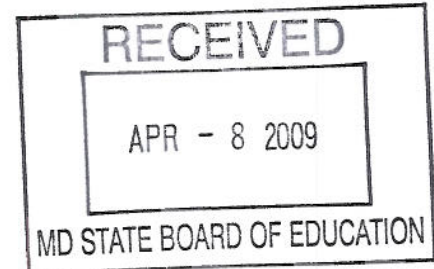


# WORCESTER COUNTY TEACHERS ASSOCIATION

*Affiliated with the Maryland State Teachers Association and the National Education Association*

April 3, 2009

James H. DeGraffenreidt, Jr., President  
Blair G. Ewing, Vice-President  
Dunbar Brooks  
Richard L Goodall  
Dr. Karabelle A.L. Pizzigati  
Dr. Charlene M. Dukes  
Rosa M. Garcia  
Dr. Mary Kay Finan  
Kate Walsh  
Ivan C.A. Walks, M.D.  
Dauke Derek Wu



Dear President DeGraffenreidt and members of the Maryland State School Board,

As the Presidents of the Worcester County Teachers Association and the Worcester County Educational Support Personnel, Tinikka Jackson and I, Terry Springle, are writing to request that you deny the application of the Worcester County Commissioners for a waiver of "Maintenance of Effort". We understand that these are difficult economic times and that everyone should be extremely careful about expending funds during these times. Consequently, all of the teachers and educational support personnel have agreed to no cost of living increases, no step increases and no longevity steps for the upcoming school year. I mention this to let you know that we have no personal vested interest in making this request. We are, however, all extremely concerned about the impact on our students, and the educational system in Worcester County, that severe cuts beyond the maintenance of effort will have. We, in Worcester County, have worked extremely hard for many years to develop a quality system of education for the students of the county. We are extremely proud of our accomplishments and we are acutely aware of how devastating such cuts might be. We believe that such cuts would definitely not be in the best interest of our students, taxpayers, and citizens of our County. We also do not believe that the County Commissioners are justified in their request for a waiver of "Maintenance of Effort".

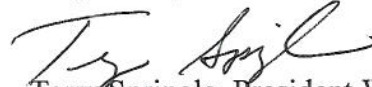
Worcester County currently has a discretionary fund balance in excess of \$46 million dollars. Of this fund balance, approximately \$27 million dollars are currently set aside for future capital projects. Some of these construction projects have not even been sent to the drawing board for beginning planning while many others have not gone out for bidding of the projects. A fully funded "Maintenance of Effort" budget for the school system would allow the County Commissioners to reduce by approximately \$600,000 the amount of money that they funded during the 2008-2009 school year because the enrollment in Worcester County schools will decline next year. Even with a "Maintenance of Effort" budget the school system would have to absorb all of the increased costs for fixed items due to inflation. In other words, if the Worcester County Commissioners funded a "Maintenance of Effort" budget the school system would have

to make extensive cuts in many areas, such as, materials of instruction, textbooks, technology and field trips.

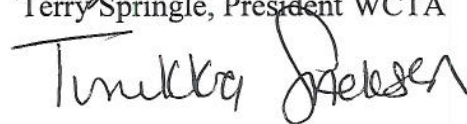
Earlier this year the County Commissioner requested that the Board of Education, and all county agencies, present budgets that would use 3% less dollars than the current year. The school board did this and then rejected that proposal because of the significant harm that they believed would occur to the school system if they adopted such a budget. The difference between the "3%" cut budget and the fully funded "Maintenance of Effort" budget is \$1.8 million, a very small portion of the current discretionary fund balance. In fact, if the County Commissioner postponed the construction of a storage shed that is proposed to cost approximately \$2.1 million, for which there are currently no immediate plans for the construction, they could fund the "Maintenance of Effort" budget without any effect on the county. Additionally, please remember that Worcester County is statistically the richest county in the State of Maryland and is 23<sup>rd</sup> out of 24 jurisdictions in terms of their taxing effort. (Please refer to the attached documentation for a more specific overview of Worcester County's current financial situation.)

In conclusion, we believe that it is in the best interest of Worcester County and its citizens that we maintain a quality school system that can attract and provide for its citizens and their children. We also believe that the original concept of "Maintenance of Effort" was to ensure that counties that could afford to support quality education in Maryland would do so. We believe that Worcester County, more than any other county in Maryland, can afford to do so and that to grant them a waiver of "Maintenance of Effort" would only serve to encourage other jurisdictions to also desire a waiver. This would serve to undermine the overall quality of education throughout Maryland.

Respectfully submitted,



Terry Springle, President WCTA



Tinikka Jackson, President WCESP

The following pages are from “An overview of Maryland Local Governments: Finances and Demographics” issued by the Department of Legislative Services for 2009.

1. Exhibits 4.3 and 4.4 show that Worcester County has the lowest income tax and the second lowest property tax rate in the state.
2. Exhibit 8.1 shows that Worcester County has a combined \$46.3615 million dollars in “Unreserved General Fund Balances and “Rainy Day” Funds.
3. Exhibit 11.1 indicates that Worcester County has the highest “Tax Capacity Index” in the state and ranks 23 out of 24 subdivisions in “Tax Effort”.

**Exhibit 4.3**  
**Revenue Yield from Property Tax Rates above Constant Yield**  
**Fiscal 2009**

County	Assessable Base	Actual Rate	Constant Yield Rate	Difference	Estimated Revenue Yield	Per Capita Yield
Allegany	\$3,020,903,294	\$0.983	\$0.897	\$0.086	\$2,586,000	\$35.62
Anne Arundel	55,150,244,580	0.888	0.839	0.049	27,024,000	52.77
Baltimore City	25,756,822,189	2.268	2.079	0.189	48,680,000	76.37
Baltimore	62,128,137,845	1.100	1.034	0.066	41,005,000	51.97
Calvert	10,661,836,765	0.892	0.803	0.089	9,489,000	107.56
Caroline	2,331,645,289	0.870	0.807	0.063	1,469,000	44.64
Carroll	16,441,113,978	1.048	0.965	0.083	13,646,000	80.64
Cecil	9,018,211,704	0.960	0.873	0.087	7,846,000	78.70
Charles*	14,679,497,952	1.026	0.941	0.085	12,478,000	88.85
Dorchester	2,646,751,314	0.896	0.823	0.073	1,932,000	60.67
Frederick*	24,037,510,513	1.064	0.985	0.080	19,110,000	85.04
Garrett	3,975,642,809	1.000	0.918	0.082	3,260,000	110.03
Harford	22,698,268,876	1.082	0.986	0.096	21,790,000	90.79
Howard*	34,701,921,303	1.150	1.079	0.071	24,534,000	89.65
Kent	2,450,924,835	0.972	0.890	0.082	2,010,000	100.57
Montgomery*	157,010,766,999	0.915	0.833	0.082	128,906,000	138.49
Prince George's*	62,845,456,912	1.319	1.220	0.099	62,343,000	75.22
Queen Anne's	6,804,684,103	0.770	0.715	0.055	3,743,000	80.37
St. Mary's	9,149,979,847	0.857	0.782	0.075	6,862,000	68.36
Somerset	1,425,992,754	0.920	0.831	0.089	1,269,000	48.78
Talbot	6,466,380,385	0.449	0.437	0.012	776,000	21.44
Washington	11,176,015,688	0.948	0.878	0.070	7,823,000	53.91
Wicomico	6,214,192,022	0.814	0.798	0.016	994,000	10.62
Worcester	18,000,553,400	0.700	0.619	0.081	14,580,000	295.30
<b>Total</b>	<b>\$568,793,455,356</b>				<b>\$464,155,000</b>	<b>\$82.61</b>

\*Includes Special Property Tax Rates

Source: State Department of Assessments and Taxation, Department of Legislative Services

Exhibit 4.4

County Income Tax Rates in Calendar 2000-2009

County	CY 2000	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005	CY 2006	CY 2007	CY 2008	CY 2009
Allegany	2.82%	2.87%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%	3.05%	3.05%
Anne Arundel	2.50%	2.53%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%
Baltimore City	2.48%	2.51%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
Baltimore	2.76%	2.79%	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%
Calvert	2.52%	2.55%	2.60%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Caroline	2.77%	2.57%	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%
Carroll	2.77%	2.80%	2.85%	2.85%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
Cecil	2.51%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Charles	2.81%	2.85%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Dorchester	2.51%	2.56%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
Frederick	2.51%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
Garrett	2.53%	2.58%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%
Harford	2.51%	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%
Howard	2.41%	2.43%	2.45%	2.45%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Kent	2.51%	2.54%	2.58%	2.58%	2.58%	2.85%	2.85%	2.85%	2.85%	2.85%
Montgomery	2.90%	2.92%	2.95%	2.95%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Prince George's	3.00%	3.04%	3.10%	3.10%	3.20%	3.20%	3.20%	3.10%	3.10%	3.20%
Queen Anne's	2.76%	2.80%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%
St. Mary's	2.92%	3.10%	3.10%	3.10%	3.10%	3.05%	3.00%	3.00%	3.00%	3.00%
Somerset	3.01%	3.08%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
Talbot	1.75%	1.77%	1.79%	1.79%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Washington	2.51%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Wicomico	3.01%	3.05%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%
Worcester	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%

Source: Comptroller's Office

**Exhibit 8.1**  
**County Unreserved General Fund Balances and "Rainy Day" Funds**  
**Fiscal 2008**  
(\$ in Thousands)

County	(1)		(2)	(3)		Total Unreserved and "Rainy Day"	Balance as a % of		Balance Less Unreserved Designated	Balance as a % of Revenues
	General Fund Revenues	Unreserved Undesignated		Unreserved Designated	Unreserved Designated		Revenues	Revenues		
Allegany (b)	\$75,430.4	\$1,744.5	\$7,500.0	\$2,647.9	\$11,892.4	\$9,244.5	15.8%	12.3%		
Anne Arundel (c)	1,114,095.3	11,780.0	47,818.4	42,667.2	102,265.6	59,598.4	9.2%	5.3%		
Baltimore City (c)	1,311,436.0	13,450.0	92,510.0	20,179.0	126,139.0	105,960.0	9.6%	8.1%		
Baltimore (b)	1,622,733.0	118,530.0	82,943.0	56,457.0	257,930.0	201,473.0	15.9%	12.4%		
Calvert (b)	206,457.2	17,710.0	21,582.1	16,357.0	55,649.1	39,292.1	27.0%	19.0%		
Caroline	42,164.5	2,721.9	0.0	0.0	2,721.9	2,721.9	6.5%	6.5%		
Carroll (b)	308,314.8	14,858.8	17,350.0	13,647.1	45,855.9	32,208.8	14.9%	10.4%		
Cecil (c)	155,175.8	7,629.8	12,091.6	18,350.8	38,072.1	19,721.4	24.5%	12.7%		
Charles	280,135.2	39,568.8	0.0	12,815.4	52,384.2	39,568.8	18.7%	14.1%		
Dorchester (d) **	54,518.8	2,270.2	3,003.2	1,893.4	7,166.8	5,273.3	13.1%	9.7%		
Frederick (a)	426,983.8	0.0	20,973.4	46,788.6	67,761.9	20,973.4	15.9%	4.9%		
Garrett **	72,689.7	3,589.4	0.0	24,472.8	28,062.3	3,589.4	38.6%	4.9%		
Harford (b)	412,286.3	7,275.1	24,366.3	37,656.7	69,298.1	31,641.4	16.8%	7.7%		
Howard (c)	770,498.5	5,643.6	45,095.4	42,277.9	93,017.0	50,739.1	12.1%	6.6%		
Kent (c)	41,523.5	4,650.7	0.0	236.6	4,887.3	4,650.7	11.8%	11.2%		
Montgomery (d)	2,607,087.8	83,580.6	119,647.6	80,767.1	283,995.3	203,228.2	10.9%	7.8%		
Prince George's (c)	1,457,593.8	65,020.3	133,396.9	88,481.0	286,898.2	198,417.3	19.7%	13.6%		
Queen Anne's (c)**	96,884.6	2,724.9	7,144.0	1,248.0	11,116.9	9,868.9	11.5%	10.2%		
St. Mary's (b)	177,419.1	11,088.4	13,015.8	11,842.2	35,946.4	24,104.2	20.3%	13.6%		
Somerset	32,188.5	547.3	0.0	10,200.0	10,747.3	547.3	33.4%	1.7%		
Talbot	81,278.7	25,439.9	0.0	15,353.6	40,793.5	25,439.9	50.2%	31.3%		
Washington (b)**	204,378.4	0.0	34,785.2	492.6	35,277.8	34,785.2	17.3%	17.0%		
Wicomico (b)	122,648.4	15,137.5	9,939.1	9,187.0	34,263.6	25,076.6	27.9%	20.4%		
Worcester (d)**	175,691.0	500.0	17,870.0	27,991.5	46,361.5	18,370.0	26.4%	10.5%		
<b>Total</b>	<b>\$11,849,613.3</b>	<b>\$455,461.6</b>	<b>\$711,032.1</b>	<b>\$582,010.3</b>	<b>\$1,748,504.0</b>	<b>\$1,166,493.7</b>	<b>14.8%</b>	<b>9.8%</b>		
State of Maryland (c)	\$21,148,954.0	\$959,412.0	\$684,752.0	\$537,984.0	\$2,182,148.0	\$1,644,164.0	10.3%	7.8%		

Source: County Audit Reports, Fiscal 2008; additional information concerning rainy day funds obtained from county finance offices

Notes: Although these balances represent available resources at June 30, 2007, the county may have appropriated a portion of these amounts for the next year's budget.

1) Represents the portion of the fund balance that is unreserved and undesignated for utilization in a future period.  
2) Rainy Day Funds represent amounts set aside in the event of an economic downturn. Counties label these funds a variety of names, including revenue stabilization, contingency funds, and cash reserves.

3) Represents the portion of the fund balance that is unreserved but designated for utilization in a future period. Such designations represent only tentative plans or intent.

The following categories describe where the rainy day fund is reported in the county comprehensive annual financial report. In instances where the rainy day fund is reported in either the unreserved undesignated or unreserved designated, the rainy day amount was removed from columns (1) or (3) above.

- a) Unreserved Undesignated
  - b) Unreserved Designated
  - c) Reserved
  - d) Special Revenue Fund
- \*\*Unaudited information. The audited financial statements were not available.

**Exhibit 11.1**  
**Tax Capacity and Tax Effort**  
**(Fiscal 2001-2003 Average)**

County	Tax Capacity		Tax Effort	
	Index	Rank	Index	Rank
Allegany	55	22	126	2
Anne Arundel	115	6	88	13
Baltimore City	52	23	174	1
Baltimore	95	13	94	8
Calvert	115	7	81	20
Caroline	67	21	83	18
Carroll	98	11	86	14
Cecil	84	16	86	15
Charles	99	10	91	12
Dorchester	77	19	95	6
Frederick	103	9	94	9
Garrett	97	12	86	16
Harford	93	14	92	11
Howard	134	4	86	17
Kent	104	8	81	21
Montgomery	146	3	95	7
Prince George's	79	17	122	3
Queen Anne's	120	5	81	22
St. Mary's	89	15	82	19
Somerset	44	24	98	5
Talbot	160	2	54	24
Washington	79	18	93	10
Wicomico	72	20	104	4
Worcester	208	1	79	23
<b>State Average</b>	<b>100</b>		<b>100</b>	

Source: Department of Legislative Services

The Worcester County Teachers Association and The Worcester County Educational Support Personnel Association commissioned a study of Worcester County finances. The firm of R.J. Pellicoro Associates conducted the review. The following pages are from that budget review.

1. A cover letter that gives an overview of the report. One of the conclusions is that the Board of Education has been receiving a declining share of the County Budget, dropping from 42.1% in 2004 to 37.9% for 2009.
2. Fund Availability for Fiscal Year 2009 and 2010.
3. Worcester County Highlights of the FY 2009 and 2010 Fiscal Review. This exhibit indicates that for the last five years the County underestimated revenues by an annual average of \$10.0 million.
4. General Fund Balance. This analysis shows that the County has not restricted the funds in its fund balance. Therefore they can be used to meet Maintenance of Effort (MoE).
5. General Fund – Revenues FY 2004 – FY2010. This exhibit refers to the OPEB payments. Worcester County has, as a result of GASB 45, been putting \$17 million a year aside to cover retiree health costs. The plan is to satisfy these requirements within ten years instead of the 20 – 30 years in the requirement. The County can scale back its contributions to the OPEB account to a more reasonable rate.



R. J. Pellicoro Associates  
5008 Russett Road  
Rockville, Maryland 20853

February 24, 2009

Terry Springle  
3291 Blackbeard Road  
Greenbackville, VA 23356-2530

Dear Terry:

Attached is the Worcester County Budget Review for Fiscal Years FY 2009 & FY 2010. The "HIGHLIGHTS" of the report are shown on page 2. This analysis includes final FY 2008 data from the FY 2008 Comprehensive Annual Financial Report which was not available until mid-February 2009, some 7½ months after the close of the fiscal year. We have revised our review based on actual FY 2008 data. We have summarized pertinent observations as follows:

FY 2008

The County's FY 2008 operations contributed \$3.7 million to the Year End Fund Balance; a combination of \$2.7 million in revenue underestimates and \$1.0 million in overestimated expenditures. The June 30, 2008 Unreserved General Fund Balance is \$28.4 million.

FY 2009

We estimate that revenues will be only \$900,000 more than Budget, as a result of the economic downturn.

Actual expenditures are projected to be \$2.7 million less than Budget, consistent with the \$1.9 million annual average overestimate for the past 5 years.

Hence, we believe FY 2009 will add \$3.6 million to the Year End General Fund Balance.

FY 2010

Assuming all the same tax rates, we project FY 2009 revenues of \$205.5 million, an increase of \$15.1 million or 8.8% over FY 2009. The bulk of the increase is Property Tax revenues.

February 24, 2009  
Terry Springle  
Page 2

We also project FY 2010 expenditures at \$186.4 million, a level 5% higher than FY 2009, after reducing Transfers Out from \$17.0 million to \$10.0 million.

FY 2010 will not require a transfer from surplus.

Worcester County will have a \$51.1 million Unreserved General Fund Balance to use for FY 2011 and beyond.

BOE Share of General Fund Expenditures

The BOE's share of County expenditures declined from 42.1% for FY 2004 to 37.9% for FY 2009...a decline of 4.2 percentage points. One percentage point equates to \$1.7 million in FY 2009, hence, had the County merely maintained the FY 2004 support level, an additional \$7.1 million would have been allocated to the BOE for FY 2009!

Effective with FY 2007 the County started accruing a liability for retiree benefit costs which are currently expensed as incurred. The Accounting Board requires that such costs be accrued over the work life of employees. The County set aside \$17.0 million of operating funds annually for the OPEB Trust since FY 2007.

R.J. Pellicoro

cc: ✓ JC Parker

FUND AVAILABILITY

FISCAL YEAR 2009 AND 2010

We have reviewed the fund availability for Worcester County for fiscal year 2009 and fiscal year 2010 and are of the opinion that adequate funds will be available to fund a significant salary increase for all County employees without a property tax increase and without touching the reserve for "credit ratings".

It should be noted that additional funds above and beyond those set forth in our analysis could be made available if spending priorities, especially regarding capital improvements, are critically reviewed consistent with taxpayer priorities. The current budget includes funds for what might be low priority items as well as contingencies.

The following tabulation defines in detail the sources of available funds for fiscal year 2010 needs.

Fund Availability - FY 2010

Starting with the estimated June 30, 2008 Estimated Unreserved Fund Balance for the General Fund, we proceeded to determine:

- a. Fiscal year 2009 revenues in excess of County budget amount; and
- b. Fiscal year 2009 appropriations above probable expenditures.
- c. Fiscal year 2010 revenues assuming normal growth.

For clarification purposes, we have shown below each of these factors as well as their cumulative impact on fiscal year 2010 available funds:

(000,000)

A. June 30, 2008 Undesignated General Fund Bal.		\$28.4
B. FY 2009 Revenue Over County Estimate	\$ .9	
C. FY 2009 Estimated Unexpended Appropriations	<u>2.7</u>	<u>3.6</u>
D. Forecast 6/30/09 Surplus		\$32.0
E. FY 2010 Revenues - Same Tax Rates	\$205.5	
F. FY 2010 Expenditures - 5% Over FY 2009 <u>1/</u>	<u>186.4</u>	<u>19.1</u>
G. Fund Balance 6/30/10		<u>\$51.1</u>

What this means is that a 5% increase in expenditures for FY 2010 could be accommodated without a tax increase and a \$51.1 million surplus would be available for FY 2011 and beyond.

1/ Reduces Transfers Out to \$10.0 million.

WORCESTER COUNTY  
HIGHLIGHTS OF FY 2009 & 2010  
FISCAL REVIEW

- The County's fiscal condition, despite large transfers of funds to Capital Projects, has exceeded County estimates and will permit reasonable salary increases without raising tax rates, or impairing the Unappropriated Surplus.
- The County General Fund Balance has increased from \$24.1 million at June 30, 2004 to \$34.1 million at June 30, 2008.
- The 6/30/08 Unreserved General Fund Balance was \$28.5 million.
- Assuming the same \$.70 Property Tax Rate, we estimate FY 2010 revenues of \$205.5 million which will permit an expenditure level at 5% greater than FY 2009, while retaining a \$51.1 million General Fund Unreserved Balance at 6/30/10.
- The County has underestimated revenues for the past 5 years by an annual average of \$10.0 million.
- The County has overestimated General Fund Expenditures for each of the past 5 years, averaging \$1.9 million annually, despite large year-end overexpenditures for Capital Projects.
- The County has used \$22.0 million of operating funds for Pay-As-You-Go funding of Capital Projects and \$51.0 million for OPEB Reserve for the past 4 years...an average of \$28.0 million annually!
- The BOE's share of Total General Fund Expenditures and Transfers declined from 42.1% for FY 2004 to 37.9% for FY 2009...a drop of 4.2 percentage points. One percentage point equals \$1.7 million for FY 2009. Had the County maintained the FY 2004 share, an additional \$7.1 million would have been appropriated to the BOE for FY 2009!
- The County continues its policy of using large amounts of operating revenues for Pay-Go funding of Capital Projects, despite the severe economic slowdown and its impact on future funding.

GENERAL FUND BALANCE

FY 2004 - FY 2009

(000)

As At <u>June 30</u>	General Fund		<u>Reserved</u>	<u>Total</u>
	<u>Undesignated Fund Balance</u>	<u>Designated Fund Balance</u> <sup>1/</sup>		
2004	\$ 500	\$20,622	\$ 2,996	\$24,118
2005	500	27,704	4,107	32,300
2006	500	37,356	5,323	43,179
2007	500	31,187 <sup>2/</sup>	4,707	36,394
2008	500	27,991 <sup>3/</sup>	5,565	34,056
2009	500	32,000 Est.	5,000 Est.	37,500 Est.

"Truth-in-Budgeting" calls for a completely candid relationship between the County fiscal authorities and County citizens to assure that citizen-determined priorities are not compromised. The true fiscal health of the County depends on full disclosure.

Unlike other jurisdictions, Worcester County keeps a modest \$500,000 annually as Undesignated Fund Balance and designates the bulk of Unreserved Fund Balance for a myriad of purposes, a veritable wish list, which effectively remove such funding from the negotiations process.

With the current economic downturn, it would appear prudent for the County Commissioners to reexamine the priorities of Capital Projects planned the last few years given the current economic crisis. It might also be appropriate to adopt more realistic revenue projections to the budget process and focus on long term fiscal forecasts.

We forecast a June 30, 2009 Unreserved Fund Balance of \$32.5 million.

<sup>1/</sup> Designated for:

	(000)				
	FY <u>2004</u>	FY <u>2005</u>	FY <u>2006</u>	FY <u>2007</u>	FY <u>2008</u>
Credit Rating	\$ 3,500	\$ -	\$ -	\$ -	\$ -
Future Use	15,622	26,224	29,041	29,687	27,991
Subsequent Years' Expend.	1,500	1,500	1,500	1,500	-
OPEB	-	-	6,815	-	-
Total	<u>\$20,622</u>	<u>\$27,704</u>	<u>\$37,356</u>	<u>\$31,187</u>	<u>\$27,991</u>

"Designations of Fund Balance are used to show the amounts within Unreserved Fund Balance, which are intended to be used for special purposes but are not legally restricted." Quote from CAFR, Pg. 63.

<sup>2/</sup> The decrease in Designated Fund Balance is the result of the County's eleventh hour decision to overspend transfers to OPEB by \$6.8 million and transfers to Capital Projects Fund by \$7.5 million.

<sup>3/</sup> Similar to FY 2007, the County made an unbudgeted transfer of \$4.5 million to the Capital Projects Fund, thereby causing the decrease in General Fund Balance.

GENERAL FUND - REVENUE  
 FY 2004 - FY 2010  
 (000)

<u>Fiscal Year</u>	<u>Budget 1/</u>	<u>Actual 1/</u>	<u>Actual Over Budget</u>	<u>% Annual Increase</u>	<u>Per R.J. Pellicoro</u>
2004	\$112,588	\$120,209	\$ 7,620		
2005	122,143	138,824	16,680	15%	
2006	138,824	155,124	16,300	12	
2007	158,604	165,215	6,611	7	
2008	174,108	176,810	2,702	7	
2009	188,027			7 Est.	\$188,900
2010				9 Est.	205,500

1/ Excludes Fund Balance and Transfers.

Despite having the lowest tax rates in the State, Worcester County's annual revenue growth averaged 10% annually for the past 3 years.

The County significantly underestimated revenues for the past 5 years by an annual average of \$10 million. This practice results in diverting operating revenues away from current operating needs and toward Pay-Go funding of Capital Projects and OPEB accruals.

We conservatively estimate General Fund Revenue of \$188.9 million for FY 2009 and \$205.5 million for FY 2010.

We will monitor revenues based on actual collections throughout the year and will revise our estimates accordingly.

BUDGET SUMMARY  
 FY 2009 & FY 2010  
 (000)

	<u>FY 2009</u>		<u>FY 2010</u>
	<u>County</u>	<u>Per RJP</u>	<u>Per RJP</u>
Revenue	\$188,027	\$188,900	\$205,500
Prior Year Surplus - Est.	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total	<u>\$187,527</u>	<u>\$190,400</u>	<u>\$205,500</u>
Expenditures	\$170,723	\$168,000	\$176,400
Transfers	<u>18,804</u>	<u>18,804</u>	<u>10,000</u>
Total	<u>\$189,527</u>	<u>\$186,804</u>	<u>\$186,400</u>