

Howard County, Maryland

Ken Ulman, County Executive



Fiscal Year 2010
APPROVED OPERATING BUDGET DETAIL



Howard County, Maryland Approved Operating Budget, Fiscal Year 2010

Submitted by

**County Executive
Ken Ulman**

Approved by

**The County Council
Mary Kay Sigaty, Chairperson
Jen Terassa, Vice Chairperson
Calvin Ball, Council Member
Greg Fox, Council Member
Courtney Watson, Council Member**



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Howard County
Maryland**

For the Fiscal Year Beginning

July 1, 2008

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the Howard County Government Budget Office for its annual budget for the fiscal year beginning July 1, 2008.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Howard County, Maryland Approved Operating Budget, Fiscal Year 2010

Our Mission

Howard County is widely recognized as being a great place to live and work. The mission of the Howard County Government is to enhance this well-deserved reputation by promoting an open, responsive government that involves and serves the community, and that provides fiscal responsibility to ensure a solid foundation for the future. To do this we will:

- Have a compassionate, friendly, service-oriented, efficient and effective government.
- Renew and reinforce public confidence and involvement in all the areas of county government.
- Use every tax dollar efficiently.
- Emphasize quality education, health, safety and welfare for all our citizens.
- Develop and implement growth management tools that will encourage orderly and planned growth in accordance with the principles in the general plan.
- Create and implement comprehensive plans and actions to achieve the mission



Howard County, Maryland

Approved Operating Budget, Fiscal Year 2010

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HOWARD COUNTY OFFICE OF COUNTY EXECUTIVE

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April 20, 2009

The Honorable Mary Kay Sigaty
Chairperson, Howard County Council
3430 Courthouse Drive
Ellicott City, Maryland 21043

Dear Chairperson Sigaty:

I am pleased to submit to you the proposed Howard County Government Operating Budget for Fiscal Year 2010. Despite the incredibly difficult worldwide financial crisis we are all facing, this budget proposal funds Howard County's crucial core priorities: education, public safety and critical human services, without raising taxes. I believe this budget maintains the sound fiscal management this County is known for and keeps us well-prepared for the upcoming years.

This proposal includes a total general fund budget of \$820,224,970 which represents a decrease of 4.0 percent from FY 2009. This is the largest dollar reduction in the budget in County history and the largest percentage decrease in 17 years. We have looked critically at every department's budget and sought savings and efficiencies wherever possible. Apart from education funding, this budget proposes reductions in every area of County Government. General Government spending is down 5.9%; Public Facilities spending is down 4.7%; Legislative and Judicial Services spending is down 5.4%; Public Safety spending is down 1.3%; and Community Services spending is down 4.2%. Education is the only category to see greater operating funds proposed than budgeted last year, with an increase of \$2.7 million for the Board of Education.

The global financial crisis impacts our County budget on several different levels. Both residential and commercial development projects have slowed due to lack of financing, and as a result, the County has seen a drop in development based revenues. Similarly, as more of our citizens are losing their jobs and fewer of our businesses are realizing profits, we are seeing income tax revenue decline. In addition, the impact of the financial crisis on the State translates into cuts in State aid. In this budget we have had to cope with all of these factors while continuing to focus on our most critical priorities.

The education system comprised of our local schools, community college and library is one of our County's greatest strengths. Maintaining the excellence of these educational institutions is of highest priority, and as in past years, funding for education represents the majority of our operating budget. The school system alone represents 60.1% of this proposed budget, and including the community college and library, education accounts for 65.6% of the budget. Even with the overall decrease in funds available for this budget, we have funded the required levels for maintenance of effort for the school system and

the community college. Despite reductions in State aid for libraries, we worked to maintain Sunday hours at all branches and to limit as much as possible the impact of the reduced funding.

Maintaining public safety is a critical function of government and a fundamental priority for this Administration. In the past two budgets, we added more than 50 police officers to our force. Despite these difficult times, we have maintained all sworn public safety positions in the budget and will not reduce the level of service in our Police Department or the number of officers on the street. Like all other departments of County Government, we have asked the Police Department to find operational efficiencies and administrative savings, but we will not allow these budget reductions to compromise the safety of our citizens.

In the Capital Budget released earlier this month, we announced the construction of new fire stations to ensure we meet our commitment to respond to medical and fire emergencies as quickly as possible. This budget continues to honor that commitment by restructuring the organization to staff the new Glenwood Fire Station.

It is during these difficult economic times when the county's financial resources are declining that our citizens most need the services the county provides. Despite cuts in other areas, we have maintained level funding of \$4.8 million in our Community Service Partnership grants program. We have restructured the distribution of individual grant awards to direct more funding to those agencies which address critical human service needs such as housing, food, health care, and crisis support. We have also created a \$40,000 Emergency Assistance Supplement to provide additional support to those with the most critical needs.

Unfortunately, we must ask both citizens and employees to participate in this year's budget cutbacks. All of the reductions to the departments will not come without cost. We are holding 50 positions vacant and cutting materials to minimum levels. There will be impacts. With reduced staffing, our departments may not be able to respond to service requests as quickly as in the past.

County employees will also feel the direct impact of these difficult financial conditions. There are no cost of living increases for County employees included in this budget. Additionally, we are proposing a four day furlough for all non-public safety employees. Under this proposal non-essential County facilities will be closed over the winter holidays (December 25-January 3), but County libraries will remain open.

County department heads will be furloughed one additional day for a total of five days; and although elected officials cannot legally be furloughed, I am asking all County elected officials to join me in voluntarily participating in a five-day "furlough" by returning the equivalent of five days worth of their salaries to the County.

In this budget proposal there are nine full-time layoffs. Three of these layoffs are a direct result of cuts from State aid in the Health Department; two positions eliminated in the Soil Conservation District were requested by the Soil Conservation Board; and four positions are being eliminated from the Sheriff's Department. In addition, 50 already vacant county positions will remain unfunded, and several contingent positions will be eliminated or reduced. Such cost-saving measures are critical to ensure that

our priorities – notably, public safety, education, and critical human services – receive the funding necessary to meet the needs of our community.

The decision to layoff and furlough county employees was the most difficult one I had to make; but by furloughing we dramatically reduced the number of layoffs we had to make. By closing down government operations during the winter holiday week, the County will save money on energy, custodial services, and general office expenditures. We are also hopeful that the extra time employees will have to spend with families and friends during the holiday season will alleviate some of the pain of this financial cut.

Though the budget challenges we face this year are formidable, we have positioned ourselves well to handle them with minimal impact on our quality of life. Over the past 12 months the County has realized significant cost savings by seeking efficiencies wherever possible. We have decreased trash disposal costs thanks to our upgraded recycling system; and we are realizing savings in replacement vehicles as well as fuel costs based on the dramatic reduction in County take-home vehicles. We continue to benefit from the savings of closing the County's outdated print shop, eliminating redundant cable TV studios, and bringing the collection of recordation tax under the County rather than paying the State for this service. We are also seeing millions of dollars of savings from efficiencies in technology. We will continually seek innovative approaches to find savings wherever possible and continue to practice sound fiscal management so we will be in the best position possible to face whatever financial conditions lie before us.

We are not alone in our struggle to balance the budget in the face of a slowing economy, but I believe we have wisely focused on opportunities to reduce spending and increase efficiency. This focus allows us to fund our priorities. We know these are difficult times, but we must remain true to our values and priorities. Just as residents are forced to make difficult financial decisions in economic downturns, so is government. What I am presenting to you is a budget that embodies a commitment to maintaining the superb quality of life in Howard County and to responsibly managing our finances in the face of challenges beyond our control.

Sincerely,



Ken Ulman
County Executive



Howard County Organizational Chart



Other Agencies Which Receive County Funding:	
Howard County Public School System	Maryland Cooperative Extension
Howard Community College	Sheriff's Office
Howard County Library	Circuit Court
Health Department	Orphan's Court
Social Services	Board of Elections
Soil Conservation	Mental Health Authority
Economic Development	State's Attorney
Revenue Authority	

Advisory boards and commissions are not shown

*The Office of Law represents both the County Executive and the County Council.

Local Elected Officials

County Executive

Ken Ulman

County Council

Mary Kay Sigaty, Chairperson

Jen Terrasa, Vice Chairperson

Calvin Ball

Greg Fox

Courtney Watson

Department/Agency Officials

Education

Kate Hetherington, Ph.D., President, Howard
Community College

Board of Education (*Elected Officials*)

Frank Aquino, Chairman

Ellen Flynn Giles, Vice Chairman

Larry Cohen

Allen Dyer

Sandra French

Patricia S. Gordon

Janet Siddiqui, M. D.

Adejire Bademosi, Student Member

Dr. Sydney L. Cousin, Superintendent,

Howard County Public School System

Valerie Gross, Executive Director & CEO,

Howard County Library

Public Safety

William McMahon, Chief,
Dept. of Police

Jack Kavanagh, Director,
Dept. of Corrections

William F. Goddard III, Chief,
Dept. of Fire and Rescue Services

Public Facilities

James M. Irvin, Director,
Dept. of Public Works

Robert Frances, Director,
Dept. of Inspections, Licenses & Permits

Marsha S. McLaughlin, Director,
Dept. of Planning and Zoning

Robert Ensor, District Manager,
Soil Conservation

Community Services

Susan Rosenbaum, Director,
Dept. of Citizen Services

Mary Ellen Waltemire, Regional Extension Director,
Maryland Cooperative Extension Service

Dr. Peter Beilenson, Health Officer,
Health Department

Charlene Gallion, Director
Dept. of Social Services

Gary Arthur, Director,
Dept. of Recreation & Parks

Donna Wells, Director,
Mental Health Authority

General Government

Lonnie R. Robbins, Chief Administrative Officer,
Department of County Administration

Jessica Feldmark, Chief of Staff,
Office of the County Executive

Margaret Ann Nolan, Solicitor,
Office of Law

Sharon F. Greisz, Director,
Dept. of Finance

Ira Levy, Director,
Technology and Communication Services

Richard W. Story, Executive Director,
Economic Development Authority

Stacy Spann, Director,
Dept. of Housing and Community Development

Legislative and Judicial

Stephen M. Le Gendre, Administrator,
County Council

Haskell Arnold, Auditor,
County Council

Diane O. Leasure, Chief Administrative Judge,
Circuit Court

Ann Balcerzak, President,
Board of Elections

Elected Officials

Dario Broccolino,
State's Attorney

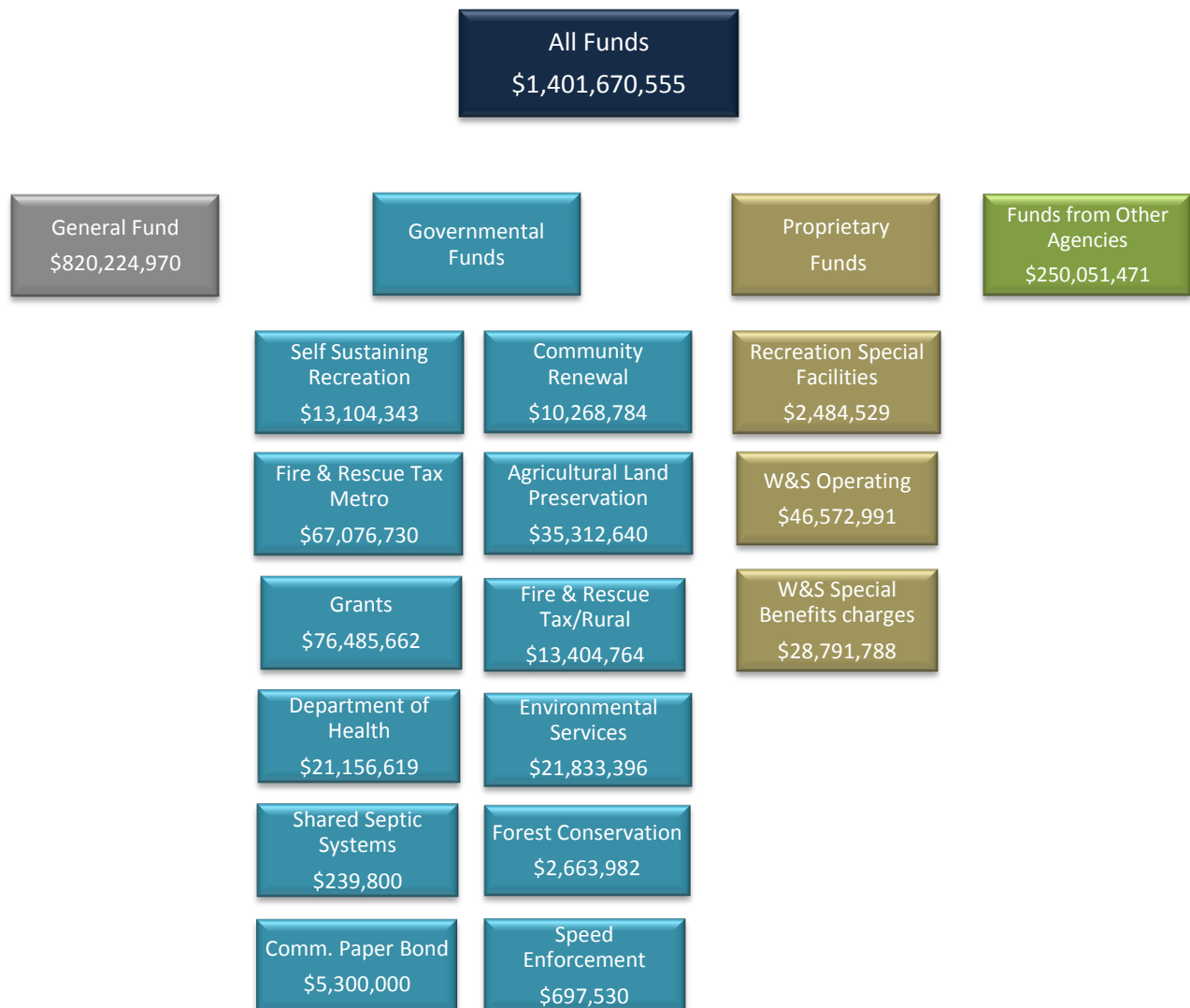
James F. Fitzgerald,
Sheriff

Sherae McNeal, Chief Judge,
Orphans Court

Margaret Rappaport,
Clerk of the Court

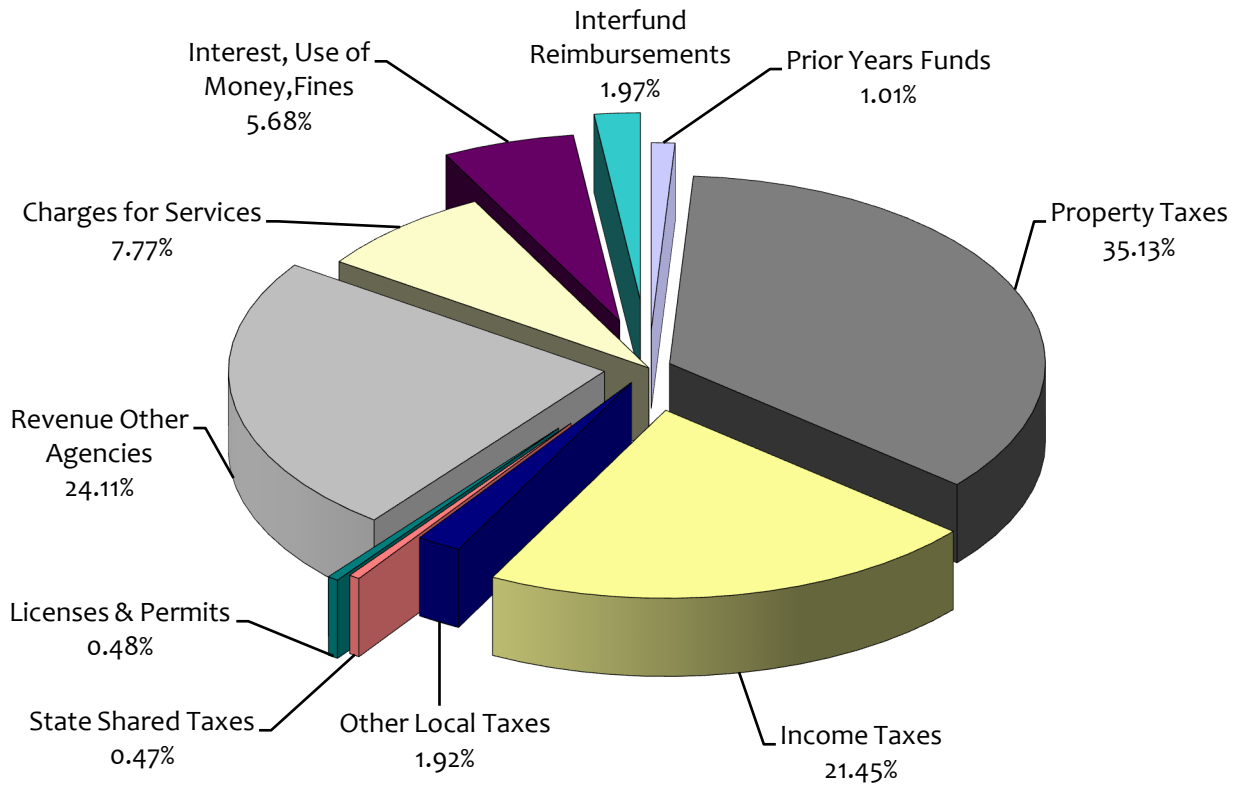
About the All Funds Budget

The Howard County budget is a comprehensive plan of all the funds spent by county departments and agencies. The general fund is the portion of the budget where general tax revenues such as property and income taxes, are collected, and where general expenditures such as the county's cost for education, police, snow removal and libraries are made. However in recent years a larger percentage of county expenditures have come in what are known as restricted revenue funds. In these funds, revenues collected are for a special purpose and can only be spent for that purpose. These funds collect and spend revenues for many essential services including fire and rescue services, trash collection and disposal and water utility services. The chart below includes a complete picture of the total county operating budget including funds that support the capital budget.



All Funds Budget

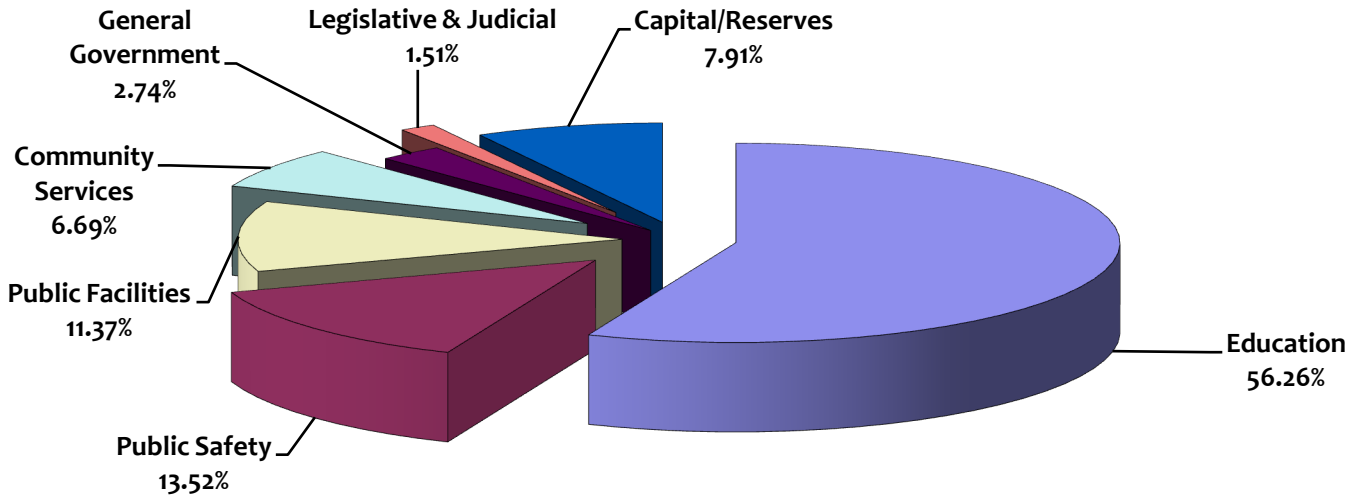
How the Budget is Funded



	Audit Fiscal 2008	Percent Change	Budget Fiscal 2009	Percent Change	Approved Fiscal 2010
Prior Years Funds	37,739,594	-13.37%	32,691,971	-56.57%	14,197,182
Property Taxes	426,188,706	7.50%	458,154,997	7.49%	492,453,457
Income Taxes	316,724,547	4.62%	331,351,570	-9.27%	300,650,000
Other Local Taxes	36,506,005	-6.70%	34,058,885	-21.09%	26,875,000
State Shared Taxes	15,513,178	1.79%	15,790,764	-57.94%	6,641,944
Licenses & Permits	6,861,979	3.23%	7,083,475	-4.85%	6,740,280
Revenue Other Agencies	264,619,833	20.47%	318,792,405	6.02%	337,983,648
Charges for Services	94,876,355	33.08%	126,261,145	-13.79%	108,851,934
Interest, Use of Money	20,258,587	261.52%	73,239,239	8.68%	79,599,374
Interfund Reimbursements	31,188,507	-18.97%	25,272,219	9.52%	27,677,736
Total Budget	1,250,477,291	13.77%	1,422,696,670	-1.48%	1,401,670,555

All Funds Budget

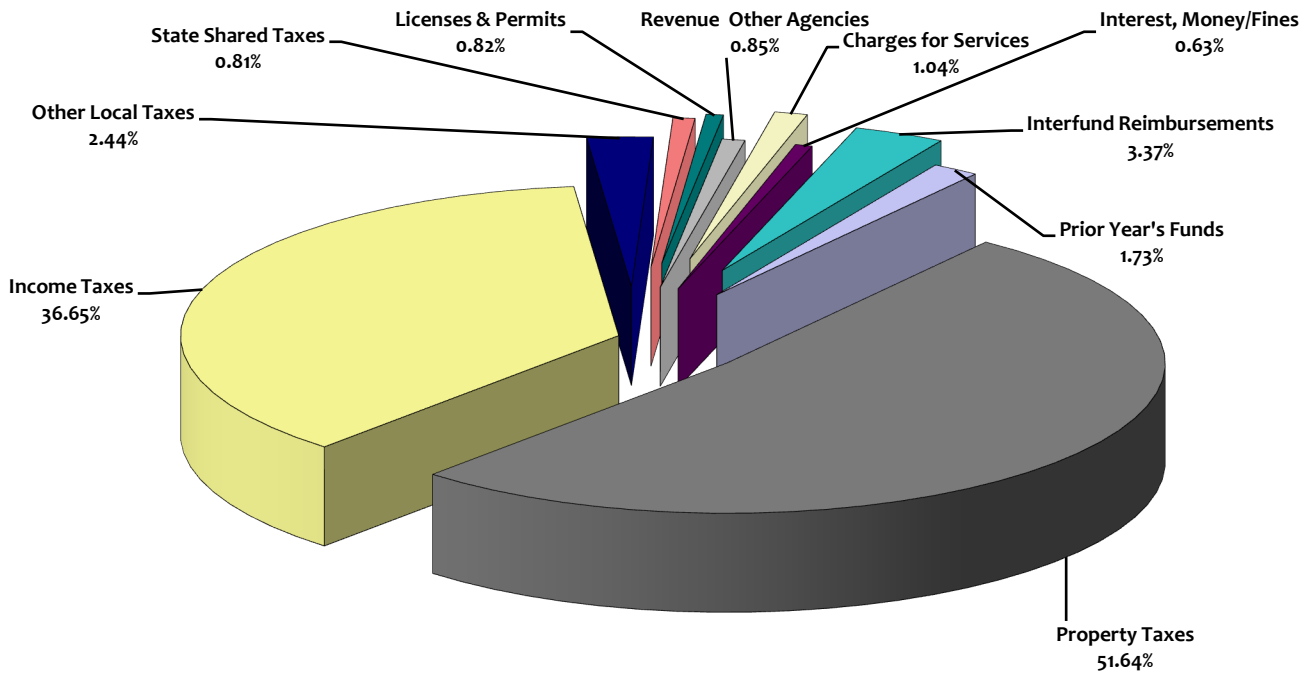
How the Budget is Spent



	Audit Fiscal 2008	Percent Change	Budget Fiscal 2009	Percent Change	Approved Fiscal 2010
Education	748,492,985	7.34%	803,398,583	-1.86%	788,447,345
Public Safety	157,834,870	15.56%	182,399,807	3.86%	189,446,094
Public Facilities	124,797,550	51.63%	189,234,971	-15.82%	159,292,508
Community Services	90,154,124	17.75%	106,156,809	-11.64%	93,799,411
General Government	30,785,767	32.24%	40,712,193	-5.22%	38,588,159
Legislative & Judicial	20,474,816	10.74%	22,672,893	-6.35%	21,233,468
Capital/Reserves	72,402,136	7.90%	78,121,504	41.91%	110,863,570
Total Budget	1,244,942,248	14.28%	1,422,696,760	-1.48%	1,401,670,555

General Fund Revenues

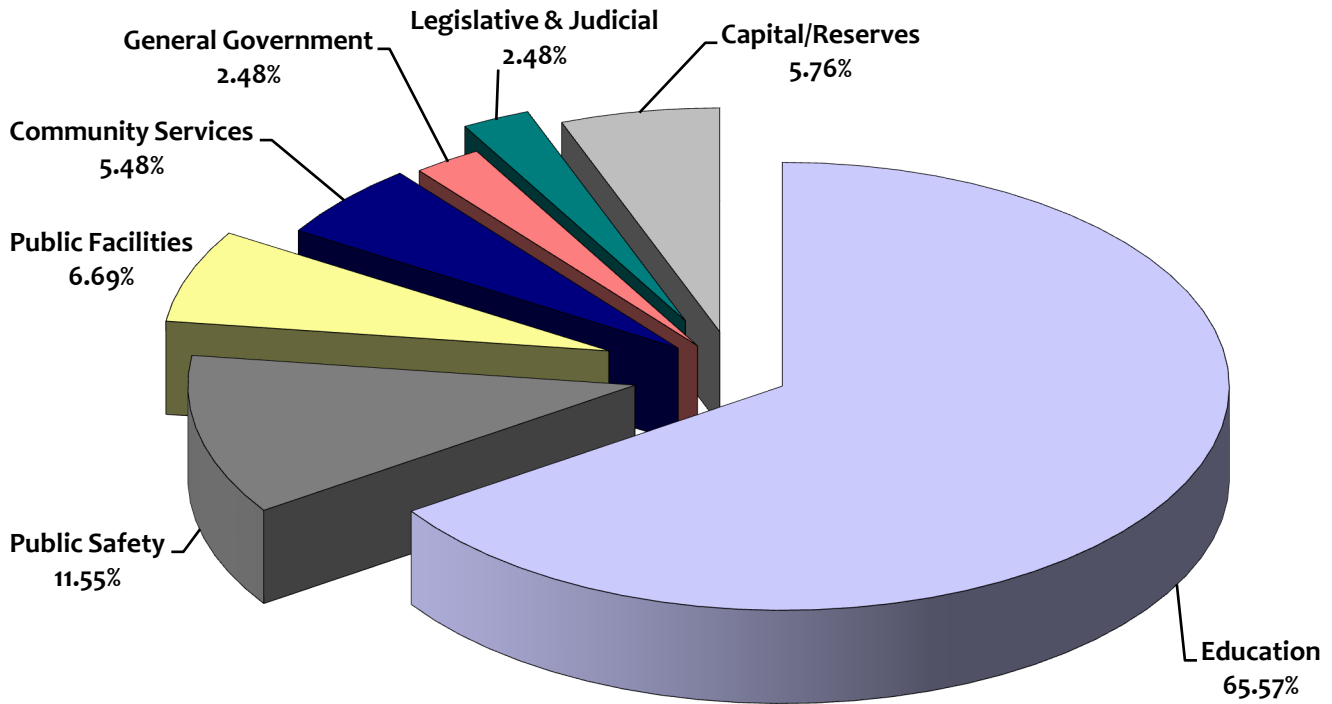
How the Budget is Funded



	Audit Fiscal 2008	Percent Change	Approved Fiscal 2009	Percent Change	Approved Fiscal 2010
Prior Year's Funds	37,739,594	-13.51%	32,640,985	-56.51%	14,197,182
Property Taxes	367,835,075	6.83%	392,965,607	7.80%	423,603,109
Income Taxes	316,724,547	4.62%	331,351,570	-9.27%	300,650,000
Other Local Taxes	24,130,408	4.47%	25,208,885	-20.66%	20,000,000
State Shared Taxes	15,513,178	1.79%	15,790,764	-57.94%	6,641,944
Licenses & Permits	8,193,156	-6.64%	7,648,975	-11.88%	5,263,600
Revenue Other Agencies	5,728,829	20.02%	6,875,977	1.61%	6,986,977
Charges for Services	11,571,303	-14.68%	9,872,325	-13.70%	10,006,400
Interest, Money/Fines	20,258,587	-66.07%	6,872,780	-24.22%	5,198,022
Interfund Reimbursements	22,755,096	11.06%	25,272,219	9.52%	27,677,736
Total Revenues	830,449,773	2.90%	854,500,087	-4.01%	820,224,970

General Fund Expenditures

How the Budget is Spent



	Audit Fiscal 2008	Percent Change	Budget Fiscal 2009	Percent Change	Approved Fiscal 2010
Education	500,521,432	7.47%	537,894,852	-0.01%	537,846,890
Public Safety	85,570,689	12.15%	95,970,426	-1.30%	94,727,434
Public Facilities	60,496,749	-4.76%	57,615,409	-4.83%	54,834,492
Community Services	42,627,974	9.97%	46,878,133	-4.20%	44,909,313
General Government	22,336,053	-3.40%	21,576,704	-5.89%	20,305,825
Legislative & Judicial	19,574,168	9.55%	21,443,059	-4.95%	20,380,750
Capital/Reserves	72,402,135	0.99%	73,121,504	-35.42%	47,220,266
Total Expenditures	803,529,200	6.34%	854,500,087	-4.01%	820,224,970

Comparative Expenditure Summary

By Function/Department/Object Class

Fiscal Years 2008-2010

*Only includes funds directly appropriated by Howard County and will not equal the all funds budget.

	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved	FY2009 vs. FY2010	
				Amount	Percent
Expenditures by Function					
Education	465,185,447	499,133,213	498,009,248	-1,123,965	-0.23%
Public Safety	156,404,770	182,864,807	190,012,093	7,147,286	3.91%
Public Facilities	115,583,051	131,509,794	130,500,720	-1,009,074	-0.77%
Community Services	90,816,818	113,897,383	103,183,991	-10,713,392	-9.41%
Legislative & Judicial	20,437,874	22,817,749	21,358,468	-1,459,281	-6.40%
General Government	102,318,934	137,004,400	123,456,640	-13,547,760	-9.89%
Capital, Debt & Reserves	139,946,907	201,323,599	204,153,907	2,830,308	1.41%
Total Expenditures by Function	1,090,693,801	1,288,550,945	1,270,675,067	-17,875,878	-1.39%
Expenditures by Department					
Howard County Public School System	427,176,316	458,233,637	457,560,424	-673,213	-0.15%
Howard Community College	23,635,010	25,289,690	25,195,470	-94,220	-0.37%
Howard County Library	14,374,121	15,609,886	15,253,354	-356,532	-2.28%
Police	74,004,199	86,968,969	85,465,912	-1,503,057	-1.73%
Fire & Rescue Services	69,638,703	82,676,555	91,163,310	8,486,755	10.27%
Corrections	12,761,868	13,219,283	13,382,871	163,588	1.24%
Planning & Zoning	11,375,240	13,005,571	13,591,245	585,674	4.50%
Public Works	97,181,834	110,697,243	109,974,797	-722,446	-0.65%
Inspections, Licenses & Permits	6,352,615	7,077,945	6,404,668	-673,277	-9.51%
Soil Conservation	673,362	729,035	530,011	-199,024	-27.30%
Recreation & Parks	27,901,285	30,891,552	29,738,104	-1,153,448	-3.73%
Citizen Services	19,057,997	22,709,234	17,463,565	-5,245,669	-23.10%
Transportation Services	18,519,012	22,457,619	18,451,229	-4,006,390	-17.84%
Health	18,976,226	30,600,743	30,376,200	-224,543	-0.73%
Mental Health Authority	310,000	330,000	330,000	0	0.00%
Social Services	519,463	668,714	584,311	-84,403	-12.62%
Maryland Cooperative Extension	413,391	422,524	416,463	-6,061	-1.43%
Community Service Partnerships	5,119,444	5,816,997	5,824,120	7,123	0.12%
County Council	2,851,195	3,314,835	3,242,866	-71,969	-2.17%
Circuit Court	2,856,871	3,228,714	3,122,567	-106,147	-3.29%
Orphans Court	43,861	46,085	43,172	-2,913	-6.32%
State's Attorney	6,311,730	6,931,146	6,755,325	-175,821	-2.54%
Sheriff's Office	6,075,018	6,547,434	6,123,134	-424,300	-6.48%
Board of Election Supervisors	2,299,199	2,749,535	2,071,405	-678,130	-24.66%

Comparative Expenditure Summary – continued

	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved	FY2009 vs. FY2010 Amount	FY2009 vs. FY2010 Percent
Office of the County Executive	1,045,732	1,041,247	989,670	-51,577	-4.95%
County Administration	64,235,597	86,216,121	78,655,255	-7,560,866	-8.77%
Finance	10,627,495	14,651,014	11,719,559	-2,931,455	-20.01%
Office of Law	2,897,547	3,167,402	3,262,011	94,609	2.99%
Economic Development Authority	1,266,869	1,384,594	1,322,661	-61,933	-4.47%
Technology & Communications Services	14,366,192	17,003,172	16,342,517	-660,655	-3.89%
Housing & Community Development	7,311,050	13,467,100	10,871,217	-2,595,883	-19.28%
Howard County Revenue Authority	4,848	0	220,000	220,000	
Employee Tuition Reimbursement	80,567	73,750	73,750	0	0.00%
Performance Awards	483,037	0	0	0	0.00%
Debt Service	102,507,453	119,438,041	123,719,459	4,281,418	3.58%
Pay-As-You-Go Funds	37,439,454	32,691,971	5,643,625	-27,048,346	-82.74%
Contingency Reserve		49,193,587	74,790,820	25,597,233	52.03%
Total Expenditures by Department	1,090,693,801	1,288,550,945	1,270,675,067	-17,875,878	-1.39%
Expenditures by Object Class					
Salaries, Wages & Benefits	224,996,954	242,721,281	242,724,170	2,889	0.00%
Contractual Services	116,441,642	138,409,646	135,002,046	-3,407,600	-2.46%
Supplies & Materials	20,330,198	29,675,133	28,081,331	-1,593,802	-5.37%
Business & Education Expenses	19,918,982	25,936,927	25,553,080	-383,847	-1.48%
Capital Outlay	22,499,134	29,224,314	10,774,713	-18,449,601	-63.13%
Other Operating Expenses	649,632,723	772,957,992	776,580,239	3,622,247	0.47%
Other Expenses	36,874,164	49,301,710	51,625,546	2,323,836	4.71%
Interfund Charges & Reimbursements	0	323,942	333,942	10,000	3.09%
Total Expenditures by Object Class	1,090,693,797	1,288,550,945	1,270,675,067	-17,875,878	-1.39%

Questions About the Budget

Every year, questions are asked about the budget. The purpose of this section is to provide this information up front in the budget process. Unless otherwise noted, the questions and answers refer to the general fund operating budget of the county.

Q. How much revenue does a one-cent increase in the real property tax rate generate?

A. For fiscal 2010 the property tax rate is unchanged from fiscal 2009, however, each one-cent increase in the real property tax rate along with an automatically generated a 2.5 cent increase in the personal property tax rate generates \$4,209,190 in additional revenue.

Q. This year, the real property tax rate will be \$1.014 per \$100 of assessed valuation. This rate is the same as the previous year. How will this affect the tax bill of an owner of a home in Howard County?

The chart below shows property taxes paid for fiscal 2009 and for fiscal 2010. The fiscal 2009 rate of \$1.014 remains the same for fiscal 2010. However, residential assessments increased on average 5.0% over last year. That reassessment increase will be reflected in the taxes paid in fiscal 2010.

Home Value	Taxes FY 2009	Taxes FY 2010	Difference
\$250,000	\$2,535	\$2,662	\$127
\$300,000	\$3,042	\$3,194	\$152
\$350,000	\$3,549	\$3,726	\$177
\$450,000	\$4,563	\$4,791	\$228

Q. There is a 5% cap on the assessment increase on which a homeowner can be taxed. How has the cap affected the tax bills?

This year the county estimates that the 5% cap will save the homeowners \$106.3 million. There are about 71,300 homes that will receive this credit. That is an average savings of \$1,490 for each property owner in their tax bill. Another way to view this is to look at a example of an individual home. In this example we looked at a home purchased in the third assessment area in 2003 for \$200,000. Even though average home reassessments in this area declined 7% from the last time they were reassessed, homes in that area have had an annual average assessment increase of 13.7%. That means that this home is now assessed at

\$401,000. However, because of the 5% annual cap on taxable assessment increases that homeowner is paying taxes based on an assessment of \$281,470. This is 70% of the full assessable base for this property. At current tax rates this credit will generate savings of \$1,221 in their fiscal 2010 tax bill.

Q. The general fund portion of the budget has decreased by \$34.3 million. How were those decreases distributed in the budget and what percent of the decrease did each area receive?

Education	-\$0.05 million	0.1%
General Government	-\$1.3 million	3.7%
Public Safety	-\$1.2 million	3.6%
Community Services	-\$2.0 million	5.7%
Public Facilities	-\$2.7 million	7.9%
Capital/Reserves	-\$25.9 million	75.6%
Legislative/Judicial	-\$1.2 million	3.4%

Q. What is the status of the county's Rainy Day Fund?

The Charter requires the county to maintain a Rainy Day Fund of up to 7% of the latest audit of general fund expenditures at the time the budget is adopted. It further requires any surplus the county generates go into the fund until that goal is reached. When the goal is reached, any additional surplus can only be spent on capital projects, one-time expenditures or debt reduction. The current balance of the Rainy Day Fund is \$48,703,989. For fiscal 2010 the mandated level of the fund is based on audited spending for fiscal 2008. Seven percent of that amount will require a Rainy Day Fund of \$54,681,366. The county ended fiscal 2008 with an undesignated surplus of \$5,643,625. In addition, funds were designated in the fiscal 2008 financial statement to bring the fund up to the mandated level for fiscal 2009 and fiscal 2010.

Q. What is OPEB, and how is it funded?

OPEB is an acronym for Other Post Employment Benefits. These are benefits owed to county employees (including the Board of Education, the Library, the Community College, the Economic Development Authority, and the Mental Health Authority) for health care and insurance when they retire. Starting in fiscal 2008 state and local governments had to recognize these costs as a liability on their financial statements and establish a plan to fund them as they are incurred. The current actuarial

report states that the county needs to put aside an additional \$40 million a year above annual premium costs to completely fund the liability. The county began funding this liability in fiscal 2008 with a \$14 million appropriation from fund balance. During this current fiscal year the county created an OPEB Trust to receive this payment, invest it, and hold it for future OPEB costs. In fiscal 2009 the county began to fund the OPEB liability from current revenues. On April 9, 2009 the county announced changes in benefit calculations for future retirees effective July 1, 2009 designed to reduce the county's future OPEB cost. Details of these changes are available at the county's Office of Human Resources. Because of the current economic situation, in fiscal 2010, the county has deferred additional contributions to the OPEB Trust.

Q. What are the county tax rates for fiscal 2010?

There are no proposed changes in tax rates from last year.

The **Property Tax Rate** is \$1.014 for real property and \$2.535 for eligible personal property owned by businesses in Howard County.

Fire and Rescue District Taxes:

Metropolitan Fire and Rescue District:

Real Property: 13.55 cents

Personal Property: 33.875 cents

Rural Fire and Rescue District:

Real Property: 11.55 cents

Personal Property: 28.875 cents

Local Income Tax – Previously, this rate was stated as a percent of the state income tax liability as a “piggyback tax”. As a result of state legislative action this rate has been restated as a percent of Maryland Taxable Income. The rate in Howard County is 3.2%.

Admission Tax – Admissions and amusements are charged at 7.5% rate. All live shows, concerts, agritourism, and certain athletic activities are charged at a 5% rate.

Recordation Tax - \$2.50 for each \$500 of value when property is sold and title recorded.

Mobile Home Tax – 10% of gross annual rents up to \$3,600. Amounts above that are taxed at 5%.

Hotel Motel Tax – 5% of the room rental charges for visitors using county motels and hotels.

Local Property Transfer Tax – 1% of the value of the property being transferred. This revenue is not included in the general fund, but is dedicated to special revenue funds as follows: 25% of the receipts for school land acquisition and construction, 25% for park construction and development, 25% for agricultural land preservation, 12.5% for housing and community development, and 12.5% for the fire and rescue service.

Q. What are the major changes in fees and charges in FY 2010?

There are several fees being increased in fiscal 2010 including:

Water and Sewer User Charges

Water and sewer rates are increasing by 6% to offset cost increases for purchased water and sewer services, treatment chemicals and propane, and electricity rates and increased usage. These costs help the county meet higher environmental standards for nutrient removal to discharge cleaner water into the Patuxent River.

Trash Collection Fees

Refuse and recycling collection fees will remain unchanged at \$225 per year for residents with yard waste service and \$210 per year for those without yard waste collection service. In addition, a new fee of \$39 will be charged by the county for residents who live on private roads to offset the cost of recycling collection.

Public Safety Fees

Weekend inmate fees charged by the Department of Corrections will increase from \$20 to \$25 per day to offset the daily cost of incarceration of \$98. Also, work release fees will increase from \$12.00 per day to \$15.00 per day for home detention inmates.

Administrative Fees

The Department of Finance will increase the fee for tax lien certification from \$20 to \$35 and will add personal property tax liens for business licenses.

Rental housing licenses will be increased from \$75 to \$85 to cover the costs incurred by the Office of Consumer Affairs for its mediation services function.

Fiscal 2010 Budget Highlights

Education

- Includes funds for the Howard County Public School System to accommodate student enrollment growth
- Includes funding for Howard Community College to increase faculty and staff positions
- Includes funding to retain Sunday hours during the school year at all branches, and Sunday during the summer months at both Miller and Central branches.

Public Safety

- Full year funding for eight new dispatcher positions to improve the 911 fire/EMS service
- Three-quarter year funding for twelve firefighter trainee positions using a SAFER grant
- Funding for two capital projects serving the rural fire district
- Full year funding for two channel fire dispatch operations in the 911 center

Public Facilities

- Funding for the Department of Public Works includes one new position in the Bureau of Utilities fund to support electrical maintenance of pumps, grinders and other mechanical equipment.
- The Department of Public Works will provide technical assistance to a recycling cooperative sponsored by the Howard County Chamber of Commerce to promote recycling for county businesses.

Community Services

- Funds are provided to various community agencies to administer a variety of services to those in need.
- Funding is included for Healthy Howard.
- The Health Department will add one new county funded position for GIS/GPS services in addition to funds for health insurance, steps, position upgrades for county funded state merit positions

- The Mental Health Authority will continue operation of the Mobile Crisis Team seven days per week from noon to 11:00 p.m.
- The Department of Social Services will absorb several programs into one to provide more efficient services.
- Budget reductions will require the Health Department to temporarily suspend the popular and successful drive-thru flu clinic.

Legislative & Judicial

- The Sheriff's Office will work with the Police Department to more effectively manage the warrant function with an emphasis on Domestic Violence warrants. A new Deputy Sheriff is proposed in the grant funded Domestic Violence Program to meet this need. The Community Service Program will be eliminated due to declining enrollments and increased county costs.
- The Circuit Court will continue to enhance its case and calendar management programs as well as aggressively seek grant funding for Alternative Dispute Resolution program.
- Funds are included in the County Council budget for the Hearing Examiner to now hear zoning violations. The cost is offset by fines collected by the Department of Planning and Zoning.

General Government

- The Department of Finance will continue to coordinate the efforts of project development that is supported through tax increment financing (TIF).
- The Department of Housing and Community Development will transfer via long-term leases, all of the county owned rental housing properties to the Howard County Housing Commission.

Capital, Debt Service & Reserves

- The grants contingency reserve has a significant increase in appropriation authority in anticipation of federal stimulus funds

All Funds Revenues

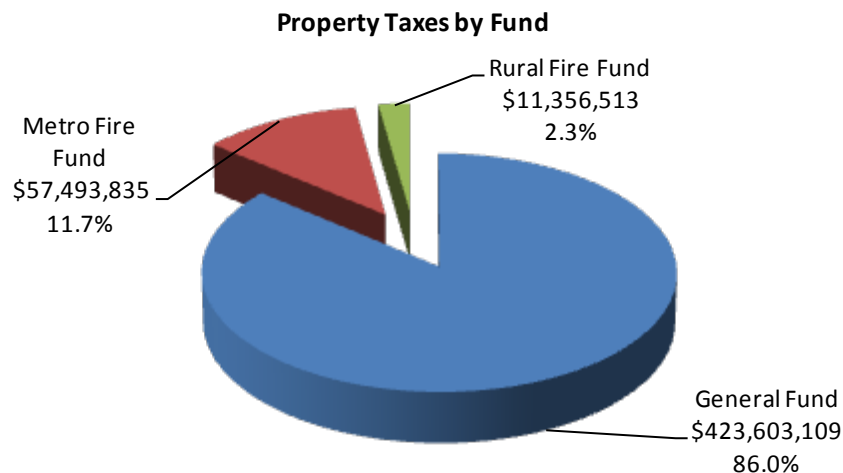
Forecasting revenues is the starting point for the budget process. The level of revenues expected governs the amount of expenditures available for government functions and services. Howard County is fortunate to have a diverse revenue stream that provides stability in what is frequently a volatile climate. There are over one hundred revenue sources that comprise the county’s revenue stream and these can be placed into one of eight basic categories. The following is a summary of categories broken out by fund distribution, if applicable. There are some revenues that are solely available to the general fund, such as income tax, state share taxes, licenses & permits and prior years funds and are therefore not presented graphically below. The general fund is the largest operating fund and accounts for 58.8 percent of the all funds budget. For this reason there are additional references to revenues associated with the general fund.

Property Taxes

Property taxes are the largest source of revenue available to the county and represent taxes assessed on real and personal property. Property taxes make up 52 percent of general fund revenues. Property assessments are performed on a triennial basis by the State of Maryland, Department of Assessments &

Taxation to determine the property for taxing purposes. Tax billings and collections of the county share of property taxes are performed by the county. The tax due is determined by multiplying the assessed value of the property by the tax rate for each \$100 of assessed value. Even though many homes have declined in value, most homeowners will see a 5 percent increase in their property taxes. This is because Howard County applies a 5 percent cap on assessment increases and for many years most homeowners have paid taxes based on a factor that was lower than their actual assessment. Despite the decrease in home value experienced, there is still room for a 5 percent increase in their taxes paid. All property taxes are based on each \$100 of the full assessed value of the property multiplied by the applicable tax rates. For fiscal 2010 the tax rate is the same as last year, \$1.014 for real property and \$2.535 for corporate personal property.

In addition to the property tax levied to support the general fund there are two of fire tax districts that charge separate property taxes dedicated to the fire and rescue service. The tax rate for these fire tax districts is unchanged for fiscal 2010. Metropolitan District rates are \$.1355 for real property and \$.33875 for personal property. Rural District rates are \$.1155 for real property and \$.28875 for real property.



Property taxes are relatively stable and provide 35.1% of the total revenue received by the county. The triennial assessment of property is phased in 1/3 each year over a three year period, thus ensuring revenues are

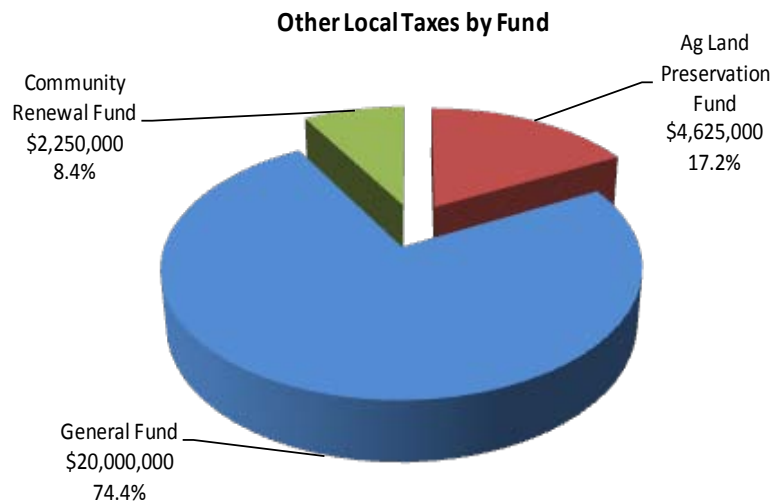
predictable and the burden to taxpayers is spread over three years. This, coupled with the previously noted county cap on property tax increases of no more than 5 percent per year (general fund portion only) smooth the revenue flow.

Income Tax

Income tax is the second largest revenue source for the county, representing 21.4 percent of total revenues and 37 percent of general fund revenues. It is the most economically sensitive revenue in the county and reflects downturns in the local economy much faster than the property tax. All income tax is allocated to the general fund. Maryland law requires counties and Baltimore City to impose upon their residents a local income tax. Previously the rate was stated as a percent of the state tax due. As a result of state legislative action this rate was restated as a percent of Maryland Net Taxable Income. The rate in Howard County is 3.2%. Revenue from the income tax is derived from personal income from county residents such as salaries and social security payments as well as income from capital gains, interest, and some business income. This tax is collected by the State Comptroller of the Treasury along with the State Income Tax. Distributions are made to the counties throughout the year based upon collection deadlines. This is the most difficult revenue to project due to this volatility. Due to current economic conditions a decline of 5.7 percent is projected for fiscal 2010 compared to estimated fiscal collections.

Other Local Taxes

Other local taxes include recordation tax, admissions & amusement tax, hotel/motel tax, and mobile home tax. For the past several years the strong local real estate market has provided strong growth in recordation tax. However the bursting of the “real estate bubble” has resulted in a decline in this revenue. Other revenues in the category are showing little or no growth. The county imposed admissions & amusements tax is 7.5 percent on gross receipts derived from admission charges except for live performances, concerts and certain athletic activities where the rate is 5 percent. The state collects the tax and remits it to the county quarterly. Local recordation tax imposes a tax on every instrument conveying title to real or personal property recorded with the Clerk of the Circuit Court. The current rate is \$2.50 per \$500 on the value of each recordation. Mobile home tax is 10 percent of the gross annual rent collected on each occupied mobile home space or site up to \$3,600 with an additional 5 percent of the amount of annual rent charged over \$3,600. Hotel/motel tax is a tax of 5 percent on hotel and motel rental receipts for stays less than 30 days. This tax applies to hotels/motels that offer sleeping accommodations with 5 or more rooms.



Revenue From Other Agencies

This group encompasses a broad range of revenue sources from federal, state and local grants, to reimbursements from other agencies for services provided to revenue sharing support to donations of funds. State revenue as a major source has largely disappeared from the general fund of the county. All

undesignated state revenue has been eliminated. Only highway gas tax funds and state aid for police protection remain. For fiscal 2010, the state budget reduced the highway user revenues by 52 percent from what was originally projected. State funding for education goes directly to the Board of Education and is not received by the general fund.

Charges for Services

Charges for services are fees, licenses & permits charged by the county to perform specific services for individuals or organizations. The fees are designed to cover the cost of performing the service. More information on each fee is available in the Office of Budget’s publication Howard County, Maryland User Fees and Charges. This information can also be found online at http://www.co.ho.md.us/DOA/Financial_Reports.htm.

Interest, Use of Money, Fines & Forfeitures

This group of revenues includes contingencies from various funds, interest income earned in the cash management portfolio, sale of property & equipment, rental of property and fines related to parking tickets, administrative court costs, violations of animal control laws and red light violations. This revenue group has declined from the previous year because of a decrease in investment income.

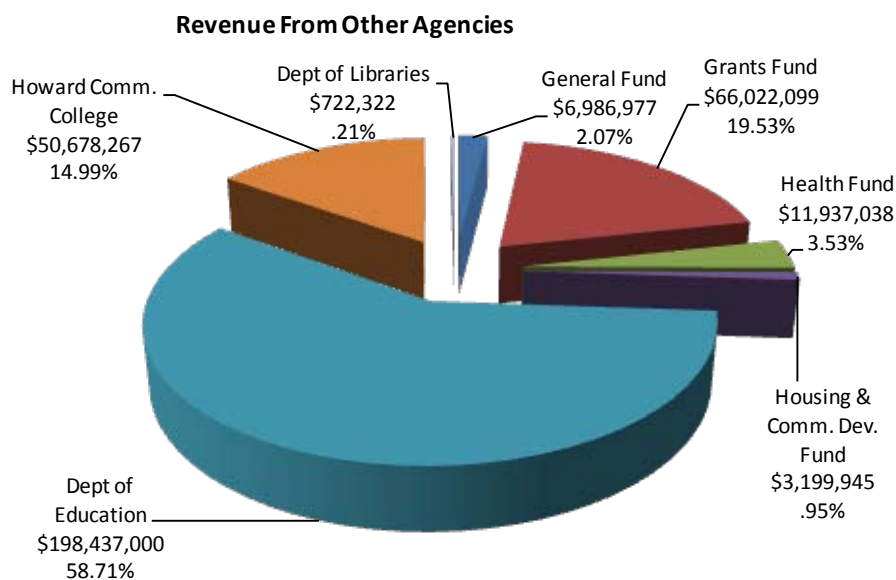
Inter-fund Reimbursements

Inter-fund reimbursements are paid to the general fund from other funds in the budget as a

reimbursement for services provided, including debt service and pro rata shares. Revenues are from the ag preservation fund, employees benefit fund, water & sewer funds, fire & rescue funds, housing & Community Development Fund and various capital funds for debt service paid by the general fund.

Prior Years Funds

These general fund revenues represent surplus funds from the prior year’s budget in excess of the amount needed to maintain the Rainy Day Fund of the county at the charter mandated levels. These funds may only be used for pay-go capital projects or one- time expenses per the Howard County Charter. Also, in fiscal 2010 there is an appropriation from fund balance in the general fund to pay a portion of the debt service. The level of funding available from this source fluctuates from year to year and often reflects local economic conditions.



General Fund Revenue Summary

Category Name	Sub Category Name	Prior Year Audit	Current Year Approved	Current Year Estimated	Requested Budget	Proposed Budget	Approved Budget
Taxes							
Property		367,835,075	392,914,621	402,545,031	421,163,856	423,603,109	423,603,109
Income		316,724,547	331,351,570	319,000,000	300,000,000	300,650,000	300,650,000
Other		24,130,408	25,208,885	20,455,078	20,000,000	20,000,000	20,000,000
State		15,513,178	15,790,764	13,795,950	13,841,944	6,641,944	6,641,944
Taxes Total		724,203,208	765,265,840	755,796,059	755,005,800	750,895,053	750,895,053
Licenses & Permits							
Licenses		2,030,684	1,155,000	1,139,100	1,989,500	2,126,080	2,126,080
Permits		5,070,277	5,547,000	3,703,500	3,900,000	3,900,000	3,900,000
Fees		1,092,195	946,975	838,775	714,200	714,200	714,200
Licenses & Permits Total		8,193,156	7,648,975	5,681,375	6,603,700	6,740,280	6,740,280
Revenues From Other Agencies							
County		1,733,614	2,803,136	2,803,136	2,803,136	2,803,136	2,803,136
State		3,995,215	4,072,841	3,552,120	4,072,841	4,072,841	4,072,841
Other			0	0	111,000	111,000	111,000
Revenues From Other Agencies Total		5,728,829	6,875,977	6,355,256	6,986,977	6,986,977	6,986,977
Charges For Services							
Review Fees		3,694,208	3,574,500	2,509,000	2,449,500	2,449,500	2,449,500
Inmate Boarding		2,211,958	2,186,000	2,650,700	2,461,000	1,762,065	1,762,065
Miscellaneous		5,665,137	4,111,825	4,095,825	4,132,575	4,308,155	4,308,155
Charges For Services Total		11,571,303	9,872,325	9,255,525	9,043,075	8,519,720	8,519,720
Forfeitures							
Parking & Others		698,892	749,790	765,790	769,790	769,790	769,790
Redlight		2,205,140	2,250,000	1,820,000	2,000,000	2,000,000	2,000,000
False Alarm		454,228	468,000	518,000	490,000	490,000	490,000
Forfeitures Total		3,358,260	3,467,790	3,103,790	3,259,790	3,259,790	3,259,790
Use Of Money & Property							
Interest on Investments		11,065,144	2,608,600	4,105,665	1,151,842	1,151,842	1,151,842
Installment Interest		64,697	69,890	69,890	69,890	69,890	69,890
Other		5,770,486	726,500	727,100	726,500	726,500	726,500
Use Of Money & Property Total		16,900,327	3,404,990	4,902,655	1,948,232	1,948,232	1,948,232
Interfund Reimbursements							
Pro-Rata Charges		4,149,182	4,449,246	4,449,246	6,189,732	6,237,136	6,237,136
Debt Service		13,522,119	15,552,044	15,552,044	15,987,854	15,987,855	15,987,855
Other		5,083,795	5,270,929	5,235,929	5,452,745	5,452,745	5,452,745
Interfund Reimbursements Total		22,755,096	25,272,219	25,237,219	27,630,331	27,677,736	27,677,736
Prior Year							
Fund Balance		37,739,594	32,691,971	32,640,985	5,643,625	14,197,182	14,197,182
Prior Year Total		37,739,594	32,691,971	32,640,985	5,643,625	14,197,182	14,197,182
Totals		830,449,773	854,500,087	842,972,864	816,121,530	820,224,970	820,224,970

General Fund Revenue

Howard County's budget is made up of over 100 revenue sources. This diversity provides stability to the revenue stream. However, two sources, property tax and income tax, make up 88 percent of the total current revenue. The performance of these two revenues in large measure determines the health of the budget.

Property Tax

The property tax makes up 52 percent of general fund revenues. The tax due is determined by multiplying the assessed value of the property by the tax rate for each \$100 of assessed value. The State of Maryland uses a triennial assessment system to determine the value of property for taxing purposes. Even though many homes declined in value, most homeowners will see a 5 percent increase in their property taxes paid. This is because Howard County applies a 5 percent cap on assessment increases and for many years most homeowners have paid taxes based on a factor that was lower than their actual assessment. Despite the decrease in home value they experienced, there is still room for a 5 percent increase in their taxes paid. For fiscal 2010 the approved tax rate is the same as last year, \$1.014 for real property and \$2.535 for corporate personal property.

Income Tax

The income tax in Howard County makes up 39% of general fund revenues. It is the most economically sensitive revenue in the county. Previously the rate was stated as a percent of the state tax due. As a result of state legislative action this rate was restated as a percent of Maryland Net Taxable Income. The rate in Howard County is 3.2%. Revenue from the income tax is derived from personal income from county residents such as salaries and social security payments as well as income from capital gains, interest, and some business income. Because of the economic recession, the County is projecting a decline in income tax revenues.

Other Local Taxes

Other local taxes include the recordation tax, admissions & amusement tax, the hotel/motel tax, and mobile home tax. For the past several years the strong local real estate market has provided strong growth in the recordation tax. However the bursting of the "real

estate bubble" has resulted in a decline in this revenue. Other revenues in the category are showing little or no growth.

State Shared Taxes & Revenue From Other Agencies

State revenue as a major source has largely disappeared from the general fund of the county. All undesignated state revenue has been eliminated. Only highway gas tax funds and state aid for police protection remain. For fiscal 2010, the state budget reduced the highway user revenues by 52 percent from what was originally projected. State funding for education goes directly to the Board of Education and is not received by the general fund.

Charges for Services & Licenses & Permits

The other revenues of the county are made up of charges for services provided to individuals or businesses and license and permit fees largely as a part of the development process. Fees for services are usually designed to recover the cost of the service provided. Descriptions and explanations for these revenues are included in the User Fees and Charges book for fiscal 2010 that is available from the Howard County Budget Office.

Interest/Money/Fines

This portion of revenues has declined from the previous year because of a decrease in investment income. Other major sources of revenue in this section are from fines from tickets for running red lights and false alarm fines that are both expected to remain stable in fiscal 2010.

Interfund Reimbursements

This revenue includes funds that are paid to the General Fund from dedicated revenue sources to reimburse the general fund for services it has provided to those funds. Most of these funds come from the water and sewer fund and the environmental services fund.

Funds From Prior Years

This section includes surplus funds from the prior year's budget that were in excess of that needed to maintain the Rainy Day Fund of the county at the charter mandated levels. These funds may only be used for pay-go capital projects or one-time expenses per the Howard County Charter. Also, in fiscal 2010 there is an appropriation from fund balance to pay a portion of the debt service.

Employee Information

Summary of Employees by Department/Function

Department/Agency	FY2008 Actual	FY2009 Budget	FY2009 Adjusted	FY2010 Approved	Variance Adj vs Appr
Board of Education	7,212.60	7,376.60	7,376.60	7,436.30	59.70
Circuit Court	25.60	29.60	29.40	29.40	0.00
Citizen Services	123.00	122.70	124.94	124.19	-0.75
Corrections	144.00	144.00	144.00	144.00	0.00
County Administration	140.60	127.10	127.50	127.50	0.00
County Council	28.63	28.63	28.63	29.63	1.00
County Executive	8.00	8.00	8.00	8.00	0.00
Finance	56.50	57.50	56.00	56.00	0.00
Fire & Rescue Services	404.35	404.35	404.95	416.95	12.00
Health Department	208.00	207.00	207.00	200.00	-7.00
Housing & Community Development	38.38	43.88	43.88	43.88	0.00
Howard Community College	455.29	469.25	471.80	474.80	3.00
Howard County Library	220.50	220.50	220.50	220.50	0.00
Inspections, Licenses & Permits	66.00	66.00	66.00	65.00	-1.00
Md. Cooperative Extension	1.75	1.75	1.75	1.75	0.00
Office of Law	24.00	24.00	24.00	24.00	0.00
Planning & Zoning	68.90	70.00	69.88	69.88	0.00
Police	591.00	614.00	623.00	623.00	0.00
Public Works	435.38	436.38	436.38	437.38	1.00
Recreation & Parks	247.83	256.48	245.67	245.67	0.00
Sheriff's Office	74.00	74.00	75.00	71.00	-4.00
Social Services	1.00	1.88	1.88	1.88	0.00
Soil Conservation	7.00	7.00	7.00	5.00	-2.00
State's Attorney	69.40	70.40	71.35	71.35	0.00
Technology & Communication Services	71.00	72.00	72.00	72.00	0.00
Transportation Services	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total	10,723.71	10,934.00	10,938.11	11,000.06	61.95
By Function					
Education	7,888.39	8,066.35	8,068.90	8,131.60	62.70
Public Safety	1,139.35	1,162.35	1,171.95	1,183.95	12.00
Public Facilities	577.28	579.38	579.26	577.26	-2.00
Community Services	582.58	590.81	582.24	574.49	-7.75
Legislative & Judicial	197.63	202.63	204.38	201.38	-3.00
General Government	<u>338.48</u>	<u>332.48</u>	<u>331.38</u>	<u>331.38</u>	<u>0.00</u>
Total	10,723.71	10,934.00	10,938.11	11,000.06	61.95

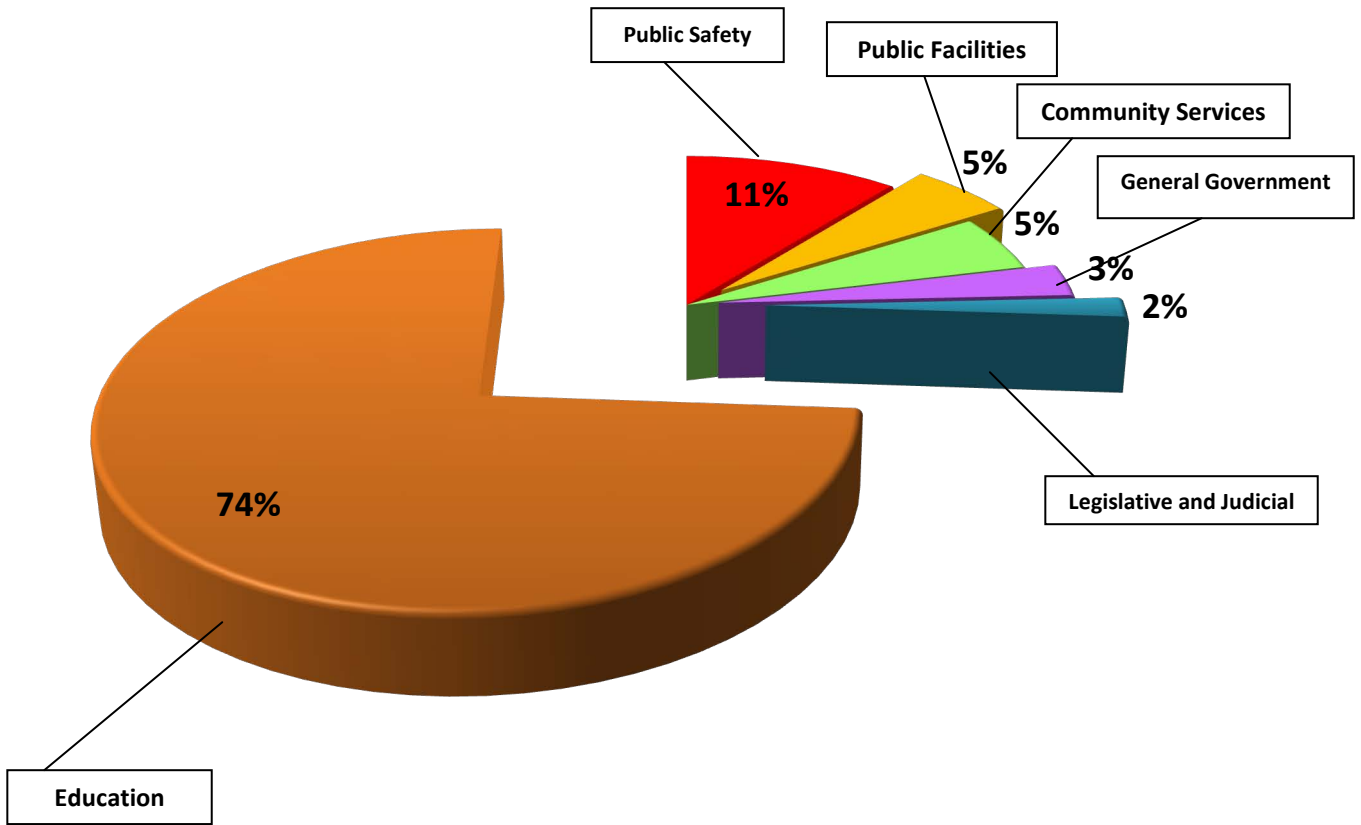
New Positions

Department	Position Title	Number of Positions
Fire & Rescue Services	Fire Fighter Trainee	12.00
Public Works	Electrician	1.00
Sheriff's Office (Grant)	Deputy Sheriff	1.00
	Total	14.00

New Positions/Other Agencies

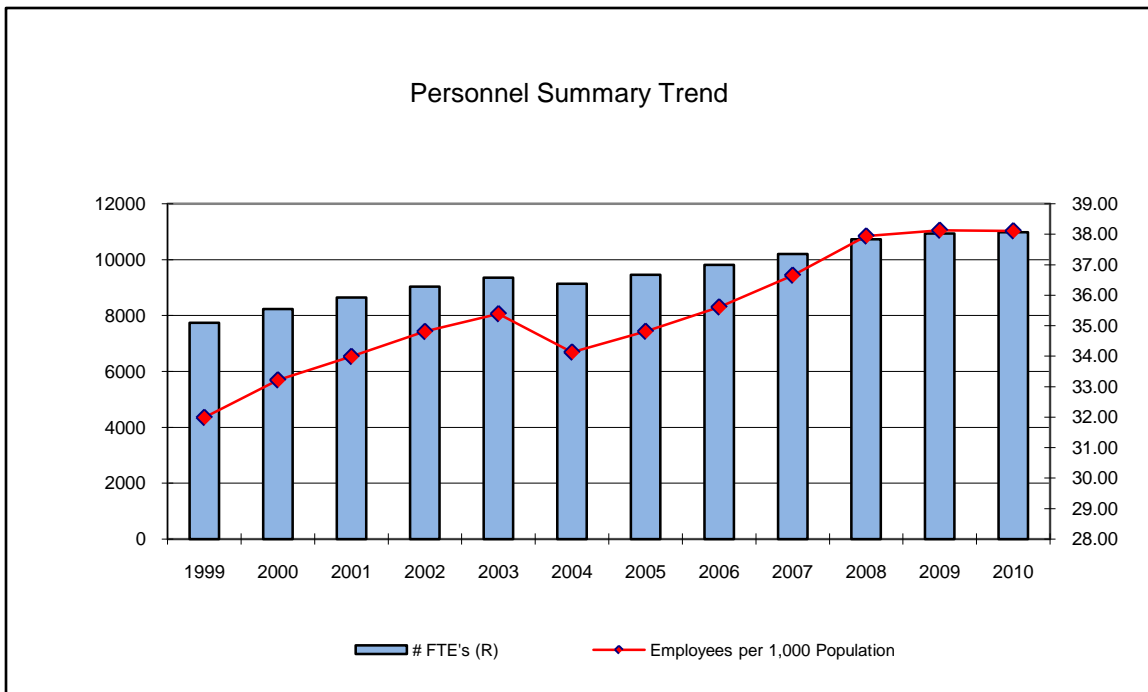
Department Category		Number of Positions
Howard Community College	Instruction	3.00
Board of Education General Fund		
	Administration	(3.7)
	Mid-Level Administration	1.00
	Instruction	51.90
	Special Education	11.00
	Transportation	1.00
	Health	1.00
	Maintenance Plant	(2.0)
	Community Services	(0.5)
	Total	59.70
	Total Other Agencies	62.70

Fiscal 2010 FTE's by Function



Personnel Summary for 10-Year Period

Year	#FTE's	% Change	Population	Employees per 1,000 Population
2000	8233.42	6.4%	247,842	33.22
2001	8647.54	5.0%	254,417	33.99
2002	9039.25	4.5%	259,693	34.81
2003	9351.68	3.5%	264,250	35.39
2004	9138.12	-2.3%	267,724	34.13
2005	9453.19	3.4%	271,535	34.81
2006	9808.23	3.8%	275,425	35.61
2007	10205.96	4.1%	278,457	36.65
2008	10723.71	5.1%	282,674	37.94
2009	10938.11	2.0%	286,891	38.13
2010	10976.46	0.4%	288,040	38.11



About the Budget and the Budget Process

The Howard County budget has been the recipient of the Government Finance Officers Association's Distinguished Budget Presentation Award for the past fourteen years. According to the GFOA, it established the Budget Awards Program in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality. The documents must reflect both the guidelines established by the National Council on State and Local Budgeting and the GFOA's recommended practices on budgeting. The GFOA Budget Awards program recognizes individual governments that succeed in achieving that goal. Howard County will submit its fiscal 2010 approved budget for consideration of the Distinguished Budget Presentation Award.

What?

As defined in the dictionary, a budget is a statement of the financial position of an administration for a definite period of time based on estimates of expenditures during the period and proposals for financing them. Developing the annual Howard County budget always involves making choices about what services can be funded and at what level. Once these decisions are made, the entire spending plan comes together in the form of a budget.

The Government Finance Officers Association identifies four basic functions of a state or local government budget:

1. A Policy Document

The Howard County budget clearly articulates the county's priorities and issues for the budget year and the actions needed to address these issues. The budget also includes a discussion of long-term budgetary and financial policies, as well as plainly stated individual departmental goals and objectives.

2. An Operational Tool

As an operations guide, the Howard County budget describes the activities, services and functions performed by county departments and agencies. It includes an organization chart of the entire county as well as individual departmental organization charts. The document also provides employee position counts for multiple years. Including this type information in the budget allows citizens to better understand county operations and how they are linked to the achievement of county-wide goals and objectives.

3. A Communications Guide

The annual budget document offers the citizens of Howard County the opportunity for public examination of county operations and significant budgetary issues, both short and long term. Additionally, it explains the process for preparing, reviewing and adopting the budget, and provides financial data on both summary and detailed levels.

4. A Financial Plan

The Howard County Code requires the budget to consist of the current expense budget, operating expense program, the capital budget and capital program, and the budget message. The annual budget represents a comprehensive financial plan for the county.

Why?

The Howard County Charter and the Maryland Constitution both mandate the preparation and adoption of an annual Howard County budget. The operating budget covers day-to-day operations and the capital budget covers construction of major governmental facilities.

How?

The annual budget process includes the following steps:

The First Step: The Spending Affordability Advisory Committee

Each fall, the county executive appoints a committee to advise him as he prepares the new budget. This committee, which is comprised of county residents and county officials who have expertise in financial matters, is charged with examining economic and fiscal data, multi-year revenue and expenditure projections and county infrastructure and service needs. The committee reports on its findings, which shall be used as guidelines in setting debt affordability levels for the upcoming budget.

The Second Step: Executive Development and Review

The public process begins in the fall when the county executive invites county residents to express their budget priorities. County agencies develop budget requests and submit them to the executive by February. The county executive holds a second

meeting in the spring to update the public on the budget in process. In April, the county executive presents the proposed budget to the county council.

The Third Step: County Council Review and Final Approval

The council conducts a series of public hearings and work sessions in April and May to review the executive's proposed budget. Citizens are given the opportunity to comment on the budget before the council takes action. The county council can reduce the executive's budget, but not increase it, except in the case of the Department of Education's budget. Per state law, the council may restore funds back to the level requested by the school board.

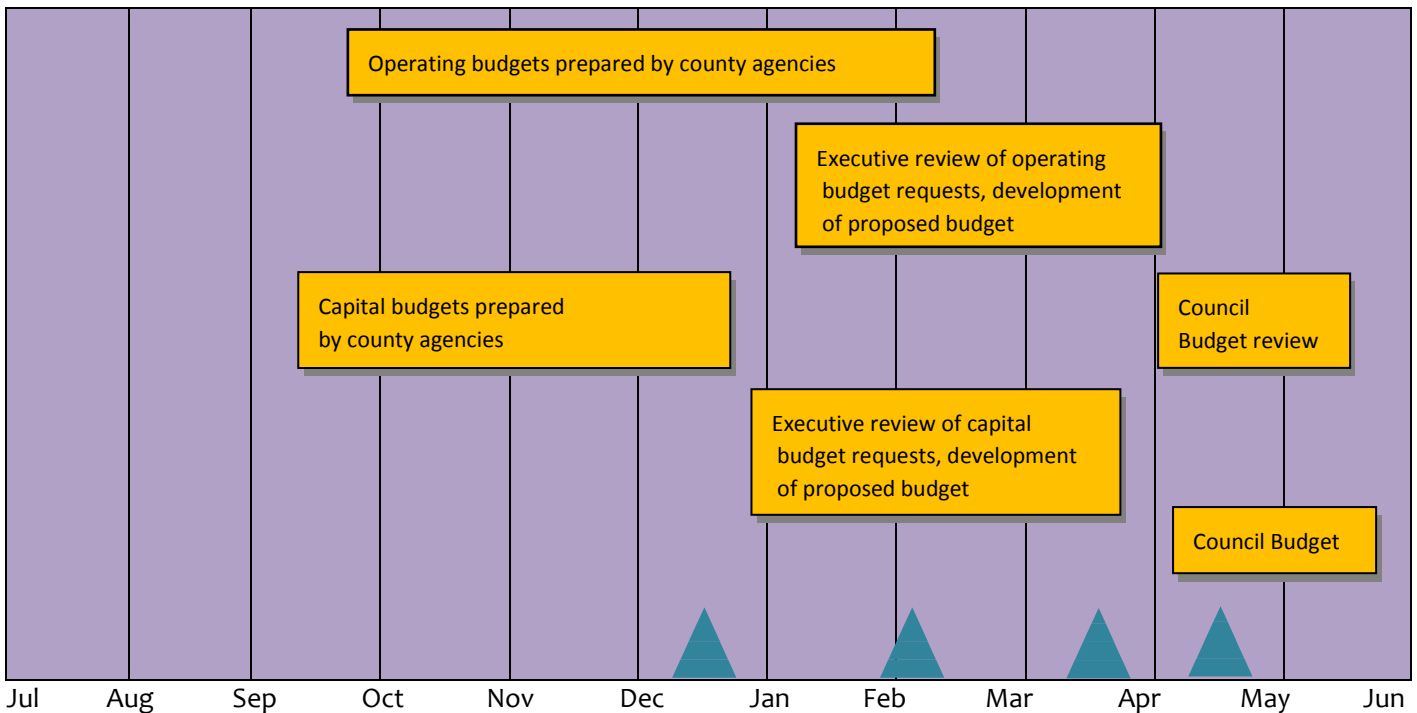
The capital budget follows a similar process of hearings. In addition, this budget is reviewed by the Planning Board. The sites of all new or substantially changed projects are posted, the projects advertised, and the board holds a public hearing in February. After its review, the county council finalizes the entire budget. The council also sets tax rates needed to generate enough revenue to balance the budget.


During the Year: Amending the Approved Budget

Once the budget is approved, it can only be amended by the county council upon the request of the county executive.

The operating budget may be amended through the use of Supplemental Budget Appropriation Ordinances (SAOs). The county executive may request, at any time during the fiscal year, that a SAO be approved by transferring funds from the county's general contingency reserve to an operating budget account. The county may not increase the bottom line of the budget through this process except in emergencies. During the last quarter of the fiscal year only, the county executive may request the county council to transfer funds from one county agency to another.

The capital budget of the county may be amended through the use of Transfer Appropriation Ordinances (TAOs). The county executive may request, at any time during the fiscal year that a TAO be approved by transferring funds from one capital project to another. At no time may the bottom line of the capital budget be increased.



 Public hearing (approximate dates)

Budget Calendar

Fiscal 2010 Operating Budget Calendar

Dates	Items
December 18, 2008	County Executive's Citizens' Budget Hearing
February 2, 2009	Budget requests due from all departments
March 2- March 31, 2009	Office of Budget review of departmental requests with departments and CAO
March 18, 2009	County Executive's Citizens' Budget Hearing
March –April 2009	County Executive reviews departmental requests with department heads
April 1 - April 17, 2009	County Executive makes final decisions on the operating budget
April 20, 2009	Fiscal 2010 operating budget presented to the County Council
April 1– May 2009	County Council hearings and work sessions on capital and operating budgets
May 20, 2009	County Council adopts fiscal operating budget and sets tax rate
June 1, 2009	Deadline for County Council budget approval (no later than 1st day of the last month of the fiscal year)

Fiscal 2010 Capital Budget Calendar

Dates	Items
October 14, 2008	Deadline for receipt of requests for new projects from all departments and agencies.
November 3, 2008	Deadline for receipt of changes to existing projects from all departments and agencies
December 13-29, 2008	Department of Public Works reviews/compiles/reproduces draft capital budget
December 18, 2008	County Executive's Citizens' Budget Hearing
January 2, 2009	Public Works submits draft capital budget to CAO
February 2, 2009	County Executive transmits departmental budget requests to Planning Board
February 12, 2009	Planning Board hearing on capital budget requests
March 3, 2009	Planning board submits recommendations to County Executive
March 18, 2009	County Executive's Citizens' Budget Hearing
March 3-21, 2009	Executive reviews and makes final decisions on capital budget
April 1, 2009	Deadline (90 days prior to end of fiscal year) for County Executive to submit proposed capital budget to County Council
April – May 2009	County Council hearings and work sessions on capital and operating budgets
May 20, 2009	County Council adopts fiscal 2010 capital and operating budgets and sets tax rate
June 2, 2009	Deadline for council budget approval (no later than 1 st day of the last month of the fiscal year)

Budget and Financial Policies

Howard County budget and financial policies are governed by the Maryland Constitution, the Howard County Charter, the Howard County Code, and generally accepted accounting practices. The following list the major budget and financial policies of Howard County.

Fund Category:

At the heart of government finances is the concept of fund accounting. Governments create funds to account for related expenses and revenues. The funds are fiscal and accounting entities. They include a self-balancing set of accounts that record cash and other financial resources with all related liabilities and residual equities or balances and related changes. For example, the environmental services fund contains the budget to pay for the waste collection and disposal expenses including operations of the county landfill. Howard County collects charges for refuse and recycling collection for residential and commercial property. These fees support the environmental services fund.

Governmental Funds

General: The general fund is probably the most visible part of the county budget. It includes the budgets to pay for police protection, run the school system, plow the snow, operate the county jail, and provide grants to community social service agencies and a host of other activities. The revenue to support the general fund comes primarily from local property and income taxes.

Special Revenue: Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for special purposes. The county uses a number of revenues for specific purposes only. For example, the county's 1 percent transfer tax pays for specific activities including agricultural land preservation, park acquisition and development, community renewal, school site acquisition and construction, and fire protection.

Capital Projects: Although the capital budget covers all county capital acquisition and construction projects, the cost of the projects and a listing of all revenues is included in the operating budget book under the special revenue funds section. There is a capital project fund for most major capital project categories. Related projects are often combined with these funds.

Proprietary Funds

Enterprise: Some government operations are fully supported by fees charged to external users. The special facilities fund (golf course) and utilities fund are examples of enterprise funds in the county budget.

Internal Service: Some county departments operate purely to support other departments. For example, the risk management fund provides insurance coverage for county government agencies on a cost reimbursement basis. Other internal services funds include the information systems services operations, fleet operations and employee benefits.

Basis of Accounting and Budgeting

Howard County conforms to generally accepted accounting principles (GAAP) as applicable to government units and has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association for thirty-two consecutive years. Governmental and agency funds are maintained and reported on the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon thereafter to be used to pay liabilities of the correct period. All other revenues are generally not susceptible to accrual because they are not measurable in advance of collection.

Governmental fund expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on long-term debt, and certain long-term accrued obligations (compensated absences, claims and judgments, special termination benefits and landfill closure and post closure costs, which are recognized when paid.

The proprietary, pension trust and community college funds are reported on the accrual basis of accounting, except that no depreciation has been provided on the Howard Community College campus and equipment. Under this method of accounting, revenues are recognized when earned, and expenses are recorded when liabilities are incurred. In the enterprise funds, an estimated amount of user charge is recorded for services rendered but not yet billed at year-end.

Budget Policies

The Howard County budget consists of the current expense budget and operating expense program, the capital budget and capital program, and the budget message. It represents a complete financial plan for the county reflecting receipts and disbursements from all sources, including all revenues, all expenditures and the surplus or deficit in the general fund and all special funds of the county government. It also includes the budgets as submitted by the County Council.

During preparation of the budget the County Executive holds at least two public hearings to receive public comment. One hearing is held in December to receive proposals for inclusion in the budget. The other is held in March to receive comments on budget requests.

Not later than seventy days prior to the end of the fiscal year, the Executive must submit to the County Council the proposed current expense budget for the ensuing fiscal year, the operating expense program for the fiscal year covered by the current expense budget and the next succeeding five fiscal years, and that part of the budget message pertaining to the current expense budget. Not later than ninety days prior to the end of the fiscal year, the Executive shall submit to the County Council the proposed capital budget, the capital program for the fiscal year covered by the capital budget and the next succeeding five fiscal years, and that part of the budget message pertaining to the capital budget program.

Upon receipt of the proposed county budget the County Council holds a public hearing on the budget. The hearing must be no less than fifteen nor more than twenty days after the date of the filing of the proposed budget by the Executive.

The County Council cannot change the form of the budget as submitted by the Executive, to alter the revenue estimates or to increase any expenditure recommended by the Executive for current or capital purposes unless expressly provided in state law and except to correct mathematical errors.

Once the county budget is adopted in the Annual Budget and Appropriation Ordinance, the County Council levies and causes to be raised the amount of taxes required by the budget in the manner provided by law so that the budget shall be balanced as to proposed income and expenditures.

Unless otherwise provided by public general law, all unexpended and unencumbered appropriations in the current expense budget remaining at the end of the fiscal year lapse into the county treasury, except appropriations to the risk management funds shall be non-reverting.

Capital and Debt Policy

The county funds its capital program based on the requirements of the General Plan and supporting master plans for recreation & parks, human services, schools, water & sewer, solid waste, libraries, fire stations and public facilities. The county uses an annual debt affordability process to determine reasonable debt levels.

The county plans long and short-term debt issuance to finance its capital budget based on cash flow needs, sources of revenue, and capital construction periods, available financing instruments and market conditions. The county finances capital needs on a regular basis, dictated by capital spending patterns. A financial advisor and bond counsel assist the county in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors. Bonds issued by the county mature over a term matching the economic life of the improvements they finance.

General improvements are sold as Consolidated Public Improvement bonds with 20 year terms and water & sewer improvements into Metropolitan District Bonds with a maximum 30 year terms. Debt obligations are generally issued via competitive sale. However, the county may use a negotiated sale process when it provides significant saving and/or if the terms of the offering are sufficiently complex that the bond issue might be compromised in a competitive sale.

The Budget Stabilization Account

The Howard County Charter requires the county to maintain a Rainy Day Fund of “up to” 7 percent of the latest audit of general fund expenditures at the time the budget is adopted. It further requires any surplus the county generates go into the fund until that goal is reached. When the goal is reached, the surplus can only be spent on capital projects, one-time expenditures or debt reduction. The current balance of the Rainy Day Fund is \$48,703,989 which meets the mandated 7 percent level. For fiscal 2010 the mandated level of the Fund is based on audited spending for

fiscal 2008. Seven percent of that amount will require a Rainy Day Fund of \$54,681,366. Funds were designated in the fiscal 2008 financial statement to bring the fund up to mandated levels for fiscal 2009 and fiscal 2010.

Policy on Maintaining the Account at Mandated Levels

The County Executive has adopted the following policy that will be used to maintain the Rainy Day Fund:

Transfers to the general fund and/or under-funding of the Budget Stabilization Account will be addressed as quickly as possible. The primary method of filling the account is to use estimated or un-appropriated surpluses. If the account falls below the mandated Charter level for two fiscal years the county will replenish funds by direct appropriation. In the fiscal year following the two-year period, a direct line item appropriation is to be included in the operating budget. This direct appropriation to the operating budget will continue until the Budget Stabilization Account reaches the targeted level.

If it is not financially feasible for the county to budget a 25 percent direct appropriation of the amount required making up the difference, the county will budget a lesser amount, and reaffirm its commitment to fully replenish the reserve funds used, but over a longer period of time. When economic conditions improve, the county will again appropriate 25 percent of the difference between the maximum Budget Stabilization Account level and the existing balance. The direct budget appropriations will continue until the account is back to fully funded status.

Investment Policy

It is the policy of Howard County, Maryland to invest public funds in a manner which will conform to all State of Maryland and county statutes governing the investment of public funds while meeting its daily cash flow demands and providing a return at least equal to the three month Treasury bill yield. The county may not borrow money for the sole purpose of investment.

Any request or directive to diverge from this policy shall be reported, immediately, to the Director of Finance or county Auditor, as appropriate.

This investment policy applies to all cash and investments of the county that are accounted for in the county's Comprehensive Annual Financial Report and include:

- A. General Fund
- B. Special Revenue Funds
- C. Capital Project Funds
(Including Bond Funds)
- D. Enterprise Funds
- E. Debt Service Funds
- F. Special Assessment Funds
- G. Internal Service Funds.
- H. Trust and Agency Funds
- I. Any new funds as provided by County ordinance.

This policy does not cover the financial assets of the Howard County Retirement Plan and the Howard County Police & Fire Employees Retirement Plan or the OPEB Trust. There are separate investment policies which govern those assets.

The primary objectives, in priority order, of the County's investment activities shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the County will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions. Third party collateralization safekeeping and delivery versus payment will also be required.

Liquidity: The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated.

Yield: The County's investment portfolio shall be designed with the objective of attaining a rate of return at least equal to U.S. Treasury bill yields through budgetary and economic cycles. A Treasury bill yield benchmark was selected after considering the County's investment risk constraints and the cash flow characteristics of the portfolio. Generally, the three or six month Treasury yield that most closely matches the weighted average maturity of the portfolio shall be used.

The Budget Stabilization Account

The Howard County Charter requires the county to maintain a Rainy Day Fund of “up to” 7 percent of the latest audit of general fund expenditures at the time the budget is adopted. It further requires any surplus the county generates go into the fund until that goal is reached. When the goal is reached, the surplus can only be spent on capital projects, one-time expenditures or debt reduction. The current balance of the Rainy Day Fund is \$48,703,989 which meets the mandated 7% level. For FY 2010 the mandated level of the Fund is based on audited spending for FY 2008. Seven percent of that amount will require a Rainy Day Fund of \$54,681,366. Funds were designated in the FY 2008 financial statement to bring the fund up to mandated levels for FY2009 and FY2010.

Policy on Maintaining the Account at Mandated Levels

The County Executive has adopted the following policy that will be used to maintain the Rainy Day Fund:

Transfers to the General Fund and/or under-funding of the Budget Stabilization Account will be addressed as quickly as possible. The primary method of filling the account is to use estimated or un-appropriated surpluses. If the account falls below the mandated

Charter level for two fiscal years the county will replenish funds by direct appropriation. In the fiscal year following the two-year period, a direct line item appropriation is to be included in the operating budget. This direct appropriation to the operating budget will continue until the Budget Stabilization Account reaches the targeted level.

If it is not financially feasible for the county to budget a 25% direct appropriation of the amount required making up the difference, the county will budget a lesser amount, and reaffirm its commitment to fully replenish the reserve funds used, but over a longer period of time. When economic conditions improve, the county will again appropriate 25% of the difference between the maximum Budget Stabilization Account level and the existing balance. The direct budget appropriations will continue until the account is back to fully funded status.

Howard County Maryland Budget Stabilization Account (Rainy Day Fund)

I Charter Target as of June 30, 2008

Total FY 2006 Audited General Fund Expenditures:	\$655,410,431
Less funds appropriated as one time expenditures	<u>\$11,190,001</u>
Subtotal FY 2006 Audited General Fund Expenditures	\$644,220,430
Rainy Day Fund Percentage	<u>7%</u>
Maximum size of the fund for FY2008	<u><u>\$45,095,430</u></u>

II Charter Target as of June 30, 2009

FY2007 Audited General Fund Expenditures:	\$717,053,280
Less FY2007 one time expenditures	<u>\$21,282,000</u>
Subtotal FY2007 Audited General Fund Expenditures	\$695,771,280
Rainy Day Fund Percentage	<u>7%</u>
Maximum Size of the Fund for FY2009	<u><u>\$48,703,990</u></u>

III Actual and Projected Rainy Day Fund Balance

Amount in Rainy Day Fund at June 30, 2008	\$45,095,430
FY2008 Surplus Designated for Rainy Day Fund	<u>\$3,608,559</u>
Total Projected Rainy Day Fund Balance at June 30, 2009	<u><u>\$48,703,989</u></u>

IV Charter Target as of June 30, 2010

FY2008 Audited General Fund Expenditures:	\$818,900,967
Less FY2008 one time expenditures	<u>\$37,738,594</u>
Subtotal FY2008 Audited General Fund Expenditures	\$781,162,373
Rainy Day Fund Percentage	<u>7%</u>
Maximum Size of the Fund for FY2010	<u><u>\$54,681,366</u></u>

V Estimated Charter Target as of June 30, 2011

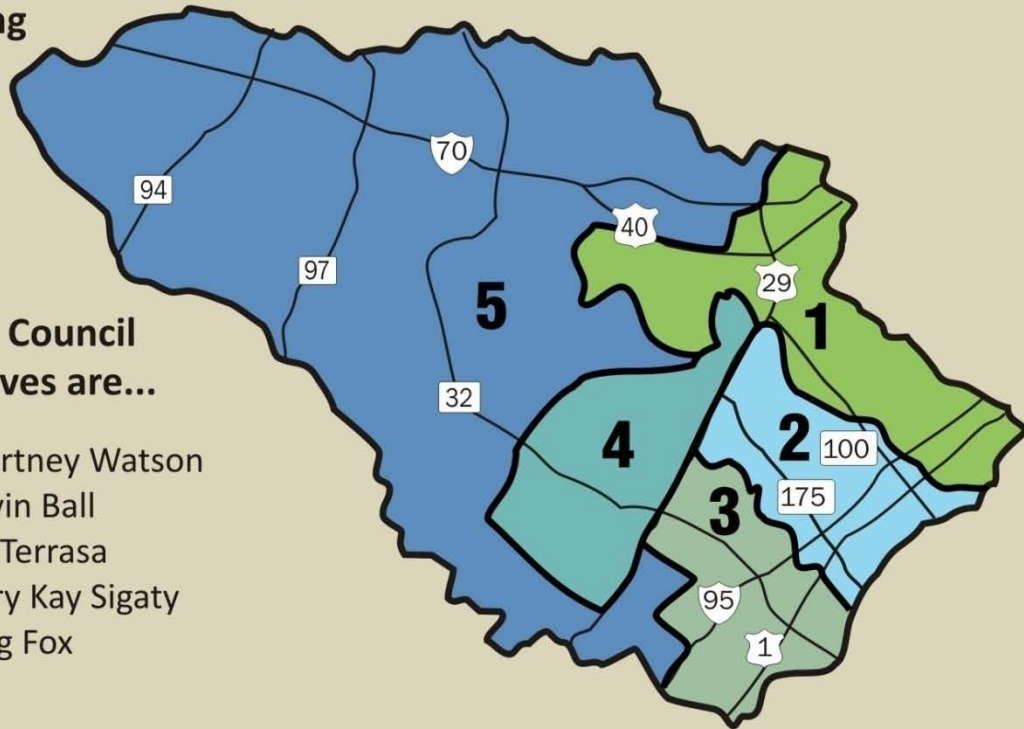
Anticipated FY2009 General Fund Expenditures	\$842,000,087
Less FY2009 one time expenditures	<u>\$32,691,971</u>
Subtotal FY2009 Audited General Fund Expenditures	\$809,308,116
Rainy Day Percentage	<u>7%</u>
Projected Size of the Rainy Day fund for FY2011	<u><u>\$56,651,568</u></u>

County Council Districts

Howard County is divided into five legislative districts. Each district is represented by one Council Member chosen during elections every four years.

Your County Council representatives are...

- District 1:** Courtney Watson
- District 2:** Calvin Ball
- District 3:** Jen Terrasa
- District 4:** Mary Kay Sigaty
- District 5:** Greg Fox



About Howard County

A Brief History

Howard County was formed in 1851, and bears the name of Colonel John Eager Howard, the fifth Governor of Maryland. Mills and ports along the Patapsco River, and the construction of the B & O Railroad through Ellicott City, played a significant part in the county's early development. The county was predominately agricultural in character until 1966, when construction began on the new town of Columbia. The county's population has grown approximately 500 percent since then, and it is now one of the wealthiest in the nation. Under a home rule charter since 1968, Howard County is governed by an elected County Executive and five-member County Council.

The county is 251 square miles in area, and is home to approximately 280,000 residents. It is a unique

mixture of urban, rural and suburban communities.

The planned city of Columbia is a central part of the county landscape. Howard County is located directly between Baltimore, Maryland and Washington D.C. and its closest point is less than four miles from the former and 13 miles from the latter. Its location places the cultural attractions of both cities within an hour drive or less. These cities, together with Columbia, offer a wide variety of theaters, museums, entertainment, and historical and natural places of interest. Visitors and residents alike are attracted by the Merriweather Post Pavilion, Toby's Dinner Theatre, the Howard County Center for the Arts and a number of seasonal festivals. In Ellicott City, a major point of interest is the B & O Railroad Museum, the first terminus of the Baltimore and Ohio Railroad outside Baltimore City.



Population

A period of rapid population growth began in the late 1960's with the development of the new town of Columbia. The rate of growth has slowed over the last decade with the maturation of Columbia. Population density has increased from 247 persons per square mile in 1970 to an estimated 1,126 per square mile in 2009. The July 1, 2008 population was estimated to be 282,674. Current data on the age, sex, minority composition, educational attainment and other details related to the county's population are provided in the tables below.

Male		Number	% Male	Female		Number	% Female
Under 5 years	8,970	6.7%	Under 5 years	8,486	6.1%		
5-19 Years	30,545	22.7%	5-19 Years	28,554	20.5%		
20-44 Years	45,701	34.0%	20-44 Years	47,947	34.4%		
45-54 Years	22,381	16.6%	45-54 Years	23,855	17.1%		
55-64 Years	15,812	11.8%	55-64 Years	16,290	11.7%		
Over 65 Years	11,037	8.2%	Over 65 Years	14,091	10.1%		
Total	134,446	49.1%	Total	139,223	50.9%		
Combined Total:	273,669	100.0%					

Source: US Census Bureau, Population Estimates Program

Howard County is a very diverse county. The minority share of the population has grown by over 8% since the 2000 census, from 67,042 minorities in 2000 to 96,845 in 2007. At least 26 different nationalities are represented.

	July 1, 2007			April 1, 2000			Percentage Point Change in Minority Share (2007-2000)
	Total	Minority Population *	Minority Share	Total	Minority Population *	Minority Share	
Maryland	5,618,344	2,355,763	41.9%	5,310,916	1,995,919	37.6%	4.3%
Howard	273,669	96,845	35.4%	249,537	67,042	26.9%	8.5%

*Minority population is everyone other than non-Hispanic white.

Prepared by the Maryland Dept. of Planning, Planning Data Services, from the Population Division, U.S. Census Bureau, August 2007.

Education

The Howard County school system is widely recognized for its excellence and is a source of local pride. The Howard County Public School system consistently ranks first among the state's 24 school districts based upon student performance on the Maryland School Assessment test. County students score above the national averages on standardized tests and more than 90% of graduates continue their education beyond high school. Howard County is home to numerous college and university campuses (including Howard Community College, Johns Hopkins University, Loyola College, University of Maryland University College, and the University of Phoenix) that provide a broad spectrum of post secondary educational opportunities for county residents. The county is ranked among the best in the nation for percentage of residents 25 and over that have earned a high school diploma, bachelor's degree or professional degree. For over 30 years funding for education has been a high priority for Howard County. On average over 56% of the general fund operating budgets over the past 30 years have been allocated for public education.

Educational Attainment of % Residents 25 Years & Over			
	High School Graduate or Above	Bachelor Degree	Graduate Degree
Howard County	93.8%	57.5%	27.8%
Maryland	89.8%	36.6%	15.7%
United States	84.1%	27.0%	9.8%

Source: US Census, American Community Survey 2006

Employment & Unemployment

Howard County is situated in the heart of the dynamic corridor between Washington, D.C. and Baltimore, which combined comprises the fourth largest market in the United States. Howard County's ideal geographic location has resulted in the substantial growth of a wide variety of industries. A diverse business base thrives in the county, taking advantage of a friendly business climate, a highly educated workforce and superb quality of life. Howard County's corporate citizens range from high technology, telecommunications and biotechnology companies to multinational corporations, research and development firms, and wholesale distributors. The county's approximately 8,300 businesses employ 147,000 workers. Listed below are the county's ten largest private sector employers. In addition to the civilian labor force in the county, businesses can attract employees from the Baltimore and Washington regions. The civilian labor force located within a 30 mile radius of the county totals 2.5 million persons.

Howard County's Top Ten Private Sector Employers As of March 2008			
Employer	Products or Activities		Employment
Johns Hopkins Applied Physics Laboratory	R & D and Systems Engineering		4300
Verizon Wireless	Customer Service HQ and Operation Center		2028
SAIC	Research and Engineering		2000
Giant Food, Inc.	Food Distribution & Retail Stores		1953
Howard County General Hospital	Health Care		1720
The Columbia Association	Private Non-profit Organization		1600
Arbitron Inc.	Media Information		963
MICROS Systems, Inc.	Software Development for Hospitality Industry		815
Wells Fargo Bank Corporate Trust Services	Securities Administration		800
Dreyer's Grand Ice Cream, Inc.	Frozen Desert Manufacturing		750

Source: Howard County Economic Development Authority

This diverse mix of employers provides stability to the labor force that historically has kept the unemployment rate in Howard County lower than most jurisdictions in Maryland and far below the national rate.

Average Unemployment Rate for Howard County, Maryland & United States 1998-2008

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Howard County	2.5%	1.8%	1.9%	2.5%	3.0%	2.8%	2.9%	3.0%	2.9%	2.7%	2.7%
Maryland	4.2%	3.6%	3.6%	4.0%	4.5%	4.5%	4.3%	4.2%	3.8%	3.6%	3.9%
United States	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.3%

Source: Bureau of Labor Statistics

The following chart shows the distribution of industry in the county, the average employment level by industry group, total reported wages, and the average weekly wage of at place workers in the county for the fourth quarter of calendar year 2007.

Fourth Quarter Calendar 2007

	Number of Reporting Units	Monthly Employment			Quarterly Average Employment	Total Wages	Average Weekly Wage Per Worker
		First	Second	Third			
TOTAL EMPLOYMENT	8,760	147,688	147,734	148,189	147,870	\$1,982,204,832	\$1,031
GOVERNMENT SECTOR - TOTAL	129	17,387	17,407	17,412	17,402	217,834,074	963
Federal Government	31	605	616	604	608	10,353,791	1,310
State Government	13	3,178	3,187	3,199	3,188	40,705,019	982
Local Government	85	13,604	13,604	13,609	13,606	166,775,264	943
PRIVATE SECTOR - TOTAL ALL INDUSTRIES	8,631	130,301	130,327	130,777	130,468	1,764,370,758	1,040
GOODS-PRODUCING	1,196	18,893	18,600	18,143	18,545	294,341,851	1,221
Natural Resources and Mining	26	295	235	224	251	2,218,974	680
Construction	937	11,778	11,577	11,110	11,488	179,097,388	1,199
Manufacturing	233	6,820	6,788	6,809	6,806	113,025,489	1,277
SERVICE PROVIDING	7,427	111,405	111,723	112,628	111,919	1,469,982,450	1,010
Trade, Transportation, and Utilities	1,754	35,299	35,822	36,513	35,878	421,244,810	903
Information	148	4,045	4,078	4,101	4,075	60,577,128	1,144
Financial Activities	923	8,503	8,436	8,388	8,442	136,703,512	1,246
Professional and Business Services	2,307	32,416	32,371	32,206	32,331	615,902,823	1,465
Education and Health Services	929	13,261	13,226	13,370	13,286	135,663,583	785
Leisure and Hospitality	609	13,625	13,540	13,827	13,664	63,352,826	357
Other Services	757	4,256	4,250	4,223	4,243	36,537,768	662
UNCLASSIFIED	8	3	4	6	4	46,457	893

Source: Maryland Dept. Labor, Licensing & Regulation

The Capital Budget

The capital budget includes the funds to construct major government facilities such as roads, bridges, schools, fire stations, etc. Capital projects usually take more than one year to complete, unlike operating budgets which cover only one year. The budget for any one project may include money which has already been spent, additional funds for the next year, and planned expenditures for five years in the future.

Capital projects are funded by a number of revenue sources, including bonds, pay-go cash, developer contributions, transfer tax and utility funds and grants. Because the projects are usually major facilities, the county often borrows money to pay for them over a long period. The borrowed money, called bonds, is repaid through the operating budget debt service payments much like a homeowner makes mortgage payments. For fiscal 2010 the county has budgeted debt service payments of \$79,914,283 in the general fund.

The capital program is a plan showing anticipated capital projects in the five years following the capital budget.

The Role of the Capital Budget in the Adequate Public Facilities Process

Since the 1990's the county has had an adequate public facilities ordinance to provide planning predictability for the county. The legislation requires the testing of proposed development for adequacy of schools and roads as a condition of subdivision or site development plan approval. The county in turn is required to adopt ten year plans for its infrastructure of schools, roads, solid waste, water & sewage, and other governmental functions. These master plans are used to determine the adequacy of infrastructure necessary to allow development. As such, the capital budget is the vehicle for determining how development will proceed in the county.

The Debt Affordability Process

To determine reasonable debt levels for the county as part of the capital budget process, each year the County Executive appoints a Spending Affordability Committee consisting of individual citizens with fiscal

expertise and county officials to review the county's ability to absorb and pay for bond debt. This review has become a regular function of the budget process and includes recommendations made by the committee regarding how much new debt can be afforded by the county without overburdening itself with debt service payments. In order to make its recommendations, the committee examines the following measures:

1. Debt measured as a percent of the county's assessable base. The County Charter limits the county debt to 12% of the assessable base, which has been adjusted to 4.8% based on 100% assessment levels.
2. Per capita debt measured as a percent of the jurisdictions per capita personal income.
3. Debt measured against the population on a per capita basis.
4. Debt Service (the repayment of bond principal and interest) as a percent of current general fund revenues.

In addition, the committee reviews multi-year projections of the county's revenues and expenditures to determine debt affordability in the context of the county's future growth, economic conditions, service needs and overall fiscal situations.

For fiscal 2010 the committee recommended that the county restrict the amount of new general obligation bonds authorized in the budget to \$100 million. The capital budget as submitted by the County Executive to the County Council follows that recommendation.

The Howard County capital budget is published separately from the operating budget; however, the County Executive's capital budget message, a summary and area maps highlighting capital projects follow.



HOWARD COUNTY OFFICE OF COUNTY EXECUTIVE

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April 1, 2009

The Honorable Mary Kay Sigaty
Chairperson, Howard County Council
3430 Courthouse Drive
Ellicott City, Maryland 21043

Dear Chairperson Sigaty:

I am pleased to submit to you the proposed Fiscal Year 2010 Capital Budget for Howard County. This budget reflects our priorities and our commitment to investing in our future, especially in difficult economic times. There is no question that these are difficult times and that providing for the community's infrastructure must be balanced by strict adherence to fiscal responsibility. Despite the difficulties of our current economic situation, we must continue to move forward by investing in the long-term infrastructure and public facility needs of the County.

Following the guidance of the Spending Affordability Committee, this proposed Capital Budget provides a plan for essential infrastructure investments while limiting new General Obligation Bond debt to \$100 million. This budget includes funding for projects which I believe will best serve our long-term interests by maintaining our infrastructure and improving the quality of life for our citizens. As the Spending Affordability Committee advised in its report, "*Postponing essential repairs and improvements will not serve the long term interests of the county.*"

Education Week recently reported that the State of Maryland has the best schools in the nation, and test results demonstrate that Howard County has the best school system in the State. In order to maintain this enviable position, we need to continue to make wise investments in our school system. The priority we place on education is clearly reflected in the \$52.5 million in local funding dedicated to the School System. This total represents approximately half of the Capital Budget. Although it is not possible to fully fund the Board of Education's request, funding is included for all projects that expand school

capacity or continue renovations already underway. Funding is provided for Mt. Hebron High School, Northfield Elementary School, Bellows Spring Elementary School, Stevens Forest Elementary School, and Hammond Elementary and Middle Schools.

Our Library System, also among the best anywhere, is a vital partner with the school system in the education of our children, as well as an essential component of the success of our community. Last year, we were able to begin funding the “new” Miller Library and Historical Center. This year, funding of \$14.4 million is included to complete the construction of what will become our largest and newest library branch. The addition of the Historical Center to the Miller branch – a partnership with the Howard County Historical Society – will enhance the library as a community resource.

Howard Community College is also an essential part of our community’s educational partnership. And in this economy, more students are turning to HCC for an affordable, top notch education. The Capital Budget invests \$4.3 million in Howard Community College, which will enable it to complete the renovation of the Student Services/Clark Building and proceed with important systemic improvements. We have included sufficient funding to move forward with the County match for the new Allied Health Building, should State funding toward that project become available.

Howard County’s recreation and parks system helps define our quality of life. I am proud to announce that this budget marks a major step forward in the enhancement of our parks system. After years of planning, we are finally at the point of beginning construction for Blandair Regional Park. The \$5.3 million in bonds proposed for this project will fully fund Phase I construction including three multipurpose artificial turf fields, a playground, trails, and restrooms. This proposed budget also includes \$1.6 million to begin construction of Troy Regional Park in Elkridge and \$1.0 million for outdoor recreational facilities around the North Laurel Community Center which was funded last year and is currently in the construction phase.

Enhancing our community also means continuing to improve services which protect our citizens from harm and ensuring quick and timely responses in times of medical emergency. This past year our Department of Fire and Rescue Services has been involved in a self–assessment, evaluating how well it achieves its goals as part of its reaccreditation process. As a result of this assessment, it is clear that we

need to make significant improvements, some of which have already been implemented and some of which are proposed as part of this budget. Specifically, we have included \$3.1 million for the construction of a new Fire Station to be located near the Glenwood Community Center to fill a critical hole in our ability to respond to emergencies along the Route 97 corridor in the western part of the county.

We must also be able to meet the increasing demand for service in the eastern part of the county and have proposed \$4.1 million to construct a fire station and logistics facility at the site of our Mayfield Highway Maintenance Shop. This facility will be a temporary station while a new station is built near the intersection of Route 1 and Route 175 and then continue to serve permanently as a logistics center for the Department after a new Route 1 station is constructed. According to Fire and Rescue's assessment, the Route 1/Route 175 intersection is the optimal location to achieve the best response times along the Route 1 corridor. We have included \$600,000 in the budget to begin land acquisition for this station. I have directed our engineers to design and build adequate but utilitarian stations that will meet the needs of the Fire and Rescue Service while being dramatically less expensive than other fire stations. I have also directed the Department of Public Works to begin the land development for the relocation of the Savage Volunteer Station. We will include construction funding for this project in next year's budget. Finally, we are also continuing to fund the Rural Fire Protection Program, which started last year to augment fire protection for rural areas of the county not served by public water and sewer. All citizens, no matter where they live in the County, should have the same high level of fire protection and emergency medical service.

In addition to these priority issues, the budget shows a strong commitment to maintaining and improving County infrastructure. Road resurfacing projects are funded for a total \$4.5 million in pay-go funding. We have also included \$2.5 million for bridge and storm drainage maintenance and upgrades. As you and your colleagues on the Council are well aware, we are in the process of modernizing Howard County's government offices. In order to complete the ongoing County office renovation project, we have included \$6.5 million in bond funding for construction expenses. We are also planning for the modernization of other facilities in future fiscal years, as can be seen in the budget detail.

In accordance with the Spending Affordability Committee's recommended limit, the total proposed Capital Budget of \$392.2 million includes \$100.0 million in new General Obligation Bonds. In addition, this proposed budget includes \$54.8 million in Metropolitan District funds, as well as \$8.8 million in pay-as-you-go funds and \$5.9 million in Transfer Tax revenue. The Budget also includes spending authority through contingent funding in two new projects — \$67.0 million in potential Tax Increment Financing (TIF) bonds and \$109.4 million in potential grants from federal stimulus and other programs. This is a very optimistic figure for potential stimulus funding, but we must be fully prepared to take advantage of any such opportunities that become available to us.

Balancing the infrastructure needs of our County within our limited resources is a delicate and challenging process. The initial departmental Capital Budget requests totaled \$229.0 million in General Obligation Bonds, and a number of valuable projects had to be deferred in order to balance available funding sources. While we cannot fund everything we might have hoped to, we are able to make significant progress on a number of important priorities. Difficult economic times bring difficult budget decisions, but I am pleased with this proposed Capital Budget for FY 2010 and the opportunities it holds for enhancing Howard County's future.

As you begin your review of the FY 2010 Capital Budget, I am confident that through our continued partnership, we will be able to provide the infrastructure and community facilities that Howard County needs to remain one of the best communities in the United States. Should you have any questions during your review process, my staff is available to provide assistance.

Sincerely,



Ken Ulman

County Executive

Howard County, MD
Council Approved 2010 5 Year Capital Improvement Program Summary
(In Thousands of \$)

Program Title	Prior Appropriation	FISCAL 2010 Budget	Total Appropriation	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	5 Year Program
Bridge Improvements	19,006	416	19,422	2,200	250	1,150	150	-	23,172
Storm Drainage	25,960	3,791	29,751	6,605	5,105	5,190	4,105	425	51,181
Road Resurfacing	30,290	12,500	42,790	11,870	9,870	2,870	2,750	2,000	72,150
Road Construction	209,015	20,365	229,380	40,100	34,595	7,910	5,555	9,705	327,245
Sidewalk/Curb Projects	9,044	375	9,419	3,430	2,230	2,365	1,120	1,363	19,927
Traffic Improvements	5,890	613	6,503	1,690	870	500	50	-	9,613
General County	162,811	199,814	362,625	56,780	18,640	19,615	11,820	7,285	476,765
Fire	53,043	8,250	61,293	28,825	19,000	14,240	1,350	1,250	125,958
Library	10,995	15,100	26,095	11,975	40,905	18,310	500	-	97,785
Police	6,255	-	6,255	2,065	5,065	1,885	-	-	15,270
Recreation & Parks	97,930	9,553	107,483	31,569	19,392	25,117	8,722	9,572	201,855
Agricultural Preservation	120,608	-	120,608	-	-	-	-	-	120,608
Community Renewal	15,300	-	15,300	4,000	1,000	-	-	-	20,300
Sewer	362,404	61,263	423,667	11,302	19,112	2,915	-	1,500	458,496
Water	162,456	22,692	185,148	59,936	6,379	1,274	2,544	5,514	260,795
Board of Education	460,966	70,762	531,728	104,532	129,090	127,649	124,879	107,704	1,125,582
Community College	87,415	7,724	95,139	24,172	51,399	48,008	59,287	41,870	319,875
Total Capital	1,839,388	433,218	2,272,606	401,051	362,902	278,998	222,832	188,188	3,726,577

Howard County, MD
Council Approved 2010 Capital Budget by Source of Funds
(In Thousands of \$)

Program Title	Current FY	Pay As You Go	TIF Bonds	Excise Bonds	MD School PSAC	Storm Drain Fund	G.O. Bonds	Developer Contrib.	Other	Grants	Transfer Tax	Utility Fund	Ed Excise Bonds	College Bonds	Water Quality Bonds	Metro Bonds	IAC
Bridge Improvements	416						(544)			960							
Storm Drainage	3,791						3,081	170		540							
Road Resurfacing	12,500	4,500								8,000							
Road Construction	20,365			11,200			415	9,610	(860)								
Sidewalk/Curb Projects	375						250	125	(245)	245							
Traffic Improvements	613						463	150									
General County	199,814	3,611	67,000				16,660		4,950	107,593							
Fire	8,250						5,005		2,245		1,000						
Library	15,100						14,440			660							
Recreation & Parks	9,553						7,910		418	812	413						
Agricultural Preservation									12,500		(12,500)						
Sewer	61,263	587						3,925		36,162		10,812			15,600	(5,823)	
Water	22,692							500				17,747				4,240	205
Board of Education	70,762				18,262		48,000				4,500						
Community College	7,724						4,320		1,400	2,004							
Total Capital	433,218	8,698	67,000	11,200	18,262	0	100,000	14,480	20,408	156,976	(6,587)	28,559	0	0	15,600	(1,583)	205

Howard County, Maryland

May 21, 2009

Howard County, MD
Council Approved Capital Budget Extended Summary For Fiscal Year 2010
(In Thousands of \$)

Program Title	Appropriation Total	5 Year Capital Program	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Total Extended Capital Program
Bridge Improvements	19,422	3,750	-	-	-	-	23,172
Storm Drainage	29,751	21,430	-	-	-	-	51,181
Road Resurfacing	42,790	29,360	2,000	-	-	-	74,150
Road Construction	229,380	97,865	2,655	2,655	-	-	332,555
Sidewalk/Curb Projects	9,419	10,508	100	-	-	-	20,027
Traffic Improvements	6,503	3,110	-	-	-	-	9,613
General County	362,625	114,140	12,610	130	100	60	489,665
Fire	61,293	64,665	1,250	1,250	-	-	128,458
Library	26,095	71,690	-	-	-	-	97,785
Police	6,255	9,015	-	-	-	-	15,270
Recreation & Parks	107,483	94,372	1,052	52	-	-	202,959
Agricultural Preservation	120,608	-	-	-	-	-	120,608
Community Renewal	15,300	5,000	-	-	-	-	20,300
Sewer	423,667	34,829	-	-	-	-	458,496
Water	185,148	75,647	3,743	12,520	-	4,400	281,458
Board of Education	531,728	593,854	81,151	109,324	79,100	79,100	1,474,257
Community College	95,139	224,736	11,070	2,035	1,270	1,450	335,700
Total Capital	2,272,606	1,453,971	115,631	127,966	80,470	85,010	4,135,654

Howard County, MD
CAPITAL PROGRAM SUMMARY (in 000's)

	PRIOR Appropriation	FISCAL 2010 Budget	TOTAL Appropriation	5yr Capital Improvement Program	Extended Program Total	TOTAL PROJECT
TRANSPORTATION	299,205	38,060	337,265	166,023	7,410	510,698
OTHER PROGRAMS	135,908	0	135,908	5,000	0	140,908
GENERAL COUNTY PROGRAM	233,104	223,164	456,268	259,510	15,400	731,178
RECREATION PARKS	97,930	9,553	107,483	94,372	1,104	202,959
WATER and SEWER	524,860	83,955	608,815	110,476	20,663	739,954
EDUCATION	548,381	78,486	626,867	818,590	364,500	1,809,957
	1,839,388	433,218	2,272,606	1,453,971	409,077	4,135,654
REVENUES						
TIF BONDS	0	67,000	67,000	0	0	67,000
BONDS	509,033	100,000	609,033	1,069,456	378,310	2,056,799
EXCISE TAX BACKED BONDS	146,910	11,200	158,110	68,425	0	226,535
METRO DISTRICT BOND	284,638	(1,583)	283,055	69,825	19,900	372,780
EDUCATION EXCISE BONDS	72,580	0	72,580	0	0	72,580
COLLEGE REVENUE BACKED BOND	1,213	0	1,213	8,360	0	9,573
UTILITY CASH	96,292	28,559	124,851	37,651	763	163,265
IN-AID of CONSTRUCT UTILITIES	25,854	205	26,059	3,000	0	29,059
PAY AS YOU GO	74,275	8,698	82,973	41,787	1,224	125,984
EXCISE TAX	33,878	0	33,878	6,445	0	40,323
TRANSFER TAX	129,696	(6,587)	123,109	15,906	0	139,015
STORM DRAINAGE FUND	4,130	0	4,130	1,225	0	5,355
GRANTS	123,942	156,976	280,918	116,031	5,380	402,329
WATER QUALITY State Bond Loan	88,751	15,600	104,351	0	0	104,351
STATE AID for SCHOOLS	85,183	18,262	103,445	0	0	103,445
DEVELOPER CONTRIBUTION	11,901	14,480	26,381	3,295	1,000	30,676
OTHER SOURCES	151,112	20,408	171,520	12,565	2,500	186,585
	1,839,388	433,218	2,272,606	1,453,971	409,077	4,135,654

Howard County, Maryland

May 21, 2009

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