



Charles County Commissioners

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July 9, 2013

Dear Charles County Citizens:

We are pleased to present the Charles County Government Fiscal Year 2014 Adopted Budget. Each year, the budget process is used to determine how much money will be available and where those resources should be allocated. The budget for all funds combined equals \$518 million, an increase of 5% compared to FY2013. The adopted budget for Fiscal Year 2014 provides nearly \$12 million more in funding for education and public safety, two of our higher priorities. One of our highest priorities, Public Education, increased 3% and will be receiving \$5 million more to meet teacher pension funding requirements due to a shift in responsibility from State to Local Governments and to provide salary increases for teachers and other school personnel. The Fiscal Year 2014 budget provides additional funding for the new library in Waldorf, implements the "Tourist Destination Plan" that was approved last year to attract visitors and promote economic development, provides for a substantial increase to the State's Attorney budget and staffing to equal other comparable jurisdictions, supports pay increases for Sheriff deputies and other government personnel, expands a speed camera program in and around school areas for enhanced child safety, extends the red-light program for traffic safety, and provides additional funding for economic development in support of the strategic plan that was adopted last year.

In keeping with our Mission Statement to provide our citizens the highest quality of services, in an open environment tempered with fiscal responsibility, we present our operating and capital budgets for the year beginning July 1, 2013 and ending June 30, 2014.

Budget Highlights

General Fund Operations:

Our largest operating budget is the General Fund. The FY2014 General Fund Operating Budget was adopted at \$339,071,600, an increase of 4.3% compared to the Original Adopted FY2013 Budget. The County property tax rate was increased from \$1.1057 to \$1.141 per \$100 of assessed value and \$0.064 per \$100 of assessed value for the Fire & Rescue Tax, for a total local property tax rate of \$1.205. The local portion of the State income tax rate was increased from 2.9% of the State liability to 3.03%, the first rate increase in 13 years.

Property Taxes will provide us with \$7 million more in tax revenue over the prior fiscal year. This revenue source is expected to generate a total of \$201 million, nearly 60% of our total General Fund operating revenues. Our second largest revenue, **Income Tax**, is 8% greater than the FY2013 Adopted Budget. Revenues from income taxes are estimated to increase by \$8 million and equal \$106 million, representing approximately 32% of the operating revenues.

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Consistent with our stated priorities, approximately 79% of the General Fund budget is appropriated for Education, Public Safety, Economic Development, and Comprehensive Planning.

The **Board of Education** (BOE) will receive \$159 million, \$5 million more than FY2013. Board of Education funding exceeded the State mandated Maintenance-of-Effort requirement for minimum local funding by \$4.8 million. One of the Board of Education's major priorities is the construction and opening of the new St. Charles High School located in our population center. The new school will cost approximately \$82 million and with an opening in August of 2014 will relieve over-crowded conditions in many of our high schools.

The **Sheriff's Office** and related functions will receive a total funding of \$77 million, an 11% increase compared to FY2013. Our steady and consistent funding in the police force clearly has helped in our fight against crime and provides for a safer community. The \$8 million increase will fund pay increases, maintain our full support of the pension system, and adds ten (10) new officers to the work force.

Due to our emphasis on public safety, FY2014 will see the second year of a three-year plan to the **State's Attorney** budget and will add nine (9) additional positions including three Assistant State's Attorney positions to help with the work load. We believe this support is essential if we are to prosper and continue to enhance our quality of life standards.

Capital Project Budget:

Our Capital Budget is based on a five-year program that provides for multi-year project development and to ensure that projects can be afforded within our means while meeting our stated goal of enhancing our infrastructure. Although these project budgets are adopted on an annual basis, there is significant long range planning that takes place before approval. The FY2014 - FY2018 Capital Improvement Program (CIP) provides for \$320 million in funding from a combination of sources so that the infrastructure for schools, roads, parks, water & sewer, and public buildings can be constructed. Public School projects total \$77 million, and accounts for approximately 24% of the \$320 million. Sewer projects rank 2nd at \$74 million and are followed by Transportation/Road projects at \$53 million. Approval for the College of Southern Maryland projects equaled \$35 million. Environmental projects, including stormwater management projects, are planned to receive \$20 million over the next five years and another \$61 million is planned for various other projects.

The capital investment in education is clearly evident with \$112 million of State and County money appropriated for public schools and college facilities. The new high school is scheduled to open in August of 2014 and will alleviate current over-crowded conditions, as well as provide additional capacity for the new development that is already occurring within the County. The College of Southern Maryland (CSM) is preparing to undertake three major projects at an investment of \$31 million in combined State and County funds. A Center for Regional Program facility will be the first project planned for FY2014.

We continue to exercise sound fiscal judgment by adhering to our policy of spending within our debt affordability limit and prioritizing the many requests for capital projects. The County was rewarded for its fiscal discipline during FY2013 with a re-affirmation of its current AAA bond rating from Fitch, our Aa1 rating from Moody's, and a AA+ rating from Standard & Poor's. Bond ratings directly affect the interest rate received on borrowed funds in support of our capital improvement program.

Enterprise Fund Operations:

County government provides many other services in addition to public safety and education. Many of these services and facilities are funded by a customer user fee, such as water and/or sewer, landfill, recycling, stormwater management, building inspection, and recreational programs. Because these operations have been structured to function like a business, they are budgeted as an enterprise fund. A comprehensive annual budget review to ensure the various fees and charges are adequate to support these operations results in a lower tax burden on our property owners. Various program fee increases will be made to offset the cost of inflation for services provided.

Our largest Enterprise Fund, Water & Sewer, has an operating budget of \$26 million. The budget increased 5% as did the user fee rate. The County user fee rate continues to rank in the lower half of surrounding jurisdictions. The fee increase will help keep the fund fiscally sound and continue to support the programs and operating costs associated with providing water and sewer services.

The second largest enterprise fund is the Landfill with an operating budget of \$4.8 million. The operating budget will see a decrease of 7% primarily due to an anticipated decrease in waste tons received at the Landfill; however, the resulting decrease in revenues is offset by lower operating costs and required reserves for future expansion. The tipping fee rate remains constant at \$70 dollars per ton. The Environmental Service Fee (ESF) Fund was approved for \$3.7 million. The rate of \$69 per improved property tax account will support recycling efforts throughout the County and will add 2,400 home units for curbside recycling. The budget will also provide for 40,000 new recycling wheeled-carts to replace the current blue bins.

New to Fiscal Year 2014 is a program directly related to watershed protection and restoration. As mandated by State and Federal requirements, our County was one of 10 jurisdictions to establish a dedicated revenue source for the express purpose of water pollution. Named by some as the “Rain Tax”, we chose to increase our current flat fee of \$14 to \$43 dollars, and as required by regulations place these funds in a dedicated budget and fund. The program will address new stormwater management projects and existing facilities. A budget of \$2.1 million was adopted towards this effort.

Other Goals:

Economic Development continues to advance in Charles County. As of April 2013, the County’s unemployment rate dropped to 5.8%, the eighth lowest in the State of Maryland. The US Census Bureau’s 2007-2011 American Community Survey (ACS) 5-year Estimate reflects that - of the county’s 74,603 employed civilian residents, 41.3% work in management, professional and related occupations - up from 36% in 2000. The 2007-2011 ACS also shows Charles County’s median household income at \$92,135, the 15th highest in the nation among all counties and the 4th highest in the state of Maryland. According to the Maryland Department of Labor, Licensing and Regulation (DLLR), the average weekly wages in Charles County have increased from \$717 in 2007 to \$794 in 2012. The 2007-2011 ACS reflects that 26% of the County’s adults aged 25 and older hold a bachelor’s degree or higher, a 31% increase from 2000. Furthermore, 10% of adults aged 25 or higher now hold a graduate degree, representing a 47% increase from 2000. The county’s commercial vacancy rate continues to remain one of the lowest in the DC Metro area at 7.7% for the first quarter of 2013. In September 2012, Waldorf was named 20th best place to live in the United States by CNN Money Magazine.

The County’s economic development program is focused on promoting a business infrastructure of employment and technology parks for new and expanding companies, encouraging the development of clean and renewable energy projects, attracting manufacturing and technology companies, and aggressively assisting local firms in their ability to grow and prosper. Due to the County’s economic development partnership with CPV (Competitive Power Ventures) Maryland, that firm’s St. Charles 725 megawatt electric generating station was the only project in the State that received an award by the Maryland Public Service Commission in 2012 for new generation, and the project continues to advance. A \$20 million dollar SMECO solar generating facility in Hughesville that was facilitated by the County’s Economic Development Department commenced operations in late 2012. The College of Southern Maryland (CSM) announced in February 2013 that it plans to construct a new 40,000 square foot Center for Trades and Energy Training building in Hughesville.

The Economic Development Department has improved its visibility and communication with potential site selectors and the local business community by upgrading its web site and significantly expanding its content. A new Data Center increases user access to critical information for business decision-making, and a new GIS-based business location search module will be in place by Fall 2013.

In FY2014, the Economic Development Department will continue to build a broad-based retention strategy that includes on-going outreach and initiatives to support local business. The Small Local Business Enterprise (SLBE) program—which leverages County purchasing power to benefit small, local businesses – was implemented in FY2013 and is beginning to have an impact. The number of enrolled companies grows weekly, and increased procurement opportunities have been reported by participants. The Economic Development Department coordinates and co-sponsors business education and networking events created to increase capabilities and access for local companies, such as a matchmaking/procurement event in late June of 2013. The expansion of the local general aviation facility, Maryland Airport, which opens a new, longer runway during the third quarter of 2013, will create new opportunities for business attraction and expansion by local business. The facility becomes the closest airport to Washington DC and National Harbor that can be used by corporate jets without the expense of compliance with Homeland Security regulations. A newly opened business incubator in Waldorf provides greater opportunity to identify and cultivate innovative technology firms.

The County continues to strengthen relationships with regional and state partners such as the Greater Washington Board of Trade, Maryland Economic Development Association, Maryland Department of Business and Economic Development, and other State agencies that provide initiatives in support of local business. Identifying resources and creating greater access for county businesses remains a vital part of the business retention and expansion program.

A new draft Comprehensive Plan is being reviewed by the Planning Commission with over 600 public comments related to land use policy decisions. A recommended plan for the County Commissioners to consider should be completed in the near future. Also, a planning "Tier Map" which limits the use of areas for septic systems per Senate Bill 236, the Sustainable Growth and Agricultural Conservation Act of 2012 will be reviewed as a part of the new plan.

A variety of projects within The Waldorf Urban Redevelopment Corridor are underway. An infrastructure cost analysis for this study area was recently completed along with a proposal to move forward on a Phase I development plan. Although the development of transit is still several years away, various public and private sector projects and funding alternatives are being studied. New infrastructure for roads, sewer and water services to serve the redevelopment area will be designed in the coming fiscal year.

The County actively participates in various rural lands conservation programs by utilizing County and State funds for the acquisition of agricultural land conservation easements and Rural Legacy easements in the Zekiah Watershed.

The Department of Planning & Growth Management continues to work on the Commissioners Top three waterfront planning areas including completion of a revitalization master plan for the Village of Benedict. The Port Tobacco historic village has been undergoing extensive study and a final report and recommendation is anticipated before the year's end. The third waterfront planning area is Aqualand.

This past year saw completion of a joint land use study between the County and the Blossom Point military research facility as well as a Pedestrian and Bicycle Master Plan. Both were major planning initiatives. We will now begin the process of implementation of the plans' recommendations.

The County finished an Energy Efficiency and Conservation Block Grant (EECBG) project which included a Geothermal Systems study and are currently drafting new energy efficient codes after an extensive review of existing regulations. The new Comprehensive Plan also includes an Energy Conservation Element to allow us to measure and track energy conservation on a county-wide basis.

Conclusion:

As your elected leaders, we believe the future prosperity of the County depends on a solid foundation of education, public safety, economic development, enhanced infrastructure, effective and efficient government, comprehensive planning, and environmental awareness. Achievement of our goals in these major areas will enable the County to prosper and thrive. We are proud of our efforts which reinforce that Charles County continues to be a great place to live and work.

We particularly appreciate the hard work and dedication of all our County employees. Without their effort and the pride they take in their work we could not reach the goals that have been set. Most of all, we thank you, our citizens for your interest, support and understanding. With citizens and the government working together, there will be no limit as to what we can achieve in our community.

Very truly,

COUNTY COMMISSIONERS OF
CHARLES COUNTY, MARYLAND



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