating being achieved and reaffirmed by all three agencies multiple times;
- The budget continues to meet our long-term obligations to our pension and post-retirement health contributions. Our pension plan and our post-retirement health plan are among the best funded in the State of Maryland; and
- Tax equity is provided to our municipalities to avoid duplication of services and to ensure residents that they are not being double taxed.

Frederick County: Rich History, Bright Future

Revenues

Slightly more than a month ago, county revenue projections reflected our strong, thriving Frederick County economy. Before the pandemic, we anticipated strong revenues reflecting steady growth in property values and new assessments. We also expected a significant increase in income taxes, due to a thriving economy. During the current budget year and the prior year, the county had significant positive variances in our income tax revenue, with actual revenue coming in well above budget.

It is fiscally responsible to anticipate that revenues will be impacted by the economic fall-out from the coronavirus pandemic. Although property tax revenue is expected to remain fairly stable in the near term, we fully expect income tax revenue to be impacted, and as a result, we have lowered income tax revenue estimates significantly. We are no longer assuming the revenue growth actually experienced over the past two years. The FY21 budget is conservatively based on FY19 income tax revenue.

We are fortunate that Frederick County has fewer sources of revenue than most counties. This puts us in a better position than some surrounding counties whose budgets depend more significantly on transfer taxes, amusement taxes, and hotel taxes – all of which fluctuate with the economy. We have no transfer or amusement taxes. Although Frederick County does have a hotel tax, revenue from that hotel tax is dedicated entirely to tourism and is not part of the general fund budget.

Reserves

Since taking office, one of my top priorities has been to eliminate the structural deficit I inherited in order to put the county in a strong financial position by increasing reserve funds. In 2014, when I was first elected County Executive, the county had a 5% rainy day fund, the minimum required by law. Other reserve and contingency funds, such as the fleet fund and workers compensation fund, had been raided, with \$8.5 million spent on ongoing expenditures. The first budget I proposed eliminated the structural deficit, included little new spending, and did not provide employees with a salary improvement.

Over the past five budget years, Frederick County has restored all of its reserve funds and then some. The county rainy day fund has been increased from 5% to 7% of budget. In addition, I have added 2% of budget into a second reserve fund, bringing these reserves in total to 9% of budget.

The FY21 budget does not propose to tap into reserve funds. However, it is reassuring to know that adequate reserves are in place should the county need them in the future.

The Essential Budget

Due to the uncertain times we are experiencing, the FY21 budget is an essential budget. The budget accomplishes three main goals:

1. It provides funding for all mandates;
2. It maintains the same level and ongoing delivery of essential services; and

3. It values and appreciates the workers who deliver essential services to the residents of Frederick County.

Simply maintaining the exact same level of service and meeting mandated funding requires about \$14.0 million of additional spending, or an increase in the overall budget of about 2.2%. The county population has increased by 4,000 people over the past year, according to the census bureau, and our school enrollment increased by 1,100 new students. The increased demand for services is seen across all areas of county government, from senior services, to 9-1-1 calls, to increased usage in our library system.

The FY21 budget provides for the following items that are mandated or needed to maintain essential services:

- Maintenance of Effort (MOE) for our schools, which requires us to continue the same level of funding per pupil year to year. With 1,100 new public school students, MOE for FY21 is \$6.4 million;
- \$1.3 million for debt service;
- \$300,000 for school resource officers and \$110,000 for school health due to opening new schools;
- \$574,000 to support cash needs in the capital budget;
- \$850,000 for hardware/software maintenance and licenses for technology;
- \$100,000 for maintenance of public safety radios;
- \$500,000 to meet National Pollutant Discharge Elimination System mandates;
- \$337,000 to support fire/rescue recruit classes;
- \$260,000 to support with staffing and operations of the new Othello Park and Phase II of Utica Park;
- The FY21 budget also provides funding for routine increases that are seen from year to year, such as in health insurance and Workers Compensation Insurance, and funds the increase in tax equity to our municipalities.

Valuing Employees

The budget supports over 8,500 civil servants – with 6,000 employees in the school system, 2,100 employees in Frederick County Government, and 400 employees at the community college.

These front-line employees deliver the services that ensure a safe community, protect public health, deliver public works projects, provide clean water and sewer, dispose of our trash, maintain our roads, educate our children, and provide parks and libraries and more.

The demand for some government services during the current pandemic has increased and new service demands have occurred. County employees have been on the job and stepped up to meet these demands and to protect public health, welfare, and safety.

I value these workers and am grateful for the work our public servants do each and every day. Their dedication and commitment to providing services and protecting our community during this coronavirus pandemic has been exemplary. The county workforce has continued to ensure the health, welfare, and safety of our community and supported essential services as well as some unique new service demands.

Thus, the budget funds the contracts for our public safety employees, including the second year of a three-year contract for law enforcement and corrections, and the first year of a new three-year contract with our firefighters. These public safety employees are on the front line serving our community during the coronavirus pandemic, and it would seem bad faith not to honor our contracts.

Similarly, county employees have shown up for their regular work assignments and taken on some new, greatly needed jobs during the pandemic. Our public health workers, our TransIT drivers, our landfill employees, staff who have delivered food to seniors, and staffed an isolation shelter during this health crisis all deserve our appreciation. The proposed budget includes a step for all county employees, as well as for the community college.

Education has always and will always be a top priority for my administration. The budget funds the Board of Education at \$7.0 million above MOE, to maintain the county's funding commitment to education and to provide an equivalent amount of funding for compensation. It is my hope that the Board of Education will use these funds to compensate our teachers and school staff who deliver outstanding student outcomes, though there are many other well-justified needs in our schools including reducing class size, reducing walking distances, and providing mental health services.

Not Funded

This year, the county received more than \$50 million of budget requests or budget appeals from the Board of Education, county divisions and agencies, municipalities, community partners and many others.

The proposed budget funds no budget appeals except for 13 firefighter/EMTs positions needed to staff the new Northgate Fire Station, which will open in FY21 and should open fully staffed.

The budget does not fund any expanded services or add employees, no matter how justified, due to the uncertainty of the economy. It had originally been my expectation that the budget would

include additional positions in law enforcement, 9-1-1 communications, public works, as well as in our IIT division to maintain our technology.

The budget also includes no new initiatives. It had originally been my intent to fund a rural transit pilot program, to expand our senior services in three areas of the county to meet the needs of our growing senior population, to purchase more alternative fuel or all electric vehicles, to expand community partnership grants, and more. These have all been deferred.

While the budget does not fund needed new positions or initiatives, it is my intention to revisit the FY21 budget once the pandemic is over and the economic impact better understood.

The County Charter provides a process to submit a supplemental budget for review and approval by the County Council. I look forward to future discussions with the Council during the upcoming year, to further consider the needs of our growing county, and a possible supplemental budget.

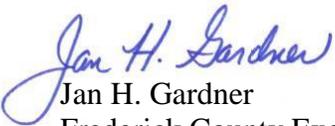
For now, we will live within our means and continue to provide essential services.

In Summary

The FY21 budget is lean, sensible, balanced, and fiscally responsible. The budget provides the essential services that are so important to our residents, while maintaining, not reducing, existing funding for our community priorities and values.

Working together, Frederick County Government provides effective and efficient services and continues to ensure our county remains one of the best places in the country to live, work, and raise a family.

Sincerely,



Jan H. Gardner

Frederick County Executive